HALF-YEAR FINANCIAL REPORT 2017

RHI

Quarterly Overview

Earnings indicators (in € million)	Q2/2017[1]	Q1/2017[1]	Delta[1]	Q4/2016[1]	Q3/2016[1]	Q2/2016[1]
Revenue	437.0	418.8	4.3%	423.9	397.1	440.5
EBITDA	**40.7**	**48.5**	**(16.1)%**	**40.4**	**48.1**	**57.4**
Operating EBIT[2]	21.1	37.9	(44.3)%	25.2	27.8	39.9
EBIT	17.0	32.6	(47.9)%	15.0	32.5	41.5
Net finance costs	(4.7)	(5.4)	13.0%	(4.7)	(5.4)	(5.1)
Share of profit of joint ventures	3.4	3.0	13.3%	3.5	2.0	2.7
Profit before income tax	15.7	30.2	(48.0)%	13.8	29.1	39.1
Income tax	(8.5)	(11.7)	27.4%	(1.9)	(4.0)	(15.0)
Profit from continuing operations	7.2	18.5	(61.1)%	11.9	25.1	24.1
EBITDA %	9.3%	11.6%	(2.3)pp	9.5%	12.1%	13.0%
Operating EBIT %	4.8%	9.0%	(4.2)pp	5.9%	7.0%	9.1%
Profit from continuing operations %	1.6%	4.4%	(2.8)pp	2.8%	6.3%	5.5%

Cash flow indicators (in € million)	Q2/2017[1]	Q1/2017[1]	Delta[1]	Q4/2016[1]	Q3/2016[1]	Q2/2016[1]
Cash flow from operating activities	**21.8**	**18.0**	**21.1%**	**58.2**	**27.8**	**46.2**
Cash flow from investing activities	1.2	(6.0)	120.0%	(23.9)	(11.9)	(8.7)
Cash flow from financing activities	(48.5)	(10.6)	(357.5)%	(15.4)	(10.9)	(50.5)
Free cash flow	23.0	12.0	91.7%	34.3	15.9	37.5

Balance sheet indicators (in € million)	Q2/2017[1]	Q1/2017[1]	Delta[1]	Q4/2016[1]	Q3/2016[1]	Q2/2016[1]
Balance sheet total	1,739.7	1,820.8	(4.5)%	1,792.2	1,758.0	1,757.2
Equity	502.4	555.0	(9.5)%	524.0	483.9	469.8
Equity ratio (in %)	28.9%	30.5%	(1.6)pp	29.2%	27.5%	26.7%
Net debt	343.9	325.2	5.8%	332.8	364.0	373.9
Gearing ratio (in %)[3]	68.5%	58.6%	9.9pp	63.5%	75.2%	79.6%
Net debt / EBITDA[4]	**1.9**	**1.7**	**11.8%**	**1.8**	**2.5**	**2.7**
Working capital[5]	470.8	491.3	(4.2)%	465.1	497.9	495.1
Working capital %[6]	26.9%	29.3%	(2.4)pp	27.4%	31.3%	28.1%
Capital employed[7]	1,047.0	1,113.7	(6.0)%	1,095.8	1,111.9	1,113.7
Return on capital employed (in %)[8]	**3.1%**	**7.6%**	**(4.5)pp**	**4.7%**	**10.2%**	**9.4%**

Stock exchange indicators (Vienna)	Q2/2017[1]	Q1/2017[1]	Delta[1]	Q4/2016[1]	Q3/2016[1]	Q2/2016[1]
Number of shares (million units)	39.819	39.819	0.0%	39.819	39.819	39.819
Closing price (in €)	32.45	24.01	35.2%	24.25	23.66	17.25
Market capitalization (in € million)	**1,292**	**956**	**35.2%**	**966**	**942**	**687**
Earnings per share (in €)	0.17	0.45	(62.2)%	0.29	0.62	0.59
Price-earnings ratio	**47.7**	**13.3**	**258.6%**	**20.9**	**9.5**	**7.3**

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

Condensed Interim Management Report

at June 30, 2017

Economic Environment

The IMF expects global economic growth of 3.5% for the current year and 3.6% for the year 2018, after 3.2% in the previous year.

In its "World Economic Outlook" published in July 2017, the International Monetary Fund (IMF) forecasts global economic growth of 3.5% for the current year and 3.6% for the year 2018, after 3.2% in the previous year. This is based on the cyclical recovery of industrial production, investment activity and global trade. An even stronger recovery is held back by structural impediments such as low productivity growth and high income inequality. These factors lead to domestically focused policies and protectionist measures especially in the advanced economies and pose a threat to free trade and further integration of the global economy. In the past decade, it was especially the emerging markets that benefited from this integration. By now these markets account for roughly 75% of global economic growth and are now confronted with downside risks resulting from changes in economic policies by the newly elected President of the US. Compared with the forecast at the beginning of the year, the experts of the International Monetary Fund increased their growth expectations, especially for the European Union and China. In contrast, they expect a weaker development of the economic activity in the US now than forecast in January 2017. The subdued prospects are primarily attributable to the fact the ambitious economic plans and tax cuts of the Trump administration do not appear realistic at present. Consequently, the IMF currently does not expect any major fiscal stimuli by additional infrastructure investments. While growth in the developed economies should amount to roughly 2.0% in the coming two years, growth of roughly 4.5% is forecast for the emerging markets, with the strongest increase being expected in Asia, at roughly 6.5%. Overall, the IMF sees a strengthening economic upturn on a relatively broad basis in nearly all regions of the world.

Important data on the global economic activity and business climate showed a positive development in the first half of 2017.

Important data on the global economic activity and business climate showed a positive development in the first half of the year. For example, the Markit Purchasing Managers Index in the euro area rose to 57.4 points at the end of June 2017, thus reaching the highest level since 2011 and clearly exceeding the growth-signaling 50-point mark. The Business Climate Index published by the ifo Institute also reached a new record high in June 2017. Encouraging signals for further economic trends also came from China, India and Brazil in the first half of the year. In addition, political risks within the euro area declined with the outcome of the parliamentary elections in France and the Netherlands. However, the withdrawal of the United Kingdom from the European Union, which was officially initiated in late March, and the early general election held at the beginning of June have made it more difficult to assess the further political development in Europe.

As a result of the strengthening economy in the euro area, the euro gained roughly 10% against the US dollar in the first half of 2017.

The US Federal Reserve raised the based rate by 0.25 percentage points in March and again in June of this year. At present, the base rate is now within a range of 1.0% to 1.25%. In Europe, the European Central Bank still adheres to its monetary easing policy and maintained the interest rate and measures to support the economy at an unchanged level. The global stock markets benefited from strong economic data and the positive development of corporate profits, and reached record levels in many cases. The Dow Jones Industrial Average Index, for example, marked a new all-time high closing at more than 22,000 points in early August 2017. As a result of the strengthening economy in the euro area and reduced growth forecasts for the US, the euro gained roughly 10% against the US dollar in the first half of 2017.

Asset, Financial and Earnings Position

In the first half of 2017, the RHI Group's sales volume increased by 1.2% compared with the first half of 2016 and amounted to roughly 1,004,000 tons. While the sales volume of the Steel Division rose slightly by 0.8% in the first six months, the Industrial Division recorded an increase by 9.2% compared with the first half of 2016, which was among other things due to higher deliveries in China. In contrast, sales volume in the Raw Materials Division declined by 6.1%.

The RHI Group's revenue of the first half of 2017 was up 3.1% on the comparative period of 2016 and amounted to € 855.8 million. Revenue of the Steel Division rose by 2.9%, among other things due to a positive business development in the US. The increase in revenue by 2.0% in the Industrial Division is among other things due to higher project deliveries of the glass business unit and a satisfactory development of the repair business in the cement/lime business unit.

The increase in revenue compared with the first half of 2016 is attributable to a more favorable market environment in many customer industries.

The operating EBIT amounted to € 59.0 million in the first half of 2017 after € 70.2 million in the first half of 2016 and includes external costs € 12.6 million related to the planned combination of RHI and Magnesita as well as negative currency effects of € 9.2 million resulting from the measurement of balance sheet items. Adjusted for these two effects, the operating EBIT amounts to € 80.8 million in the first half of 2017, which corresponds to a margin of 9.4%. This positive development is among other things attributable to a more favorable market environment in many customer industries, the associated improved order situation and the resulting higher utilization of production capacities as well as product mix effects. The higher raw material costs, resulting from a shortage of supply, have so far not been fully passed on to customers.

The operating EBIT in the first half of 2017 is burdened by one-off effects. Adjusted for these effects, the operating EBIT margin amounted to 9.4%.

EBIT amounted to € 49.6 million in the first half of the year and includes impairments of € 5.5 million as a result of the shutdown of a production plant in Europe, which is expected to remain inactive for an extended period, and of € 1.7 million as a result of the imminent sale of the Italian San Vito plant and the Russian Podolsk plant, which produce fused cast refractories for the use in the glass industry, as well as a negative net effect of € 1.2 million from the power supply contract in Norway due to declining electricity futures prices. In addition, restructuring costs of € 1.0 million related to changes in the product portfolio at the site in Porsgrunn, Norway, were incurred in the first quarter of 2017.

The EBIT of the first half of the year includes, among other things, impairments totaling € 7.2 million.

Net finance costs including the share of profit of joint ventures amounted to € (3.7) million in the first half of 2017 after € (5.7) million in the first half of 2016. The tax rate rose from 38.2% in the first half of 2016 to 44.0% in the first half of 2017. The higher tax rate is among other things attributable to the impairment of deferred tax assets in the course of the imminent sale of the Italian San Vito plant and the Russian Podolsk plant and to non-deductible external costs related to the planned combination of RHI and Magnesita. Adjusted for these two effects, the tax rate amounts to 34.1%.

Profit after income tax thus totaled € 25.7 million in the first half of 2017 after € 38.9 million in the comparative period of 2016. Earnings per share decreased from € 0.95 to € 0.62.

Compared with the first quarter of 2017, an increase in sales volume by 7.9% to roughly 521,000 tons was recorded in the past quarter, which resulted among other things from significantly higher deliveries of the Steel Division Stahl in India, Saudi Arabia, Ukraine and the US. In the second quarter of 2017 the RHI Group's revenue was up 4.3% on the previous quarter and amounted to € 437.0 million. This increase is due to higher contributions to revenue of both the Steel Division and the Industrial Division following the start of the maintenance season in the oil and gas segment in North America as well as in Europe in the environment, energy, chemicals business unit. The operating EBIT amounted to € 21.1 million in the past quarter compared with € 37.9 million in the first quarter of 2017 and includes external costs of € 8.8 million related to the planned combination of RHI and Magnesita as well negative currency effects of € 5.6 million resulting from the measurement of balance sheet items. Adjusted for these two effects, the operating EBIT amounts to € 35.5 million in the second quarter of 2017, which corresponds to a margin of 8.1%.

Net debt rose to € 343.9 million at June 30, 2017, among other things due to the dividend payment in May 2017.

Equity amounted to € 502.4 million at June 30, 2017 after € 524.0 million at December 31, 2016. The decline is among other things due to results from currency translation recognized in equity and the dividend payment of € 29.9 million in May 2017. The equity ratio declined from 29.2% at the end of the financial year 2016 to 28.9% at June 30, 2017. Cash and cash equivalents decreased from € 182.9 million at December 31, 2016 to € 149.4 million as a result of the dividend payment and the repayment of non-current financial liabilities. Net debt rose from € 332.8 million at the end of 2016 to € 343.9 million at June 30, 2017.

In preparation for meeting the requirements of the European Commission regarding the planned combination of RHI and Magnesita, assets and liabilities of the RHI Group's dolomite business, which consists of the production sites in Marone, Italy, and Lugones, Spain, including brands, sales people, etc. were classified as held for sale and recognized accordingly in the statement of financial position. Likewise, the assets and liabilities of the plants in San Vito, Italy, and Podolsk, Russia, were reclassified due to their imminent sale.

Working capital rose slightly from € 465.1 million at the end of the year 2016 to € 470.8 million at June 30, 2017. This is primarily attributable to higher inventories as the order level increased by roughly 30% compared with December 31, 2016.

Free cash flow amounted to € 35.0 million in the first half of 2017.

Net cash flow from operating activities amounted to € 39.8 million in the first half of 2017 after € 76.7 million in the same period of 2016. Net cash flow investing activities amounted to € (4.8) million in the first half of 2017 after € (17.1) million in the first half of 2016. Free cash flow thus amounted to € 35.0 million in the first half of 2017 after € 59.6 million in the comparative period of 2016.

ROACE after tax (Return on Average Capital Employed), calculated from the annualized EBIT less taxes in relation to the average capital employed (property, plant and equipment, goodwill, other intangible assets and working capital), amounted to 5.5% in the first half of 2017 after 7.8% in the first half of 2016.

The number of employees amounted to 7,483 at June 30, 2017 compared with 7,385 at the end of the year 2016.

Segment Reporting

	H1/2017	H1/2016[1)]	Q2/2017[1)]	Q1/2017[1)]	Q4/2016[1)]	Q3/2016[1)]	Q2/2016[1)]
Sales volume (thousand tons)	1,004	992	521	483	511	476	531
Steel Division	622	617	323	299	300	292	333
Industrial Division	213	195	107	106	131	102	99
Raw Materials Division	169	180	91	78	80	82	99
in € million							
Revenue	**855.8**	**830.2**	**437.0**	**418.8**	**423.9**	**397.1**	**440.5**
Steel Division	558.2	542.3	284.9	273.3	268.2	260.9	286.4
Industrial Division	270.6	265.4	137.6	133.0	145.1	128.1	141.8
Raw Materials Division							
external revenue	27.0	22.5	14.5	12.5	10.6	8.1	12.3
internal revenue	100.8	121.3	48.2	52.6	51.7	51.8	61.6
EBITDA	**89.2**	**100.6**	**40.7**	**48.5**	**40.4**	**48.1**	**57.4**
EBITDA margin	10.4%	12.1%	9.3%	11.6%	9.5%	12.1%	13.0%
Operating EBIT[2)]	**59.0**	**70.2**	**21.1**	**37.9**	**25.2**	**27.8**	**39.9**
Steel Division	36.2	47.4	9.8	26.4	13.1	15.7	27.5
Industrial Division	21.7	20.3	9.0	12.7	13.9	10.3	11.5
Raw Materials Division	1.1	2.5	2.3	(1.2)	(1.8)	1.8	0.9
Operating EBIT margin	**6.9%**	**8.5%**	**4.8%**	**9.0%**	**5.9%**	**7.0%**	**9.1%**
Steel Division	6.5%	8.7%	3.4%	9.7%	4.9%	6.0%	9.6%
Industrial Division	8.0%	7.6%	6.5%	9.5%	9.6%	8.0%	8.1%
Raw Materials Division[3)]	0.9%	1.7%	3.7%	(1.8)%	(2.9)%	3.0%	1.2%
EBIT	**49.6**	**68.6**	**17.0**	**32.6**	**15.0**	**32.5**	**41.5**
Steel Division	30.7	47.4	4.3	26.4	13.2	15.7	27.5
Industrial Division	20.0	15.7	7.3	12.7	6.0	10.3	6.9
Raw Materials Division	(1.1)	5.5	5.4	(6.5)	(4.2)	6.5	7.1
EBIT margin	**5.8%**	**8.3%**	**3.9%**	**7.8%**	**3.5%**	**8.2%**	**9.4%**
Steel Division	5.5%	8.7%	1.5%	9.7%	4.9%	6.0%	9.6%
Industrial Division	7.4%	5.9%	5.3%	9.5%	4.1%	8.0%	4.9%
Raw Materials Division[3)]	(0.9)%	3.8%	8.6%	(10.0)%	(6.7)%	10.9%	9.6%
Net finance costs	**(10.1)**	**(11.1)**	**(4.7)**	**(5.4)**	**(4.7)**	**(5.4)**	**(5.1)**
Share of profit of joint ventures	6.4	5.4	3.4	3.0	3.5	2.0	2.7
Profit before income tax	**45.9**	**62.9**	**15.7**	**30.2**	**13.8**	**29.1**	**39.1**
Income tax	(20.2)	(24.0)	(8.5)	(11.7)	(1.9)	(4.0)	(15.0)
Income tax in %	44.0%	38.2%	54.1%	38.7%	13.8%	13.7%	38.4%
Profit after income tax	**25.7**	**38.9**	**7.2**	**18.5**	**11.9**	**25.1**	**24.1**
Earnings per share in €[4)]	0.62	0.95	0.17	0.45	0.29	0.62	0.59

1) unaudited

2) EBIT before expenses from derivatives from supply contracts, impairment and restructuring effects

3) based on external and internal revenue

4) basic and diluted

Steel Division

Global steel production grew in nearly all regions worldwide in the first half of the year.

In the first half of 2017, global crude steel production totaled roughly 836 million tons, thus exceeding the first half of 2016 by 4.5%.The increase is attributable to higher output in nearly all regions worldwide. While steel production grew by 4.4% outside China, producers in China – the most important market with a share of roughly 50% in global steel production – increased their output by 4.6%. With an output of 73.2 million tons in June 2017, more steel was produced in China in a month than ever before. This was driven by the recovery of the steel prices and the related prospect of strong profit growth. As local demand picked up in China, steel exports recorded a surprisingly strong decline by roughly 28% compared with the first half of 2016. The development also appears to be supported by the requirement of the Chinese government to cut production by roughly 50% in the provinces of Hebei, Shanxi, Shandong, Henan, Beijing and Tianjin in the period from late November to mid-February in order to reduce air pollution, which has led to advance production. While steel production in Europe benefited from the progressing economic recovery, growth in the US fell short of expectations. Here the significant improvement in the sentiment of the local steel industry following the US presidential election in November 2016 has not yet substantiated. Due to the increase in steel production, global capacity utilization also grew and amounted to roughly 72% in the first half of 2017, thus exceeding the average of the first half of 2016 by roughly 2.5 percentage points. The globally growing demand leads to significantly higher steel prices and subsequently to an improved earnings situation of manufacturers.

in million tons	H1/2017	H1/2016	Delta	Q2/2017	Q1/2017	Delta
China	419.7	401.2	4.6%	218.9	200.8	9.0%
World ex China	416.3	398.8	4.4%	208.2	208.1	0.0%
thereof EU28	86.1	82.7	4.1%	43.5	42.6	2.1%
thereof US	40.6	40.1	1.2%	20.3	20.3	0.0%
thereof India	49.5	47.0	5.3%	24.4	25.1	(2.8)%
World	**836.0**	**800.0**	**4.5%**	**427.1**	**408.9**	**4.5%**

Source: World Steel Association (July 2017)

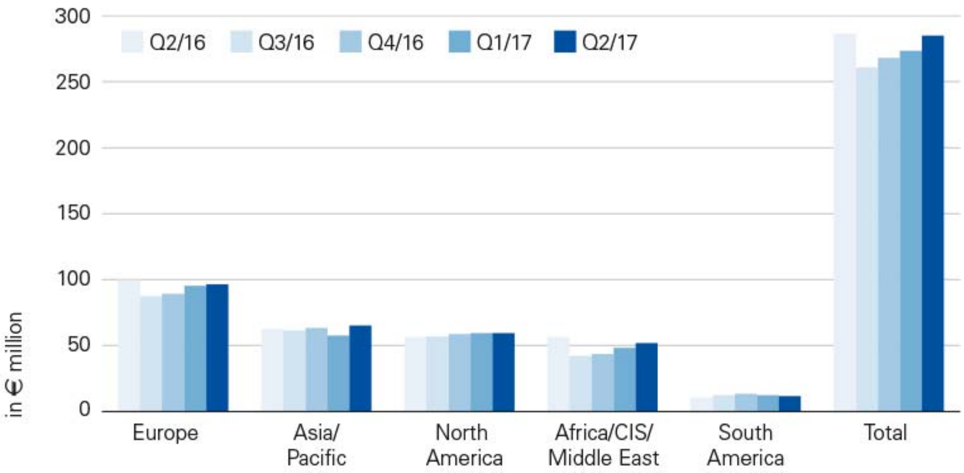
The sales volume of the Steel Division increased by 0.8% compared with the first half of 2016 and totaled roughly 622,000 tons. Although deliveries were significantly higher in Europe, North America and the Middle East, a stronger increase was prevented by the fact that a major contract was delivered in Ukraine in the first half of 2016, which could not repeated in the first half of 2017.

Adjusted for extraordinary effects, the Steel Division's operating EBIT margin amounted to 9.1% in the first half of 2017.

The Steel Division's revenue amounted to € 558.2 million in the first half of 2017, up 2.9% on the revenue of the comparative period of 2016, at € 542.3 million. This is among other things due to a strong business development in the US. The operating EBIT amounted to € 36.2 million after € 47.4 million in the first half of 2016 and includes external costs of € 8.8 million related to the planned combination of RHI and Magnesita as well as negative currency effects of € 6.0 million resulting from the measurement of balance sheet items. Adjusted for these two effects, the operating EBIT amounts to € 51.0 million in the first half of 2017, which corresponds to a margin of 9.1%. EBIT amounted to € 30.7 million in the first half of 2017 and includes an impairment of € 5.5 million due to the shutdown of a production plant in Europe, which is expected to remain inactive for an extended period.

Revenue developed as follows in the past five quarters:

Development of revenue



Europe

Steel production within the European Union increased by 4.1% compared with the first half of 2016 and totaled roughly 86 million tons in the first half of 2017. The output volume grew on a broad scale and steel production increased in nearly all countries of the European Union, with Poland, France and German recording the most significant increases. The automotive industry is still an important driver of demand. In the first half of 2017 the number of new registrations of passenger vehicles in the European Union was up 4.7% on the comparative period of 2016 and exceeded 8.2 million. The number of new registrations of utility vehicles also rose by 4.2% compared with the same period of 2016.

The decline in the linings business in Europe is partially also due to supply bottlenecks resulting from a shortage of supply of refractory raw materials.

In response to the substantial increase in steel imports from China in the past years due to local excess capacities, the European Commission adopted a series of protective measures in the recent past against steel products imported at unfair conditions. In late January 2017, definitive anti-dumping duties ranging from 30.7% to 64.9% were thus imposed on the import of certain stainless steel tube and pipe butt-welding fittings originating in China. The preliminary anti-dumping duties imposed in October 2016 on imports of certain hot-rolled flat steel products from China were adopted definitively in early April and range between 18.1% and 39.7%. They are thus higher than originally announced. As a result, 39 anti-dumping and anti-subsidy measures are now in force in the European Union, of which 17 affect goods originating in China. In early July 2017, the European Commission initiated investigations regarding the import of certain hot-rolled flat steel products from Brazil, Iran, Russia, Serbia and Ukraine.

In early June 2017, ArcelorMittal, the world's largest steel manufacturer, together with Italian producer Marcegaglia secured the acquisition of Europe's largest steel plant in Taranto, Italy, offering € 2 billion. This plant had been under government special administration since 2013 due to environmental violations.

The region's contribution to revenue in the first half of 2017 was up roughly 1% on the comparative period of 2016. While the flow control business was expanded significantly, the linings business declined especially in the converter segment. This is partially also due to supply bottlenecks resulting from a shortage of supply of refractory raw materials in China. In addition, significant price increases for electrodes burden the business environment in the electric arc furnace segment.

Asia/Pacific

With revenue in the first half of 2017 of roughly € 70 million each, India and the US are the most important markets of the Steel Division.

Steel production in the Asia/Pacific region in the first half of 2017 was up 4.8% on the comparative period of 2016. After the Chinese government had introduced first steps to reduce the high excess capacities in the local steel industry last year, further measures were adopted in mid-February 2017. These measures included closing down all induction furnaces by the end of June of the current year. According to experts' estimates, the production capacities affected total roughly 80 to 100 million tons, which were used to produce roughly 30 to 40 million tons of steel in the previous year. At the same time, strict environmental controls were announced to ensure the implementation of the targets. The Chinese government aims to reduce steel production capacities by roughly 140 million tons by the year 2018. According to a high-ranking official of the National Development and Reform Commission, capacities of roughly 42 million tons were closed in the first half of 2017. This roughly corresponds to the annual steel output of Germany.

The region's contribution to revenue in the first half of 2017 was up roughly 2% on the comparative period of 2016. This is primarily attributable to a positive business development in India. With revenue in the first half of 2017 of roughly € 70 million each, India and the US are the most important markets of the Steel Division.

North America

While the demand for steel by the automotive industry declined in the US, demand by the oil and gas industry recovered.

North American steel producers increased their output by 2.4% in the first half of 2017 compared with the same period of 2016. While the demand for steel by the automotive industry decreased due to declining sales in the US, demand by the construction industry as well as the oil and gas industry recovered to a significant extent. Having recorded a multi-year low of 320 in mid-2016, the number of active oil drilling rigs in the US rose continuously and amounted to roughly 760 at the end of June 2017. This explains the increase in demand for pipes, drilling heads and other steel equipment for oil production.

In the US the significantly better sentiment of the local steel industry since the presidential election in November 2016 continues. Producers are hoping to benefit from high infrastructure investments, tax cuts and further protectionist measures. High anti-dumping duties, for example on Chinese steel imports, are already in place in the US. They amount to roughly 266% on certain cold-rolled flat steel products.

The region's contribution to revenue in the first half of 2017 was up roughly 8% on the comparative period of 2016. This is primarily attributable to a positive business development in the US. Here, the linings business in the electric arc furnace and ladle segments was expanded significantly and more customers were convinced of the services offered by the RHI Group.

Africa/CIS/Middle East

Steel production in Africa was up 11.0% in the first half of 2017 compared with the same period of 2016 and reflects the significant volume increase in Egypt – together with South Africa the continent's two most important markets by far. The region's contribution to revenue in the first half of 2017 rose by roughly 10% compared with the same period of 2016 and predominantly results from the higher sales volume in Egypt.

The Steel Division achieved high increases in revenue in Africa and in the Middle East.

The CIS region is the only region worldwide that recorded a decrease in steel output in the first half of 2017 compared with the first half of 2016. This decline amounted to 2.5% and is due to the slump in steel production in Ukraine. In contrast, steel output in the important Russian market was largely stable. The region's contribution to revenue in the first half of 2017 was down roughly 21% on the comparative period of 2016. This is among other things due to deliveries in the previous year related to a major contract in Ukraine.

Steel production in the Middle East increased by 9.4% in the first half of 2017 compared with the same period of 2016. The region's contribution to revenue rose by roughly 8% in the first half of 2017 compared with the same period of 2016 due to a strong development of the flow control business, especially in the slide gate segment. In addition, a positive sales volume of basic mixes for the use in electric arc furnaces supports the business development.

