

NOTE ABOUT THIS TRANSLATION

This document is an English translation of the report *Bericht des Aufsichtsrats der RHI AG mit dem Sitz in Wien, Wienerbergstraße 9, 1100 Wien betreffend die Prüfung der grenzüberschreitenden Verschmelzung der RHI AG mit der RHI-MAG N.V. gemäß entsprechenden Verschmelzungsplan (§ 3 Abs 2 EU-VerschG iVm § 220c AktG)* dated 23 June 2017. This document is a convenience translation only and does not have any legal effect.

Report

by the supervisory board of

RHI AG

having its official seat in Vienna
Wienerbergstraße 9, 1100 Vienna

regarding its review of the cross-border merger of
RHI AG

with RHI-MAG N.V. in accordance with the relevant Merger Terms (*Verschmelzungsplan*)
(Section 3 para. 2 of the Austrian EU Mergers Act (*EU-Verschmelzungsgesetz – EU-VerschG*) in conjunction with Section 220c of the Austrian Stock Corporation Act (*Aktiengesetz – AktG*))

23 June 2017

The supervisory board of RHI AG, having its official seat in Vienna and its office at 1100 Vienna, Wienerbergstraße 9, and registered with the Companies Register (*Firmenbuch*) at the Commercial Court (*Handelsgericht*) of Vienna under number FN 103123 b ("**RHI**"), hereby provides the following report pursuant to Section 3 para. 2 of the Austrian EU Mergers Act in conjunction with Section 220c of the Austrian Stock Corporation Act regarding the proposed cross-border merger by absorption of RHI, as transferring company, by way of universal succession by transferring all of its assets, including all assets and liabilities, rights and obligations and without entering into liquidation, to its wholly owned subsidiary RHI-MAG N.V., a public company incorporated under the laws of the Netherlands (*naamloze vennootschap*) registered with the Trade Register of the Dutch Chamber of Commerce under number 68991665 and having its official seat (*statutaire zetel*) in Arnhem, the Netherlands, and its office at 1100 Vienna, Wienerbergstraße 9 ("**RHI-MAG**"), as acquiring company, pursuant to the provisions of the Austrian EU Mergers Act and the Dutch Civil Code and taking advantage of the tax benefits provided for under Article I of the Austrian Reorganisation Tax Act (*Umgründungssteuergesetz – UmgrStG*) as at the Accounting Effective Date, i.e. 31 December 2016, 24:00 CET ("**Merger**").

RHI Feuerfest GmbH, having its official seat in Vienna and its office at Wienerbergstraße 9, 1100 Vienna, is registered with the Companies Register at the Commercial Court of Vienna under number FN 442121 d ("**RHI GmbH**"). RHI is the sole shareholder of RHI GmbH.

1. Subject matter of the Report

- 1.1** On 23 June 2017, RHI's management board and RHI-MAG's board of directors prepared merger terms with respect to the Merger (the "**Merger Terms**"). The Merger Terms are expected to be submitted to the shareholders' meetings of RHI and RHI-MAG for approval on 04 August 2017.
- 1.2** For this purpose, RHI's management board and RHI-MAG's board of directors prepared a Joint Merger Report (*gemeinsamer Verschmelzungsbericht*) on 23 June 2017.
- 1.3** The Merger Terms were audited by PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG, FN 320092 z, acting as the merger auditor on behalf of RHI. PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG prepared an audit report on its audit findings, which is enclosed with this Report as Annex ./1.
- 1.4** The proposed cross-border Merger is the second step of a reorganisation in two steps (see section 4.4.1.6).

2. Basis of the Report

- 2.1** The following documents are available to the members of RHI's supervisory board:
 - (a) the Merger Terms prepared by RHI and RHI-MAG dated 23 June 2017;
 - (b) the Joint Merger Report prepared by RHI's management board and RHI-MAG's

board of directors dated 23 June 2017;

(c) the audit report prepared on behalf of RHI by PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG dated 23 June 2017;

2.2 Accordingly, RHI's supervisory board reviewed the proposed Merger on the basis of the Joint Merger Report prepared by RHI's management board and RHI-MAG's board of directors dated 23 June 2017 and the audit report prepared on behalf of RHI by PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG dated 23 June 2017. The report prepared by RHI-MAG's merger auditor is available to the supervisory board, but it has not been included in the review by RHI's supervisory board.

3. General and background

3.1 The refractory industry has in the past years gone through a process of consolidation. RHI has in the past intensively considered various (strategic) options to further foster its market standing in view of enhancing a profitable market growth. The Merger - as an essential requirement and condition of the completion of the acquisition of control (the "**Acquisition of Control**") in Magnesita Refratários S.A., a corporation incorporated under the laws of Brazil, having its registered office at Praça Louis Ensich, 240, Cidade Industrial, in the city of Contagem, State of Minas Gerais, registered with the Junta Commercial (Board of Trade) under NIRE (Commercial Registry Number) 31.300.026.485 ("**Magnesita**"), and the integration of the RHI Group and the Magnesita Group into RHI-MAG following the Acquisition of Control - is deemed by RHI management the best option to so foster RHI's position in a more and more competitive market.

3.2 The strategic rationale for the transaction (the "**Transaction**") is for the RHI Group and the Magnesita Group to join forces to complement one another's footprints and become a more competitive, vertically integrated global provider of products, systems and services in the refractory industry. As a result of the extended geographical reach and product and services portfolio, the combined Group will have access to the core markets, customer base and geographical regions of each of RHI and Magnesita.

RHI management also considers the transaction to be a unique opportunity to complement its existing offering, in particular by adding dolomite products to its asset portfolio, increasing its distribution of flow control products and enabling the combined company to better service customers through a significantly expanded network of production and sales locations, as well as for the combined Group to become the leading player in the global refractory market that is otherwise characterized by high fragmentation and intense competition.

The geographical footprint of the two companies is highly complementary. RHI's revenues have derived to a large extent from sales in EMEA (including CIS) and Asia (51% and 22% of the RHI Group's 2016 revenues, respectively), with only limited revenues generated in South America to date. By contrast, Magnesita has a strong presence in its home market of the Americas (70% of revenue in 2016). The

Transaction aims to enable the combined Group to benefit from the presence, experience and customer base in each of RHI's and Magnesita's respective core markets with sophisticated customers sourcing refractory products worldwide based on global procurement systems. The Transaction will also improve the combined Group's proximity to its customers in terms of both production facilities with shorter lead times, prompter delivery of refractory products, shorter transport distances, and on-site functional support.

RHI believes that the Transaction will result in economies of scale and meaningful synergies in a number of key areas, such as sourcing and operations, general and administrative functions, freight, sales & marketing, research and development, and raw material supply and purchasing. The operational set-up of the combined Group is expected to benefit from the implementation of common standards of operational excellence, enhanced flexibility in production and an improved production cost basis.

Raw material supply and related prices are affected by the characteristics of the relevant market. Magnesita owns a number of large mines of refractory raw materials, which are predominantly located in Brazil (Brumado) which produce mainly magnesite, and the United States of America (York) which produce mainly Dolomite. The Transaction will provide RHI access to Magnesita's mining network in the Americas and Magnesita access to RHI's mining network in Europe. Combining the mining capacities of RHI and Magnesita will enable the combined Group to source raw materials locally and thereby retain or even increase its raw material integration level and enhance its supply flexibility due to lower logistics costs and shorter lead times. RHI management expects the integration of raw material reserves to assist with smoothing out demand volatility, balancing in-house supply and external purchases and improving efficiency with respect to working capital and logistics.