South America

Steel production in South America increased by 10.6% in the first half of 2017 compared with the same period of 2016. Especially in Brazil – the most important local steel market with a share of roughly 75% – the market environment continued to improve. Steel production in Brazil thus increased by 12.4% compared with the first half of 2016 and reflects the economic recovery, which started in the second half of 2016.

In South America, in particular in Brazil, the market environment continued to improve.

The region's contribution to revenue in the first half of 2017 was up roughly 3% on the comparative period of 2016. This is primarily attributable to the positive development of the flow control business in the slide gate segment. In contrast, business in Argentina recorded a weak development.

Industrial Division

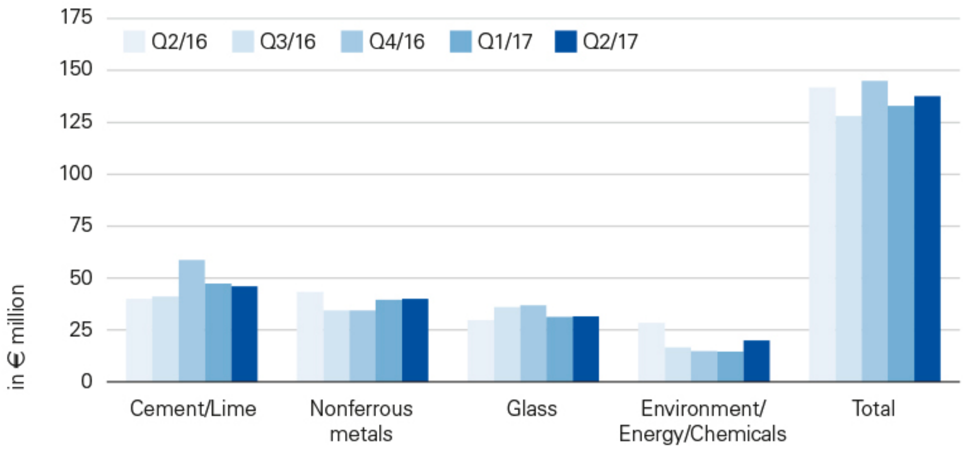
Sales volume of the Industrial Division was up 9.2% on the first half of 2016 and amounted to roughly 213,000 tons. This is attributable to significantly higher deliveries in the business units cement/lime and glass, and here especially in China.

Adjusted for extraordinary effects, the Industrial Division's operating EBIT margin amounted to 10.1% in the first half of 2017.

The Industrial Division's revenue, at € 270.6 million in the first half of 2017, was up 2.0% on the comparative period of 2016, at € 265.4 million. All business units with the exception of environment, energy, chemicals recorded revenue growth. The fact that sales volume grew more strongly than revenue is predominantly due to product mix effects. The operating EBIT amounted to € 21.7 million after € 20.3 million in the first half of 2016 and includes external costs of € 2.8 million related to the planned combination of RHI and Magnesita as well as negative currency effects of € 2.9 million resulting from the measurement of balance sheet items. Adjusted for these two effects, the operating EBIT amounts to € 27.4 million in the first half of 2017, which corresponds to a margin of 10.1%. EBIT amounted to € 20.0 million in the first half of 2017 and includes an impairment of € 1.7 million resulting from the imminent sale of the Italian San Vito plant and the Russian Podolsk plant, which produce fused cast refractories for the glass industry.

Revenue developed as follows in the past five quarters:

Development of revenue



Cement/Lime

Besides the straight-line business, the project business, which is important for the utilization of production capacities, also recorded a positive development.

The contribution to revenue of the cement/lime business unit in the first half of 2017 increased by roughly 4% compared with the first half of 2016. Besides the straight-line business, the project business including installation, which is important for the utilization of production capacities, also recorded a positive development. Here, some major contracts that have been concluded indicate a strong business development in the second half of 2017. In China, sales volume and revenue were expanded in a challenging market environment characterized by excess capacities and shut-down cement plants. In contrast, business in India and Southeast Asia fell short of expectations. However, business picked up significantly in the past months after the weak start to the year 2017.

Despite the difficult political situation in some countries of North Africa, sales volume continued to develop positively on the African continent. RHI delivered some larger contracts in Algeria and South Africa and thus expanded its market share. Low oil prices lead to low investments in infrastructure in the Middle East. This had a negative impact on business activities, especially in Saudi Arabia and the United Arab Emirates, where plants were also closed down. In Europe, a stabilization of the demand for cement can be observed and in some countries demand for cement has recovered.

Due to the continuing good development of the straight-line business and major contracts, which will be delivered in the second half of 2017, sales volume is expected to increase significantly in the cement/lime business unit compared with the previous year. The substantial increase in the market prices for sintered magnesia as a result of the supply shortage in China also requires raising prices for refractory products in the cement/lime business unit, which is currently working on the implementation of these increases.

Nonferrous metals

The increase in revenue is attributable to a strong development of the repair business in the important copper and nickel segment.

In the first half of 2017, prices of the relevant nonferrous metals continued their recovery, which had started at mid-year 2016. Aluminum and lead recorded the strongest increase on the London Metal Exchange at the end of June 2017, at roughly 13%, followed by zinc and copper, at roughly 7% each, compared with December 31, 2016. In contrast, the price of nickel and tin declined by roughly 6%. Compared with the end of June 2016, zinc was roughly 31% more expensive, while lead recorded an increase by roughly 28%, copper by roughly 23% and aluminum and tin by roughly 17% each. Only the price of nickel stagnated at the level of the previous year. Despite the higher metal prices, the important project business continued to develop at a low level. However, there is a certain hope that projects will be revived in the further course of the year if the good price level continues. Especially in the ferronickel segment, major repairs have been postponed for an extended period of time; however, they should be implemented in the near future.

In the first half of 2017, the nonferrous metals business unit increased its revenue by roughly 3% compared with the same period of 2016. This is primarily attributable to a positive development of the repair business in the important copper and nickel segment, which has a share of roughly 50% in the business unit's total revenue. Significant repairs were performed for example in Canada, China, Chile, Australia, Zambia and Germany. In the ilmenite segment, a major contract was delivered in South Africa.

Glass

The increase in revenue in the glass business unit is primarily due to high project deliveries in China.

In the first half of 2017, revenue of the glass business segment was up roughly 7% on the comparative period of 2016. This is predominantly attributable to high project deliveries in China. In addition, the first half of 2016 included revenue from the US subsidiary RHI Monofrax, LLC, which was sold in June of the previous year. Adjusted for this contribution to revenue, the business unit's revenue was increased by roughly 38%. In the container glass segment – glass as high-quality packaging material in the food industry – major contracts were delivered in Mexico, Thailand and Turkey.

Overall an increased willingness to invest can be observed among glass manufacturers. Consequently, previously postponed repairs are increasingly carried out, especially in Europe and North America. The difficult market environment in the Middle East is also starting to gradually improve and two major contracts were won in the flat glass and container glass segments, which will be delivered in the coming year.

In order to further optimize the plant structure, the Management Board of RHI AG initiated a structured selling process for the Italian San Vito plant and the Russian Podolsk plant, which produce fused cast refractories for the glass industry. Due to the imminent sale, the assets and liabilities concerned have been classified as available for sale and recognized accordingly in the statement of financial position. As due to advanced negotiations the expected selling price is € 1.7 million below the current carrying amount, an impairment charge was recognized through profit or loss.

Incoming orders developed very positively in the first half of 2017 and increased by roughly 40% compared with the level at the end of the year 2016. Contracts were won for example in Mexico, the US and South Korea, where RHI will supply all fired products. Although the global market environment is still characterized by excess capacities and progressing market consolidation, the repair level and replacement investments should continue to develop positively in the coming quarters. RHI strives to participate in this development going forward.

Environment, energy, chemicals

The decline in revenue in the first half of 2017 is attributable to weaker business in Canada and in the Middle East.

In the first half of 2017, the contribution to revenue of the environment, energy, chemicals business unit declined by roughly 12% compared with the same period of 2016. This is among other things attributable to lower deliveries in Canada and in the Middle East. Overall, investments in capacity expansions are still subdued, which is why there is great competition for new construction projects. Since global demand by the oil processing industry is still at a good level, more services are provided for existing plants. Especially in Europe they recorded a very positive development. Offering customized package solutions consisting of engineering, material and services, RHI supports its customers in increasing their plant availability.

In the first half of 2017, materials for the largest fertilizer plant in Africa were delivered. In addition, a contract for a coal gasification plant was carried out for the first time in the US and replacement material was delivered for gasification reactors in the Middle East. Due to rising prices of iron pellets, an increasing number of inquiries in the area of hardening plants for iron enrichment, so-called pelletizing plants were recorded. Here, several new construction projects and capacity expansions are being planned.

Raw Materials Division

External revenue of the Raw Materials Division amounted to roughly 169,000 tons in the first half of 2017. The decline by 6.1 % is primarily attributable to the sale of raw dolomite in Italy, which makes a large contribution in terms of volume, but is negligible in terms of value due to the low price per ton.

In the first half of 2017, revenue of the Raw Materials Division, at € 127.8 million, was 11.1 % lower than in the comparative period of 2016, at € 143.8 million. The decline in internal revenue is among other things due to reduced production volume at the site in Porsgrunn, Norway. The operating EBIT amounted to € 1.1 million compared with € 2.5 million in the first half of 2016 and includes external costs of € 1.0 million related to the planned combination of RHI and Magnesita as well as negative currency effects of € 0.3 million resulting from the measurement of balance sheet items. Capacity utilization of the raw material plants was satisfactory overall in the first half of 2017. The Raw Materials Division's EBIT amounted to € (1.1) million in the first half of 2017 and is burdened by a negative net effect totaling € 1.2 million from the power supply contract in Norway. Here, financial liabilities were reversed through profit or loss due to own consumption and the sale at market prices. However, a negative non-cash effect on earnings had to be recognized due to lower electricity futures prices. In addition, restructuring costs of € 1.0 million related to changes in the product portfolio at the site in Porsgrunn, Norway, were incurred in the first quarter of 2017.

The decline in internal revenue is among other things due to reduced production volume at the site in Porsgrunn, Norway.

The European raw material markets were stable in the first half of 2017. However, uncertainties come from China, where the government on the one hand terminated its system of export quotas and export taxes on refractory raw materials at the end of the year 2016 and, on the other hand, introduced stricter requirements and implemented stricter production controls in an effort to improve environmental and safety standards. As a result, many local manufacturers of sintered and fused magnesia had to completely shut down their production, which subsequently caused a sudden shortage of supply. Due to this new situation, market prices have increased. As raw material supply from China is getting less secure, supply concepts are adapted continuously within the RHI Group. The higher costs could not yet be fully passed on to customers of the Steel and Industrial Divisions.

Due to stricter requirements and production controls, many Chinese producers of fused and sintered magnesia had to shut down their production temporarily in the first half of 2017.

Outlook

In its forecast published in July 2017, the International Monetary Fund predicts global economic growth of 3.5% in the current year after 3.2% in the year 2016. However, there is considerable uncertainty regarding the impact of the policies of the newly elected US government. Although the environment in the advanced economies improved, especially in Europe, the pace of growth in the emerging markets will continue to influence the global economy to a significant extent. Based on a current study, the research institute CRU expects a decline in steel production in China by roughly 1% in the year 2017 and an increase in steel production outside China by 4%. Based on these estimates, RHI expects a more positive market environment in 2017. The focus will stay on the generation of free cash flow in the current financial year in order to reduce net debt further. Due to the preparations for a successful completion of the planned combination with Magnesita and the integration of the two companies, external costs will be incurred.

Update on the planned combination with Magnesita

In late June 2017, the European Commission approved the combination of RHI and Magnesita subject to conditions. These included the sale of the RHI Group's dolomite business in the European Economic Area, which consists of the production sites in Marone, Italy, and Lugones, Spain, including brand names, sales people, etc., and investments in a tunnel kiln in Marone in cases the production site Lugones is not transferred. The contribution to revenue of the two RHI sites amounted to roughly € 50 million in the financial year 2016 and represents roughly 3% of the Group's revenue in the year 2016. In addition, the entire business of the Magnesita Group in the European Economic Area based in Oberhausen, Germany, which consists of the production, sale, etc. of magnesia-carbon bricks and basic mixes, has to be sold. Furthermore, the buyer will receive supply contracts for sintered magnesia of up to roughly 43,000 tons. RHI and Magnesita are currently holding intensive talks with several potential buyers. All interested parties intend to take over the production sites and the related business for the long term and to develop them further. In mid-July, the Brazilian antitrust authority CADE granted merger control clearance.

At the extraordinary general meeting on August 4, 2017, the shareholders of RHI AG approved the demerger of all significant assets of RHI AG to its wholly-owned Austrian subsidiary RHI Feuerfest GmbH and the subsequent cross-border merger of RHI AG with its wholly-owned Dutch subsidiary RHI-MAG N.V. with a majority of 99.7% of the votes cast. The condition precedent to the share purchase agreement concluded between RHI and the controlling shareholders of Magnesita of October 5, 2016, according to which cash compensation claims of RHI shareholders in the context of the merger of RHI with RHI-MAG N.V. may not exceed € 70 million, has thus been met.

After the resolutions of the general meeting, the focus will now be on the further implementation of the planned steps for the combination of RHI and Magnesita. According to the time line, the closing of the transaction is scheduled for the end of October 2017. The main focus will be placed on meeting the merger control clearance requirements in Europe, the preparation of the listing in the premium segment of the London Stock Exchange and the detailed planning of integration measures for the combination of the two companies.

The Executive Board of RHI-Magnesita N.V. will consist of 19 directors and includes two executive directors, the designated CEO Stefan Borgas and the designated CFO Octavio Lopes, as well as 17 non-executive directors, six of whom will be employee representatives. Seven of the remaining eleven non-executive directors are appointed as independent directors in accordance with the UK Corporate Governance Code of the UK Financial Reporting Council. The following persons are planned for these appointments: Jim Leng (Senior Independent Director), Celia Baxter (Chair Remuneration Committee), John Ramsey (Chair Audit Committee), David Haines, Andrew Hosty, Wolfgang Ruttenstorfer, Karl Sevelda. In addition, Herbert Cordt (Chairman), David Schlaff, Stanislaus zu Sayn-Wittgenstein and Fersen Lambranho will be represented in the Board.

Risk report

In the first half of 2017, the risk management processes remain unchanged. No risks that are considered to be a threat to the RHI Group were identified and key risks are largely unchanged. The main drivers of the business development are steel production, the investment climate as well as metal and energy prices. Although the Steel Division expects stable global markets in 2017, competitive pressure remains high. Despite the recovery of metal prices, the Industrial Division, which is highly dependent on project business, is still marked by low energy prices and project activities that are difficult to predict. Economic policy developments also represent significant uncertainties for the business development or intensify competition. However, concluding individual, unexpected projects may also contribute to higher revenue. Potential sales volume fluctuations lead to fluctuations in the utilization of production capacity, which have a significant influence on the Group's profitability due to the structure of fixed costs. Changes in the legal framework conditions in China are currently causing uncertainty in the raw material markets, which may be reflected in higher prices and changes in the supply chain. Due to the global sales and production activities of the RHI Group, currency fluctuations may lead to noticeable shifts in revenue and profitability.

Notes on related party transactions

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

Material Events after the Reporting Date

RHI AG has adapted its financing structure in the context of the planned combination with Magnesita. In addition to obtaining acquisition financing for the purchase price of Magnesita, financial liabilities related to the "Schuldscheindarlehen" concluded in 2012 and 2014 have been refinanced. The conclusion of changed and new loan agreements is dated as of July 2017 for the majority of the volume. The main loan agreements concluded relate to syndicated financing arrangements amounting to € 477 million and a "Schuldscheindarlehen" of € 178 million. In addition, all existing export loans and one-off financing will also be refinanced in the course of the transaction in the fourth quarter of 2017.

In the first half of 2017, production was interrupted at one plant for an indefinite period. Therefore, the intention of closing the plant was communicated to the employees on August 24, 2017 and negotiations regarding a social plan were initiated.

After the interim reporting date on June 30, 2017, there were no other events of special significance which may have a significant effect on the financial position and performance of the RHI Group.

Vienna, August 25, 2017

Management Board

Stefan Borgas
CEO

Barbara Potisk-Eibensteiner
CFO

Gerd Schubert
COO
CTO R&D

Thomas Jakowiak
CSO Industrial Division

Reinhold Steiner
CSO Steel Division

Interim consolidated financial statements as of 06/30/2017

Consolidated statement of financial position

as of 06/30/2017

in € million	Notes	06/30/2017	12/31/2016
ASSETS			
Non-current assets			
Property, plant and equipment	(10)	474.0	521.8
Goodwill	(11)	37.0	37.8
Other intangible assets	(12)	65.2	71.1
Investments in joint ventures	(13)	16.7	20.5
Other non-current financial assets	(14)	19.3	18.9
Other non-current assets	(15)	17.4	17.7
Deferred tax assets	(16)	134.7	144.8
		764.3	**832.6**
Current assets			
Inventories	(17)	373.0	365.3
Trade and other current receivables	(18)	386.5	399.1
Income tax receivables	(19)	10.7	9.3
Other current financial assets	(20)	10.4	3.0
Cash and cash equivalents	(21)	149.4	182.9
Assets held for sale	(22)	45.4	0.0
		975.4	**959.6**
		1,739.7	**1,792.2**

EQUITY AND LIABILITIES			
Equity			
Share capital	(23)	289.4	289.4
Group reserves	(24)	197.1	219.3
Equity attributable to shareholders of RHI AG		486.5	508.7
Non-controlling interests	(25)	15.9	15.3
		502.4	**524.0**
Non-current liabilities			
Non-current financial liabilities	(26)	335.2	350.6
Other non-current financial liabilities	(27)	41.2	43.5
Deferred tax liabilities	(16)	12.3	13.5
Personnel provisions	(28)	310.0	317.4
Other non-current provisions	(29)	3.0	4.5
Other non-current liabilities	(30)	5.8	6.9
		707.5	**736.4**
Current liabilities			
Current financial liabilities	(26)	158.1	165.1
Other current financial liabilities	(27)	8.0	6.5
Trade payables and other current liabilities	(31)	301.3	312.7
Income tax liabilities	(32)	16.2	18.4
Current provisions	(33)	26.5	29.1
Liabilities relating to assets held for sale	(22)	19.7	0.0
		529.8	**531.8**
		1,739.7	**1,792.2**

Consolidated statement of profit or loss

from 01/01/2017 to 06/30/2017

in € million	Notes	4-6/2017[1]	4-6/2016[1]	1-6/2017	1-6/2016[1]
Revenue	(34)	437.0	440.5	855.8	830.2
Cost of sales	(35)	(340.2)	(346.4)	(657.2)	(649.6)
Gross profit		**96.8**	**94.1**	**198.6**	**180.6**
Selling and marketing expenses	(36)	(28.4)	(26.7)	(54.2)	(52.1)
General and administrative expenses	(37)	(41.8)	(32.5)	(76.8)	(62.4)
Other income	(38)	21.9	10.0	37.0	56.8
Other expenses	(39)	(27.4)	(5.0)	(45.6)	(52.7)
Operating EBIT		**21.1**	**39.9**	**59.0**	**70.2**
Result from derivatives from supply contracts	(57)	3.1	6.2	(1.2)	3.0
Impairment losses	(40)	(7.2)	0.0	(7.2)	0.0
Restructuring costs	(41)	0.0	(4.6)	(1.0)	(4.6)
EBIT		**17.0**	**41.5**	**49.6**	**68.6**
Interest income	(42)	0.7	1.0	1.1	1.4
Interest expenses	(43)	(4.4)	(4.5)	(8.7)	(9.0)
Other net financial expenses	(44)	(1.0)	(1.6)	(2.5)	(3.5)
Net finance costs		**(4.7)**	**(5.1)**	**(10.1)**	**(11.1)**
Share of profit of joint ventures	(13)	3.4	2.7	6.4	5.4
Profit before income tax		**15.7**	**39.1**	**45.9**	**62.9**
Income tax	(45)	(8.5)	(15.0)	(20.2)	(24.0)
Profit after income tax		**7.2**	**24.1**	**25.7**	**38.9**
attributable to shareholders of RHI AG		6.6	23.6	24.5	37.8
attributable to non-controlling interests	(25)	0.6	0.5	1.2	1.1

in €					
Earnings per share (basic and diluted)	(54)	0.17	0.59	0.62	0.95

1) unaudited

All items up to and including the operating EBIT do not include results from derivatives from supply contracts, impairment losses for cash-generating units and restructuring effects.

Consolidated statement of comprehensive income

from 01/01/2017 to 06/30/2017

in € million	Notes	4-6/2017[1]	4-6/2016[1]	1-6/2017	1-6/2016[1]
Profit after income tax		**7.2**	**24.1**	**25.7**	**38.9**
Currency translation differences					
Unrealized results from currency translation	(6)	(25.1)	1.1	(17.0)	(8.7)
Deferred taxes thereon	(16)	1.4	(0.5)	1.7	(0.3)
Current taxes thereon		0.0	0.5	(0.7)	0.5
Reclassification reserves to profit or loss		0.0	(3.7)	0.0	(3.7)
Market valuation of cash flow hedges					
Unrealized results from fair value change	(57)	0.1	0.0	0.4	0.0
Deferred taxes thereon	(16)	0.0	0.0	(0.1)	0.0
Reclassification reserves to profit or loss	(57)	0.3	0.0	0.3	0.0
Deferred taxes thereon	(16)	(0.1)	0.0	(0.1)	0.0
Market valuation of available-for-sale financial instruments					
Unrealized results from fair value change	(56)	0.0	0.1	0.0	0.1
Items that will be reclassified subsequently to profit or loss, if necessary		**(23.4)**	**(2.5)**	**(15.5)**	**(12.1)**
Remeasurement of defined benefit plans					
Remeasurement of defined benefit plans	(28)	(8.8)	(13.0)	(2.6)	(26.8)
Deferred taxes thereon	(16)	2.3	4.3	0.7	8.3
Items that will not be reclassified to profit or loss		**(6.5)**	**(8.7)**	**(1.9)**	**(18.5)**
Other comprehensive income after income tax		**(29.9)**	**(11.2)**	**(17.4)**	**(30.6)**
Total comprehensive income		**(22.7)**	**12.9**	**8.3**	**8.3**
attributable to shareholders of RHI AG		(22.2)	12.4	7.7	7.7
attributable to non-controlling interests	(25)	(0.5)	0.5	0.6	0.6

1) unaudited

Consolidated statement of cash flows

from 01/01/2017 to 06/30/2017

in € million	Notes	1-6/2017	1-6/2016[1]
Profit after income tax		25.7	38.9
Adjustments for			
income tax		20.2	24.0
depreciation and amortization charges		32.3	32.4
impairment losses of property, plant and equipment and intangible assets		7.7	0.0
income from the reversal of investment subsidies		(0.4)	(0.4)
reversal of impairment losses on securities		(0.1)	(0.5)
(gains)/losses from the disposal of property, plant and equipment		(0.1)	0.5
losses from the disposal of subsidiaries		0.0	4.1
interest result		7.6	7.6
share of profit of joint ventures		(6.4)	(5.4)
other non-cash changes		7.0	(3.5)
Changes in			
inventories		(35.5)	(2.2)
trade receivables and receivables from long-term construction contracts		(0.3)	20.1
other receivables and assets		0.7	(5.1)
provisions		(12.4)	(13.8)
trade payables		4.1	4.2
prepayments received on orders[2]		2.7	1.6
other liabilities[2]		4.4	(7.8)
Cash flow from operating activities		**57.2**	**94.7**
Income tax paid less refunds		(17.4)	(18.0)
Net cash flow from operating activities	(48)	**39.8**	**76.7**
Cash inflows from the sale of subsidiaries net of cash		0.0	(4.6)
Investments in property, plant and equipment and intangible assets		(17.2)	(23.4)
Cash inflows from the sale of property, plant and equipment		1.1	2.2
Investments in / cash inflows from non-current receivables		0.0	(0.1)
Dividends received from joint ventures		10.2	7.5
Interest received		1.1	1.3
Net cash flow from investing activities	(49)	**(4.8)**	**(17.1)**
Capital expenses for the issue of shares		(0.9)	0.0
Payments to non-controlling interests		(0.6)	0.0
Dividend payments to shareholders of RHI AG		(29.9)	(29.9)
Proceeds from non-current borrowings and loans		0.0	0.2
Repayments of non-current borrowings and loans		(18.0)	(13.4)
Changes in current borrowings		(4.2)	(4.1)
Interest payments		(5.5)	(7.2)
Net cash flow from financing activities	(50)	**(59.1)**	**(54.4)**
Total cash flow		**(24.1)**	**5.2**
Change in cash and cash equivalents		**(24.1)**	**5.2**
Cash and cash equivalents at beginning of year		182.9	149.7
Changes due to currency translation		(4.9)	1.2
Cash and cash equivalents at year-end[3]	(52)	153.9	156.1
Total interest paid	(51)	5.5	7.4
Total interest received	(51)	1.1	1.4

1) unaudited
2) Prior-year values adjusted to current presentation.
3) thereof shown under assets held for sale € 4.5 million

Consolidated statement of changes in equity

from 01/01/2017 to 06/30/2017

in € million	Share capital	Additional paid-in capital	Retained earnings	Cash flow hedges
Notes	(23)	(24)	(24)	(24)
12/31/2016	**289.4**	**38.3**	**331.0**	**(0.7)**
Profit after income tax	**-**	**-**	**24.5**	**-**
Currency translation differences	-	-	-	-
Market valuation of cash flow hedges	-	-	-	0.5
Remeasurement of defined benefit plans	-	-	-	-
Reclassification disposal group classified as held for sale	-	-	-	-
Other comprehensive income after income tax	**-**	**-**	**-**	**0.5**
Total comprehensive income	**-**	**-**	**24.5**	**0.5**
Dividends	-	-	(29.9)	-
Transactions with shareholders	**-**	**-**	**(29.9)**	**-**
06/30/2017	**289.4**	**38.3**	**325.6**	**(0.2)**

in € million	Share capital	Additional paid-in capital	Retained earnings	Cash flow hedges
Notes	(23)	(24)	(24)	(24)
12/31/2015	**289.4**	**38.3**	**284.5**	**(0.9)**
Profit after income tax	**-**	**-**	**37.8**	**-**
Currency translation differences	-	-	-	-
Market valuation of cash flow hedges	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-
Other comprehensive income after income tax	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**37.8**	**-**
Dividends	-	-	(29.9)	-
Transactions with shareholders	**-**	**-**	**(29.9)**	**-**
Reclassification due to disposal of defined benefit plans	**-**	**-**	**1.9**	**-**
06/30/2016	**289.4**	**38.3**	**294.3**	**(0.9)**

1) unaudited

Group reserves						
Accumulated other comprehensive income						
Available-for-sale financial instruments	Defined benefit plans	Currency translation	Disposal group classified as held for sale	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity
(24)	(24)	(24)	(24)		(25)	
0.0	(100.3)	(49.0)	0.0	508.7	15.3	524.0
-	-	-	-	24.5	1.2	25.7
-	-	(15.4)	-	(15.4)	(0.6)	(16.0)
-	-	-	-	0.5	-	0.5
-	(1.9)	-	-	(1.9)	-	(1.9)
-	1.0	1.7	(2.7)	0.0	-	0.0
-	(0.9)	(13.7)	(2.7)	(16.8)	(0.6)	(17.4)
-	(0.9)	(13.7)	(2.7)	7.7	0.6	8.3
-	-	-	-	(29.9)	-	(29.9)
-	-	-	-	(29.9)	-	(29.9)
0.0	(101.2)	(62.7)	(2.7)	486.5	15.9	502.4

Group reserves						
Accumulated other comprehensive income						
Available-for-sale financial instruments	Defined benefit plans	Currency translation	Disposal group classified as held for sale	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity[1)]
(24)	(24)	(24)	(24)		(25)	
0.0	(91.9)	(41.8)	0.0	477.6	13.8	491.4
-	-	-	-	37.8	1.1	38.9
-	-	(11.7)	-	(11.7)	(0.5)	(12.2)
0.1	-	-	-	0.1	-	0.1
-	(18.5)	-	-	(18.5)	-	(18.5)
0.1	(18.5)	(11.7)	-	(30.1)	(0.5)	(30.6)
0.1	(18.5)	(11.7)	-	7.7	0.6	8.3
-	-	-	-	(29.9)	-	(29.9)
-	-	-	-	(29.9)	-	(29.9)
-	(1.9)	-	-	0.0	-	0.0
0.1	(112.3)	(53.5)	0.0	455.4	14.4	469.8

Notes

to the interim consolidated financial statements as of 06/30/2017

PRINCIPLES AND METHODS

(1) General

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

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

The shares of RHI AG are listed on the Prime Market and the lead index ATX of the Vienna Stock Exchange.

The interim consolidated financial statements are prepared as of June 30, 2017. Interim financial statements were prepared for all Group companies for consolidation purposes.

The interim consolidated financial statements for the period from January 1 to June 30, 2017 were drawn up pursuant to IAS 34 "Interim Financial Reporting" and in accordance with all International Financial Reporting Standards (IFRSs) mandatory at the time of preparation as adopted by the European Union (EU).

The presentation in the consolidated statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or within a longer normal business cycle. Inventories as well as trade receivables and trade payables are generally presented as current items. Deferred tax assets and liabilities as well as assets and provisions for pensions and termination benefits are generally presented as non-current items.

The consolidated statement of profit or loss is drawn up in accordance with the cost of sales method. Under this method, revenue is offset against the expenses incurred to generate it, which are allocated to the functions production, sales and administration.

EBIT (earnings before interest and taxes) and the operating EBIT (EBIT adjusted for special influences) are shown separately in the statement of profit or loss as they are important key figures of measuring performance for the RHI Group. Special influences are related in particular to the measurement of individual long-term contractual obligations, effects from impairment tests at the level of cash-generating units or from restructuring due to massive capacity adjustments, significantly changed market strategies or comprehensive reorganization in administration. The presentation chosen is to convey a true view of the earnings situation, which is comparable over time, to the users of the RHI interim consolidated financial statements. Extraordinary effects in the current interim reporting period are related in their entirety (first half of 2016: € 3.0 million) to the functional segment production; in the first half of the previous year, € (4.6) million were related to other expenses.

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

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

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

The Management Board of RHI AG completed and signed the present interim consolidated financial statements on August 25, 2017 and released them for publication.

The interim consolidated financial statements as of June 30, 2017 were audited by the auditor PwC Wirtschaftsprüfung GmbH. The comparative figures as of June 30,2016 and the quarterly figures were neither audited nor reviewed by the auditor.

(2) Initial application of new financial reporting standards

In the first half of 2017, no new financial reporting standards were applied for the first time. The same accounting and measurement principles as in the previous year were used.

(3) New financial reporting standards not yet applied

The IASB issued further standards, amendments to standards and interpretations, whose application is, however, not yet mandatory for the year 2017. They were not applied early on a voluntary basis.

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

Standard	Title	Publication (EU endorsement)[1]	Mandatory application for RHI	Expected effects on RHI consolidated financial statements
New standards				
IFRS 9	Financial Instruments	07/24/2014 (11/22/2016)	01/01/2018	A reliable assessment of the effects is not possible at the moment.
IFRS 15	Revenue from Contracts with Customers	05/28/2014, 09/11/2015 (09/22/2016)	01/01/2018	A reliable assessment of the effects is not possible at the moment.

1) according to EU Endorsement Status Report of 07/13/2017

IFRS 9 "Financial Instruments"
IFRS 9 "Financial Instruments" includes new specifications regarding the classification and measurement of financial instruments and thus supersedes the current provisions of IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 9 applies to financial years starting on or after January 1, 2018. At present, the RHI Group intends to initially apply the new standard IFRS 9 in the first quarter of 2018.

The classification of financial assets is on the one hand coupled with the business model of the company (hold, hold and sell, trade); on the other hand, the characteristics of the cash flows related to the financial instrument are included. In the classification of financial assets IFRS 9 distinguishes between the categories "amortized cost", "fair value through other comprehensive income" (with or without reclassification to the statement of profit or loss) and "fair value through profit or loss". Measurement at amortized cost is only possible if the financial asset is held within a business model whose objective is to hold the financial asset to collect the contractual cash flow. In addition, the contractual terms of the financial asset have to give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

For financial liabilities two measurement categories continue to exist: "amortized cost" and "fair value through profit or loss". Financial liabilities are measured at fair value through profit or loss if they fall under the definition "held for trading" or they are designated in this measurement category at initial recognition. If the designation option is exercised, any profit or loss from changes in credit risk has to be recognized in other comprehensive income in the future.

IFRS 9 includes new impairment rules and places a stronger focus on a future-oriented model of "expected credit losses". The new rules are applicable in particular to financial assets measured at amortized cost, debt instruments on the asset side which are measured at fair value through other comprehensive income, as well as lease receivables and contract assets in accordance with IFRS 15. The general impairment model according to IFRS 9 distinguishes between three levels, with the amount of the impairment depending on the assignment of the financial instrument to one of the three levels. For financial instruments, whose credit risk has not increased significantly since initial recognition, a loss allowance has to be recognized in the amount of the credit losses whose occurrence is expected within the next 12 months (Level 1). If the credit risk has increased significantly, but there is no objective evidence of impairment, the loss allowance must be increased to the amount of the expected losses throughout the entire remaining term (Level 2). With the occurrence of objective evidence of impairment, the net carrying amount, i.e., the gross carrying amount adjusted for the loss allowance, is the decisive reference figure (Level 3). Simplified special rules exist for trade receivables as well as for contract assets according to IFRS 15 which do not include a major financing component. In such cases, a loss allowance for full lifetime expected credit losses has to be formed at initial recognition and for the subsequent reporting dates. For trade receivables and for contract assets according to IFRS 15 which include a significant financing component as well as for lease receivables there is an option to elect the general or simplified recognition. Moreover, the new impairment rules will lead to extended disclosure requirements.

For the accounting of hedging relationships, the risk management target will be decisive in the future in accordance with IFRS 9. The new model for hedging relationships is intended to establish a better connection between the risk management strategy, the reasons for concluding hedging transactions and hedge accounting in the financial statements. The assessment of hedge effectiveness will only be made prospectively and on a qualitative basis in the future provided that the high effectiveness can be demonstrated without a quantitative calculation. The obligation to demonstrate a minimum effectiveness within a range from 80% to 125% is replaced by a qualitative test. This test is to examine the economic correlation between the hedged item and the hedge and to ensure that the effects of the change in credit risk are not so significant that the change in value of the hedged item or the hedging instrument dominate. The designation of single risk components as hedged items is permitted under IFRS 9 insofar as the risk component can be identified independently and assessed reliably. Hedging aggregated risks or net positions is possible under IFRS 9. In addition, the disclosure requirements are extended.

The RHI Group is currently analyzing the details of the potential effects of IFRS 9. The initial application will lead to an adapted presentation of the measurement categories for financial assets as the IAS 39 measurement categories "loans and receivables" and "available-for-sale financial assets", which have so far been relevant for the Group, will be eliminated. Depending on the classification of the financial assets in the respective measurement categories of IFRS 9, an effect on measurement may result in certain cases. Due to the new rules with respect to impairment, it will be possible to expense expected losses earlier or later in some cases. A reliable estimate of the quantitative effects will only be possible after the completion of the detailed analysis.

The classification of financial liabilities remains unchanged according to IFRS 9. Since the RHI Group has not designated any financial liabilities as fair value through profit or loss, a first preliminary evaluation does not show any effects of the application of the requirements of IFRS 9 with respect to the classification of financial liabilities.

The RHI Group currently applies the provisions for hedge accounting for the hedging of future cash flows of financial liabilities carrying variable interest. Based on analyses performed so far, no significant effects on the accounting of such hedging relationships are expected from the initial application of IFRS 9.

IFRS 15 "Revenues from Contracts with Customers"
IFRS 15 provides uniform regulations for revenue recognition which are applicable to all contracts with customers. IFRS 15 supersedes IAS 18 "Revenue" and IAS 11 "Construction Contracts". The decisive factor for revenue recognition is no longer the transfer of significant risks and rewards, but rather, when the customer obtains control over the goods and services agreed and can benefit from them.

IFRS 15 introduces a five-step model to determine revenue recognition. According to this model, the contract with the customer and the separate performance obligations therein have to be identified. Then the transaction price must be determined and allocated to the performance obligations identified. Revenue must then be recognized separately for each performance obligation in the amount of the allocated pro-rata transaction price. For this purpose, criteria were defined which distinguish between satisfying a performance obligation either at a point in time or over time.

IFRS 15 is applicable to financial years starting on or after January 1, 2018. The RHI Group plans to apply the modified retrospective method. Under this method, IFRS 15 is applied to those contracts that are not yet complete as of January 1, 2018. The cumulative effect of the initial application will be recognized as an adjustment of the opening balance of group reserves in the item retained earnings as of January 1, 2018. Currently the effects of the initial application of IFRS 15 on RHI's consolidated financial statements are being evaluated as part of a project. Based on the analyses performed so far, the possible effects are as follows:

If contracts with customers include the delivery of products, revenue is recognized at the time when control over the products is passed to the customer in accordance with IFRS 15. Depending on the transport agreements, the time of passing control may deviate from the time of transfer of significant risks and rewards, which may lead to a shift in revenue recognition in the future.

By applying IFRS 15, additional separate performance obligations can be identified in supply contracts with customers. When multiple independent performance obligations are identified, the transaction price has to be allocated to the components by reference to their relative standalone selling prices in the future. Accordingly, temporary shifts may occur in revenue recognition.

In addition to delivering products, the RHI Group also provides various services. When services represent separate performance obligations within a contract, a corresponding transaction price has to be allocated to the service component. This may influence the timing of revenue recognition. Moreover, it causes an increase in revenue from providing services at the expense of revenue from the sale of products.

In the Steel segment, multi-component contracts with variable payment arrangements are concluded in some cases. For such contracts, the transaction price depends on the customer's production performance (e.g. amount per ton of steel produced in the customer aggregate serviced). Pursuant to the current provisions on revenue recognition according to IAS 18, revenue for refractory products is recognized in the Group based on the production performance achieved by the customer. If the customer already obtains control over the refractory products with the installation of the refractory materials in the aggregate, revenue must be recognized at this time in accordance with IFRS 15. Since the consideration to be paid by the customer is completely variable, revenue in the Group must be determined on the basis of an estimate. In such cases, revenue from refractory products is recognized earlier in accordance with IFRS 15. In the consolidated statement of financial position, the receivables from the customer contract that has not yet been invoiced leads to the recognition of a contract asset. The RHI Group assumes that revenue will only be recognized earlier and thus may have an effect on the consolidated financial statements for those customer aggregates in which refractories with long service lives are applied. As far as other products or services apart from refractory products represent separate performance obligations in such multi-component contracts, a variable transaction price has to be allocated to the components by reference to their relative standalone selling prices. This may influence the timing of revenue recognition.

The initial application of IFRS 15 will lead to an adjustment of internal processes and of the IT landscape. A reliable estimate of the quantitative effects resulting from the application of the new IFRS 15 is not possible before completion of the project.

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

Standard	Title	Publication[1)]	Mandatory application for RHI	Expected effects on RHI consolidated financial statements
New standards and interpretations				
IFRS 14	Regulatory Deferral Accounts	01/30/2014	No EU endorsement	Not relevant
IFRS 16	Leases	01/13/2016	01/01/2019	Material effects expected
IFRS 17	Insurance Contracts	05/18/2017	01/01/2021	Not relevant
IFRIC 22	Foreign Currency Transactions and Advance Consideration	12/08/2016	01/01/2018	No effect
IFRIC 23	Uncertainty over Income Tax Treatments	06/07/2017	01/01/2019	No material effects expected
Amendments of standards				
IAS 7	Disclosure Initiative	01/29/2016	01/01/2017[2)]	Additional notes disclosures
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	01/19/2016	01/01/2017[2)]	No effect
IAS 40	Transfers of Investment Property	12/08/2016	01/01/2018	No effect
IFRS 2	Classification and Measurement of Share-based Payment Transactions	06/20/2016	01/01/2018	No effect
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	09/12/2016	01/01/2018	Not relevant
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	09/11/2014	Postponed by EU	No effect
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	04/12/2016	01/01/2018	No effect
Various	Annual improvements to IFRSs 2014-2016 Cycle	12/08/2016	01/01/2017/ 01/01/2018[2)]	No effect

1) according to EU Endorsement Status Report of 07/13/2017

2) The actual mandatory application for the RHI Group depends on the date set as the date of application when adopted by the EU.

IFRS 16 "Leases"
The accounting standard IFRS 16, which was issued in January 2016, supersedes IAS 17 "Leases" and the related interpretations and is applicable to financial years beginning on or after January 1, 2019. Accounting for the lessor according to IFRS 16 is comparable to the current regulations. In contrast, accounting will change fundamentally for the lessee with the application of IFRS 16. In the future, most leases will have to be recognized as assets and liabilities in the statement of financial position of the lessee, regardless of whether they are considered operating or financing leases under the previous criteria of IAS 17.

According to IFRS 16, a lessee recognizes a right of use, which represents his right to use the underlying asset, and a liability from the lease, which reflects the obligation of lease payments. Exemptions are provided for short-term leases and assets of minor value. Moreover, the type of expenses related to these leases will change since IFRS 16 replaces the straight-line expenses for operating leases with a depreciation charge for rights of use and interest expenses for liabilities from the lease. In the consolidated statement of cash flows, there is a shift from cash flow from operating activities to cash flow from financing activities since the repayment of leasing liabilities must in any case be shown as cash flow from financing activities.

As a lessee, the RHI Group can apply IFRS 16 based on the retrospective method or the modified retrospective method with optional simplification rules; the option chosen has to be applied consistently to all leases of the Group. Subject to adoption under EU law, the RHI Group currently intends to initially apply IFRS 16 as of January 1, 2019. At present it is still undecided which transition method the Group will choose and whether the exemption options will be used.

The RHI Group has started to assess the possible effects on the consolidated financial statements, but can currently not determine the precise effects of the application of IFRS 16 on the reported assets and liabilities. Due to the fact that obligations from rental and leasing contracts of € 58.6 million exist in the RHI Group as of June 30, 2017 (12/31/2016: € 66.7 million), the RHI Group expects a significant extension of the statement of financial position due to the initial application of IFRS 16 (see note (61)). Together with the resulting shift between EBIT and net finance costs as well as the shift between cash flow from operating activities and financing activities, the Group expects a significant impact on the presentation of the asset, financial and earnings position.

IFRIC 23 "Uncertainty over Income Tax Treatments"
The interpretation clarifies the consideration of probability/uncertainty in the accounting for uncertainties in income taxes. IFRIC 23 is to be applied to the determination of taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The basic assumption is that a tax authority has both the right to and knowledge of all relevant information. The RHI Group has started an evaluation of the possible effects on the consolidated financial statements; from the present perspective, no significant impact on the consolidated financial statements is expected.

IAS 7 "Statements of Cash Flow: Disclosure Initiative"
The amendments to IAS 7 on the statement of cash flows require additional information on changes in financial liabilities. The additional information affects both cash and non-cash changes. In order to meet the new disclosure requirements, the RHI Group intends to present a reconciliation statement of financial statements at the beginning of the year and the end of the year.

(4) Group of consolidated companies

In addition to RHI AG as the parent company, the RHI interim consolidated financial statements as of June 30, 2017 include the interim financial statements of 79 subsidiaries (12/31/2016: 77) and of the RHISA Employee Trust, Sandton, South Africa.

As in the previous year, one joint venture is accounted for using the equity method.

Four (12/31/2016: three) subsidiaries and three (12/31/2016: three) other investments which are considered to be immaterial for the financial position and performance of the RHI Group due to their suspended or minimal business activities are not included in the interim consolidated financial statements.

The group of consolidated companies developed as follows:

	1-6/2017		1-6/2016	
Number of consolidated companies	Full consolidation	Equity method	Full consolidation	Equity method
Balance at beginning of period	**78**	**1**	**78**	**1**
Additions	3	0	1	0
Retirements and disposals	0	0	(2)	0
Balance at end of period	**81**	**1**	**77**	**1**

Changes in the group of consolidated companies in the first half of 2017
Additions are related to the establishment of the RHISA Employee Trust, Sandton, in South Africa with effect from March 13, 2017. The operating activities of the RHI Group in South Africa are subject to the Black Economic Empowerment legislation. Based on this, the RHI Group has transferred 25.4% of the shares in RHI Refractories Africa (Pty) Ltd. to a trust, whose beneficiaries are employees of RHI Refractories Africa (Pty) Ltd. The trust is fully consolidated in the interim consolidated financial statements since the RHI Group can exercise a controlling influence on the trust due to the contractual terms and conditions.

In addition, RHI Feuerfest GmbH, a wholly-owned subsidiary of RHI AG, was included for the first time in the interim consolidated financial statements with effect from May 19, 2017. This company will take over the operating activities of RHI AG after the planned combination with Magnesita (see note (62)).

Furthermore, RHI AG established the subsidiary RHI-MAG (100%), which is based in Arnhem, the Netherlands, and has its place of the management in Austria, on June 20, 2017, which was subsequently fully consolidated. The shares of the company are intended to be admitted to trading on the London Stock Exchange in the course of the planned combination with Magnesita.

Changes in the group of consolidated companies in the first half of 2016
On March 4, 2016, the subsidiary RHI United Offices Europe, S.L. (100%), based in Lugones, Spain, was established and included in the consolidated financial statements as of this date. The purpose of this company is the provision of internal administrative services.

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

As of June 6, 2016, all shares (100%) in RHI Monofrax, LLC, Wilmington, USA, were sold. The net assets disposed at the date of deconsolidation consist of the following items:

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

The result from deconsolidation is determined as follows:

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

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

The selling price of USD 1 was paid in cash.

Companies of the RHI Group
The main operating companies of the RHI Group pursue the following core business activities:

Name and registered office of the company	Country of core activity	Core business activity
RHI AG, Austria	International	Sales, R&D, financing
Didier-Werke Aktiengesellschaft, Germany	Germany	Production
Magnesit Anonim Sirketi, Turkey	Turkey	Mining, production, sales
Orient Refractories Limited, India	India	Production, sales
RHI Canada Inc., Canada	Canada	Production, sales, provision of services
RHI GLAS GmbH, Germany	International	Sales
RHI Refractories (Dalian) Co., Ltd., PR China	PR China	Production
RHI US Ltd., USA	USA	Production, sales, provision of services
RHI-Refmex, S.A. de C.V., Mexico	Latin America	Sales
Veitsch-Radex GmbH & Co OG, Austria	Austria	Mining, production

The following list shows all companies in which the RHI Group holds a share of at least 20% (with the exception of the RHISA Employee Trust):

Ser. no.	Name and registered office of the company	06/30/2017 Share-holder	06/30/2017 Share in %	12/31/2016 Share-holder	12/31/2016 Share in %
1.	RHI AG, Vienna, Austria				
	Fully consolidated subsidiaries				
2.	Betriebs- und Baugesellschaft mit beschränkter Haftung, Wiesbaden, Germany	7.	100.0	7.	100.0
3.	CJSC "RHI Podolsk Refractories", Moscow, Russia	27.,75.	100.0	27.,75.	100.0
4.	D.S.I.P.C.-Didier Société Industrielle de Production et de Constructions, Breuillet, France	7.	100.0	7.	100.0
5.	Didier Belgium N.V., Evergem, Belgium	38.,68.	100.0	38.,68.	100.0
6.	Didier Vertriebsgesellschaft mbH, Wiesbaden, Germany	7.	100.0	7.	100.0
7.	Didier-Werke Aktiengesellschaft, Wiesbaden, Germany	1.,27.	100.0	1.,27.	100.0
8.	Dolomite Franchi S.p.A., Brescia, Italy	27.	100.0	27.	100.0
9.	Dutch Brasil Holding B.V., Arnhem, Netherlands	75.	100.0	75.	100.0
10.	Dutch MAS B.V., Arnhem, Netherlands	7.	100.0	7.	100.0
11.	Dutch US Holding B.V., Arnhem, Netherlands	75.	100.0	75.	100.0
12.	FE "VERA", Dnepropetrovsk, Ukraine	27.	100.0	27.	100.0
13.	Full Line Supply Africa (Pty) Ltd., Sandton, South Africa	47.	100.0	47.	100.0
14.	GIX International Limited, Newark, United Kingdom	80.	100.0	80.	100.0
15.	INDRESCO U.K. Ltd., Newark, United Kingdom	14.	100.0	14.	100.0
16.	INTERSTOP (Shanghai) Co., Ltd., Shanghai, PR China	74.	100.0	74.	100.0
17.	Latino America Refractories ApS, Hellerup, Denmark	80.	100.0	80.	100.0
18.	Liaoning RHI Jinding Magnesia Co., Ltd., Dashiqiao City, PR China[1)]	27.	83.3	27.	83.3
19.	LLC "RHI Wostok Service", Moscow, Russia	1.,27.	100.0	1.,27.	100.0
20.	LLC "RHI Wostok", Moscow, Russia	1.,27.	100.0	1.,27.	100.0
21.	Lokalbahn Mixnitz-St. Erhard Aktien-Gesellschaft, Vienna, Austria	60.	100.0	60.	100.0
22.	Magnesit Anonim Sirketi, Eskisehir, Turkey[2)]	27.	100.0	27.	100.0
23.	Mezubag AG, Pfäffikon, Switzerland	74.	100.0	74.	100.0
24.	Orient Refractories Limited, New Delhi, India	11.	69.6	11.	69.6
25.	Premier Periclase Limited, Drogheda, Ireland	11.	100.0	11.	100.0
26.	Producción RHI México, S. de R.L. de C.V., Ramos Arizpe, Mexico	52.,80.	100.0	52.,80.	100.0
27.	Radex Vertriebsgesellschaft m.b.H., Leoben, Austria	77.	100.0	77.	100.0
28.	REFEL S.p.A., San Vito al Tagliamento, Italy	7.	100.0	7.	100.0
29.	Refractory Intellectual Property GmbH & Co KG, Vienna, Austria	1.,30.	100.0	1.,30.	100.0
30.	Refractory Intellectual Property GmbH, Vienna, Austria	1.	100.0	1.	100.0
31.	RHI Argentina S.R.L., San Nicolás, Argentina	11.,80.	100.0	11.,80.	100.0
32.	RHI Canada Inc., Burlington, Canada	80.	100.0	80.	100.0
33.	RHI Chile S.A., Santiago, Chile	14.,80.	100.0	14.,80.	100.0
34.	RHI Clasil Private Limited, Hyderabad, India	80.	53.7	80.	53.7
35.	RHI Dinaris GmbH, Wiesbaden, Germany	68.	100.0	68.	100.0
36.	RHI Feuerfest GmbH, Vienna, Austria	1.	100.0	-	-
37.	RHI Finance A/S, Hellerup, Denmark	1.	100.0	1.	100.0
38.	RHI GLAS GmbH, Wiesbaden, Germany	68.	100.0	68.	100.0
39.	RHI India Private Limited, Navi Mumbai, India	9.,80.	100.0	9.,80.	100.0
40.	RHI ITALIA S.R.L., Brescia, Italy	1.	100.0	1.	100.0
41.	RHI Marvo Feuerungs- und Industriebau GmbH, Gerbstedt, Germany	42.	100.0	42.	100.0
42.	RHI MARVO Feuerungs- und Industriebau GmbH, Kerpen, Germany	7.	100.0	7.	100.0