The Transaction will enable the combined group to gain access to technologies and know-how that are currently held either by RHI or by Magnesita, but not by both. For example, the combined Group will have the benefit of RHI's flow control technology, and each company's R&D will be available for the benefit of the combined Group. Furthermore, the Transaction will lead to a combination of the management teams of RHI and Magnesita, and enable the combined Group to benefit from market and product specific skills, know-how and experience of individuals and experts of both RHI and Magnesita, which should lead, for example, to a multicultural more diverse and open workforce and team spirit, sharing of management best practices and management skills, and better training. RHI management therefore believes that the Transaction will allow the combined Group to maintain or improve its ability to compete successfully and to retain the most talented managers and experts in the industry, which should further improve the combined Group's competitive position in respect of innovation, technology and growth.

RHI's management believes that the listing of the combined Group's holding company on the Premium Listing Segment of the Official List and admission of the RHI-MAG

shares to trading on the Main Market of the London Stock Exchange will not only reflect and underline the international scope of the combined Group following the Transaction, but will also increase the visibility of RHI Magnesita for global investors and improve funding opportunities of the combined group through better access to international capital.

4. Participating entities and Magnesita

4.1 RHI AG is a public company incorporated under the laws of Austria (*Aktiengesellschaft*), having its official seat in Vienna, Austria, and its office at Wienerbergstraße 9, 1100 Vienna, Austria, registered with the Companies Register at the Commercial Court of Vienna, Austria, under number FN 103123 b. The share capital of RHI amounts to EUR 289.376.212,84 and consists of 39.819.039 no-par common bearer shares. The RHI Shares are admitted to trading in the market segment Prime Market at the Vienna Stock Exchange (ISIN: AT0000676903).

4.2 RHI-MAG N.V. is a public company incorporated under the laws of the Netherlands (*naamloze vennootschap*), having its official seat (*statutaire zetel*) in Arnhem, the Netherlands, and its office at Wienerbergstraße 9, 1100 Vienna, Austria, registered with the Trade Register of the Dutch Chamber of Commerce. RHI is the sole shareholder of RHI-MAG. RHI-MAG's place of effective management (the "**Place of Effective Management**" or "**POEM**") within the meaning of Section 27 of the Austrian Tax Code is thus located in Vienna, Austria. RHI-MAG is a fiscal entity with unlimited tax liability in Austria under Section 1 para. 2 of the Austrian Corporate Income Tax Act.

4.3 Magnesita is controlled by a syndicate of several shareholders, consisting of Alumina, GPCP4 and Rhône (Alumina, GPCP4 and Rhône are jointly the "**Control Block**").

Magnesita has issued a total of 50.894.981 Magnesita Shares. Alumina holds 17.730.945 Magnesita Shares. GPCP4 hold 227,660 Magnesita Shares. Rhône holds 4,203,915 Magnesita Shares. The Control Block holds 22,162,520 Magnesita Shares, corresponding to 43.55% of the Share Capital of Magnesita. UV Gestora de Ativos Financeiros LTDA holds 2,889,308 Magnesita Shares, corresponding to 5.68% of the Share Capital of Magnesita. Alaska Investimentos Ltda holds 2,793,830 Magnesita Shares, corresponding to 5.49% of the Share Capital of Magnesita. The remaining Magnesita Shares of approximately 45,29% are held in free float.

4.4 Summary of the transaction as a whole

4.4.1 Acquisition of control

On 5 October 2016, Dutch Brasil Holding B.V., a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) with its official seat in Arnhem, the Netherlands, and its office address at Velperweg 81, 6824 HH Arnhem, the Netherlands, an indirect subsidiary of RHI ("**Dutch Brasil Holding**") and RHI, in their capacity as buyers on the one hand and Alumina and Rhône in their capacity as

sellers on the other hand (Alumina, GPCP4 and Rhône together the "**Sellers**") entered into a share purchase agreement with regard to the sale, purchase and transfer of not less than 46%, and not more than 50% plus one share, of the Share Capital of Magnesita (the "SPA") (excluding treasury shares) (the "Acquisition of Control"). On 3 November 2016, GPCP4 Fundo de Investimento em Partic ("**GPCP4**") executed a declaration regarding its accession to the SPA as additional seller (Deed of Adherence) and the sale of 227,660 Magnesita Shares to RHI (the "**DOA**"). The Sellers are required to use reasonable efforts to effect the Acquisition of Control.

The purchase price for one Magnesita Share under the SPA amounts to EUR 8,187,0530, rounded to EUR 8,19. As RHI intends to acquire all Magnesita Shares in the course of the combination, the total consideration for all 50,894,981 Magnesita Shares amounts to a maximum of EUR 416,679,907.62 to the extent that Magnesita does not repurchase further shares until closing of the Acquisition of Control (the "**Total Purchase Price**"). The Total Purchase Price will decrease in view of the results of the Fourth Repurchase Program and the Fifth Repurchase Program undertaken by Magnesita and the cancellation of shares by Magnesita.

4.4.1.1 *Conditions precedent to acquisition of control*

Prior to the closing of the Acquisition of Control and prior to payment of the purchase price by the buyer (Dutch Brasil Holding) RHI is required under the SPA – partly with the support of the Sellers and/or Magnesita – to fulfil conditions precedent that include the following:

- the implementation of an extensive corporate restructuring of the RHI Group, which consists primarily of the Demerger and the Merger, the termination of the stock exchange listing of RHI on the Vienna Stock Exchange and the listing of the newly issued RHI-MAG Shares on the London Stock Exchange ("**Corporate Restructuring**"). When the Merger takes legal effect, RHI-MAG will therefore assume all rights and obligations of RHI as its universal successor, unless such rights and obligations were transferred to RHI GmbH prior to the Merger. In particular, RHI-MAG will accede to the SPA as RHI's legal successor;
- RHI and RHI-MAG are required to take the measures necessary to obtain all permits, licenses, decisions, confirmations, consents, clearances, authorisations or approvals (including the consent of the representative and supervisory bodies) required under applicable national legislation for implementation of the Corporate Restructurings and the capital increases of the Authorised Capital of RHI-MAG (as defined below) for the purpose of issuing the new RHI-MAG Shares to the Sellers and the minority shareholders of Magnesita. This also includes approval from the extraordinary shareholders' meeting of RHI for the Merger;
- the Cash-Out Compensation of RHI Shareholders who made use of their statutory right of withdrawal during the course of the Merger must not in total exceed the sum of EUR 70,000,000, unless RHI decides to waive this condition;