Ser. no.	Name and registered office of the company	06/30/2017 Share-holder	Share in %	12/31/2016 Share-holder	Share in %
43.	RHI MARVO S.R.L., Ploiesti, Romania	27.,75.	100.0	27.,75.	100.0
44.	RHI Normag AS, Porsgrunn, Norway	27.	100.0	27.	100.0
45.	RHI Refractories (Dalian) Co., Ltd., Dalian, PR China	27.	100.0	27.	100.0
46.	RHI Refractories (Site Services) Ltd., Newark, United Kingdom	15.	100.0	15.	100.0
47.	RHI Refractories Africa (Pty) Ltd., Sandton, South Africa	27.,72.	100.0	27.	100.0
48.	RHI Refractories Andino C.A., Puerto Ordaz, Venezuela	80.	100.0	80.	100.0
49.	RHI Refractories Asia Ltd., Hongkong, PR China	73.	100.0	73.	100.0
50.	RHI Refractories Asia Pacific Pte. Ltd., Singapore	1.	100.0	1.	100.0
51.	RHI Refractories Egypt LLC., Cairo, Egypt	27.,75.	100.0	27.,75.	100.0
52.	RHI Refractories España, S.L., Lugones, Spain	7.,10.	100.0	7.,10.	100.0
53.	RHI Refractories France SA, Breuillet, France	73.	100.0	73.	100.0
54.	RHI Refractories Holding Company, Wilmington, USA	80.	100.0	80.	100.0
55.	RHI Refractories Ibérica, S.L., Lugones, Spain	73.	100.0	73.	100.0
56.	RHI Refractories Italiana s.r.l., Brescia, Italy	73.	100.0	73.	100.0
57.	RHI Refractories Liaoning Co., Ltd., Bayuquan, PR China[1)]	27.	66.0	27.	66.0
58.	RHI Refractories Mercosul Ltda., Sao Paulo, Brazil	75.,80.	100.0	75.,80.	100.0
59.	RHI Refractories Nord AB, Stockholm, Sweden	73.	100.0	73.	100.0
60.	RHI Refractories Raw Material GmbH, Vienna, Austria	1.,27.	100.0	1.,27.	100.0
61.	RHI Refractories Site Services GmbH, Wiesbaden, Germany	7.	100.0	7.	100.0
62.	RHI Refractories UK Limited, Bonnybridge, United Kingdom	7.	100.0	7.	100.0
63.	RHI Refratários Brasil Ltda, Belo Horizonte, Brazil	9.,80.	100.0	9.,80.	100.0
64.	RHI Sales Europe West GmbH, Mülheim-Kärlich, Germany	7.,73.	100.0	7.,73.	100.0
65.	RHI Trading (Dalian) Co., Ltd., Dalian, PR China	27.	100.0	27.	100.0
66.	RHI United Offices America, S.A. de C.V., Monterrey, Mexico	52.,67.	100.0	52.,67.	100.0
67.	RHI United Offices Europe, S.L., Lugones, Spain	52.	100.0	52.	100.0
68.	RHI Urmitz AG & Co. KG, Mülheim-Kärlich, Germany	6.,7.	100.0	6.,7.	100.0
69.	RHI US Ltd., Wilmington, USA	11.	100.0	11.	100.0
70.	RHI-MAG N.V., Arnhem, Netherlands	1.	100.0	-	-
71.	RHI-Refmex, S.A. de C.V., Ramos Arizpe, Mexico	52.,80.	100.0	52.,80.	100.0
72.	RHISA Employee Trust, Sandton, South Africa	-	0.0	-	-
73.	SAPREF AG für feuerfestes Material, Basel, Switzerland	80.	100.0	80.	100.0
74.	Stopinc Aktiengesellschaft, Hünenberg, Switzerland	7.,27.	100.0	7.,27.	100.0
75.	Veitscher Vertriebsgesellschaft m.b.H., Vienna, Austria	1.	100.0	1.	100.0
76.	Veitsch-Radex America LLC., Wilmington, USA	69.	100.0	69.	100.0
77.	Veitsch-Radex GmbH & Co OG, Vienna, Austria	1.,78.	100.0	1.,78.	100.0
78.	Veitsch-Radex GmbH, Vienna, Austria	1.	100.0	1.	100.0
79.	Veitsch-Radex Vertriebsgesellschaft m.b.H., Vienna, Austria	1.	100.0	1.	100.0
80.	VRD Americas B.V., Arnhem, Netherlands	1.,27.	100.0	1.,27.	100.0
81.	Zimmermann & Jansen GmbH, Düren, Germany	7.	100.0	7.	100.0
	Subsidiaries not consolidated due to minor significance				
82.	Dr.-Ing. Petri & Co. Unterstützungsgesellschaft m.b.H., Wiesbaden, Germany	7.	100.0	7.	100.0
83.	INTERSTOP do Brasil Equipamentos Metalurgicos Ltda i.L., Barueri, Brazil	74.	100.0	74.	100.0
84.	RHI Réfractaires Algérie E.U.R.L., Sidi Amar, Algeria	53.	100.0	53.	100.0
85.	RHI Refractories Lugones, S.L., Lugones, Spain	52.	100.0	-	-

Ser. no.	Name and registered office of the company	06/30/2017 Share-holder	Share in %	12/31/2016 Share-holder	Share in %
	Equity-accounted joint ventures				
86.	MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria	75.,89.	50.0	75.,89.	50.0
	Other immaterial investments, measured at cost				
87.	LLC "NSK Refractory Holding", Moscow, Russia	27.	49.0	27.	49.0
88.	LLC "NSK Refractory", Novokuznetsk, Russia	27.	49.0	27.	49.0
89.	MAGNIFIN Magnesiaprodukte GmbH, St. Jakob, Austria	75.	50.0	75.	50.0

1) In accordance with IAS 32, fixed-term or puttable non-controlling interests are shown under liabilities.
2) Further shareholders are VRD Americas B.V., Lokalbahn Mixnitz St. Erhard Aktien-Gesellschaft and Veitscher Vertriebsgesellschaft mbH.
3) Further shareholders are Didier-Werke AG, RHI Dinaris GmbH and RHI GLAS GmbH.
4) Controlling influence due to contractual terms and conditions
i.L. In liquidation

(5) Methods of consolidation

Subsidiaries
Subsidiaries are companies over which RHI AG exercises control. Control exists when the company has the power to decide on the relevant activities, is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The acquisition method is used to account for all business combinations. Under this method, the purchase price for the shares in a consolidated subsidiary is offset against the proportional share of net assets based on the fair value of the acquired assets and liabilities at the date of acquisition or when control is obtained. Intangible assets which were previously not recognized in the separate financial statements of the company acquired are also measured at fair value. Intangible assets identified when a company is acquired, including for example patents, brand names and customer relations, are only measured separately at the time of acquisition if they are identifiable and are in the control of the company and a future economic benefit is expected.

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

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

The goodwill determined is allocated to the relevant cash-generating unit and tested for impairment at this level. In accordance with the provisions of IFRS 3, negative goodwill is immediately recognized to profit or loss in other income after renewed measurement of the identifiable assets, liabilities and contingent liabilities.

Shares in net assets of subsidiaries that are not attributable to RHI AG are shown separately under equity as non-controlling interests. The basis for non-controlling interests are the equity of the subsidiary concerned after adjustment to the accounting and measurement principles of the RHI Group and proportional consolidation entries.

Transaction costs which are directly related to business combinations are expensed as incurred. Conditional components of the purchase price are recorded at fair value at the date of initial consolidation.

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

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

Intragroup receivables and liabilities as well as income and expenses are fully eliminated.

Intragroup results related to intragroup deliveries of non-current assets and inventories as well as transfers of shares are eliminated.

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

Subsidiaries are deconsolidated on the day control ends.

Joint ventures
Shares in joint ventures are accounted for using the equity method. A joint venture is a joint arrangement between the RHI Group and one or several other partners whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement.

At the date of acquisition, a positive difference between the acquisition costs and the share in the fair values of identified assets and liabilities of the joint venture is determined and recognized as goodwill. Goodwill is shown under the item shares in joint ventures in the statement of financial position.

The acquisition cost of investments accounted for using the equity method is increased or decreased each year to reflect the change in the equity of the individual joint venture that is attributable to the RHI Group. Unrealized intragroup results from transactions with these companies are offset against the carrying amount of the investment on a pro-rata basis during consolidation, if they are material.

The RHI Group examines at every reporting date and interim reporting date whether there are objective indications of an impairment of the shares in the joint ventures. If such indications exist, the required impairment is determined as the difference between the recoverable amount and the carrying amount of the joint venture and recognized in profit and loss in the item share of profit of joint ventures. If the reasons for a previously recognized impairment cease to exist, a reversal of impairment is recognized in profit or loss with the exception of goodwill.

The financial statements of the companies accounted for using the equity method are prepared in accordance with uniform accounting and measurement methods throughout the Group.

(6) Foreign currency translation

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

The items included in the interim financial statements of each Group company are valued based on the currency of the primary economic environment in which the company operates (functional currency).

Foreign currency transactions and balances
Foreign currency transactions in the interim financial statements of Group companies are translated into the functional currency based on the exchange rate in effect on the date of the transaction. Gains and losses arising from the settlement of such transactions and the measurement of monetary assets and liabilities in foreign currencies at the closing rate are recognized in profit or loss under other income or expenses. Contrary to this, unrealized currency translation differences from monetary items which form part of a net investment in a foreign business are recognized in other comprehensive income in equity. Non-monetary items in foreign currency are carried at historical rates.

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

Assets and liabilities are translated at the closing rate on the reporting date of the interim consolidated financial statements, while monthly income and expenses and consequently the profit for the period as presented in the statement of profit or loss are translated at the respective closing rates of the previous month. Differences resulting from this translation process and differences resulting from the translation of amounts carried forward from the prior year are recorded under other comprehensive income without recognition to profit or loss. Monthly cash flows are translated at the respective closing rates of the previous month. Goodwill and adjustments to the fair value of assets and liabilities related to the purchase price allocations of a subsidiary outside the European currency area are recognized as assets and liabilities of the respective subsidiary and translated at the closing rate.

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

		Closing rate		Average rate[1]	
Currencies	1 € =	06/30/2017	12/31/2016	1-6/2017	1-6/2016
Brazilian real	BRL	3.77	3.42	3.42	4.20
Pound sterling	GBP	0.88	0.86	0.86	0.77
Chilean peso	CLP	759.92	700.25	710.87	764.83
Chinese renminbi yuan	CNY	7.74	7.31	7.41	7.24
Indian rupee	INR	73.97	71.43	71.01	74.49
Canadian dollar	CAD	1.48	1.42	1.44	1.48
Mexican peso	MXN	20.66	21.77	21.13	19.76
Norwegian krone	NOK	9.57	9.09	9.13	9.42
Swiss franc	CHF	1.09	1.08	1.07	1.10
South African rand	ZAR	14.92	14.33	14.34	17.15
US dollar	USD	1.14	1.05	1.08	1.11

1) Arithmetic mean of the monthly closing rate

(7) Principles of accounting and measurement

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

Leased property, plant and equipment that qualifies as asset purchase financed with long-term funds is capitalized at the market value of the asset or the lower present value in accordance with IAS 17. The leased assets are depreciated on a systematic basis over the useful life. The payment obligations resulting from future lease instalments are discounted and recorded as liabilities. Current lease payments are apportioned between a finance charge and the amortization of the outstanding liability. As of the reporting date of the interim financial statements, the property, plant and equipment leased through finance leases is of small scale. All other leases are treated as operating leases. The lease payments resulting from operating leases are recorded as expenses.

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

Expected demolition and disposal costs at the end of an asset's useful life are capitalized as part of acquisition cost and recorded as a provision. The criteria for this treatment are a legal or constructive obligation towards a third party and the ability to prepare a reliable estimate.

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

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

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

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

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

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

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

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

Other intangible assets
Research costs are expensed in the year incurred and included under general and administrative costs.

Development costs also represent expenses in the period. They are recognized under general and administrative expenses. They are only capitalized if the allocable costs of the intangible asset can be measured reliably during its development period. Moreover, capitalization requires that the product or process development can be clearly defined, is feasible in technical, economic and capacity terms and is intended for own use or sale. In addition, future cash inflows which cover not only normal costs but also the related development costs must be expected. Capitalized development costs are amortized on a straight-line basis over the expected useful life, however, over a maximum of ten years, and recognized in cost of sales.

The development costs for internally generated software are expensed as incurred if their primary purpose is to maintain the functionality of existing software. Expenses that can be directly and conclusively allocated to individual programs and represent a significant extension or improvement over the original condition of the software are capitalized as production costs and added to the original purchase price of the software. These direct costs include the personnel expenses for the development team as well as an adequate, proportional share of overheads. Software is predominantly amortized on a straight-line basis over a period of four years.

Purchased intangible assets are measured at acquisition cost, which also includes acquisition-related costs, less accumulated amortization and impairments. Intangible assets with a finite useful life are amortized on a straight-line basis over the expected period of useful life. The following table shows the most important useful lives:

Patente	7 bis 18 Jahre
Markenrechte	20 Jahre
Landnutzungsrechte	50 bzw. 65 Jahre
Kundenbeziehungen	6 Jahre

Impairment of property, plant and equipment, goodwill and other intangible assets
Property, plant and equipment and intangible assets, including goodwill, are tested for impairment if there is any indication that the value of these items may be impaired. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually.

An asset is considered to be impaired if its recoverable amount is less than the carrying amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (present value of future cash flows). If the carrying amount is higher than the recoverable amount, an impairment loss equivalent to the resulting difference is recognized in the statement of profit or loss. If the reason for an impairment loss recognized in the past for property, plant and equipment and for other intangible assets ceases to exist, a reversal of impairment on the amortized acquisition and production costs is recognized to profit or loss.

In the case of impairments related to cash-generating units (CGU) which contain goodwill, existing goodwill is initially reduced. If the required impairment exceeds the carrying amount of the goodwill, the difference is apportioned proportionately to the remaining non-current tangible and intangible assets of the CGU. Reversals of impairment losses recognized on goodwill are not permitted and are therefore not considered. The effects of impairment tests at the CGU level are shown separately in the statement of profit or loss.

Cash-generating units (CGU)
In the RHI Group the individual assets do not generate cash inflows independent of one another; therefore, no recoverable amount can be presented for individual assets. As a result, the assets are combined in CGUs, which largely generate independent cash inflows. These units are combined in strategic business units and reflect the market presence and the market appearance and are as such responsible for cash inflows.

The organizational structures of the Group reflect these units. In addition to the joint management and control of the business activities in each unit, the sales know-how, the knowledge of RHI products and, as an important added value, the combination of this specific technical knowledge and the technical services provided to customers are also incorporated in these units. Sales know-how is reflected in long-standing customer relationships or knowledge of the customer's production facilities and processes. Product knowledge is manifested in the application-oriented knowledge of chemical, physical and thermal properties of RHI products. The services offered extend over the life cycle of RHI products at the customer's plant, from the appropriate installation and support of optimal operations, to environmentally sound disposal with the customer or the sustainable reuse in RHI's production process. These factors determine cash inflow to a significant extent and consequently form the basis for the CGU structures of the RHI Group.

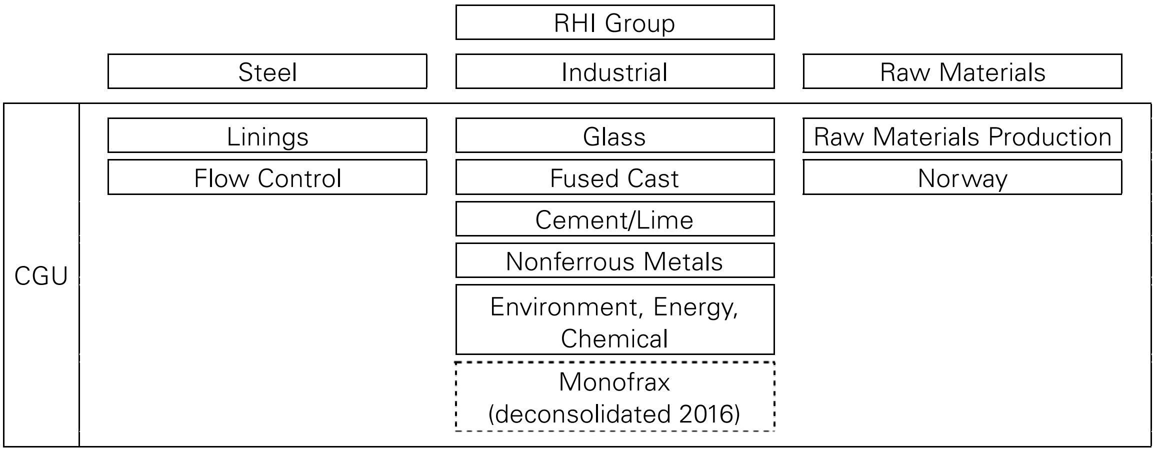
The CGUs of the strategic business unit Steel are Linings and Flow Control. These two units are determined according to the production stages in the process of steel production. Goodwill of € 9.4 million (12/31/2016: € 9.4 million) is allocated to the CGU Steel/Linings. As of June 30, 2017, goodwill of € 27.6 million (12/31/2016: € 27.1 million) and an intangible asset of indefinite useful life of € 1.8 million, unchanged compared with the December 31, 2016, are allocated to the CGU Steel/Flow Control. This asset is related to an acquired brand name. The Group intends to continue to use this brand name without a change.

In the Industrial Division, each industry segment (cement/lime, nonferrous metals and environment, energy, chemicals) with the exception of glass forms a separate CGU. The glass segment and the related plants were also considered to be one CGU up to and including 2014. In the year 2015, the Management Board of the RHI Group decided to initiate a structured selling process for the Falconer plant of the US subsidiary RHI Monofrax, LLC. Consequently, the related cash flows were assessed for this plant and it was treated as a separate CGU, Industrial/Monofrax. It was sold to the German private equity fund Callista and deconsolidated in the second quarter of 2016.

The global market environment in the glass industry is still characterized by low willingness to invest, high excess capacities and progressing market consolidation in the USA and Europe. As part of the plant concept, the Management Board of the RHI Group evaluated in 2016 whether a structured selling process would be initiated for another two companies or they would continue to operate within the Group. These two companies were REFEL S.p.A., based in Italy, and CJSC "RHI Podolsk Refractories", based in Russia. In this context, independent cash flows were generated for these plants, enabling separate consideration. Therefore, the plants of the subsidiaries REFEL S.p.A. ("San Vito" plant) and CJSC "RHI Podolsk Refractories" ("Sherbinska" plant) are presented as a separate CGU "Industrial/Fused Cast", separate from the CGU Industrial/Glass. In the second quarter of 2017, the RHI Group received offers from interested parties which make a sale highly likely. Therefore, these two plants were classified as disposal groups held for sale and subsequently accounted for at fair value less disposal costs in accordance with IFRS 5 (see note (22)).

In the Raw Materials Division, all raw material producing facilities with the exception of Norway are combined in one CGU. The plant in Porsgrunn, Norway, was not included in the raw materials unit, but treated as a separate CGU because a management team was installed specifically for the coordination and implementation of the optimization measures due to the dimension and the special situation at the Porsgrunn plant. This organization goes beyond plant management and also includes sub-tasks of the administration processes.

The business units of the RHI Group to which cash flows are allocated are shown in the table below:



In the RHI Group, the impairment test is performed for the CGUs defined in the RHI Group as part of the annual planning process in the fourth quarter of the year. At each interim reporting date, impairment tests are conducted as soon as events or changes in the circumstances indicate that the carrying amount of an asset or a group of assets could exceed the recoverable amount.

Impairment test at June 30, 2017
In the first half of 2017, production was interrupted at one site of the CGU Steel/Linings and from today's perspective an extended shut-down period has to be expected. Therefore, an impairment of € 5.5 million was recognized for plant no longer necessary for operation, of which land and buildings accounted for € 4.8 million, technical plant and machinery for € 0.6 million and other plant, furniture and fixtures for € 0.1 million. The plant's orders were distributed to other production sites so that no further negative impact on the CGU Steel/Linings is to be expected.

Beyond that, no indication of impairment at the CGU level was identified after the examination of internal and external information sources on the interim reporting date on June 30, 2017. The internal information sources used included, among others, the revenue and earnings development of the CGUs; long-term market growth and market capitalization served as external sources. Therefore no calculation of the recoverable amount of the CGUs was made as of the interim reporting date.

Impairment test at December 31, 2016
The impairment test at December 31, 2016 was based on the value in use; the recoverable amount was determined using the discounted cash flow method and incorporated the terminal value. The detailed planning of the first five years is congruent with the strategic business and financial planning. Based on the detailed planning period, it was geared to a steady-state business development, which balances out possible economic or other non-sustainable fluctuations in the detailed planning period and forms the basis for the calculation of the terminal value. In the impairment test the terminal value was based on a growth rate derived from the difference of the current and the possible degree of utilization of the assets.

The net cash flows were discounted using the weighted average cost of capital (WACC). The weighted average cost of capital was calculated taking into account comparable companies (peer group); the corresponding parameters were derived from capital market information. In addition, country-specific risk premiums were considered in the weighted average cost of capital.

The weighted average cost of capital before tax was determined per legal unit and weighted according to the share of revenue of the legal units. The weighted interest rates range between 6.4% and 8.0% in the year 2016.

Composition of estimated future cash flows at December 31, 2016

The estimates of future cash flows included forecasts of the cash flows from continued use. If assets are disposed at the end of their useful life, the related cash flows were also included in the forecasts.

A simplified statement of cash flows served to determine the cash flows on the basis of strategic business and financial planning. The forecasts included cash flows from future maintenance investments. Expansion investments were only taken into account in the future cash flows where there had been a significant cash outflow, or significant payment obligations had been entered into due to services received, and it was sufficiently certain that the investment measure would be completed. All other expansion investments were not considered; this applies in particular to expansion investments that have been decided on but not begun.

Future cash flows from financing and for income taxes were generally not included. For reasons of practicability, the expected cash flows also included tax payments, therefore the values in use were determined using an after-tax weighted average cost of capital. The after-tax weighted average cost of capital was iteratively reconciled to an implicit pre-tax weighted average cost of capital, which is indicated in the notes. If the result before tax was negative in the detailed planning period, tax inflows (tax refunds) were considered regardless of whether tax loss carryforwards existed.

With respect to pension obligations, a differentiation was made between earned entitlements and entitlements yet to be earned. Provisions for pensions do not reduce the carrying amount of a CGU; accordingly, pension payouts were not included in the recoverable amounts. Expected additions to provisions for pensions were considered cash-effective with respect to service cost. The interest expense related to pension obligations represents a financing expense and was consequently not considered in the forecast of cash flows.

Working capital was included in the carrying amount of the CGU; therefore, the recoverable amount only took into account changes in working capital.

Basis for planning at December 31, 2016

CGU Steel/Linings

The basis for strategic market planning was the forecast for world steel production, which is prepared by an independent institution (CRU, London, United Kingdom). This forecast was analyzed by experts in the RHI Group and, where necessary, revised and adjusted for internal analyses and evaluations. RHI assumed a more conservative development of the global steel market for strategic business planning in the year 2016. This resulted in moderate annual average volume growth of 0.7% in the detailed planning period, with the price level remaining stable. The cost items were planned in detail for the first year of the detailed planning period taking into account cost developments for the individual types of costs at the respective sites, and adjusted for the other years in accordance with the estimates available. Overall, this led to a gross operating margin between 19.4% and 20.0% in the planning period. The planning did not take into account expansion investments. The relevant capital costs before tax amounted to 7.6% and the assumed growth for the terminal value was 0.9%. An increase in the interest rate by 41%, combined with a 40% reduction of profitability and a reduction of the growth rate to 0.0%, would have the effect that the recoverable amount corresponds exactly to the carrying amount of this unit at December 31, 2016.

CGU Steel/Flow Control
The forecast for the world steel production was also the basis for strategic market planning in the CGU Steel/Flow Control. The CGU Steel/Flow Control built on the same strategic marketing planning of world steel production as the CGU Steel/Linings. In this unit, RHI expected increasing revenue growth with an annual growth rate of 3.5% in the detailed planning period, with the growth being driven primarily by the development in India and the increasing demand for specialized customer solutions. Cost planning was carried out the same way as in the CGU Steel/Linings. The gross operating margin resulting from revenue and cost planning ranged between 23.9% and 24.4% in the detailed planning period. The planning did not include expansion investments. A weighted average cost of capital before tax of 8.0% was applied. The growth assumed for the terminal value amounted to 0.9%. In this unit, an increase in the interest rate by 10%, combined with a 14% reduction of profitability, as well as reduction of the growth rate to 0.0% would cause the recoverable amount to correspond precisely to the carrying amount of this unit at December 31, 2016.

CGU Raw Materials/Norway
This unit comprises the activities of the plant in Porsgrunn, Norway. At this site, the RHI Group produces high-grade fused magnesia, which represents an important pillar in the strategic raw material supply of the Group. As raw material prices have dropped significantly in the past, the company's high-grade products stand in direct competition with the products available in the market. External purchases are thus possible at any time and the company's own production was adjusted accordingly. Increasing demand in the area of marketing intermediate products and by-products was taken into account in strategic planning. Production costs for the first year in the detailed planning period were planned for every single phase in the production process for individual cost types and subsequently adjusted for the following years in accordance with the defined plan of measures. In the CGU Raw Materials/Norway, a weighted average cost of capital before tax of 6.5% was applied. The growth rate assumed for the terminal value amounted to 0.9%.

CGU Industrial/Glass
The market of the CGU Industrial/Glass was characterized by global excess capacities in the area of non-basic products as of December 31, 2016. Nevertheless, RHI assumed in the planning period that investments in the glass industry would increase after the subdued investment activities of the past years and that an increasing number of projects would consequently be won in the medium term, especially in the flat glass segment. However, this slight increase in volume was compensated by longer service lives/repairs. Here, the RHI Group will continue to grow in the area of service and repairs. All of this led to annual revenue growth of 3.2% in the detailed planning period, with constant volumes and generally stable prices. In the CGU Industrial/Glass, the cost items for the first year of the detailed planning period were also planned taking into account cost developments for the individual types of cost at the respective sites and adjusted for the subsequent years in accordance with existing estimates. Consequently, average gross margins between 19.8% and 21.1% were realized in the long term. A weighted average cost of capital before tax of 7.0% was applied. The growth assumed for the terminal value amounted to 0.9%.

CGU Industrial/Fused Cast
Since 2016, the plants in San Vito, Italy, and Sherbinska, Russia, have been presented as a separate CGU and have thus been removed from the CGU Industrial/Glass. These plants produce fused cast products. The weighted average cost of capital before tax applied amounted to 6.4%. The growth rate assumed for the terminal value amounted to 0.9%.

Result of the impairment test at December 31, 2016
Based on the impairment test conducted in the financial year 2016, the recoverability of assets was demonstrated in all CGUs with the exception of the CGU Raw Materials/Norway and the CGU Industrial/Fused Cast.

The amount recognized in the item impairment losses in the statement of profit or loss for the CGU Industrial/Fused Cast amounted to € 8.0 million at December 31, 2016, of which land and buildings accounted for € 3.7 million, technical plant and machinery for € 2.9 million, other plant, furniture and fixtures for € 1.0 million, plant under construction for € 0.3 million and intangible assets for € 0.1 million. The recoverable amount of this CGU was determined on the basis of the value in use and was negative as of December 31, 2016.

The carrying amount of the CGU Raw Materials/Norway was already fully written down in the previous years. The recoverable amount of the CGU Raw Materials/Norway was determined on the basis of a value in use and was negative as of December 31, 2016.

Other financial assets and liabilities

Financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the contractual rights to payments from the financial assets no longer exist or significant risks and rewards related to the ownership of the financial assets are transferred. Financial liabilities are derecognized when the contractual obligations are settled, withdrawn or have expired.