- Dutch Brasil Holding can terminate the SPA, if the RHI extraordinary general meeting (“**EGM**”) does not give its approval for the Merger and thus for the Corporate Restructurings and/or if the Cash-Out Compensation of the Cash-Out Shareholder exceeds in total the sum of EUR 70,000,000 during the course of the Merger (and RHI does not waive fulfilment of this condition). If the SPA is terminated for this reason, Dutch Brasil Holding is required to pay to the Sellers a break fee in the amount of EUR 20,000,000 or, in the case of termination on the basis of all other grounds for termination defined in the SPA which are due to factors outside the sphere of influence of the Control Block, a break fee in the amount of EUR 10,000,000 (the “**Break Fee**”);
- Admission of the newly allotted RHI-MAG Shares (as represented by Depositary Interests) to the Premium Listing Segment of the Official List and to trading on the Main Market of the LSE (“**UK Listing**”) in accordance with the listing rules of the FCA and the conditions for admission to trading on the London Stock Exchange;
- Merger control clearance or the non-prohibition of the Transaction or confirmation that notification is not necessary, by the competent authorities in the affected jurisdictions (the “**Merger Control Clearance**”). Conditions in the course of the Merger Control Clearance process do not need to be fulfilled if, in the (hypothetical) event that the conditions were fulfilled prior to or on 31 December 2015, the combined annual turnovers of the RHI Group and the Magnesita Group as at the effective date of 31 December 2015 were to decrease by 15% or more compared to actual combined annual turnovers (the “**Significant Reduction**”); and
- Declaration, notification and/or submission of the Acquisition of Control and/or the Mandatory Offer as a foreign investment to the competent authorities;

(together, the “**Conditions Precedent**”).

4.4.1.2 *Status of the merger control proceedings*

The status of the merger control proceedings is set forth in section 8.4 (b) of the Joint Merger Report.

4.4.1.3 *Grounds for termination of the SPA*

As already set out in section 4.4.1.1, there are various grounds for termination of the SPA, including in particular the RHI EGM not approving the Corporate Restructurings or in the event that the aggregate Cash-Out Compensation exceeds EUR 70,000,000.

The parties to the SPA are entitled to withdraw from the SPA unless those regulatory permits that are mandatorily required under national regulations and that constitute conditions precedent under the SPA (the “**Regulatory Conditions**”) are issued within a period of 18 months following the conclusion of the SPA, thus by 6 March 2018. This period is extended to 24 months, thus to 6 October 2018, only if all Regulatory Conditions are fulfilled save for those under Argentinian law. The SPA lays down certain circumstances under which Dutch Brasil Holding is entitled to waive the

fulfilment of the Regulatory Conditions and the condition that the aggregate Cash-Out Compensation of Cash-Out Shareholders must not exceed the sum of EUR 70,000,000. Such a waiver is equivalent to the fulfilment of the condition covered by the waiver.

4.4.1.4 *Takeover offer and delisting of Magnesita*

Upon closing of the Acquisition of Control, RHI-MAG directly or indirectly or an affiliate of RHI-MAG as buyer are required – in accordance with the SPA and Brazilian law and regulations (in particular, the provisions of Novo Mercado) – to make a public mandatory offer addressed to all remaining Magnesita shareholders (the "**Free Float Shareholders**") to acquire all remaining Magnesita Shares (the "**Free Float Shares**") at the same conditions as those under the SPA (the "**Mandatory Offer**").

RHI-MAG or an affiliate of RHI-MAG as buyer can combine the Mandatory Offer with an offer to delist Magnesita and/or a voluntary delisting of Magnesita from the "Novo Mercado" segment (the "**Delisting Offer**"). Under the Brazilian delisting rules, the Delisting Offer must be addressed to all Free Float Shareholders and the purchase price payable to shareholders in exchange for them surrendering their shares under the Delisting Offer must represent at least the fair value of the Magnesita Shares. If the Delisting Offer is combined with the Mandatory Offer, the Delisting Offer must also be addressed to all Free Float Shareholders. If the Delisting Offer is made after the conclusion of the Mandatory Offer, the recipients of the Delisting Offer will only include those Free Float Shareholders who have not accepted the Mandatory Offer.

The Delisting Offer is deemed to have been successfully performed under Brazilian law if a two-thirds majority of the Free Float Shareholders that effectively registered themselves (and the Magnesita Shares held by them) to participate in the Delisting Offer tender their Magnesita Shares in the Delisting Offer, or expressly agrees with the delisting.

Free Float Shareholders who do not accept the Delisting Offer can subsequently accept it during an extended acceptance period of three months after the conclusion of the Delisting Offer. RHI-MAG intends there to be less than 5% of Magnesita Shares in the possession of Free Float Shareholders no later than after the settlement of the auction of the Delisting Offer. In such a case, RHI-MAG as the principal shareholder is entitled to demand that the remaining Free Float Shareholders transfer their Magnesita Shares in exchange for payment of a purchase price equal to the one under the Delisting Offer (the "**Squeeze-Out**").

If the threshold for the Squeeze-Out is not reached, Free Float Shareholders can sell their Magnesita Shares to RHI-MAG at any time after the delisting of Magnesita and following expiry of the extended acceptance period at a freely determinable purchase price (the "**Additional Purchases**").

4.4.1.5 *Total Purchase Price*

Under the terms of the SPA, RHI-MAG will issue a total of 10,000,000 new RHI-MAG Shares. Some of these will be issued to the Sellers as consideration for the Acquisition of Control, some will be issued to the Free Float Shareholders as consideration under the Mandatory Offer and any balance will be issued to investors in the market for cash. Those new RHI-MAG Shares which are issued to the Sellers and/or the Free Float Shareholders by way of consideration are referred to as "Share Consideration". The difference between the Total Purchase Price per Share (approximately EUR 8.19) and the Share Consideration per Share will be paid in cash (the "Cash Consideration"). The total Cash Consideration will decrease in view of the results of the Fourth Repurchase Program and the Fifth Repurchase Program undertaken by Magnesita and the cancellation of shares by Magnesita in a value of approximately EUR 8.19 per so cancelled share.

a. Consideration for acquisition of control

The purchase price for the Acquisition of Control assuming there are 50,894,981 allotted Magnesita Shares, amounts to between EUR 191,672,757.50 (46%) and EUR 208,339,962 (50% plus one share) (the "**Control Price**"). The Control Price is composed partly of Share Consideration and partly of Cash Consideration.

As stated above, the total amount of Share Consideration is 10,000,000 new RHI-MAG Shares. The proportion of that 10,000,000 new RHI-MAG Shares that will be distributed to the Sellers for the Acquisition of Control will depend on the number of Magnesita Shares actually held by the Sellers in the Share Capital of Magnesita upon closing of the Acquisition of Control, and will range between 4,600,000 and 5,000,000 new RHI-MAG Shares. With RHI-MAG Shares valued at EUR 17.50 each, this is equivalent to between EUR 80,500,000 and EUR 87,500,000 ("**Share Consideration Sellers**").

The Cash Consideration payable to the Sellers for the Acquisition of Control will therefore amount to between EUR 111,172,757.50 and EUR 120,839,962, depending on the number of Magnesita Shares actually received from the Sellers from whom the Acquisition of Control is acquired (the "**Cash Consideration for the Sellers**").

b. Consideration for mandatory offer

Under the Mandatory Offer, Free Float Shareholders must be treated the same as the Sellers are treated under the Acquisition of Control.

The Free Float Shareholders will therefore be able to elect to receive either:

- consideration made up of Share Consideration, with a balancing amount (if there are insufficient RHI-MAG Shares available) paid in cash ("**Mixed Consideration for Free Float Shareholders**"); or
- cash only ("**Cash Only Consideration for Free Float Shareholders**").

If a Free Float Shareholder elects to receive Mixed Consideration for Free Float Shareholders, that shareholder will receive new RHI-MAG Shares ("Share Consideration for Free Float Shareholders"). There will be in total between 5,000,000 and 5,400,000 RHI-MAG Shares available to Free Float Shareholders as Share Consideration, depending on the number of RHI-MAG Shares comprising the Share Consideration for the Sellers. With an issue price of EUR 17.50 per RHI-MAG Share, the Share Consideration for Free Float Shareholders therefore has a total cash value equivalent to between EUR 87,500,000 and EUR 94,500,000. The balance (if there are insufficient RHI-MAG Shares available) of the Mixed Consideration for Free Float Shareholders will be paid in cash. Thus, if the acceptance ratio for the Mandatory Offer is 100%, a cash consideration of between EUR 120,839,945.62 and EUR 130,507,150.11 would be payable to Free Float Shareholders (the "**Cash Consideration for Free Float Shareholders**"). The Share Consideration for Free Float Shareholders and the Cash Consideration for Free Float Shareholders together comprise the Mixed Consideration for the Free Float Shareholders. The Cash Consideration for Free Float Shareholders will decrease in view of the results of the Fourth Repurchase Program and the Fifth Repurchase Program undertaken by Magnesita and the cancellation of shares by Magnesita.

As an alternative to the Mixed Consideration for the Free Float Shareholders, the Cash Only Consideration for Free Float Shareholders will be offered to Free Float Shareholders within the context of the Mandatory Offer.

If the Mandatory Offer is accepted by all Free Float Shareholders, the Mixed Consideration for the Free Float Shareholders will amount to between EUR 208,339,945.62 and EUR 225,007,150.11, (adjusted by the SELIC rate) depending on the number of RHI-MAG Shares comprising the Share Consideration for the Sellers (the "**Free Float Price**"). The Mixed Consideration for the Free Float Shareholders will decrease in view of the results of the Fourth Repurchase Program and the Fifth Repurchase Program undertaken by Magnesita and the cancellation of shares by Magnesita in a value of approximately EUR 8.19 per so cancelled share.

c. Purchase obligation and purchase right of the Sellers (*Top-Up Shares*)

The SPA also contemplates – in addition to the Share Consideration Sellers in the course of the Acquisition of Control - the take-up by the Sellers of new RHI-MAG Shares, if the number of new RHI-MAG Shares issued as Share Consideration pursuant to both the Acquisition of Control and the Mandatory Offer amounts to less than the total number of 10,000,000 new RHI-MAG Shares to be issued pursuant to the Transaction. Under the SPA, the Sellers have an obligation to acquire a total of not less than 6,500,000 new RHI-MAG Shares as Share Consideration. This includes the Share Consideration for the Sellers for the Acquisition of Control, the maximum number of which is 5,000,000.

Furthermore, the Sellers have the right (but not the obligation) to acquire an additional

1,500,000 RHI-MAG Shares, which would take them to a total of up to 8,000,000 RHI-MAG Shares. The Sellers therefore – depending on the number of RHI-MAG Shares already acquired as Share Consideration for the Sellers – must acquire at least a further 1,500,000 and may acquire up to a maximum of 3,400,000 additional RHI-MAG Shares after the Acquisition of Control (the "**Top-Up Shares**").

The Sellers must notify RHI (after the Merger: RHI-MAG) (i) within a period of 12 months after signing of the SPA, thus by 6 October 2017, or (ii) within five working days of the fulfilment or waiver of the final Regulatory Condition, of the maximum number of Top-Up Shares they intend to acquire (the "**Maximum Top-Up Shares**").

After expiry of the offer period for the Mandatory Offer, RHI-MAG must announce the minimum number of Top-Up Shares that have to be purchased by the Sellers. The Sellers are then obliged to purchase at least the number of Top-Up Shares announced.

4.4.1.6 *Corporate Restructurings of the RHI Group*

As a condition precedent under the SPA, RHI is required to carry out the Corporate Restructurings prior to closing of the Acquisition of Control. Until such time as the Regulatory Conditions are fulfilled in their entirety, RHI is not required to take the measures necessary for the Corporate Restructurings. The Corporate Restructurings of the RHI Group consist of two steps under corporate law:

- the Demerger; and subsequently
- the Merger

It is necessary in terms of the structure of the transaction for the Demerger to be carried out before the Merger, but both are prepared and resolved upon in parallel by RHI Shareholders and RHI-MAG Shareholders. In light of the close technical and economic link that exists between the Demerger and the Merger, and given that resolutions regarding both measures will need to be adopted in each case with required majority by the shareholders' meeting of RHI and RHI-MAG, (i) the Demerger and Acquisition Agreement is in particular subject to the required majorities voting in favour of the Merger at the shareholders' meetings of RHI and RHI-MAG, and (ii) the Merger Terms that are required to be prepared under Section 5 of the Austrian EU Mergers Act are in particular subject to the required majorities voting in favour of the Demerger and Merger at the shareholders' meeting of RHI and in favour of the Demerger at the general meeting of RHI GmbH and that this is recorded in the Companies Register.

The stock exchange listing of RHI on the Vienna Stock Exchange remains unaffected by the Demerger. The termination of the stock exchange listing (delisting) of RHI only occurs once the Merger takes effect; however, the shares of its legal successor RHI-MAG will be listed on the London Stock Exchange.

By virtue of the Merger, RHI Shareholders will receive RHI-MAG Shares in exchange

for their RHI Shares at an exchange ratio of 1:1.

4.4.1.7 Transferring RHI's business operations and equity interests to RHI GmbH

Prior to the acquisition of Magnesita, RHI intends to transfer all its business operations together with the equity interests specified in the Demerger and Acquisition Agreement to the Austrian RHI GmbH by way of legal succession (also see section 4.4.1.1). Except for the funds used to provide the share capital, RHI GmbH does not have any material other assets or any material liabilities before the Demerger takes legal effect.

The Demerger is intended to be implemented prior to the Merger in order to ensure that RHI's current business operations and its staff employed in Austria will remain within an Austrian company.

The Merger Terms provide that the Merger, being the second step of the Corporate Restructurings, is subject to the condition precedent, among others, that the Demerger take legal effect, thus requiring the Demerger to precede the Merger within the transaction structure.

RHI is contractually obligated to implement the Demerger as a Condition Precedent (see section 4.4.1.1) to the SPA for closing the SPA. If the Demerger is not implemented, Dutch Brasil Holding and RHI will be obligated to pay to the Sellers a break fee in the amount of EUR 20,000,000.00.

- Demerger and Acquisition Agreement

On 23 June 2017, RHI's management board and RHI GmbH's management concluded the Demerger and Acquisition Agreement.

The effectiveness of the Demerger and Acquisition Agreement is subject to the conditions precedent that (i) the Demerger and Acquisition Agreement be approved by RHI's shareholders' meeting and RHI GmbH's general meeting and that (ii) the Merger be approved by the shareholders' meetings of RHI and RHI-MAG.