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

The item other financial liabilities includes negative fair values of derivative financial instruments.

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

Financial receivables are measured at amortized cost applying the effective interest method. Any doubt concerning the collectability of the receivables is reflected in the use of the lower present value of the expected future cash flows. Foreign currency receivables are translated at the closing rate.

Derivative financial instruments, which are not part of an effective hedging relationship in accordance with IAS 39 or do not meet the hedge accounting requirements, must be classified as held for trading in accordance with IFRS and measured at fair value through profit or loss. In the RHI Group, this measurement category includes derivatives related to purchase obligations, forward exchange contracts, embedded derivatives in open orders that are denominated in currencies other than the functional currency as well as derivative financial instruments in the form of interest rate swaps.

Derivative financial instruments relating to purchase obligations concern a long-term power supply contract which provides for the purchase of fixed amounts of electricity at fixed prices and for which the so-called own-use exemption (exemption for own use in accordance with IAS 39.5) was for the first time not applied anymore in the consolidated financial statements 2015. The measurement is made taking into account quoted electricity prices in the futures market. Based on the fixed amounts of electricity, the cash flows for the entire term of the contract are initially determined as the difference between forward rates and contractually fixed prices and discounted at the interim reporting date using a cost of borrowing rate corresponding to the term. The measurement effects resulting from this electricity derivative are shown as gain or loss from derivatives from supply contracts in the statement of profit or loss.

The measurement of forward exchange contracts and embedded derivatives in open orders denominated in a currency other than the functional currency is made on a case-by-case basis at the respective forward rate on the interim reporting date. These forward rates are based on spot rates, and also include forward premiums and discounts. Unrealized valuation gains or losses and results from the realization are recognized to the statement of profit or loss under other income or expenses. The underlying transactions for the derivatives are carried at amortized cost.

For derivative financial instruments, which are incorporated in an effective hedging relationship in accordance with IAS 39, the provisions regarding hedge accounting are applied. The RHI Group has concluded derivative financial instruments in the form of interest rate swaps to hedge the cash flow risk of financial liabilities carrying variable interest. Hedging transactions are shown as part of cash flow hedge accounting provided that the relevant conditions are met. The interest rate swaps as hedging instruments are measured at fair value, which corresponds to the amount which the RHI Group would receive or have to pay on the interim reporting date when the financial instrument is terminated. The fair value is calculated using the interest rates and yield curves relevant on the interim reporting date. The effective part of the fair value changes is initially recorded in other comprehensive income as an unrealized gain or loss. Only at the time of the realization of the underlying transaction, the contribution of the hedging instrument is shown in the statement of profit or loss. Ineffective parts of the fair value changes of cash flow hedges are recognized immediately in the statement of profit or loss. If the expected transaction is no longer expected to take place, the accumulated amount previously recorded in other comprehensive income is reclassified to the statement of profit or loss.

Deferred taxes
Deferred taxes are recognized on temporary differences between the tax base and the IFRS carrying amount of assets and liabilities, tax loss carryforwards and consolidation entries.

Deferred tax assets are recognized on temporary differences insofar as it is probable that sufficient deferred tax liabilities exist or that sufficient taxable income before the reversal of temporary differences is available for the settlement of deductible temporary differences in the planning period of five years.

Deferred taxes are recognized on temporary differences relating to shares in subsidiaries and joint ventures, unless the parent company is in a position to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse. No temporary differences are recognized for financial instruments which were issued by subsidiaries to non-controlling interests and which are classified as a financial liability in accordance with IFRS.

The RHI Group accounts for deferred tax assets for unused tax loss carryforwards to the extent that it is probable that a taxable income will be available within the planning period of five years, against which the loss carryforwards can be used.

The calculation of deferred taxes is based on the tax rate expected in the individual countries at the time of realization and generally reflects the enacted or substantively enacted tax rate on the interim reporting date. As in the previous year, deferred taxes of the Austrian Group companies are determined at the corporation tax rate of 25%. Tax rates from 12.5% to 37.9% were applied to foreign companies, as at December 31, 2016.

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

Inventories
Inventories are stated at acquisition or production cost, or at net realizable value as of the interim reporting date. The determination of acquisition cost of purchased inventories is based on the moving average price method. Finished goods and work in process are valued at fixed and variable production cost. The net realizable value is the estimated selling price in the ordinary course of business minus any estimated cost to complete and to sell the goods. Impairments due to reduced usability are reflected in the calculation of the net realizable value.

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

Under the percentage of completion method, production costs incurred plus an appropriate mark-up for profit based on the stage of completion are recognized under receivables from construction contracts and under revenue. The stage of completion is based on the expenses incurred as a percentage of the expected total expenses for the contract. Any expected losses on a contract are covered by provisions, which also reflect identifiable risks. Prepayments received from customers are deducted from contract receivables. Any resulting negative balance on a construction contract is recorded as a liability from construction contracts.

Trade and other current receivables
Receivables are initially measured at fair value and subsequently carried at amortized cost minus any valuation allowances. These valuation allowances are determined on an individual basis and reflect any recognizable risk of default. Specific cases of default lead to the derecognition of the relevant receivables.

Receivables denominated in foreign currencies are translated using the closing rate.

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

Emission certificates allocated free of charge are not accounted for. Proceeds from the sale of these rights are recognized as income.

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

Cash and cash equivalents denominated in foreign currencies are translated at the closing rate.

Disposal groups held for sale
Non-current assets and disposal groups which can be sold in their present state and whose sale is highly probable are classified as held for sale. Assets and liabilities which are intended to be sold together in a single transaction represent a disposal group held for sale and are shown separately from other assets and liabilities in the statement of financial position. All accumulated income and expenses recorded in other comprehensive income which are related to disposal groups classified as held for sale are presented separately in the consolidated statement of changes in equity.

Non-current assets and disposal groups which are classified as held for sale are carried at the lower of fair value less costs to sell and carrying amount. Impairments are initially allocated to existing goodwill and then to the non-current assets on a pro-rata basis, based on the carrying amount of each individual asset of the disposal group. Impairments beyond that are allocated to current assets pursuant to the liquidity principle and recognized through profit or loss in the item impairment losses. Non-current assets are not depreciated as long as they are classified as held for sale.

Financial liabilities

Liabilities to financial institutions

Liabilities to financial institutions are measured at fair value less directly attributable transaction costs at initial recognition. In subsequent measurements these liabilities are measured at amortized cost applying the effective interest method. Liabilities to financial institutions in foreign currency are translated at the closing rate.

Liabilities to fixed-term or puttable non-controlling interests

Capital shares of non-controlling interests in subsidiaries with a fixed term are recognized under financial liabilities in the consolidated statement of financial position in accordance with IAS 32. The liabilities are measured at amortized cost. The share of profit attributable to non-controlling interests is recognized under interest expenses in the statement of profit or loss. Dividend payments to non-controlling interests reduce liabilities.

Furthermore, the RHI Group has entered into purchase obligations with non-controlling shareholders of a subsidiary. Based on these agreements, the shareholders receive the right to tender their shares at any time on previously defined conditions. In this case, IAS 32 provides for carrying a liability in the amount of the probable future exercise price. The difference between the estimated liability and the carrying amount of the non-controlling interest was recognized to equity at the time of initial recognition without affecting profit or loss. Subsequently, the liability is measured at amortized cost and changes are recorded in net finance costs.

Provisions

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

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

If maturities cannot be estimated, they are shown under current provisions.

Provisions for pensions

With respect to post-employment benefits, a differentiation is made between defined contribution and defined benefit plans.

Defined contribution plans limit the company's obligation to the agreed amount of contributions to earmarked pension plans. The related expenses are shown in the functional areas and thus in EBIT. No provisions are necessary.

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

For pension plans financed through external funds, the pension obligation according to the projected unit credit method is netted out against the fair value of the plan assets. If the plan assets are not sufficient to cover the obligation, the net obligation is recognized under provisions for pensions. However, if the plan assets exceed the obligations, the asset recognized is limited to reductions of future contribution payments to the plan and is shown under other non-current assets.

The present value of defined benefit obligations for current pensions, future pension benefits and similar obligations and the related expenses are calculated separately for each plan annually by independent qualified actuaries in accordance with the provisions of IAS 19. The present value of future benefits is based on the length of service, expected wage/salary developments and pension adjustments. For the interim consolidated financial statements as of June 30, 2017, these calculations were made for pension obligations in Austria, Germany and Mexico. The determination of other pension obligations as of June 30, 2017 was based on a forecast prepared by an actuary for the full year 2017. As of June 30, 2016, the present value of all obligations was calculated on the basis of a forecast prepared by an actuary for the full year 2016. Where there are significant changes, a remeasurement of the net debt from defined benefits for pensions is carried out and the resulting remeasurement gains/losses are recognized in equity in the reserve "defined benefit plans" without affecting profit or loss.

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

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

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

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

The fluctuation probabilities were estimated specific to age or according to seniority.

The retirement age used for the calculation is based on the respective statutory provisions of the country concerned. The calculation is based on the earliest possible retirement age according to the current statutory provisions of the respective country, among other things depending on gender and date of birth.

For pension commitments that limit claims to the amount of plan assets, the present value of the obligation equals the total amount of plan assets.

Remeasurement gains and losses are recorded net of deferred taxes under other comprehensive income in the period incurred.

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

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

For employees who joined an Austrian company after December 31, 2002, employers are required to make regular contributions equal to 1.53% of the monthly wage/salary to a statutory termination benefit scheme. The company has no further obligations. Claims by employees to termination benefits are filed with the statutory termination benefit scheme, while the regular contributions are treated like defined contribution pension plans and included under personnel expenses of the functional areas.

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

Service anniversary bonuses are one-time special payments that are dependent on the employee's wage/salary and length of service. The employer is required by collective bargaining agreements or company agreements to make these payments after an employee has reached a certain number of uninterrupted years of service with the same company. Obligations related to service anniversary bonuses exist in Austrian and German Group companies. Under IAS 19 service anniversary bonuses are treated as other long-term employee benefits. Provisions for service anniversary bonuses are calculated based on the projected unit credit method. Remeasurement gains or losses are recorded in the personnel costs of the functional areas in the period incurred.

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

For cash-settled share-based payments for the members of the Management Board of RHI AG, a provision is recorded for the services received and measured at fair value on the date of receipt. Until the debt is settled, its fair value is recalculated at each reporting date, at June 30, 2017 and on the settlement date. All changes in fair value are recognized to profit or loss in general and administrative expenses.

Obligations for lump-sum settlements are based on company agreements in individual companies.

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

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

Trade payables and other current liabilities
These liabilities are initially recognized at fair value, and subsequently measured at amortized cost.

Liabilities denominated in foreign currencies are translated at the closing rate.

Government grants
Government grants to promote investments are recognized as deferred income and released through profit or loss over the useful life of the relevant asset distributed on a straight-line basis.

Grants that were granted as compensation for expenses or losses are recognized to profit or loss in the periods in which the subsidized expenses are incurred. In the RHI Group, they mainly include grants for research and employee development. Grants for research are recorded as income in general and administrative expenses.

Revenue and expenses
Revenue comprises the sale of products and services less rebates and other sales deductions.

Revenue is realized when ownership and risk are transferred to the customer or when a service is performed, the consideration has been contractually defined or can otherwise be determined and the RHI Group can therefore expect to collect the related receivable. If formal acceptance by the customer is agreed, the related revenue is only recognized after this acceptance has been received.

Revenue on construction contracts is realized according to the percentage of completion method, if the requirements of IAS 11 have been met.

Expenses are recognized to the statement of profit or loss when a service is consumed or the costs are incurred.

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

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

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

Since the financial year 2005, RHI AG has headed a corporate tax group in accordance with § 9 KStG (Austrian Corporation Tax Act). A tax compensation agreement has been in force since January 1, 2016 between the head of the group and seven Austrian group members, which are included in the RHI interim consolidated financial statements. Prior to that, profit and loss transfer agreements were in place. According to the group and tax compensation agreement, the members of the group have to pay a positive tax compensation of 20% of the taxable profit to the head of the group if the result is positive, as long as tax loss carry forwards exist with the head of the group; subsequently 25% of the taxable profit have to be paid. In the case of a tax loss of the group member, the head of the group has to pay a negative tax compensation to the member of the group, with a rate of 12.5% being applied insofar as the loss can be utilized within the group. In the case of a loss in the tax group, an unused tax loss of a group member is retained and offset against future taxable profits of the group member. When the contract is terminated, a compensation payment is agreed for unused tax losses of a group member, which were allocated to the head of the group.

In Germany, Didier-Werke Aktiengesellschaft, Wiesbaden, acts as the head of a tax corporation group. The seven subsidiary companies are obliged to transfer their profit or loss to Didier-Werke Aktiengesellschaft based on a profit and loss transfer agreement.

(8) Segment reporting

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

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

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

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

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

Statements of profit or loss up to EBIT are available for each segment. The operating EBIT (EBIT adjusted for special effects) serves the Management Board of the RHI Group for internal management and as an indicator of sustainable earnings power of a business as presented in the statement of profit or loss. The profit of joint ventures is allocated to the segments. Net finance costs and income taxes are managed on a group basis and are not allocated.

Segment assets include trade receivables and inventories, which are available to the operating segments and are reported to the management for control and measurement, as well as property, plant and equipment, goodwill and other intangible assets, which are allocated to the segments based on the capacity of the assets provided to the segments. Investments in joint ventures are allocated to the segments. All other assets are not allocated. The recognition of segment assets is determined on the basis of the accounting and measurement methods applied to the IFRS consolidated financial statements.

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

(9) Discretionary decisions, assumptions and estimates

The RHI Group used forward-looking assumptions and estimates, especially with respect to business combinations, non-current assets, valuation adjustments to inventories and receivables, provisions and income taxes to a certain extent in the application of accounting and measurement methods.

The estimates are based on comparable values in the past, plan data and other findings regarding transactions to be accounted. The actual values may ultimately deviate from the assumptions and estimates made. The resulting changes in value of assets, liabilities, revenue and expenses are accounted for in the reporting period in which the change is made and in the affected future reporting periods.

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

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

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

Impairment of intangible assets with finite useful lives and property, plant and equipment
Intangible assets with a finite useful life and property, plant and equipment must be tested for impairment when events or a change in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amounts of these assets amounted to € 537.4 million at June 30, 2017 (12/31/2016: € 591.1 million). In accordance with IAS 36, such impairment losses are determined through comparisons with the discounted future cash flows expected from the related assets of the cash-generating units (CGU).

As part of the annual planning process, the impairment test is conducted for the CGUs defined in the RHI Group in the fourth quarter, thus taking into account all changes resulting from updates of strategic planning. As part of the impairment test as of December 31, 2016, sensitivity analyses were also performed. In their calculation one of the main parameters was changed as follows: increase in the discount rate by 10%, reduction in the form of the contribution margin by 10% and reduction of the growth rate in terminal value by 50%. In all CGUs these simulations did not result in any impairments. Likewise, in all CGUs a reduction of the discount rate by 10%, an increase in profitability in the form of the contribution margin by 10% and an increase in the growth rate in terminal value by 50% did not result in any reversals of impairments.

Impairment of goodwill
The effect of an adverse change by plus 10% in the estimated interest rates as of December 31, 2016 or by minus 10% in the contribution margin would not result in an impairment charge to the goodwill recognized (carrying amount 06/30/2017: € 37.0 million, 12/31/2016 € 37.8 million).

Impairment of other intangible assets with indefinite useful life
The effect of an adverse change by plus 10% in the estimated interest rate as of December 31, 2016 or by minus 10% in the contribution margin would not result in an impairment charge to intangible assets with indefinite useful lives recognized (carrying amount at 06/30/2017 and 12/31/2016: € 1.8 million).

Provisions for pensions and termination benefits
The present value of pension and termination benefit obligations depends on a number of factors, which are based on actuarial assumptions such as interest rates, future salary and pension increases as well as life expectancy. Due to the long-term orientation of these obligations, these assumptions are subject to significant uncertainties.

The following sensitivity analysis shows the change in present value of the pension and termination benefit obligations if one key parameter changes, while the other influences are maintained constant. In reality, however, it is rather unlikely that these influences do not correlate. The present value of the pension obligations for the sensitivities shown was calculated using the same method as for the actual present value of the pension obligations (projected unit credit method).

in € million	Change of assumption in percentage points or years	06/30/2017 Pension plans	06/30/2017 Termination benefits	12/31/2016 Pension plans	12/31/2016 Termination benefits
Present value of the obligations	-	285.7	55.0	289.2	58.5
Interest rate	+0.25	(7.6)	(1.4)	(7.6)	(1.6)
	(0.25)	7.9	1.5	8.0	1.6
Salary increase	+0.25	0.6	1.5	0.6	1.5
	(0.25)	(0.6)	(1.4)	(0.6)	(1.4)
Pension increase	+0.25	5.0	-	5.0	-
	(0.25)	(4.9)	-	(4.9)	-
Life expectancy	+1 year	12.6	-	12.9	-
	(1) year	(12.8)	-	(13.2)	-

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

The assumptions regarding the interest rate are reviewed quarterly; all other assumptions are reviewed at the end of the year.

Other provisions
The recognition and measurement of other provisions totaling € 29.5 million (12/31/2016: € 33.6 million) were based on the best possible estimates using the information available at the reporting date. The estimates take into account the underlying legal relationships and are performed by internal experts or, when appropriate, also by external experts. Despite the best possible assumptions and estimates, cash outflows expected at the interim reporting date may deviate from actual cash outflows. As soon as additional information is available, the estimates made are reviewed and provisions are also adjusted.

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

When determining the amount of the capitalizable deferred tax claims, an estimate of the management is required regarding the amount of future taxable income and the expected time. Should the future taxable profit deviate by 10% from the assumption made on the interim reporting date within the planning period defined for the accounting and measurement of deferred taxes, the net position of deferred tax assets amounting to € 122.4 million (12/31/2016: € 131.3 million) would have to be increased by € 1.9 million (12/31/2016: € 1.8 million) or reduced by € 1.9 million (12/31/2016: € 1.7 million).

Other items

With respect to the other items of the statement of financial position, the RHI Group currently assumes that no material effects on the financial position and performance would result for the following financial years due to changes in the estimates and assumptions.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(10) Property, plant and equipment

Property plant and equipment developed as follows in the first half of 2017 and in the first half of 2016:

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment, machinery	Other plant, furniture and fixtures	Prepayments made and plant under construction	Total
Cost at 12/31/2016	453.7	32.1	877.9	294.2	43.8	1,701.7
Currency translation	(6.7)	0.0	(10.3)	(4.7)	(0.2)	(21.9)
Additions	0.2	0.0	2.4	0.9	8.8	12.3
Retirements and disposals	(0.5)	0.0	(6.5)	(3.7)	0.0	(10.7)
Reclassifications	3.7	0.0	9.1	2.1	(13.6)	1.3
Reclassification as held for sale	(25.4)	(5.2)	(92.5)	(10.6)	(0.9)	(134.6)
Cost at 06/30/2017	**425.0**	**26.9**	**780.1**	**278.2**	**37.9**	**1,548.1**
Accumulated depreciation 12/31/2016	285.6	24.5	639.3	229.6	0.9	1,179.9
Currency translation	(3.5)	0.0	(6.7)	(3.7)	0.0	(13.9)
Depreciation charges	4.0	0.2	16.2	6.8	0.0	27.2
Impairment losses	4.8	0.0	2.4	0.1	0.1	7.4
Retirements and disposals	(0.5)	0.0	(6.3)	(3.5)	0.0	(10.3)
Reclassifications	0.4	0.0	0.1	0.0	(0.1)	0.4
Reclassification as held for sale	(22.4)	(3.7)	(79.9)	(10.3)	(0.3)	(116.6)
Accumulated depreciation 06/30/2017	**268.4**	**21.0**	**565.1**	**219.0**	**0.6**	**1,074.1**
Carrying amounts at 06/30/2017	**156.6**	**5.9**	**215.0**	**59.2**	**37.3**	**474.0**

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment, machinery	Other plant, furniture and fixtures	Prepayments made and plant under construction	Total
Cost at 12/31/2015	448.0	31.8	877.0	286.3	49.2	1,692.3
Currency translation	(1.8)	0.0	(8.2)	(1.6)	(0.2)	(11.8)
Disposals of consolidated companies	(4.2)	0.0	(15.4)	(2.3)	0.0	(21.9)
Additions	0.5	0.0	1.6	1.0	11.8	14.9
Retirements and disposals	(0.2)	0.0	(2.3)	(0.9)	(0.7)	(4.1)
Reclassifications	2.2	0.0	6.6	3.3	(12.8)	(0.7)
Cost at 06/30/2016	**444.5**	**31.8**	**859.3**	**285.8**	**47.3**	**1,668.7**
Accumulated depreciation 12/31/2015	282.1	24.2	633.5	220.1	0.2	1,160.1
Currency translation	(0.4)	0.0	(4.9)	(0.8)	0.0	(6.1)
Disposals of consolidated companies	(4.2)	0.0	(15.4)	(2.3)	0.0	(21.9)
Depreciation charges	3.9	0.1	16.2	7.1	0.0	27.3
Impairment losses	0.2	0.0	0.0	0.0	0.0	0.2
Retirements and disposals	(0.2)	0.0	(1.9)	(0.8)	0.0	(2.9)
Reclassifications	0.1	0.0	0.0	0.0	(0.2)	(0.1)
Accumulated depreciation 06/30/2016	**281.5**	**24.3**	**627.5**	**223.3**	**0.0**	**1,156.6**
Carrying amounts at 06/30/2016	**163.0**	**7.5**	**231.8**	**62.5**	**47.3**	**512.1**

The item prepayments made and plant under construction includes plant under construction with a carrying amount of € 35.8 million at the interim reporting date (12/31/2016: € 41.7 million), with the modification of the smelter at the site in Radenthein, Austria, representing the largest investment project under construction of the first half of 2017.

As in the previous year, there are no restrictions on the sale of property, plant and equipment.

(11) Goodwill

Goodwill developed as follows:

in € million	1-6/2017	1-6/2016
Cost at beginning of period	40.2	40.1
Currency translation	(0.8)	(0.8)
Reclassification as held for sale	(0.4)	0.0
Cost at end of period	**39.0**	**39.3**
Accumulated impairment at beginning of period	(2.4)	(2.6)
Currency translation	0.0	(0.1)
Reclassification as held for sale	0.4	0.0
Accumulated impairment at end of period	**(2.0)**	**(2.7)**
Carrying amount at end of period	**37.0**	**36.6**

(12) Other intangible assets

Other intangible assets changed as follows in the first half of 2017:

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost at 12/31/2016	45.9	114.0	159.9
Currency translation	(0.1)	(2.5)	(2.6)
Additions	2.0	0.2	2.2
Retirements and disposals	0.0	(0.3)	(0.3)
Reclassifications	(0.6)	(0.7)	(1.3)
Reclassification as held for sale	(0.8)	(2.4)	(3.2)
Cost at 06/30/2017	**46.4**	**108.3**	**154.7**
Accumulated amortization 12/31/2016	27.7	61.1	88.8
Currency translation	(0.1)	(1.0)	(1.1)
Amortization charges	1.9	3.2	5.1
Impairment losses	0.2	0.0	0.2
Retirements and disposals	0.0	(0.3)	(0.3)
Reclassifications	(0.6)	0.2	(0.4)
Reclassification as held for sale	(0.5)	(2.3)	(2.8)
Accumulated amortization 06/30/2017	**28.6**	**60.9**	**89.5**
Carrying amounts at 06/30/2017	**17.8**	**47.4**	**65.2**

Other intangible assets changed as follows in the first half of 2016:

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost at 12/31/2015	42.2	130.5	172.7
Currency translation	(0.2)	(2.0)	(2.2)
Disposals of consolidated companies	(1.1)	(1.5)	(2.6)
Additions	1.5	0.0	1.5
Retirements and disposals	0.0	(17.4)	(17.4)
Reclassifications	0.0	0.7	0.7
Cost at 06/30/2016	**42.4**	**110.3**	**152.7**
Accumulated amortization 12/31/2015	25.5	73.0	98.5
Currency translation	(0.1)	(0.6)	(0.7)
Disposals of consolidated companies	(1.1)	(1.5)	(2.6)
Amortization charges	1.6	3.3	4.9
Impairment losses	0.0	0.0	0.0
Retirements and disposals	0.0	(17.4)	(17.4)
Reclassifications	0.0	0.1	0.1
Accumulated amortization 06/30/2016	**25.9**	**56.9**	**82.8**
Carrying amounts at 06/30/2016	**16.5**	**53.4**	**69.9**

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

Other intangible assets include in particular acquired patents, trademark rights, software, customer relations of the Indian company Orient Refractories Ltd. and land use rights. The land use rights have a carrying amount of € 22.1 million (12/31/2016: € 23.4 million) and a remaining useful life of 29 to 61 years.

As in the previous year, there are no restrictions on the sale of intangible assets.

(13) Investments in joint ventures

As in the previous year, the RHI Group holds a share of 50% in MAGNIFIN Magnesiaprodukte GmbH & Co KG, a company based in St. Jakob, Austria. The company's core business activity is the production and sale of halogen-free flame retardants for plastics. The investment in MAGNIFIN is treated as a financial investment.

MAGNIFIN is set up as an independent vehicle. The RHI Group has a residual interest in the net assets of the company and accordingly classified its share as a joint venture. The share for which no listed market price is available is accounted for using the equity method in the RHI consolidated financial statements.

MAGNIFIN generated revenue amounting to € 22.2 million in the first half of 2017 (first half of 2016: € 20.4 million). Profit before income taxes amounts to € 12.4 million (first half of 2016: € 10.6 million) and includes depreciation charges on property, plant and equipment and amortization on intangible assets of € 0.8 million (first half of 2016: € 0.8 million) and interest expenses of € 0.1 million (first half of 2016: € 0.2 million). Total comprehensive income amounts to € 12.4 million (first half of 2016: € 10.6 million).

Income taxes on the share of profit of MAGNIFIN amounting to € 1.6 million in the first half of 2017 (first half of 2016: € 1.4 million) are recognized by the head of the tax group, RHI AG, due to the legal form of the joint venture and transferred to Veitscher Vertriebsgesellschaft m.b.H. in accordance with the provisions of the tax compensation agreement.

The net assets of MAGNIFIN at the two reporting dates are shown in the table below:

in € million	06/30/2017	12/31/2016
Non-current assets	9.4	9.9
Current assets (without cash and cash equivalents)	12.6	12.9
Cash and cash equivalents	9.5	16.7
Non-current personnel provisions	(3.9)	(4.0)
Current provisions	(1.1)	(1.1)
Trade payables and other current liabilities	(3.0)	(3.2)
Net assets	**23.5**	**31.2**

The development of the carrying amount of the share in this joint venture in the RHI interim consolidated financial statements is shown below:

in € million	1-6/2017	1-6/2016
Proportional share of net assets at beginning of period	**15.6**	**14.4**
Share of profit	6.4	5.4
Dividends received	(10.2)	(7.5)
Proportional share of net assets at end of period	**11.8**	**12.3**
Goodwill	4.9	4.9
Carrying amount of investments in joint ventures	**16.7**	**17.2**

(14) Other non-current financial assets

Other non-current financial assets consist of the following items:

in € million	06/30/2017	12/31/2016
Interests in subsidiaries not consolidated	0.1	0.0
Available-for-sale investments	0.4	0.4
Available-for-sale securities and shares	15.9	15.8
Other non-current financial receivables	2.9	2.7
Other non-current financial assets	**19.3**	**18.9**

At June 30, 2017, accumulated impairments on investments, securities and shares of € 2.0 million (12/31/2016: € 2.0 million) are recognized.

(15) Other non-current assets

Other non-current assets include the following items:

in € million	06/30/2017	12/31/2016
Prepaid expenses for stripping costs	8.7	8.3
Receivables from other taxes	6.1	6.7
Plan assets from overfunded pension plans	2.1	2.1
Prepaid expenses	0.5	0.6
Other non-current assets	**17.4**	**17.7**

Prepaid expenses for stripping costs arising from mining raw materials in a surface mine are shown under non-current assets due to the planned use of the mine.

Receivables from other taxes are related to input tax credits, which are expected to be utilized in the medium term.

(16) Deferred taxes

Deferred taxes are related to the following significant balance sheet items and loss carryforwards:

in € million	06/30/2017 Deferred tax assets	06/30/2017 Deferred tax liabilities	1-6/2017 Expense/ (Income)	12/31/2016[1)] Deferred tax assets	12/31/2016[1)] Deferred tax liabilities	1-6/2016[1)] Expense/ (Income)
Property, plant and equipment, intangible assets	19.4	34.1	(1.2)	22.3	38.5	2.0
Inventories	16.6	1.5	(0.1)	16.9	1.0	(1.8)
Trade receivables, other assets	1.5	4.0	1.4	1.6	3.1	(7.6)
Personnel provisions	52.2	0.4	1.7	53.1	0.4	2.8
Other provisions	2.9	1.1	1.4	3.9	0.7	0.5
Trade payables, other liabilities	15.2	1.4	0.9	16.5	1.1	1.1
Tax loss carryforwards	57.1	-	4.5	61.8	-	8.6
Netting	(30.2)	(30.2)	-	(31.3)	(31.3)	-
Deferred taxes	**134.7**	**12.3**	**8.6**	**144.8**	**13.5**	**5.6**

1) Comparative values adjusted to current presentation

As of June 30,2017, subsidiaries which generated tax losses in the first half of 2017 or in the financial year 2016 recognized net deferred tax assets on temporary differences and on tax loss carryforwards of € 24.9 million (12/31/2016: € 32.3 million). These assets are considered to be unimpaired because the companies concerned are expected to generate taxable income in the future. This assessment is based on measures implemented in 2016, which will lead to an increase in taxable income in the future. On the one hand, a subsidiary was sold; on the other hand, the financing of a subsidiary was optimized.

Tax loss carryforwards totaled € 350.8 million in the RHI Group as of June 30, 2017 (12/31/2016: € 383.7 million). A significant portion of the tax loss carryforwards originates in Austria and can be carried forward indefinitely. The annual offset of the Austrian tax loss carryforwards is limited to 75% of the respective tax profit. No deferred taxes were recognized for tax loss carryforwards of € 141.1 million (12/31/2016: € 156.9 million). The main part of the non-capitalized tax losses can be carried forward indefinitely. € 17.9 million (12/31/2016: € 25.8 million) will lapse at the earliest in the year 2022 if not used by then.

In addition, no deferred tax assets were recognized for temporary differences totaling € 5.3 million (12/31/2016: € 2.2 million) as it is not sufficiently probable that they can be used. The deductible temporary differences can be carried forward indefinitely.

Taxable temporary differences of € 121.6 million (12/31/2016: € 109.3 million) were not recognized on shares in subsidiaries because the corresponding distributions of profit or the sale of the investments are not expected in the foreseeable future.

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

	06/30/2017			12/31/2016		
in € million	Current	Non-current	**Total**	Current	Non-current	**Total**
Deferred tax assets	36.1	98.6	**134.7**	39.0	105.8	**144.8**
Deferred tax liabilities	0.6	11.7	**12.3**	0.0	13.5	**13.5**

(17) Inventories

Inventories as presented in the statement of financial position consist of the following items:

in € million	06/30/2017	12/31/2016
Raw materials and supplies	90.3	74.5
Unfinished products and unfinished services	75.7	99.4
Finished products and goods	200.6	184.9
Prepayments made	6.4	6.5
Inventories	**373.0**	**365.3**

The inventories recognized as of June 30, 2017 totaled € 373.0 million (12/31/2016: € 365.3 million), of which € 2.4 million (12/31/2016: € 2.7 million) are carried at net realizable value.

The reversals of impairment losses recorded in the first half of 2017, netted out against impairment losses, amount to € 1.7 million and are attributable to higher turnover rates compared with 2016. In the first half of 2016, impairment losses, netted out against reversals of impairment losses, amounting to € 3.7 million had to be recognized.

As in the previous year, there are no restrictions on the disposal of inventories.

(18) Trade and other current receivables

Trade and other current receivables as presented in the statement of financial position are classified as follows:

in € million	06/30/2017	12/31/2016
Trade receivables	292.6	309.0
Receivables from long-term construction contracts	14.4	7.8
Receivables from other taxes	59.0	65.9
Prepaid share issuance costs	2.4	0.0
Prepaid expenses	2.2	2.8
Receivables from joint ventures	1.0	1.0
Receivables employees	0.8	0.8
Receivables from personnel welfare foundation	0.0	0.8
Other current receivables	14.1	11.0
Trade and other current receivables	**386.5**	**399.1**
thereof financial assets	295.2	312.1
thereof non-financial assets	91.3	87.0

Receivables from long-term construction contracts consist of the following components:

in € million	06/30/2017	12/31/2016
Contract costs incurred up to the reporting date	14.0	10.0
Profits recognized by the reporting date	1.9	0.8
Prepayments received	(1.5)	(3.0)
Receivables from long-term construction contracts	**14.4**	**7.8**

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

As of June 30, 2017, trade receivables with a total nominal value of € 34.0 million were assigned for financial liabilities, unchanged in comparison with December 31, 2016.

Accumulated valuation allowance to trade and other current receivables developed as follows:

in € million	1-6/2017	1-6/2016
Accumulated valuation allowance at beginning of period	**35.2**	**30.1**
Currency translation	(0.7)	(0.1)
Addition	3.8	3.8
Use	(0.2)	(0.3)
Reversal	(3.5)	(2.1)
Reclassification as held for sale	(2.1)	0.0
Accumulated valuation allowance at end of period	**32.5**	**31.4**

(19) Income tax receivables

Income tax receivables amounting to € 10.7 million (12/31/2016: € 9.3 million) are mainly related to tax prepayments and deductible withholding taxes.

(20) Other current financial assets

This item of the statement of financial position consists of the following components:

in € million	06/30/2017	12/31/2016
Forward exchange contracts	9.1	0.4
Other current financial receivables	1.3	1.5
Derivatives in open orders	0.0	1.1
Other current financial assets	**10.4**	**3.0**

(21) Cash and cash equivalents

This item of the statement of financial position consists of the following components:

in € million	06/30/2017	12/31/2016
Cash at banks	147.3	179.9
Money market funds	0.4	0.4
Checks	1.7	2.5
Cash on hand	0.0	0.1
Cash and cash equivalents	**149.4**	**182.9**

(22) Disposal groups held for sale

After a structured selling process had been initiated for the plants in San Vito, Italy, and Sherbinska, Russia, the RHI Group received offers from interested parties in the second quarter of 2017, which indicate that a sale in the second half of 2017 is probable. This led to a reclassification of the related assets and liabilities as a disposal group as of May 31, 2017. The resulting necessary measurement of the disposal group at fair value less costs to sell is based on a purchase price offer of an independent third party and led to an impairment of € 1.7 million. The assets and liabilities held for sale are allocated to the Industrial segment and consist of the following components:

in € million	06/30/2017
Inventories	10.9
Trade and other current receivables	1.2
Income tax receivables	0.5
Cash and cash equivalents	0.1
Assets held for sale	**12.7**
Personnel provisions	1.2
Other non-current liabilities	0.1
Trade payables and other current liabilities	5.7
Liabilities relating to assets held for sale	**7.0**

On June 28, 2017, the European Commission approved the combination of RHI and Magnesita. The decision on approval is, among other things, subject to the condition that the RHI Group sells its dolomite business in the European Economic Area, which consists of the sites in Marone, Italy, and Lugones, Spain, within six months. Currently, negotiations are being held with numerous potential buyers, and assets and liabilities have accordingly been classified as a disposal group. The reclassified assets and liabilities are allocated to the Steel segment and consist of the following components:

in € million	06/30/2017
Property, plant and equipment	18.0
Other intangible assets	0.4
Inventories	6.4
Trade and other current receivables	3.0
Income tax receivables	0.5
Cash and cash equivalents	4.4
Assets held for sale	**32.7**
Deferred tax liabilities	0.4
Personnel provisions	2.6
Trade payables and other current liabilities	9.5
Current provisions	0.2
Liabilities relating to assets held for sale	**12.7**

(23) Share capital

The fully paid-in capital of RHI AG amounts to € 289,376,212.84. As in the previous year, it consists of 39,819,039 zero par value bearer shares. One share grants a rounded calculated share of € 7.27 in capital stock, as in the previous year. All shares grant the same rights.

The shareholders are entitled to payment of the dividend adopted and generally have one voting right per share at the Annual General Meeting. There are no RHI shares with special control rights. No limitations regarding the voting rights of RHI shares, including from agreements between shareholders, are known to the company, with the exception of the voting rights of MSP Foundation.

At August 25, 2017, the following investors with significant shareholdings were known to the RHI Group: MSP Foundation, a foundation under Liechtenstein law, directly holds and its founder, Martin Schlaff, indirectly holds more than 25% via MSP Foundation of the voting rights of RHI AG. Pursuant to the stipulations of the Austrian Takeover Act, a limitation of voting rights of 26% applies. In addition, Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH each hold more than 5% of the voting rights. The voting rights of Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH are jointly exercised; consequently, the joint share in voting rights held by the two companies exceed 10%.

Employee stock ownership plan "4 plus 1"

With a resolution of the Annual General Meetings of RHI AG on May 5, 2017 and on May 4, 2016, the Management Board was authorized in accordance with § 65 para. 1 (4) as well as para. 1a and para. 1b AktG to acquire, during a period of validity of 30 months each starting on May 5, 2017 or on May 4, 2016, up to 12,000 no-par bearer shares of the company by purchasing such shares both on an exchange and by off-market transactions, in each case at the stock exchange price of the day this authorization is exercised. The acquisition cannot be effected for the purpose of trading in treasury shares. The authorization may be exercised in full or in part or even in several tranches by the company, by a subsidiary (§ 228 para. 3 UGB) or for the account of the company by third parties. The Management Board of RHI AG can decide to purchase such shares on an exchange, but the Supervisory Board subsequently has to be informed of this decision. The off-market acquisition of shares is subject to prior approval by the Supervisory Board. In accordance with § 65 para. 1b AktG the Management Board was authorized for a period of five years starting on May 5, 2017 or on May 4, 2016 to adopt another type of sale than on an exchange or via public offer for the sale or use of treasury shares, with the consent of the Supervisory Board, applying the provisions regarding the exclusion of shareholders' subscription rights mutatis mutandis, and to determine the conditions of the sale. This authorization may be exercised fully or partially or in several partial amounts by the company, a subsidiary (§ 228 para. 3 UGB) or for the account of the company by third parties for the purpose of carrying out an employee stock ownership program for employees and executives of RHI AG as well as members of the management, executives and employees of Group companies of RHI AG as part of the continuation of the voluntary employee stock ownership plan "4 plus 1". Employees receive one RHI share free of charge for four RHI shares they have purchased themselves. In the first half of 2017, 1,812 (first half of 2016: 6,626) shares were acquired over the stock exchange for the employee stock ownership plan and issued to employees. As of June 30, 2017 and December 31, 2016, no treasury shares were held by RHI AG.

Authorized capital 2015

The Management Board was authorized by resolution of the Annual General Meeting of RHI AG on May 8, 2015, in accordance with § 169 AktG (Stock Corporation Act), to increase share capital with the consent of the Supervisory Board until May 7, 2020 by up to another € 57,875,236.75 by issuing up to 7,963,807 new ordinary bearer shares (no par shares) for a cash contribution – also in several tranches – and to determine the issue price, the issue conditions and further details regarding the execution of the capital increase in agreement with the Supervisory Board, to offer the new shares to shareholders by means of indirect subscription rights in accordance with § 153 para. 6 AktG if need be. By June 30, 2017, no capital increase of share capital out of the authorized capital was carried out.

(24) Group reserves

Additional paid-in capital
Additional paid-in capital comprises premiums on the issue of shares and convertible bonds by RHI AG and has not changed in comparison with December 31, 2016. The difference to the additional paid-in capital as shown the financial statements of RHI AG is attributable to deviating regulations in the Austrian Commercial Code with respect to the accounting of convertible bonds. Due to legal regulations, additional paid-in capital cannot be distributed and can only be reversed to cover losses.

Retained earnings
The item retained earnings includes the result of the first half of 2017 and results that were earned by consolidated companies during prior periods, but not distributed. Distributable profit and dividends are generally related to the accumulated profit of RHI AG, which is determined in accordance with Austrian commercial law.

Accumulated other comprehensive income
The item cash flow hedges includes gains and losses from the effective part of cash flow hedges less tax effects. The accumulated gain or loss from the hedge allocated to reserves is only reclassified to the statement of profit or loss if the hedged transaction also influences the result or the expected transaction is no longer expected to take place.

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

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

Currency translation includes the accumulated currency translation differences from translating the financial statements of foreign subsidiaries as well as unrealized currency translation differences from monetary items which are part of a net investment in a foreign operation, net of related income taxes. If foreign companies are deconsolidated, the currency translation differences are recognized in the statement of profit or loss as part of the gain or loss from the sale of shares in subsidiaries. In addition, when monetary items which are part of a net investment in a foreign operation are paid back, the currency translation differences of these monetary items previously recognized in other comprehensive income are reclassified to profit or loss.

In the item disposal group classified as held for sale, income and expenses recognized in other comprehensive income, which are related to disposal groups classified as held for sale, are shown separately.

(25) Non-controlling interests

Non-controlling interests hold a share of 30.4% in the listed company Orient Refractories Ltd. (in the following "ORL"), based in New Delhi, India. ORL is allocated to the Steel segment. The summarized financial information of ORL shown below corresponds to the amounts before intercompany elimination.

Based on the net assets of the company, the carrying amount of the non-controlling interests is determined as follows:

in € million	06/30/2017	12/31/2016
Non-current assets	27.1	28.9
Current assets	46.0	44.4
Non-current liabilities	(7.6)	(8.2)
Current liabilities	(13.1)	(14.8)
Net assets	**52.4**	**50.3**
Percentage of non-controlling interests	30.4%	30.4%
Carrying amount of non-controlling interests	**15.9**	**15.3**

The aggregate statement of profit or loss and statement of comprehensive income are shown below:

in € million	1-6/2017	1-6/2016
Revenue	37.6	33.9
Operating expenses, net finance costs and income tax	(33.7)	(30.2)
Profit after income tax	**3.9**	**3.7**
thereof attributable to non-controlling interests of ORL	1.2	1.1

in € million	1-6/2017	1-6/2016
Profit after income tax	3.9	3.7
Other comprehensive income	(1.9)	(1.6)
Total comprehensive income	**2.0**	**2.1**
thereof attributable to non-controlling interests of ORL	0.6	0.6

The following table shows the summarized statement of cash flows of ORL:

in € million	1-6/2017	1-6/2016
Net cash flow from operating activities	3.3	6.0
Net cash flow from investing activities	(0.4)	(0.2)
Net cash flow from financing activities	0.0	0.1
Total cash flow	**2.9**	**5.9**

Accumulated other comprehensive income attributable to non-controlling interests is solely related to currency translation differences. The development is shown in the following table:

in € million	1-6/2017	1-6/2016
Accumulated other comprehensive income at beginning of period	**0.1**	**(0.2)**
Unrealized results from currency translation	(0.6)	(0.5)
Accumulated other comprehensive income at end of period	**(0.5)**	**(0.7)**

(26) Financial liabilities

Financial liabilities include all interest-bearing liabilities of the RHI Group due to financial institutions, fixed-term and puttable non-controlling interests in Group companies and other lenders at the respective reporting date or interim reporting date.

The financial liabilities have the following contractual remaining terms:

	Total		Remaining term	
in € million	06/30/2017	up to 1 year	2 to 5 years	over 5 years
"Schuldscheindarlehen"	253.5	55.0	139.5	59.0
Export credits and one-time financing	141.1	29.0	103.5	8.6
Utilized other credit lines	60.5	60.5	0.0	0.0
Accrued interest	2.9	2.9	0.0	0.0
Liabilities to financial institutions	458.0	147.4	243.0	67.6
Liabilities to fixed-term or puttable non-controlling interests	32.2	9.2	2.8	20.2
Other financial liabilities	3.1	1.5	1.5	0.1
Financial liabilities	**493.3**	**158.1**	**247.3**	**87.9**

	Total		Remaining term	
in € million	12/31/2016	up to 1 year	2 to 5 years	over 5 years
"Schuldscheindarlehen"	253.5	55.0	139.5	59.0
Export credits and one-time financing	154.5	29.0	116.9	8.6
Utilized other credit lines	65.9	65.9	0.0	0.0
Accrued interest	1.6	1.6	0.0	0.0
Liabilities to financial institutions	475.5	151.5	256.4	67.6
Liabilities to fixed-term or puttable non-controlling interests	32.5	9.1	1.9	21.5
Other financial liabilities	7.7	4.5	3.1	0.1
Financial liabilities	**515.7**	**165.1**	**261.4**	**89.2**

Of the liabilities to financial institutions recognized at June 30, 2017 € 34.0 million were secured by assignment of receivables, unchanged in comparison with December 31, 2016. In case the loan agreement is not met, the bank is entitled to inflows from the receivables assigned.

The indicator net debt factor (see note (59) for its calculation) represents the covenants in the most essential loan agreements. If the value of 3.8 is exceeded, the loan conditions are renegotiated. Compliance with the covenants is reviewed on a quarterly basis.

For liabilities of € 366.1 million (12/31/2016: € 383.0 million), lenders have a termination option in the case of a change of control. In the event that certain reasons for termination exist, the lenders may declare the loan due with immediate effect and demand immediate repayment of the principal including interest, as well as the payment of other amounts payable that may have been incurred.

Taking into account interest swaps, 61% (12/31/2016: 61%) of the liabilities to financial institutions carry fixed interest and 39% (12/31/2016: 39%) carry variable interest.

With respect to the refinancing after June 30, 2017, refer to note (67).

The following table shows fixed interest terms and conditions, taking into account interest rate swaps, without liabilities from deferred interest:

Interest terms fixed until	Effective annual interest rate	Currency	06/30/2017 Carrying amount in € million	Interest terms fixed until	Effective annual interest rate	Currency	12/31/2016 Carrying amount in € million
2017	EURIBOR + margin	EUR	123.6	2017	EURIBOR + margin	EUR	125.1
	0.69%	EUR	50.0		0.69%	EUR	50.0
	Variable interest rate + margin	EUR	34.0		Variable interest rate + margin	EUR	34.0
	LIBOR + margin	USD	10.8		LIBOR + margin	USD	10.2
	Floating interest rate + margin	EUR	3.4		Floating interest rate + margin	EUR	3.4
	Interbank rate + margin	Var.	7.1		Interbank rate + margin	Var.	11.6
2018	1.13%	EUR	30.0	2018	1.13%	EUR	30.0
2019	1.49%	EUR	16.0	2019	1.49%	EUR	16.0
	3.15%	EUR	12.0		3.15%	EUR	12.0
	0.72%	EUR	10.7		0.72%	EUR	10.7
	3.25%	EUR	10.0		3.25%	EUR	15.0
	0.68%	EUR	10.0		0.68%	EUR	15.0
	1.46% + margin	EUR	10.0		1.46% + margin	EUR	10.0
	1.42% + margin	EUR	3.0		1.42% + margin	EUR	3.0
2020	3.15% + margin	EUR	24.5	2020	3.15% + margin	EUR	24.5
	3.90%	EUR	10.2		3.90%	EUR	13.6
2021	1.97%	EUR	17.0	2021	1.97%	EUR	17.0
2022	4.50%	EUR	6.0	2022	4.50%	EUR	6.0
2023	0.35% + margin	EUR	13.8	2023	0.35% + margin	EUR	13.8
2024	3.00%	EUR	53.0	2024	3.00%	EUR	53.0
			455.1				**473.9**

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

(27) Other financial liabilities

Other financial liabilities include the negative fair value of derivative financial instruments and consist of the following items:

	06/30/2017			12/31/2016		
in € million	Current	Non-current	Total	Current	Non-current	Total
Liabilities from derivatives from supply contracts	6.5	40.9	47.4	5.9	43.1	49.0
Liabilities from interest rate swaps	0.2	0.3	0.5	0.5	0.4	0.9
Liabilities from derivatives in open orders	1.3	0.0	1.3	0.1	0.0	0.1
Other financial liabilities	**8.0**	**41.2**	**49.2**	**6.5**	**43.5**	**50.0**

Additional explanations on derivative financial instruments are provided under note (57).

(28) Personnel provisions

Personnel provisions include the following provisions:

in € million	06/30/2017	12/31/2016
Pensions	233.4	236.8
Termination benefits	55.0	58.5
Other personnel provisions	21.6	22.1
Personnel provisions	**310.0**	**317.4**

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

in € million	06/30/2017	12/31/2016
Present value of pension obligations	285.7	289.2
Fair value of plan assets	(56.2)	(56.4)
Funded status	**229.5**	**232.8**
Asset ceiling	1.7	1.9
Net debt from pension obligations	**231.2**	**234.7**
thereof assets from overfunded pension plans	2.2	2.1
thereof provisions for pensions	233.4	236.8

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

in € million	06/30/2017	12/31/2016
Active beneficiaries	70.3	71.2
Vested terminated beneficiaries	17.1	17.9
Retirees	198.3	200.1
Present value of pension obligations	**285.7**	**289.2**

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

in %	06/30/2017	12/31/2016
Interest rate	2.0%	1.9%
Future salary increase	2.3%	2.2%
Future pension increase	1.4%	1.3%

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

The calculation of the actuarial interest rate for the European currency area is based on a yield curve for returns of high-quality corporate bonds denominated in EUR with an average rating of AA, which is derived from pooled index values. Where there are very long-term maturities, the yield curve follows the performance of bonds without credit default risk. The interest rate was calculated at December 31, 2016, taking into account the expected future cash flows which were determined based on the current personal and commitment data. At June 30, 2017, this method of determining interest rates was applied to the actuarial calculation of pension obligations in the Austrian, German and Mexican Group companies; in other companies, the interest rate was determined by extrapolation.

As in the previous year, the calculation in Austria was based on the Pagler & Pagler AVÖ 2008 P biometric calculation principles for salaried employees. In Germany, the Heubeck 2005 G actuarial tables were used as a basis. In the other countries, country-specific mortality tables were applied.

The main pension regulations are described below:

The Austrian Group companies account for € 121.8 million (12/31/2016: € 124.4 million) of the present value of pension obligations and for € 25.8 million (12/31/2016: € 26.3 million) of the plan assets. The agreed benefits include pensions, invalidity benefits and benefits for surviving dependents. Commitments in the form of company or individual agreements depend on the length of service and the salary at the time of retirement. For the majority of commitments the amount of the company pension subsidy is limited to 75% of the final remuneration including a pension pursuant to the General Social Insurance Act (ASVG). The RHI Group has concluded pension reinsurance policies for part of the commitments. The pension claims of the beneficiaries are limited to the coverage capital required for these commitments. Pensions are predominantly paid in the form of annuities and are partially indexed. For employees joining the company after January 1, 1984, no defined benefits were granted. Rather, a defined contribution pension model is in place. In addition, there are commitments based on the deferred compensation principle, which are fully covered by pension reinsurance policies, and commitments for preretirement benefits for employees in mining operations.

The pension plans of the German Group companies account for € 120.8 million (12/31/2016: € 123.4 million) of the present value of pension obligations and for € 0.7 million (12/31/2016: € 0.7 million) of plan assets. The benefits included in company agreements comprise pensions, invalidity benefits and benefits for surviving dependents. The amount of the pension depends on the length of service for the majority of the commitments and is calculated as a percentage of the average monthly wage/salary of the last twelve months prior to retirement. In some cases commitments to fixed benefits per year of service have been made. The pensions are predominantly paid in the form of annuities and are adjusted in accordance with the development of the consumer price index for Germany. The pension plans are closed for new entrants. There is no defined contribution model on a voluntary basis. Individual commitments have been made, by now mainly to pension beneficiaries.