It is intended that RHI's management board will be authorised by RHI's shareholders' meeting to apply, at its discretion and by agreement with RHI GmbH's management, for registration of the Demerger in the Companies Register only if (i) no actions of avoidance or nullity are pending against the resolutions passed by RHI's shareholders' meeting on the Demerger or any related resolutions, in particular the resolutions to be passed by RHI's shareholders' meeting in connection with the Merger, or (ii) it is expected following legal assessment that no such action will prevent registration of the Demerger or the Merger in the Companies Register (and thus their taking effect and the effectiveness of all related resolutions). If, as a result of pending actions of avoidance or nullity, any registration of the Demerger or the Merger and the related resolutions is delayed to a date later than 02 November 2017, RHI's management board will be authorised, subject to the supervisory board's consent and by agreement with RHI GmbH's management – and without any further resolution being required to

be passed by any shareholders' meeting – to cancel the Demerger and Acquisition Agreement not yet registered in the Companies Register by mutual agreement retroactive to 31 December 2016 and to withdraw the application for registration in the Companies Register.

- Contractual relationships and assets to be transferred

Section 4.10.1 of the Demerger and Acquisition Agreement describes the contractual relationships and assets to be transferred to RHI GmbH. Section 4.10.2 describes the contractual relationships and assets which will remain at RHI.

a Demerger Auditor

By a decision of the Commercial Court of Vienna, Austria, in its capacity as Commercial Court of Registration, PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG, FN 320092 z, was appointed as the joint demerger auditor by the competent court on 1 June 2017 pursuant to Section 17 of the Demerger Act, Section 96 of the Act on Limited Liability Companies and Section 220b of the Austrian Stock Corporation Act (the "**Demerger Auditor**").

Pursuant to Sections 17 and 3 para. 4 of the Demerger Act, a remaining assets auditor must be appointed for RHI by the competent court during the course of the Demerger. The remaining assets auditor may simultaneously be the Demerger Auditor, this being the reason why PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG, FN 320092 z was also appointed as the remaining assets auditor by a decision of the Commercial Court of Vienna, Austria, on 1 June 2016 in its capacity as Commercial Court of Registration (the "**Remaining Assets Auditor**").

b Documents made available

To implement the Demerger pursuant to Section 1 para. 2 no. 2 in conjunction with Section 17 of the Demerger Act in application of Article VI of the Austrian Reorganisation Tax Act, RHI is required to make the following documents available to RHI Shareholders at least one month before the RHI EGM at which also a resolution is adopted on the Demerger:

- Demerger and Acquisition Agreement;
- the audited annual financial statements and management reports of RHI and of RHI GmbH for the past three financial years, including corporate governance reports, insofar as the preparation of such reports was required in accordance with the relevant legislative provisions;
- the audited closing balance sheet of RHI as at 31 December 2016;
- the joint demerger report prepared by the management board of RHI and the management of RHI GmbH;
- the audit report prepared by the Demerger Auditor PKF Österreicher-Staribacher

Wirtschaftsprüfungs GmbH & Co KG; and

- the joint demerger report of the supervisory boards of RHI and RHI GmbH.

5. Explanation of the terms of the Merger

In their Joint Merger Report dated 23 June 2017, RHI's management board and RHI-MAG's board of directors explained the impact of the Merger on the creditors and employees of the companies involved in the Merger, including the impact of the Merger on the employees' claims under the law of obligations. Furthermore, in accordance with the statutory requirements, RHI's management board and RHI-MAG's board of directors explained in legal and economic terms the measures pursuant to Section 226 para. 3 of the Austrian Stock Corporation Act in conjunction with Section 3 para. 2 of the Austrian EU Mergers Act, the expected impact of the Merger, the joint Merger Terms and in particular the Exchange Ratio of the shares and the Cash-Out Compensation.

The Merger terms were audited by PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG in its capacity as Austrian merger auditor. PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG has prepared a written audit report on its audit.

The Merger Terms, which serve as the basis of the planned Merger of RHI and RHI-MAG, in particular contemplate the following:

5.1 Incorporation of RHI-MAG

In order to prepare and implement the Merger, RHI incorporated RHI-MAG with a share capital of EUR 45,000.00 represented by 45,000 shares. Prior to the Merger, RHI is the sole shareholder of RHI-MAG.

RHI and RHI-MAG intend to implement the Merger by way of universal succession once the Demerger has taken effect.

5.2 Transfer of assets

Upon effectiveness of the Merger, all assets, rights, permits, liabilities and other contractual relationships remaining with RHI after the Demerger has taken effect will be transferred to RHI-MAG by way of universal succession of title. RHI ceases to exist without being liquidated.

5.2.1 Conditions precedent

The completion of the Merger is subject to the satisfaction or, to the extent permitted by applicable law, waiver (in writing) by both Companies prior to the Merger Effective Date of the following conditions:

- the fulfilment of the listing criteria for the Admission of the RHI-MAG Shares allotted in the course of the Merger to the RHI Shareholders to the London Stock Exchange has been confirmed by issuance of a confirmation of eligibility by the

UK Listing Authority;

- no governmental entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any order or act which is in effect and prohibits consummation of the Merger in accordance with the terms set forth herein and no order shall have been enacted, entered, promulgated or enforced by any governmental entity of competent jurisdiction which prohibits or makes illegal the consummation of the Merger;
- the aggregate amount of cash, if any, required to be paid to RHI shareholders exercising cash exit rights under Section 10 of the Austrian EU Mergers Act, shall not exceed in the aggregate EUR 70,000,000.00;
- the approval of the Demerger and Merger by the RHI EGM;
- the approval of the Demerger by the shareholders' meeting of RHI GmbH;
- the approval of the Merger by the general meeting of RHI-MAG; and
- the registration of the Demerger with the Companies Register at the Commercial Court of Vienna, Austria.

5.2.2 Registration of the Merger in the Austrian Companies Register

When the Merger takes legal effect (pursuant to applicable Dutch law), RHI ceases to exist without being liquidated; no separate resolution for the winding up of RHI is required. As a result of RHI ceasing to exist, all shares issued by RHI will cease to exist. RHI's listing on the Official Market of Wiener Börse AG will be terminated *ex lege*.

6. Determining the Exchange Ratio and Cash-Out Compensation

6.1 Share-for-share exchange

As a result of the Merger taking effect, each holder of one or more no par value bearer shares in the share capital of RHI on the Merger Effective Date shall receive one RHI-MAG Share, with a nominal value of EUR 1.00 each, for each no par value bearer share in RHI (the "**Exchange Ratio**"), if such holder is not a Cash-Out Shareholder (the "**Eligible RHI Shareholders**"). The Cash Out Shareholders will also receive one RHI-MAG Share, with a nominal value of EUR 1.00 each, for each no par value bearer share in RHI subject, however, to such New RHI-MAG Shares being sold immediately by way of a private placement.

As RHI-MAG is a wholly owned subsidiary of RHI, as the Exchange Ratio of RHI Shares to New RHI-MAG Shares amounts to 1:1 and all assets, rights, permits, liabilities and other legal relationships will be transferred to RHI-MAG, the Boards abstained from basing the Exchange Ratio on a valuation of the Companies. Further, no cash payments (*bare Zuzahlungen*) will be made pursuant to the Exchange Ratio in connection with the Merger.

ENDYMION Accountants B.V., CoC no. 67281605, shall in its capacity as Merger auditor prepare a statement in relation to the equity of RHI and the fairness of the Exchange Ratio in accordance with Sections 2:328, paragraph 1, and Section 2:333g Dutch Civil Code. This statement will be made available to the public in accordance with applicable laws and regulations.

PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG in its capacity as Austrian merger auditor (*Verschmelzungsprüfer*) will include a statement in relation to the fairness of the Exchange Ratio and the Cash-Out Compensation in the audit report in accordance with Section 7 of the Austrian EU Mergers Act. This statement will be made available to the public in accordance with applicable laws and regulations.

7. Statutory right of withdrawal and Cash-Out Compensation

Cash-Out Shareholders who do not wish to become RHI-MAG Shareholders can either sell their RHI Shares up until the Record Date, i.e. the day preceding the day on which the Merger takes legal effect, via the Vienna Stock Exchange (and in this way possibly achieve an amount in excess of the cash settlement offer in case the stock exchange price or the sales price exceeds the cash settlement offer) or make use of their right to receive Cash Compensation ("**Cash-Out Right**").

7.1 Legal framework

Pursuant to Section 10 of the Austrian EU Mergers Act, every RHI Shareholder, who has voted against the resolution of the Merger and requested that an objection be recorded in the minutes of the RHI EGM, has the right to request adequate cash compensation for the surrender of its shares provided that it was a shareholder of RHI from and including the date of the RHI EGM up to and including the date it exercised its right to cash compensation (a "**Cash-Out Shareholder**"). Such right can be asserted (i) at the same time as the objection to the Merger resolution is raised, both the objection and the assertion of the right to be recorded in the minutes of the RHI EGM, or otherwise (ii) by written notice to be received by RHI (the "**Cash-Out Notice**") within one month after the adoption of the Merger resolution (the "**Cash-Out Period**"). The right to receive cash compensation is conditional upon the Merger taking effect. Payment is due and payable on the Merger Effective Date and becomes time barred after three years.

Those entitled to Cash-Out Compensation are to be provided with security regarding fulfilment of the Cash-Out Compensation, including transfer costs. The certificate of lawfulness (*Rechtmäßigkeitsbescheinigung*) specified in Section 14 para. 3 of the Austrian EU Mergers Act, which is a requirement for the lawful implementation of the Merger, may only be issued, if the Cash-Out Compensation claims are secured or it can be demonstrated that all shareholders entitled to a Cash-Out Compensation have waived their right to payment of the Cash-Out Compensation. When filing for the issuance of the pre-merger-certificate at the Companies Register at the Commercial

Court of Vienna, Austria, proof must be provided that the actual Cash-Out Compensation to which shareholders are entitled has been secured pursuant to Section 14 para. 1 no. 8 of the Austrian EU Mergers Act. The rights of those entitled to payment of a Cash-Out Compensation must be secured by bank guarantee or a cash sum deposited with and held by a trustee for the benefit of those entitled to payment of the Cash-Out Compensation.

7.2 Cash-Out Compensation

The Cash-Out Compensation offered by RHI-MAG amounts to EUR 26.50 per RHI Share (at that time converted into one RHI-MAG Share on the basis of the Exchange Ratio) (the "**Cash-Out Compensation**").

According to the terms of the SPA, RHI can withdraw from the SPA if the aggregate amount of the total Cash-Out Compensation payable to the Cash-Out Shareholders under Section 10 of the Austrian EU Mergers Act exceeds in the aggregate EUR 70,000,000.00. Therefore, the closing of the Acquisition of Control is also conditional upon a Cash-Out Compensation payment being made during the course of the Merger that does not exceed EUR 70,000,000.00.

RHI-MAG, based on generally accepted valuation methods applied by a valuation expert, has determined the Cash Compensation per RHI Share. The appropriateness and adequacy of the Cash Compensation has been confirmed in the Merger Auditor's expert report, but remains subject to judicial post-merger review. (See section 12 [Calculating the exchange ratio and cash settlement]) of the Joint Merger Report.

7.3 Escrow Agent for the Cash-Out Compensation

The Companies have appointed the Austrian notary public Dr. Christian Mayer, Seilerstätte 28, 1010 Vienna, Austria, as Escrow Agent pursuant to Section 225a, paragraph 2, of the Austrian Stock Corporations Act ("**Escrow Agent**"). The Escrow Agent shall hold the aggregate amount of all Cash-Out Compensations to which the Cash-Out Shareholders are entitled ("**Cash-Out Escrow Funds**"), in escrow until the Merger Effective Date or, in case a Cash-Out Shareholder withdraws from the acceptance of the Cash Out Offer, until so declared vis-à-vis its deposit bank.

Upon the Merger Effective Date the Escrow Agent shall procure that the Cash-Out Escrow Funds are credited from the Escrow Account at the Merger Effective Date to Raiffeisen Centrobank AG, Tegetthoffstraße 1, 1015 Vienna, Austria, registered with the Commercial Court of Vienna under FN 117507 f, as Settlement Agent. The Settlement Agent shall procure that the Cash-Out Compensation or any higher consideration realized in the private placement of the Cash-Out Shares shall be credited to the Cash-Out Shareholders accounts (For the private placement see below).

7.4 Settlement of the cash-out offer

Until the Merger Effective Date the Cash-Out Shares shall remain on the deposit accounts of the individual Cash-Out Shareholders.

Cash-Out Shareholders are required to file with their depositary bank a form (the "**Cash-Out Form**") including but not limited to, account details, the number of RHI Shares for which they exercise their Cash-Out Right ("**Cash-Out Shares**"), evidence that they have held the Cash-Out Shares since the RHI shareholders' meeting approving the Merger, and the instruction to lock their Cash-Out Shares until the Merger has taken legal effect. Accordingly, Cash-Out Shareholders remain legal owners of their Cash-Out Shares until effectiveness of the Merger and will be able to exercise their voting right, if an extraordinary shareholders' meeting is held before effectiveness of the Merger.

RHI has instructed Raiffeisen Centrobank AG, Tegetthoffstraße 1, 1015 Vienna, Austria, registered with the Commercial Court of Vienna under FN 117507 f, ("**Settlement Agent**") within a banks consortium to place the Cash-Out Shares with qualified investors in a private placement by way of an accelerated bookbuilding ("**ABB**"). Should the price per Cash-Out Share realised in such private placement exceed the Cash-Out Compensation, Cash-Out Shareholders will be compensated with such higher price. When the Merger takes legal effect, the Cash-Out Shares will be collected from the Cash-Out Shareholders' deposits, exchanged for RHI-MAG shares at the Exchange Ratio and allocated and delivered to the investors identified in the ABB. The Cash-Out Shareholders will be credited the Cash-Out Compensation or any higher consideration realized in the ABB.

7.5 Withdrawal from the acceptance of the cash-out offer

In the event of a delay in registering the Demerger or Merger and all associated resolutions due to pending applications and actions for annulment or for other reasons, the Management Board of RHI is by mutual agreement authorised, with the approval of the Supervisory Board and in agreement with the Management of RHI GmbH and the board of directors of RHI-MAG – and without requiring the adoption of a further resolution at a general meeting – to terminate the Demerger and Acquisition Agreement and the Merger Terms not yet entered in the Commercial Register with retroactive effect to 31 December 2016 and to withdraw the application for the Merger to be entered in the Commercial Register.

Cash-Out Shareholders are likewise entitled to withdraw their acceptance of the Cash-Out Offer at the latest three banking days before the Record Date.