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

in € million	1-6/2017	1-6/2016
Net debt from pension obligations at beginning of period	**234.7**	**243.9**
Currency translation	0.6	(1.4)
Disposals of consolidated companies	0.0	(5.6)
Pension cost	3.9	5.2
Remeasurement losses	2.0	23.2
Benefits paid	(8.6)	(9.3)
Employers' contributions to external funds	(1.4)	(0.7)
Net debt from pension obligations at end of period	**231.2**	**255.3**

The present value of pension obligations developed as follows:

in € million	1-6/2017	1-6/2016
Present value of pension obligations at beginning of period	**289.2**	**304.9**
Currency translation	0.5	(2.0)
Disposals of consolidated companies	0.0	(11.5)
Current service cost	1.6	2.0
Interest cost	2.7	3.5
Remeasurement losses		
from changes in financial assumptions	0.8	23.1
due to experience adjustments	1.4	0.0
Benefits paid	(10.8)	(11.2)
Employee contributions to external funds	0.3	0.2
Present value of pension obligations at end of period	**285.7**	**309.0**

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

in € million	1-6/2017	1-6/2016
Fair value of plan assets at beginning of period	**56.4**	**63.8**
Currency translation	(0.3)	(0.6)
Disposals of consolidated companies	0.0	(5.9)
Interest income	0.4	0.3
Income on plan assets less interest income	0.2	(0.2)
Benefits paid	(2.2)	(1.9)
Employers' contributions to external funds	1.4	0.7
Employee contributions to external funds	0.3	0.2
Fair value of plan assets at end of period	**56.2**	**56.4**

The changes in the asset ceiling are shown below:

in € million	1-6/2017	1-6/2016
Asset ceiling at beginning of period	**1.9**	**2.8**
Currency translation	(0.2)	0.0
(Gains)/losses from changes in asset ceiling less interest	0.0	(0.1)
Asset ceiling at end of period	**1.7**	**2.7**

At June 30, 2017, the weighted average duration of pension obligations amounts to 11 years (12/31/2016: 11 years).

The following amounts were recorded in the statement of profit or loss:

in € million	1-6/2017	1-6/2016
Current service cost	1.6	2.0
Interest cost	2.7	3.5
Interest income	(0.4)	(0.3)
Pension expense recognized in profit or loss	**3.9**	**5.2**

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

in € million	1-6/2017	1-6/2016
Accumulated remeasurement losses at beginning of period	**113.3**	**102.4**
Reclassification due to disposal of defined benefit plans	0.0	1.9
Remeasurement losses on present value of pension obligations	2.2	23.1
Income on plan assets less interest income	(0.2)	0.2
Gains from changes in asset ceiling less interest	0.0	(0.1)
Accumulated remeasurement losses at end of period	**115.3**	**127.5**

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

	06/30/2017			12/31/2016		
in € million	Active market	No active market	Total	Active market	No active market	Total
Insurances	0.0	38.2	38.2	0.0	38.8	38.8
Equity instruments	5.0	0.0	5.0	5.0	0.0	5.0
Debt instruments	0.0	8.7	8.7	0.0	8.2	8.2
Cash and cash equivalents	0.0	0.3	0.3	0.0	0.3	0.3
Other assets	0.2	3.8	4.0	0.2	3.9	4.1
Fair value of plan assets	**5.2**	**51.0**	**56.2**	**5.2**	**51.2**	**56.4**

The present value of the insurances to cover the Austrian pension plans corresponds to the coverage capital. Insurance companies predominantly invest in debt instruments and to a low extent in equity instruments and properties.

Plan assets do not include own financial instruments of the Group or assets utilized by the RHI Group.

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

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

The Group generally endows the pension funds with the amount necessary to meet the legal minimum allocation requirements of the country in which the fund is based. Moreover, the Group makes additional allocations at its discretion from time to time. In the financial year 2017 the RHI Group expects employer contributions to external plan assets to amount to € 2.4 million and direct payments to entitled beneficiaries to amount to € 15.1 million. Employer contributions of € 3.2 million and direct pension payments of € 18.9 million had been expected for the financial year 2016; the actual payments made amounted to € 2.5 million and € 17.2 million.

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

in %	06/30/2017	12/31/2016
Interest rate	1.8%	1.8%
Future salary increase	3.3%	2.9%

The interest rate for the measurement of termination benefit obligations in the euro area was determined taking into account the company specific duration of the portfolio.

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

in € million	1-6/2017	1-6/2016
Provisions for termination benefits at beginning of period	**58.5**	**60.1**
Currency translation	0.0	(0.1)
Current service cost	0.8	0.8
Interest cost	0.5	0.7
Remeasurement losses/(gains)		
from changes in financial assumptions	1.0	3.6
due to experience adjustments	(0.4)	0.0
Benefits paid	(1.6)	(3.6)
Reclassification as held for sale	(3.8)	0.0
Provisions for termination benefits at end of period	**55.0**	**61.5**

Payments for termination benefits are expected to amount to € 1.7 million in the year 2017. The payments for termination benefits expected for the year 2016 amounted to € 2.5 million; the actual payments made amounted to € 5.6 million.

The following remeasurement gains and losses were recognized in other comprehensive income:

in € million	1-6/2017	1-6/2016
Accumulated remeasurement losses at beginning of period	**23.6**	**22.3**
Remeasurement losses/(gains)	0.6	3.6
Reclassification as held for sale	(1.4)	0.0
Accumulated remeasurement losses at end of period	**22.8**	**25.9**

At June 30, 2017 the weighted average duration of termination benefit obligations amounts to 11 years (12/31/2016: 11 years).)

Other personnel provisions
Other personnel provisions consist of the following items:

in € million	06/30/2017	12/31/2016
Service anniversary bonuses	18.2	18.3
Share-based payments	1.7	1.4
Semi-retirements	1.5	1.7
Lump-sum settlements	0.2	0.7
Other personnel provisions	**21.6**	**22.1**

The measurement of provisions for service anniversary bonuses is based on an average weighted interest rate of 1.6% (12/31/2016: 1.5%) and takes into account salary increases of 3.9% (12/31/2016: 3.8%).

The discount rate of provisions for semi-retirement amounts to 0.0% as of June 30, 2017 (12/31/2016: 0.0%).

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

in € million	06/30/2017	12/31/2016
Present value of semi-retirement obligations	5.1	5.1
Fair value of plan assets	(3.6)	(3.4)
Provisions for semi-retirement obligations	**1.5**	**1.7**

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

(29) Other non-current provisions

The development of non-current provisions is shown in the table below:

in € million	1-6/2017
Provisions at beginning of period	**4.5**
Currency translation	(0.1)
Reclassifications	(1.4)
Provisions at end of period	**3.0**

The provisions of € 3.0 million recognized at June 30, 2017 are primarily due to provisions for obligations related to a lease contract and to a contract for the procurement of raw materials. Currently, these provisions are expected to be used in a period from two to four years.

(30) Other non-current liabilities

Other non-current liabilities of € 5.8 million (12/31/2016: € 6.9 million) mainly include deferred income for subsidies received from third parties amounting to € 4.0 million (12/31/2016: € 4.7 million) and liabilities to employees.

(31) Trade payables and other current liabilities

Trade payables and other current liabilities included in the statement of financial position consist of the following items:

in € million	06/30/2017	12/31/2016
Trade payables	192.6	202.1
Prepayments received on orders	16.6	14.9
Liabilities employees	54.4	51.8
Taxes other than income tax	11.6	16.5
Payables from commissions	8.3	5.9
Customers with credit balances	5.3	6.0
Liabilities to subsidiaries	0.1	0.1
Liabilities to joint ventures	0.1	0.0
Other current liabilities	12.3	15.4
Trade payables and other current liabilities	**301.3**	**312.7**
thereof financial liabilities	207.1	217.3
thereof non-financial liabilities	94.2	95.4

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

(32) Income tax liabilities

Income tax liabilities amounting to € 16.2 million (12/31/2016: € 18.4 million) primarily include income taxes for the current year and previous years which have not yet been definitively audited by domestic and foreign tax authorities. Taking into account a multitude of factors, including the interpretation, commenting and case law regarding the respective tax laws as well as past experiences, adequate liabilities have been recognized as far as apparent.

(33) Current provisions

The development of current provisions is shown in the table below:

in € million	Demolition/disposal costs, environ-mental damages	Warranties	Guarantees provided	Restructuring costs, other	Total
12/31/2016	**8.2**	**11.1**	**3.3**	**6.5**	**29.1**
Currency translation	0.0	(0.2)	0.0	(0.1)	(0.3)
Use	(0.2)	(3.1)	0.0	(3.7)	(7.0)
Reversal	0.0	(0.8)	(0.3)	(0.1)	(1.2)
Addition	0.0	2.9	0.0	1.2	4.1
Reclassifications	0.0	0.8	0.0	0.6	1.4
Reclassification from current liabilities	0.0	0.0	0.0	0.6	0.6
Reclassification as held for sale	0.0	(0.1)	0.0	(0.1)	(0.2)
06/30/2017	**8.0**	**10.6**	**3.0**	**4.9**	**26.5**

The item demolition and disposal costs, environmental damages includes provisions for the estimated demolition and disposal costs of plant and buildings of the former site in Duisburg, Germany, amounting to € 2.7 million (12/31/2016: € 2.8 million). It is assumed that these provisions will be used up within in the next twelve months. Furthermore, provisions for recultivation and expected refurbishment costs resulting from environmental damage at other locations exist at the two reporting dates.

Provisions for warranties include provisions for claims arising from warranties and other similar obligations from the sale of refractory products and provisions for onerous contracts.

Provisions for guarantees provided include obligations from sureties and guarantees to banks and insurance companies in the country and abroad. The exact due date of the cash outflow is uncertain at present.

The item restructuring costs, other includes provisions for restructuring costs as well as provisions for the share-based remuneration program of the members of the Management Board of RHI AG of € 1.5 million (12/31/2016: € 0.7 million), furthermore, provisions for process risks as well as several provisions, which are individually immaterial and cannot be allocated to one of the above-mentioned categories.

Provisions for restructuring costs amount to € 1.1 million as of June 30, 2017 (12/31/2016: € 2.1 million) and primarily consist of benefit obligations to employees due to termination of employment, and costs of lease obligations of the former site in Kretz. A large part of these costs is expected to be paid within twelve months.

In the context of the legal proceedings to review the cash compensation of the former minority shareholders of Didier-Werke AG, Wiesbaden, Germany, a provision amounting to € 0.6 million was in place at December 31, 2016. With a decision of January 17, 2017, the Frankfurt Higher Regional Court followed the amount of the adequate cash compensation according to an expert opinion and has set the compensation at € 102.37 per no-par share of Didier-Werke AG. This amount carried an interest rate of five percentage points above the base rate since August 26, 2010. In addition, the RHI Group had to bear the court costs, costs of the legal counsel and the out-of-court costs of the claimant. No appeals were permitted. The decision is thus final. The payment was made in February 2017. Further provisions were created for expected expenses related to further ongoing or probable legal disputes. The provision amounts, which are of minor importance individually, were determined on the basis of information and cost estimates made by the lawyers of the Group companies. It is currently uncertain when precisely the cash outflow is due.

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(34) Revenue

Revenue is essentially generated by product deliveries. The distribution of revenue by product group, division and country is given in the explanations to segment reporting under note (53).

Revenue in the first half of 2017 includes revenues from long-term construction contracts amounting to € 37.4 million (first half of 2016: € 34.1 million).

(35) Cost of sales

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

(36) Selling and marketing expenses

This item includes personnel expenses for the sales staff, commissions, as well as depreciation charges and other operating expenses related to the market and sales processes.

(37) General and administrative expenses

General and administrative expenses primarily consist of personnel expenses for the administrative functions, legal and other consulting costs, expenses for research and non-capitalizable development costs.

Research and development expenses totaled € 11.3 million in the first half of 2017 (first half of 2016: € 12.5 million), of which development costs amounting to € 2.0 million (first half of 2016: € 1.3 million) were capitalized. Income from research grants amount to € 1.1 million in the first half of 2017 (first half of 2016: € 0.7 million). Amortization and impairment of capitalized development costs amounting to € 1.9 million (first half of 2016: € 1.6 million) are recognized under cost of sales.

For the planned combination with Magnesita, which is described under note (62), external costs totaling € 15.0 million were incurred in the first half of 2017 (first half of 2016: € 0.2 million). They are primarily related to legal advisory fees and the fee for the consulting investment banks. Of the total costs, € 12.6 million (first half of 2016: € 0.2 million) were recognized in profit or loss under general and administrative expenses and € 2.4 million under trade and other current receivables in the statement of financial position since these are costs which are directly attributable to the planned issue of RHI-Magnesita shares to the controlling interests of Magnesita. They will be accounted for as a deduction from equity after the completion of the equity transaction. In the first half of 2017 € 0.9 million thereof were cash-effective and are shown in the consolidated statement of cash flows in the item capital expenses for the issue of shares.

(38) Other income

The individual components of other income are:

in € million	1-6/2017	1-6/2016
Foreign exchange gains	26.6	53.5
Gains from derivative financial instruments	8.8	1.5
Income from the disposal of non-current assets	0.3	0.3
Miscellaneous income	1.3	1.5
Other income	**37.0**	**56.8**

Income from the disposal of non-current assets predominantly includes income from the sale of land.

Miscellaneous income primarily consists of other revenue and other operating income related to prior periods.

(39) Other expenses

Other expenses include:

in € million	1-6/2017	1-6/2016
Foreign exchange losses	(42.3)	(51.0)
Losses from derivative financial instruments	(2.3)	(0.7)
Losses from the disposal of non-current assets	(0.2)	(0.1)
Miscellaneous expenses	(0.8)	(0.9)
Other expenses	**(45.6)**	**(52.7)**

The net foreign currency effects amount to € (15.7) million (first half of 2016: € 2.5 million). The net amount of gains and losses from derivative financial instruments in the operating EBIT amounts to € 6.5 million (first half of : € 0.8 million).

(40) Impairment losses

CGU Industrial/Fused Cast
The plants in San Vito, Italy, and Sherbinska, Russia, produce fused cast products. The production of such fused cast products is associated with high fixed costs, which combined with low capacity utilization burden the achievable margins and led to an impairment of € 8.0 million as of December 31, 2016. In the first half of 2017, these two plants were classified as a disposal group, which led to an additional impairment of € 1.7 million.

CGU Steel/Linings
In the first half of 2017, production was interrupted for an indefinite period at one site. The inactive plants were therefore impaired by € 5.5 million.

(41) Restructuring costs

Porsgrunn plant, Norway
The high-grade products manufactured at this site stand in direct competition with products available in the market. Due to the massive drop in raw material prices, external purchases were increased and the capacities for our own production restricted accordingly. This resulted in expenses for unused logistics services amounting to € 1.0 million in the first half of 2017, which are shown in the Raw Materials Division.

Sale RHI Monofrax LLC, USA
The sale and deconsolidation of RHI Monofrax LLC, Wilmington, USA, resulted in expenses amounting to € 4.6 million in the first half of 2016, which are recognized in the restructuring costs of the Industrial Division. For further details regarding this deconsolidation please refer to note (4) on the changes in the group of consolidated companies.

(42) Interest income

This item includes interest on cash at banks and similar income amounting to € 1.0 million (first half of 2016: € 0.7 million) and interest income on financial receivables amounting to € 0.1 million (first half of 2016: € 0.1 million). Additionally, interest income on available-for-sale securities and shares amounting to € 0.6 million was incurred in the first half of 2016. .

(43) Interest expenses

This item includes interest expenses for "Schuldscheindarlehen" and bank loans, interest from interest rate swaps, tax-related interest, interest expenses attributable to non-controlling interests totaling € 1.6 million (first half of 2016: € 1.8 million) and other interest and similar expenses.

(44) Other net financial expenses

Other net financial expenses consist of the following items:

in € million	1-6/2017	1-6/2016
Interest income on plan assets	0.4	0.3
Interest expense on provisions for pensions	(2.7)	(3.5)
Interest expense on provisions for termination benefits	(0.5)	(0.7)
Interest expense on other personnel provisions	(0.1)	(0.1)
Net interest expense personnel provisions	(2.9)	(4.0)
Reversal of impairment losses on securities	0.1	0.5
Gain from the valuation of put options	0.3	0.0
Other net financial expenses	**(2.5)**	**(3.5)**

(45) Income tax

Income tax consists of the following items:

in € million	1-6/2017	1-6/2016
Current tax expense	11.6	18.4
Deferred tax expense/(income) relating to		
temporary differences	4.1	(3.0)
tax loss carryforwards	4.5	8.6
	8.6	5.6
Income tax	**20.2**	**24.0**

The current tax expense of the first half of 2017 includes tax expenses for previous periods of € 1.1 million (first half of 2016: € 0.7 million) and income relating to other periods of € 1.9 million (first half of 2016: € 0.0 million).

In addition to the income taxes recognized in the statement of profit or loss, tax income totaling € 1.6 million (first half of 2016: € 8.5 million) was recognized in other comprehensive income. Tax income totaling € 0.1 million (first half of 2016: € 0.0 million) was reclassified from other comprehensive income to the statement of profit or loss.

The reasons for the difference between the arithmetic income tax expense, which would result from the application of the Austrian corporate tax rate of 25% on the profit before income tax, and the income tax reported are shown below:

in € million	1-6/2017	1-6/2016
Profit before income tax	**45.9**	**62.9**
Arithmetic tax expense with tax rate of 25% (2016: 25%)	**11.5**	**15.7**
Different foreign tax rates	1.1	0.2
Expenses not deductible for tax purposes, non-creditable taxes	5.7	4.2
Income not subject to tax and tax advantages	(0.9)	(0.4)
Non-capitalized tax losses and temporary differences of the financial year	1.0	1.0
Utilization of previously unrecognized loss carryforwards and temporary differences	(0.5)	(0.1)
Capitalization of previously unrecognized loss carryforwards and temporary differences	(1.6)	0.0
Change in valuation allowance on deferred tax assets	3.3	2.7
Deferred income tax relating to prior periods	1.0	0.0
Current income tax relating to prior periods	(0.8)	0.7
Other	0.4	0.0
Recognized tax expense	**20.2**	**24.0**
Effective tax rate (in %)	**44.0%**	**38.2%**

(46) Expense categories

The presentation of the consolidated statement of profit or loss is based on the cost of sales method. The following table shows a classification by expense category for the first half of 2017 and the first half of 2016:

in € million	Cost of sales	Selling and marketing expenses	General and administrative expenses	Other income/ expenses	Losses derivatives/ impairment losses	Restruc-turing costs	Total 1-6/2017
Changes in inventories, own work capitalized	(14.8)	0.0	(2.0)	0.0	1.6	0.0	(15.2)
Cost of materials	420.8	0.2	1.6	0.0	0.0	0.0	422.6
Personnel costs	129.3	31.2	41.6	0.0	0.0	0.0	202.1
Depreciation charges[1)]	31.9	0.3	2.2	0.0	5.6	0.0	40.0
Other income	(4.3)	0.0	(3.0)	(37.0)	0.0	0.0	(44.3)
Other expenses	94.3	22.5	36.4	45.6	1.2	1.0	201.0
Total	**657.2**	**54.2**	**76.8**	**8.6**	**8.4**	**1.0**	**806.2**

in € million	Cost of sales	Selling and marketing expenses	General and administrative expenses	Other income/ expenses	Gain derivatives	Restruc-turing costs	Total 1-6/2016
Changes in inventories, own work capitalized	(1.0)	0.0	(1.3)	0.0	0.0	0.0	(2.3)
Cost of materials	403.0	0.2	1.1	0.0	0.0	0.0	404.3
Personnel costs	132.7	29.7	42.1	0.0	0.0	0.0	204.5
Depreciation charges[1)]	30.0	0.1	2.1	0.2	0.0	0.0	32.4
Other income	(2.2)	0.0	(2.2)	(56.8)	(3.0)	0.0	(64.2)
Other expenses	87.1	22.1	20.6	52.5	0.0	4.6	186.9
Total	**649.6**	**52.1**	**62.4**	**(4.1)**	**(3.0)**	**4.6**	**761.6**

1) Including impairment losses of property, plant and equipment and intangible assets

Cost of materials includes expenses for raw materials and supplies, and purchased goods of € 348.5 million (first half of 2016: € 315.2 million) as well as expenses for services received, especially energy, amounting to € 74.1 million (first half of 2016: € 89.1 million).

Amortization charges of intangible assets are largely recognized in cost of sales.

(47) Personnel costs

Personnel costs consist of the following components:

in € million	1-6/2017	1-6/2016
Wages and salaries	157.4	156.3
Pensions		
Defined benefit plans	1.6	2.0
Defined contribution plans	1.5	1.6
Termination benefits		
Defined benefit plans	0.8	0.8
Defined contribution plans	1.0	1.0
Other expenses	0.0	1.9
Fringe benefits	39.8	40.9
Personnel expenses (without interest expenses)	**202.1**	**204.5**

Personnel costs do not include amounts resulting from the interest accrued on personnel provisions. They amount to € 2.9 million (first half of 2016: € 4.0 million) and are recorded in net finance costs.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows shows how cash and cash equivalents of the Group change through cash inflows and cash outflows during the reporting period. In accordance with IAS 7, cash flows from operating activities, from investing activities and from financing activities are distinguished. Cash flows from investing and financing activities are determined on the basis of cash payment, while cash flow from operating activities is derived from the consolidated financial statements using the indirect method.

The respective monthly changes in items of the statement of financial position of companies that report in foreign currencies are translated at the closing rate of the previous month and adjusted for effects arising from changes in the group of consolidated companies or in other businesses. Therefore, the statement of cash flows cannot be derived directly from changes in items of the consolidated statement of financial position. As in the statement of financial position, cash and cash equivalents are translated at the closing rate. The effects of changes in exchange rates on cash and cash equivalents are shown separately.

(48) Net cash flow from operating activities

Net cash flow from operating activities is derived indirectly based on profit after income tax. Profit after income tax is adjusted for results which are allocable to the cash flows from investing or financing activities and for non-cash expenses and income. Other non-cash expenses and income include in particular the net interest expenses for defined benefit pension plans amounting to € 2.9 million (first half of 2016: € 4.0 million) and net remeasurement losses of monetary foreign currency positions and derivative financial instruments € 2.5 million (first half of 2016: net measurement gains of € 7.4 million). Taking into account the change in funds tied up in working capital as well as other operating assets and liabilities and income taxes paid, the result is net cash flow from operating activities.

(49) Net cash flow from investing activities

Net cash flow from investing activities shows the cash inflows and outflows for disposals of and additions to non-current assets. The cash outflows for investments in property, plant and equipment and intangible assets differ from the additions to assets primarily through additions to assets already capitalized, which will have a cash effect in the following year.

Cash effects from business combinations or the sale of companies (net change in cash and cash equivalents from initial consolidations and deconsolidations) are shown separately. In the in the first half of 2017 and in the first half of 2016, no acquisitions of companies were carried out. The sale of the subsidiary RHI Monofrax, LLC, Wilmington, USA, as of June 6, 2016 led to a cash outflow of € 4.6 million.

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

(50) Net cash flow from financing activities

Net cash flow from financing activities includes outflows from dividend payments and interest payments. In contrast, interest on borrowings capitalized in accordance with IAS 23 is included in cash flow from investing activities, and tax-related interest is recognized in cash flow from operating activities.

The interest expenses recognized in the consolidated statement of profit or loss include non-cash accrued interest of € 2.2 million (first half of 2016: € 2.2 million).

Inflows resulting from the proceeds and repayments of loans and other financial liabilities are classified as noncurrent or current according to the term of financing.

(51) Total interest paid and interest received

Total interest paid amounts to € 5.5 million in the reporting period, which is entirely included in cash flow from financing activities. In the first half of 2016, total interest paid amounted to € 7.4 million, of which € 0.2 million was included in cash flow from investing activities and € 7.2 million in cash flow from financing activities.

Total interest received amounts to € 1.1 million in the first half of 2017 and is included in cash flow from investing activities. In the first half of 2016 total interest received amounted to € 1.4 million, of which € 0.1 million was included in cash flow from operating activities and € 1.3 million in cash flow from investing activities.

(52) Cash and cash equivalents

Cash and cash equivalents as presented in the consolidated statement of cash flows correspond to the cash and cash equivalents recognized in the statement of financial position and those included in assets held for sale. They include restricted cash totaling € 26.1 million as of June 30, 2017 (12/31/2016: € 19.8 million). Restricted cash is related to cash and cash equivalents at subsidiaries (mainly in China and India) to which the Group only has limited access due to foreign exchange and capital transfer controls. € 15.4 million (12/31/2016: € 13.5 million) are accounted for by a subsidiary with non-controlling interests.

OTHER DISCLOSURES

(53) Segment reporting

Segment reporting by operating company division
The following tables show the financial data for the operating segments for the first half of 2017 and the first half of 2016:

in € million	Steel	Industrial	Raw Materials	Reconcil-iation	Group 1-6/2017
External revenue	558.2	270.6	27.0	0.0	855.8
Internal revenue	0.0	0.0	100.8	(100.8)	0.0
Segment revenue	**558.2**	**270.6**	**127.8**	**(100.8)**	**855.8**
Operating EBIT	**36.2**	**21.7**	**1.1**	**0.0**	**59.0**
Result from derivatives from supply contracts	0.0	0.0	(1.2)	0.0	(1.2)
Impairment losses	(5.5)	(1.7)	0.0	0.0	(7.2)
Restructuring costs	0.0	0.0	(1.0)	0.0	(1.0)
EBIT	**30.7**	**20.0**	**(1.1)**	**0.0**	**49.6**
Net finance costs	0.0	0.0	0.0	(10.1)	(10.1)
Share of profit of joint ventures	0.0	0.0	6.4	0.0	6.4
Profit before income tax					**45.9**
Depreciation and amortization charges	(15.5)	(8.0)	(8.8)	0.0	(32.3)
Segment assets 06/30/2017	617.5	261.1	377.6	466.8	1,723.0
Investments in joint ventures 06/30/2017	0.0	0.0	16.7	0.0	16.7
					1,739.7
Investments in property, plant and equipment and intangible assets (according to non-current assets statement)	7.6	4.3	2.6	0.0	14.5

in € million	Steel	Industrial	Raw Materials	Reconcil-iation	Group 1-6/2016
External revenue	542.3	265.4	22.5	0.0	830.2
Internal revenue	0.0	0.0	121.3	(121.3)	0.0
Segment revenue	**542.3**	**265.4**	**143.8**	**(121.3)**	**830.2**
Operating EBIT	**47.4**	**20.3**	**2.5**	**0.0**	**70.2**
Result from derivatives from supply contracts	0.0	0.0	3.0	0.0	3.0
Restructuring costs	0.0	(4.6)	0.0	0.0	(4.6)
EBIT	**47.4**	**15.7**	**5.5**	**0.0**	**68.6**
Net finance costs	0.0	0.0	0.0	(11.1)	(11.1)
Share of profit of joint ventures	0.0	0.0	5.4	0.0	5.4
Profit before income tax					**62.9**
Depreciation and amortization charges	(15.5)	(8.2)	(8.5)	0.0	(32.2)
Segment assets 12/31/2016	645.4	269.6	397.8	458.9	1,771.7
Investments in joint ventures 12/31/2016	0.0	0.0	20.5	0.0	20.5
					1,792.2
Investments in property, plant and equipment and intangible assets (according to non-current assets statement)	7.3	4.3	4.8	0.0	16.4

Revenue amounting to € 86.4 million was realized with one customer in the first half of 2017 (first half of 2016: € 90.8 million), which is included in the Steel segment. No other single customer contributed 10% or more to consolidated revenue in the first half of 2017 or 2016. Companies which are known to be part of a group are treated as one customer.