In case of such withdrawal from the Cash-Out Offer acceptance Cash-Out Shareholders are required to notify their Depositary bank and RHI of such withdrawal from the Cash-Out Offer. The Cash-Out Shareholders have to instruct their Depositary bank to un-lock their Cash-Out Shares. Accordingly, Cash-Out Shareholders will no longer be entitled to the Cash-Out Compensation and will be entitled to freely transfer their Cash-Out Shares. Such Cash-Out Shares will upon effectiveness of the Merger

be transformed into New RHI-MAG Shares.

7.5.1 Authorised capital of RHI-MAG

According to article 4 of the RHI-MAG-AoA the authorised share capital of RHI-MAG (the "**Authorised Capital**") currently amounts to EUR 225,000.00. The Authorised Capital is divided into 225,000 shares with a nominal value of EUR 1.00 each. It is envisaged that upon the Merger taking effect, the RHI-MAG-AoA will be amended, which amendment includes a change of its Authorised Capital into an amount of EUR 100,000,000.00 to be divided into 100,000,000 shares with a nominal value of EUR 1.00 each.

7.5.1.1 First Capital Increase

In exchange for the cancellation of their RHI Shares, the RHI Shareholders receive RHI-MAG Shares allocated by RHI-MAG from its Authorised Capital.

First, all existing 45,000 shares issued by RHI-MAG will be withdrawn and cancelled at the time at which the Merger takes effect and at the very same time 39,819,039 RHI-MAG Shares, each with a par value of EUR 1.00 (Euro one) will be allocated to the RHI-MAG shareholders of RHI on the basis of the exchange ratio of 1:1 (the "First Capital Increase"). Following the Merger, the share capital of RHI-MAG will consequently be divided into the same number of shares into which the share capital of RHI was divided prior to the Merger. The Merger therefore maintains the existing shareholding structure.

RHI as the sole shareholder of RHI-MAG will authorise the board of RHI-MAG to issue up to 10,000,000 newly issued RHI-MAG shares and to exclude pre-emptive rights, to the Sellers and to those shareholders of Magnesita who accept the share consideration part of the Mandatory Offer and not the cash only offer. The subscription rights in respect of up to 10,000,000 RHI-MAG shares to be issued by RHI-MAG during the capital increases will dilute the investment holdings of current RHI shareholders in their capacity as shareholders of RHI-MAG after the Merger.

7.5.1.2 Second Capital Increase

Following the Merger and after the First Capital Increase, the share capital of RHI-MAG will consist of 39,819,039 RHI-MAG Shares.

On or around closing of the Acquisition of Control, RHI-MAG will increase its share capital from 39,819,039 RHI-MAG Shares by not less than 4,600,000 and not more than 5,000,000 RHI-MAG Shares, to not less than 44,419,039 and not more than 44,819,039 shares (the "**Second Capital Increase**") in order to issue to the Sellers the number of new RHI-MAG Shares as agreed under the SPA (the "**Sellers New RHI-MAG Shares**"). The Second Capital Increase takes place on or around closing of the Acquisition of Control and is subject to the exclusion of pre-emptive rights. It will dilute the investment holdings of those current RHI Shareholders with new RHI-MAG Shares after the Merger and before the Second Capital Increase.

7.5.1.3 *Third Capital Increase*

Under the Mandatory Offer, at least 5,000,000 and up to 5,400,000 additional new RHI-MAG Shares are to be issued to Free Float Shareholders ("Free Float New RHI-MAG Shares") for the remaining Magnesita Shares (the "Third Capital Increase"). The total volume of new RHI-MAG Shares in connection with the Transaction will increase to 10,000,000 after the Second and Third Capital Increase. The share capital, consisting of at least 44,419,039 shares after the Merger and after the Second Capital Increase, will therefore increase to 49,819,039 shares.

To the extent the number of new RHI-MAG Shares issued comes to less than 10,000,000 taking into account all the Share Consideration under the Acquisition of Control, the Mandatory Offer and all the Top-Up Shares acquired by the Sellers, the balance of the 10,000,000 RHI-MAG Shares will be placed with investors in the market under another ABB process as part of the Third Capital Increase.

7.5.1.4 Stock-market listing

Before the Merger Effective Date application will be made to the UK Financial Conduct Authority (the "**FCA**") under section 73A of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and to the London Stock Exchange respectively for admission of the New RHI-MAG Shares: (i) to the premium listing segment of the Official List under Chapter 6 of the UK Listing Rules (the "**Premium Listing**"); and (ii) to trading on the Main Market of the London Stock Exchange (together the "**Admission**"). As at the date of this Joint Merger Report the RHI Shares are listed on the official market of the Vienna Stock Exchange. Upon the Merger taking effect, RHI will cease to exist as legal entity and the RHI Shares will no longer be listed on the Vienna Stock Exchange. Trading in RHI Shares on the Vienna Stock Exchange will be terminated on or before the day before the Merger taking effect. Matched trades not settled on the Record Date will be transformed for settlement in RHI-MAG shares: Claims for the delivery of RHI Shares will be transformed into claims for the delivery of RHI-MAG Shares and will be settled in RHI-MAG Shares. It is, however, intended to apply for a listing of the RHI-MAG Shares on the Third Market, a multilateral trading facility operated by the Vienna Stock Exchange. It is expected that Admission will become effective on or around the 1st business day in London after the Merger Effective Date. Dealings in the RHI-MAG Shares may commence on a conditional basis in accordance with settlement cycles before dealings commence on an unconditional basis. All dealings in RHI-MAG Shares before the Admission will be on a "when issued" basis. Such dealings will be at the sole risk of the parties concerned. It is not intended that RHI-MAG Shares will be admitted to trading on another regulated market of another stock exchange than the London Stock Exchange. The dates and times of Admission may be changed without further notice. Further information on the conditions and procedure for allocation of the RHI-MAG Shares shall be communicated in a notice published on the website of RHI (www.rhi-ag.com). RHI and RHI-MAG will charge no costs to RHI Shareholders in relation to

the shares exchange. All costs relating to the share exchange (such as bank fees, settlement fees), but for the avoidance of doubt, not any taxes and recurrent deposit fees, will be borne by RHI-MAG.

8. Further explanations regarding the Merger Terms

8.1 Employee participation

Currently, there is no employee participation within the meaning of Council Directive 2001/86/EC at the level of RHI-MAG. There is employee participation at the level of RHI as required under the Austrian Labour Relations Act (*Arbeitsverfassungsgesetz*). The RHI group's works council (*Konzernbetriebsrat*) currently has the right to appoint 1/3rd (rounded upwards) of the members of the supervisory board of RHI. As RHI employs more than 500 employees on average, it is in principle required to negotiate the employee participation rights that will apply after the Merger at RHI-MAG with a special negotiating body that must be set up for that purpose. However, the management bodies of the Companies have agreed to propose to the general meetings of both RHI and RHI-MAG to apply the standard rules for employee participation as mentioned in article 1:31 paragraphs 2 and 3 of the Dutch Employee Involvement at European Companies Act (*Wet rol werknemers bij de Europese vennootschap*) (the "**Standard Rules**") instead, in accordance with Section 2:333k para. 12 Dutch Civil Code.

The Standard Rules stipulate that after the Merger, the employee representatives must have the right to appoint a number of Non-Executive Directors of RHI-MAG equal to the number of supervisory directors that employee representatives are currently entitled to appoint at RHI. As the employee representatives at RHI are currently entitled to appoint 1/3rd (rounded upwards) of the supervisory directors, the employee representatives must also be granted the right to appoint 1/3rd of the Non-Executive Directors of RHI-MAG after the Merger. The board of RHI-MAG will consist of seventeen (17) Non-Executive Directors. Hence, upon the Merger becoming effective, six (6) Non-Executive Directors may be appointed by the employee representatives (being 1/3rd of the total number of Non-Executive Directors of RHI-MAG, rounded upwards) and RHI-MAG's articles of association will reflect the same.

The distribution of seats on the board of RHI-MAG that are to be occupied by employees must take all employees of the RHI Group employed within the European Union into account and this will be decided by the competent body, being the European Works Council of RHI. This decision must comply with specific distribution rules. When applying these rules, it is likely that the seats will be distributed as follows: There will be eleven Non-Executive Directors on the Board of Directors of RHI-MAG appointed by shareholders, meaning employees may appoint six employee representatives (one third parity). These six seats would be distributed as follows:

Austria: 1 seat

The Netherlands: 1 seat

Germany: 1 seat

Italy: 1 seat

United Kingdom: 1 seat

Ireland: 1 seat

After the seats are distributed, the employees in each EU Member State entitled to a seat can appoint their representatives on the Board of Directors of RHI in accordance with local laws. In Austria the group's works council is responsible for making such an appointment.

8.2 Mandatory contents of the Merger Terms pursuant to Section 5 para. 2 of the Austrian EU Mergers Act and the provisions of the Dutch Civil Code

The Merger Terms include the terms of the Merger pursuant to Article 2:312, Article 2:326 and Article 2:333d of the Dutch Civil Code and Section 5 of the Austrian EU Mergers Act and Section 220 of the Austrian Stock Corporation Act, which were prepared and adopted by the management bodies. The supervisory board confirms the completeness and legality of the Merger Terms.

8.3 Declarations of submission by RHI-MAG

According to the Merger Terms (*Additional data to be mentioned pursuant to the Austrian EU Mergers Act and the Austrian Stock Corporations Act: Declaration of submission by RHI-MAG and appointment of an Escrow Agent*), RHI-MAG intends to explicitly accept in accordance with Section 12 para. 1 no. 2 of the Austrian EU Mergers Act that in the event the shareholders' meeting gives its consent to the Merger Terms, the RHI Shareholders can initiate review proceedings at the Companies Register at the Commercial Court of Vienna, Austria, concerning the exchange ratio pursuant to Section 225c et seq. of the Austrian Stock Corporation Act.

According to the Merger Terms (*Additional data to be mentioned pursuant to the Austrian EU Mergers Act and the Austrian Stock Corporations Act: Declaration of submission by RHI-MAG and appointment of an Escrow Agent*), RHI-MAG intends to explicitly accept in accordance with Section 11 para. 2 of the Austrian EU Mergers Act that in the event the shareholders' meeting gives its consent to the Merger Terms, the RHI Shareholders can initiate review proceedings at the Companies Register at the Commercial Court of Vienna, Austria, concerning the Cash-Out-Compensation pursuant to Section 225c et seq. of the Austrian Stock Corporation Act.

9. Supervisory board's opinion

9.1 Having thoroughly reviewed the proposed transaction on the basis of the Joint Merger Report of the RHI management board and the RHI-MAG board of directors dated 23 June 2017 and the audit report prepared by PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG dated 23 June 2017, the supervisory board

concludes that the information provided in the Merger Terms made available is complete and accurate and that the process of the Merger is explained in detail. The statutory requirements regarding the information required in the Merger Terms have been fulfilled. Pursuant to the provisions of the Merger Terms, the explanations provided by RHI's management board and RHI-MAG's board of directors in the Joint Merger Report, in particular with respect to the determination of the Exchange Ratio and the Cash-Out Compensation, and the merger audit report prepared by PKF Österreichischer-Staribacher Wirtschaftsprüfungs GmbH & Co KG, the Merger will be implemented in a legally correct way.

- 9.1.1 In accordance with the joint Merger Terms dated 23 June 2017, each eligible RHI shareholder will receive one RHI-MAG share with a nominal value of EUR 1.00 for each RHI share. The Cash-Out Compensation offered to RHI shareholders pursuant to Section 10 of the Austrian EU Mergers Act will amount to EUR 26.50 per RHI share.
- 9.1.2 A range of equity values of EUR 1,002 million to EUR 1,108 million was determined for RHI by the enterprise valuation. This is equal to a value per share of EUR 25.2 to EUR 27.8.
- 9.2 Furthermore, RHI's management board and RHI-MAG's board of directors concluded that the Cash-Out Compensation at the higher end of the valuation range is appropriate and that it will be determined to equal such amount.
- 9.3 In the context of auditing the Merger, PKF Österreichischer-Staribacher Wirtschaftsprüfungs GmbH & Co KG, acting as the independent merger auditor on behalf of RHI, audited – pursuant to Section 7 of the Austrian EU Mergers Act and Section 220b of the Austrian Stock Corporation Act in conjunction with Section 3 para. 2 of the Austrian EU Mergers Act – the Merger Terms and the appropriateness of the Exchange Ratio of the shares and the Cash-Out Compensation and prepared a written audit report. The audit report confirms without any qualification that the proposed Exchange Ratio and the amount of the cash-out offer are appropriate.
- 9.4 In line with the audit report prepared by the independent merger auditor, the supervisory board therefore considers the Exchange Ratio to be correct and the Cash-Out Compensation to be appropriate.
- 10. **Conclusions drawn from the review and recommendation**

RHI's supervisory board draws the following conclusions from its review:

The information provided in the Merger Terms is complete and accurate. The process of the Merger is explained in detail. The statutory requirements regarding the mandatory contents of the Merger Terms have been fulfilled. Pursuant to the provisions of the Merger Terms, the explanations provided by RHI's management board and RHI-MAG's board of directors in the Joint Merger Report dated 23 June 2017, in particular with respect to the determination of the Exchange Ratio and the Cash-Out Compensation, and the merger audit report prepared by PKF Österreichischer-

Staribacher Wirtschaftsprüfungs GmbH & Co KG, the Merger will be implemented in a legally correct way.

It is economically expedient and advantageous to RHI's shareholders to implement the Merger. Both the Exchange Ratio and the Cash-Out Compensation offered are appropriate. The supervisory board recommends therefore that the shareholders vote in favour of the Merger and the preceding Demerger at the shareholders' meeting.

This report by the supervisory board regarding its review of the cross-border merger of RHI AG with RHI-MAG N.V. in accordance with the relevant Merger Terms was adopted by the supervisory board on 23 June 2017.

Annexes:

Annex ./1 Audit report prepared by PKF Österreicher-Staribacher Wirtschaftsprüfungs GmbH & Co KG, FN 320092 z, acting as the merger auditor

[signature page follows]

Vienna, 23 June 2017

[signature]

Dr Herbert Cordt
chairman of RHI AG's supervisory board

[signature]

Dr Wolfgang Ruttendorfer
deputy chairman of RHI AG's supervisory
board