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

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

In the first half of 2017, revenue is classified by product group as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	349.9	200.7	0.0	550.6
Unshaped products	158.2	32.9	26.9	218.0
Other	50.1	37.0	0.1	87.2
Revenue	**558.2**	**270.6**	**27.0**	**855.8**

In the first half of 2016, revenue was classified by product group as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	345.4	193.7	0.0	539.1
Unshaped products	163.3	31.5	22.4	217.2
Other	33.6	40.2	0.1	73.9
Revenue	**542.3**	**265.4**	**22.5**	**830.2**

Segment reporting by country

Revenue is classified by customer sites as follows:

in € million	1-6/2017	1-6/2016
Austria	19.3	17.6
All other countries		
India	89.1	80.9
USA	83.0	78.8
Germany	67.8	78.4
Mexico	54.7	56.0
Italy	50.8	49.0
PR China	49.9	36.1
Canada	33.8	34.2
Russia	23.9	27.1
Turkey	20.6	18.2
Other countries, each below € 20.6 million (1-6/2016: € 23.5 million)	362.9	353.9
Revenue	**855.8**	**830.2**

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

in € million	06/30/2017	12/31/2016
Austria	201.7	206.5
All other countries		
PR China	115.2	128.3
Germany	80.1	87.9
India	61.2	64.2
Turkey	32.8	34.1
Mexico	28.8	28.4
Other countries, each below € 20.0 million (1-6/2016: € 20.8 million)	56.4	81.3
Property, plant and equipment and intangible assets	**576.2**	**630.7**

(54) Earnings per share

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

	1-6/2017	1-6/2016
Share of shareholders of RHI AG in profit after income tax (in € million)	24.5	37.8
Weighted average number of shares	39,819,039	39,819,039
Earnings per share (in €)	**0.62**	**0.95**

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

(55) Dividend payments

Based on a resolution adopted by the 38th Annual General Meeting on May 5, 2017, dividends totaling € 29.9 million were paid in the first half of 2017 for the year 2016, which corresponded to a dividend of € 0.75 per share. Based on a resolution adopted by the 37th Annual General Meeting on May 4, 2016, dividends totaling € 29.9 million were paid out in the first half of 2016 for the year 2015, which corresponded to a dividend of € 0 75 per share.

(56) Additional disclosures on financial instruments

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

in € million	IAS 39 Measurement category[1]	Level	(Amortized) cost	Fair value recognized in profit or loss	Fair value recognized in equity	06/30/2017[2] Carrying amount	06/30/2017[2] Fair value
Interests in subsidiaries not consolidated	FAAC	-	0.1	-	-	0.1	-
Available-for-sale investments	FAAC	-	0.4	-	-	0.4	-
Available-for-sale securities	AfS	1	-	-	15.4	15.4	15.4
Available-for-sale shares	FAAC	-	0.5	-	-	0.5	-
Other non-current financial receivables	LaR	-	2.9	-	-	2.9	-
Trade and other current receivables	LaR	-	295.2	-	-	295.2	-
Other current financial receivables	LaR	-	1.3	-	-	1.3	-
Financial assets held for trading	FAHfT	2	-	9.1	-	9.1	9.1
Cash and cash equivalents	LaR	-	149.4	-	-	149.4	-
Financial assets						**474.3**	
Non-current financial liabilities	FLAAC	2	335.2	-	-	335.2	353.9
Interest derivatives designated as cash flow hedges	-	2	-	-	0.2	0.2	0.2
Current financial liabilities	FLAAC	2	158.1	-	-	158.1	158.9
Financial liabilities held for trading	FLHfT	2	-	49.0	-	49.0	49.0
Trade payables and other current liabilities	FLAAC	-	207.1	-	-	207.1	-
Financial liabilities						**749.6**	
Aggregated according to measurement category							
Loans and receivables	LaR		448.8	-	-	448.8	
Available for sale financial instruments	AfS		-	-	15.4	15.4	
Financial assets at cost	FAAC		1.0	-	-	1.0	
Financial assets held for trading	FAHfT		-	9.1	-	9.1	
Financial liabilities measured at amortized cost	FLAAC		700.4	-	-	700.4	
Financial liabilities held for trading	FLHfT		-	49.0	-	49.0	

in € million	IAS 39 Measurement category[1]	Level	(Amortized) cost	Fair value recognized in profit or loss	recognized in equity	12/31/2016[2] Carrying amount	Fair value
Available-for-sale investments	FAAC	-	0.4	-	-	0.4	-
Available-for-sale securities	AfS	1	-	-	15.3	15.3	15.3
Available-for-sale shares	FAAC	-	0.5	-	-	0.5	-
Other non-current financial receivables	LaR	-	2.7	-	-	2.7	-
Trade and other current receivables	LaR	-	312.1	-	-	312.1	-
Other current financial receivables	LaR	-	1.5	-	-	1.5	-
Financial assets held for trading	FAHfT	2	-	1.5	-	1.5	1.5
Cash and cash equivalents	LaR	-	182.9	-	-	182.9	-
Financial assets						**516.9**	
Non-current financial liabilities	FLAAC	2	350.6	-	-	350.6	372.1
Interest derivatives designated as cash flow hedges	-	2	-	-	0.9	0.9	0.9
Current financial liabilities	FLAAC	2	165.1	-	-	165.1	165.8
Financial liabilities held for trading	FLHfT	2	-	49.1	-	49.1	49.1
Trade payables and other current liabilities	FLAAC	-	217.3	-	-	217.3	-
Financial liabilities						**783.0**	
Aggregated according to measurement category							
Loans and receivables	LaR		499.2	-	-	499.2	
Available for sale financial instruments	AfS		-	-	15.3	15.3	
Financial assets at cost	FAAC		0.9	-	-	0.9	
Financial assets held for trading	FAHfT		-	1.5	-	1.5	
Financial liabilities measured at amortized cost	FLAAC		733.0	-	-	733.0	
Financial liabilities held for trading	FLHfT		-	49.1	-	49.1	

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

2) The items trade and other non-current receivables and payables also include non-financial assets and liabilities; they are therefore not considered in the table of financial instruments. The reconciliation to the respective items of the statement of financial position is provided in notes (18) and (31).

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

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

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

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

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

The fair value of interest derivatives (interest rate swaps) is determined by calculating the present value of future cash flows based on current yield curves taking into account the corresponding terms (Level 2). For two of the three existing hedging relationships, which were previously included in an effective hedging relationship in accordance with IAS 39 and to which the rules of hedge accounting were applied, the requirements for hedge accounting were no longer given as of June 30, 2017. Consequently, the fair values of these interest derivatives have to be classified as financial liabilities held for trading.

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

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

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

Shares in non-consolidated subsidiaries of € 0.1 million (12/31/2016: € 0.0 million), available-for-sale investments of € 0.4 million (12/31/2016: € 0.4 million) and available-for-sale shares of € 0.5 million (12/31/2016: € 0.5 million) are equity instruments carried at cost for which there is no quoted price on an active market. It was not possible to derive a fair value based on comparable transactions. These investments and shares are immaterial in comparison with the total position of the Group.

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

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

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

Net results by measurement category in accordance with IAS 39
The effect of financial instruments on the income and expenses recognized in the first half of 2017 and the first half of 2016 is shown in the following table, classified according to the measurement categories defined in IAS 39:

in € million	1-6/2017	1-6/2016
Net gain on available-for-sale financial assets	0.1	1.1
Net loss from loans and receivables as well as financial liabilities at amortized cost	(22.7)	(7.1)
Net gain on financial assets and financial liabilities classified as held for trading	5.0	3.8

The net gain on available-for-sale financial assets recognized in the statement of profit or loss includes income from shares and income from reversals of impairment losses.

The net loss arising from loans and receivables as well as financial liabilities includes interest income and expenses, changes in valuation allowances and losses on derecognition, foreign exchange gains and losses as well as income related to the measurement of put options.

The net gain on financial assets held for trading and financial liabilities includes unrealized results from the measurement of a long-term commodity futures contract as well as changes in the market value and realized results of forward exchange contracts, embedded derivatives in open orders in a currency other than the functional currency and interest derivatives which do not meet the requirements of hedge accounting in accordance with IAS 39.

Net finance costs include interest income of € 1.1 million (first half of 2016: € 1.3 million) and interest expenses of € 8.2 million (first half of 2016: € 8.8 million), which result from financial assets and liabilities which are not carried at fair value through profit or loss.

(57) Derivative financial instruments

Commodity futures
The RHI Group concluded a commodity futures contract for electricity for the fusion plant in Porsgrunn, Norway, in November 2011, which has been accounted for as a financial instrument in accordance with IAS 39 since December 31, 2015 because the "own-use exemption" (exemption for own use in accordance with IAS 39.5) no longer applies.

The measurement of the commodity futures contract for the entire term of the contract until the end of the year 2023 at market price leads to a financial liability of € 47.4 million at June 30, 2017 (12/31/2016: € 49.0 million). The corresponding present value of the cash flows for the agreed electricity supply totals € 90.3 million at June 30, 2017 (12/31/2016: € 97.5 million); the present value of the cash flows at market price amounts to € 42.9 million (12/31/2016: € 48.5 million).

Interest rate swaps
RHI AG has concluded interest rate swaps to hedge the cash flow risk of financial liabilities carrying variable interest rates. Financial liabilities carrying variable interest in the amount of the nominal value of the interest rate swaps were designated as hedged items. The cash flow changes of the hedged items, which result from the changes of the variable interest rates, are balanced out by the cash flow changes of the interest rate swaps. These hedging measures pursue the objective to transform variable-interest financial liabilities into fixed-interest financial liabilities, thus hedging the cash flow from the financial liabilities. Credit risks are not part of the hedge.

The term of two hedging relationships with a nominal volume of € 20.7 million at June 30, 2017 (12/31/2016: € 25.7 million) ends in the financial year 2019. The interest payments from the underlying transaction and the compensation payments from the two interest rate swaps are made quarterly at the end of the quarter. The refinancing (see note (67)) carried out in the course of the planned combination with Magnesita (see note (62)) leads to the early repayment of financial liabilities, which also include the two financial liabilities carrying variable interest which are designated as the underlying transactions for these two hedging relationships. Due to the early repayment, the expected transaction, the future variable interest payments, is no longer expected to take place. Consequently, the expense of € 0.3 million recognized in other comprehensive income was reclassified to profit or loss as of June 30, 2017 and recognized under interest expenses. The changes in the fair value of these interest rate swaps are now recognized through profit or loss. In the first half of 2016, no ineffectiveness had to be recognized through profit or loss for these two hedges.

A hedging relationship with a nominal value of € 50.0 million (12/31/2016: € 50.0 million) runs until the July 31, 2017. The interest and compensation payments for this hedging relationship are due semi-annually at the end of January and at the end of July. The interest expenses are recognized accordingly on a period basis. The effectiveness of the hedging relationship is tested prospectively and retrospectively through an effectiveness test. The terms of the interest rate swap correspond to those of underlying transaction. In the two reporting periods no hedging ineffectiveness hat to be recognized through profit or loss for this hedge.

Fixed interest rates amount to roughly 0.7% as in the previous year; the variable interest rates are based on the EURIBOR.

The fair values of the interest rate swaps totaled € (0.5) million at June 30, 2017 (12/31/2016: € (0.9) million).

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

		06/30/2017			12/31/2016		
Purchase	Sale		Nominal value in million	Fair value in € million		Nominal value in million	Fair value in € million
EUR	ZAR	ZAR	100.0	(0.1)	ZAR	100.0	(0.1)
EUR	USD	USD	90.0	6.4	USD	90.0	0.4
EUR	CNY	EUR	21.7	1.0	EUR	21.7	0.1
EUR	CAD	CAD	10.0	0.3	CAD	10.0	0.0
MXN	USD	USD	10.0	1.5	USD	10.0	0.0
EUR	INR	EUR	8.9	0.0	EUR	8.9	0.0
INR	EUR	EUR	0.2	0.0	EUR	-	-
INR	USD	USD	0.5	0.0	USD	-	-
Forward exchange contracts				**9.1**			**0.4**

(58) Financial risk management

Financial risks are incorporated in the corporate risk management of the RHI Group and are centrally controlled by Group Treasury.

None of the following risks have a significant influence on the going concern of the RHI Group.

Credit risk
The maximum credit risk from recognized financial assets amounts to € 474.3 million (12/31/2016: € 516.9 million) and is primarily related to investments with banks and receivables due from customers.

The credit risk with banks related to investments (especially cash and cash equivalents) is reduced by the fact that business transactions are generally only carried out with contractual partners with a good credit rating.

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

In the following, the credit risk from trade receivables is shown classified by customer industry, by foreign currency and by term.

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

in € million	06/30/2017	12/31/2016
Segment Steel	201.0	208.6
Segment Industrial	86.2	96.0
Segment Raw Materials	5.4	4.4
Trade receivables	292.6	309.0
Credit insurance and bank guarantees	(175.9)	(181.5)
Net credit exposure	**116.7**	**127.5**

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

in € million	06/30/2017	12/31/2016
US dollar	49.2	50.1
Pound sterling	2.9	2.9
Other currencies	10.1	9.3
Other functional currencies	230.4	246.7
Trade receivables	**292.6**	**309.0**

The classification of receivables by days outstanding is shown below:

in € million	06/30/2017	12/31/2016
Neither impaired nor past due at reporting date	206.6	217.4
Not impaired at reporting date and past due in the following time frames		
Less than 30 days	21.3	20.5
Between 30 and 59 days	8.1	7.2
Between 60 and 89 days	5.3	2.7
More than 90 days	3.2	12.8
Impaired at reporting date	78.6	81.6
Valuation allowances	(30.5)	(33.2)
Trade receivables	**292.6**	**309.0**

With respect to receivables that were neither impaired nor overdue, there were no indications that the debtors would be unable to meet their payment obligations. No valuation allowance was recognized for overdue receivables amounting to € 37.9 million at June 30, 2017 (12/31/2016: € 43.2 million) and impaired receivables of € 48.1 million (12/31/2016: € 48.4 million) because the risk of default is essentially covered by credit insurance, bank guarantees and letters of credit.

Liquidity risk
Liquidity risk refers to the risk that financial obligations cannot be met when due. The Group's financial policy is based on long-term financial planning and is centrally controlled and monitored continuously in the RHI Group. The liquidity requirements resulting from budget and medium-term planning are secured by concluding appropriate financing agreements. As of June 30, 2017, the RHI Group has a credit facility of € 258.2 million (12/31/2016: € 310.8 million) at its disposal, which is unused and available immediately, as well as unused credit lines from the sale of receivables amounting to € 7.6 million (12/31/2016: € 6.8 million). These lines of credit were concluded with different Austrian and international banks in order to ensure independence of banks. The companies of the RHI Group are integrated into a clearing process managed by Central Treasury and provided with financing limits in order to minimize the need of borrowings for the Group as a whole.

Non-derivative financial instruments
An analysis of the terms of non-derivative financial liabilities based on undiscounted cash flows including the related interest payments shows the following expected cash outflows:

in € million	Carrying amount 06/30/2017	Cash outflows	Remaining term up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions					
fixed interest	207.4	227.0	25.6	130.5	70.9
variable interest	250.6	254.9	127.1	126.1	1.7
Liabilities to fixed-term or puttable non-controlling interests	32.2	172.3	9.7	11.0	151.6
Other financial liabilities	3.1	3.2	1.5	1.6	0.1
Trade payables and other current liabilities	207.1	207.1	207.1	0.0	0.0
Non-derivative financial liabilities	**700.4**	**864.5**	**371.0**	**269.2**	**224.3**

in € million	Carrying amount 12/31/2016	Cash outflows	Remaining term up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions					
fixed interest	214.6	237.6	26.0	140.6	71.0
variable interest	260.9	267.5	133.5	132.3	1.7
Liabilities to fixed-term or puttable non-controlling interests	32.5	182.2	9.1	13.0	160.1
Other financial liabilities	7.7	7.8	4.5	3.2	0.1
Trade payables and other current liabilities	217.3	217.3	217.3	0.0	0.0
Non-derivative financial liabilities	**733.0**	**912.4**	**390.4**	**289.1**	**232.9**

Derivative financial instruments

The remaining terms of derivative financial instruments based on expected undiscounted cash flow as of June 30, 2017 and December 31, 2016 are shown in the table below:

in € million	Carrying amount 06/30/2017	Cash flows	Remaining term up to 1 year	2 to 5 years	over 5 years
Receivables from derivatives with net settlement					
Financial assets held for trading	9.1	9.1	9.1	0.0	0.0
Liabilities from derivatives with net settlement					
Interest derivatives designated as cash flow hedges	0.2	0.2	0.2	0.0	0.0
Financial liabilities held for trading	49.0	51.4	7.9	32.0	11.5

in € million	Carrying amount 12/31/2016	Cash flows	Remaining term up to 1 year	2 to 5 years	over 5 years
Receivables from derivatives with net settlement					
Financial assets held for trading	1.5	1.5	1.5	0.0	0.0
Liabilities from derivatives with net settlement					
Interest derivatives designated as cash flow hedges	0.9	0.9	0.7	0.2	0.0
Financial liabilities held for trading	49.1	51.9	6.1	31.0	14.8

Foreign currency risks

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

Foreign currency risks according to IFRS 7 are created through financial instruments which are denominated in a currency other than the functional currency (in the following: foreign currency) and are monetary in nature. Important primary monetary financial instruments include trade receivables and payables, cash and cash equivalents as well as financial liabilities as shown in the statement of financial position. The equity instruments held are not of a monetary nature and therefore not linked to a foreign currency risk in accordance with IFRS 7.

The majority of foreign currency financial instruments in the RHI Group result from operating activities, above all from intragroup financing transactions, unless the foreign exchange effects recognized to profit or loss on monetary items, which represent part of a net investment in a foreign operation in accordance with IAS 21, are eliminated or hedged through forward exchange contracts. Significant provisions denominated in foreign currencies are also included in the analysis of risk.

The following table shows the foreign currency positions in the major currencies as of June 30, 2017:

in € million	USD	EUR	MXN	CHF	Other	Total
Financial assets	214.6	47.6	0.3	0.4	30.4	293.3
Financial liabilities, provisions	(168.0)	(44.3)	(15.5)	(8.9)	(15.6)	(252.3)
Net foreign currency position	**46.6**	**3.3**	**(15.2)**	**(8.5)**	**14.8**	**41.0**

The foreign currency positions as of December 31, 2016 are structured as follows:

in € million	USD	EUR	MXN	CHF	Other	Total
Financial assets	207.4	64.8	0.1	0.5	30.9	303.7
Financial liabilities, provisions	(156.2)	(37.8)	(14.2)	(6.9)	(17.2)	(232.3)
Net foreign currency position	**51.2**	**27.0**	**(14.1)**	**(6.4)**	**13.7**	**71.4**

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

A 10% appreciation or devaluation of the relevant functional currency against the following major currencies as of June 30, 2017 would have had the following effect on profit or loss and equity (both excluding income tax):

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain/(loss)	Equity	Gain/(loss)	Equity
US dollar	(4.0)	(4.7)	4.6	5.5
Euro	(0.6)	5.3	0.1	(7.1)
Mexican peso	1.4	1.4	(1.7)	(1.7)
Swiss franc	0.8	0.8	(0.9)	(0.9)
Other currencies	(1.4)	(2.5)	1.6	2.9

The hypothetical effect on profit or loss at December 31, 2016 can be summarized as follows:

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain/(loss)	Equity	Gain/(loss)	Equity
US dollar	(4.8)	(5.6)	5.9	6.9
Euro	(2.8)	7.7	2.7	(10.1)
Mexican peso	1.3	1.3	(1.6)	(1.6)
Swiss franc	0.6	0.6	(0.7)	(0.7)
Other currencies	(1.4)	(2.5)	1.6	3.0

Interest rate risks

The interest rate risk in the RHI Group is primarily related to financial instruments carrying variable interest rates, which may lead to fluctuations in results and cash flows. The RHI Group is predominantly exposed to interest risks in the euro area. At June 30, 2017, interest rate hedges amounting to € 70.7 million (12/31/2016: € 75.7 million) existed; a variable interest rate was converted into a fixed interest rate through an interest rate swap.

The exposure to interest rate risks is presented through sensitivity analyses in accordance with IFRS 7. These analyses show the effects of changes in market interest rates on interest payments, interest income and interest expense and on equity.

The RHI Group measures fixed-interest financial assets and financial liabilities at amortized cost, and did not use the fair value option. A hypothetical change in the market interest rates for these financial instruments at the interim reporting date would have had no effect on profit or loss, or equity.

Changes in market interest rates on financial instruments designated as hedges as a part of cash flow hedges to protect against interest rate-related payment fluctuations have an effect on equity and are therefore included in the equity-related sensitivity analysis. A change in the market interest rate by 25 basis points as of June 30, 2017 would have no impact on equity. If the market interest rate as of December 31, 2016 had been 25 basis points higher or lower, equity would have been € 0.2 million higher or lower taking into account tax effects.

Changes in market interest rates influence the interest result of primary, variable-interest financial instruments whose interest payments are not designated as hedged items as a part of cash flow hedge relationships against interest rate risks. Likewise, changes in the market interest rate have an effect on the interest result of derivative financial instruments which were concluded as interest rate hedges, but do not meet the requirements of hedge accounting. If the market interest rate as of June 30, 2017 had been 25 basis points higher or lower, the interest result would have been € 0.1 million (12/31/2016: € 0.0 million) lower or higher.

Other market price risk
The RHI Group holds certificates in an investment fund amounting to € 15.4 million (12/31/2016: € 15.3 million) to cover the legally required protection of personnel provisions of Austrian Group companies. The market value of these certificates is influenced by fluctuations of the worldwide volatile stock and bond markets.

In the financial year 2015, an energy supply contract with a term until the year 2023 had to be classified as a derivative financial instrument in accordance with IAS 39 for the first time. The fair value of the financial liability amounts to € 47.4 million at June 30, 2017 (12/31/2016: € 49.0 million). If the quoted forward prices at June 30, 2017 had been 20% higher or lower, EBIT would have been € 8.6 million (12/31/2016: € 9.7 million) higher or lower. In contrast, if the borrowing cost relevant for discounting had been 25 basis points higher or lower at the (interim) reporting date, EBIT would have been € 0.4 million (12/31/2016: € 0.4 million) higher or lower.

(59) Capital management

The objectives of the capital management strategy of the RHI Group are to secure the going concern in the long term by creating a solid capital base to finance future growth, to increase company value on a sustained basis and to generate adequate returns to enable attractive dividend payments to the shareholders and to service debt. In the case of growth through acquisitions, temporary deviations may occur in the key figures presented in the following. The objective is in any case the long-term compliance with the ratios described and the sustainable value increase of the company.

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

The capital structure key figures are shown below:

	06/30/2017	12/31/2016
Net debt (in € million)	343.9	332.8
Net debt factor	1.9	1.8
Net gearing ratio (in %)	68.5%	63.5%
Equity ratio (in %)	28.9%	29.2%

1) Net debt/EBITDA of the last 12 months

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

The key performance indicator for net debt in the RHI Group is the net debt factor, which reflects the ratio of net financial liabilities to EBITDA (earnings before interest, taxes, depreciation and amortization taking into account the reversal of investment subsidies). EBITDA of the last 12 months amounts to € 177.7 million (EBITDA 2016: € 189.1 million). The net debt factor is a measure of the ability of a company to repay its debt and amounts to 1.9 at June 30, 2017. At December 31, 2016, it was 1.8. The RHI Group's target is to keep the net debt factor below 3.0.

The net gearing ratio is the ratio of net financial debt to equity; it amounts to 68.5% at June 30, 2017. At December 31, 2016, the net gearing ratio amounted to 63.5%. RHI's internal objective provides for a balanced capital structure with a minimum equity ratio of 30%. The target regarding the net gearing ratio is subsequently derived from the equity ratio.

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

in € million	06/30/2017	12/31/2016
∅ **Working capital**		
∅ Inventories	382.3	384.6
∅ Trade receivables	286.3	306.7
∅ Receivables from long-term construction contracts	15.6	11.8
∅ Trade payables	(185.4)	(189.8)
∅ Prepayments received on orders	(15.9)	(14.5)
	483.0	**498.8**
∅ **Assets**		
∅ Property, plant and equipment	493.1	527.0
∅ Goodwill and other intangible assets	104.4	110.3
	597.4	**637.3**
Average Capital Employed	**1,080.4**	**1,136.1**
EBIT	97.1	116.1
Taxes	(26.1)	(29.9)
Net Operating Profit after Taxes	**71.0**	**86.2**
Return on average capital employed (in %)	**6.6%**	**7.6%**
∅ RHI WACC (in %)	5.8%	5.6%

1) average capital employed in the last 12 months
2) NOPAT of the last 12 months

The ROACE amounts to 6.6% at June 30, 2017 and is below the profitability of 7.6% at December 31, 2016.

In the first half of 2017 and in the previous year, all externally imposed capital requirements were met.

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

(60) Contingent liabilities

At June 30, 2017, warranties, performance guarantees and other guarantees amount to € 32.8 million (12/31/2016: € 32.0 million), and are exclusively accounted for by third parties. The terms of contingent liabilities range between 2 months and 3 years, depending on the type of liability. Based on experiences of the past, the probability that contingent liabilities are used is considered to be low.

In addition, contingent liabilities from sureties of€ 0.5 million (12/31/2016: € 0.7 million) were recorded, of which € 0.3 million (12/31/2016: € 0.3 million) are related to contingent liabilities to creditors from joint ventures.

Individual proceedings and lawsuits which result from ordinary activities are pending as of June 30, 2017 or can potentially be exercised against the RHI Group in the future. The related risks were analyzed with a view to their probability of occurrence. This analysis showed that the proceedings and lawsuits, both individually and overall, have no significant negative influence on the financial position and performance of the RHI Group.

(61) Other financial obligations

Other financial obligations consist of the following items:

in € million	Total 06/30/2017	Remaining term up to 1 year	2 to 5 years	over 5 years
Obligations from rental and leasing contracts	58.6	12.1	29.9	16.6
Capital commitments	14.8	14.8	0.0	0.0
Other financial obligations	**73.4**	**26.9**	**29.9**	**16.6**

in € million	Total 12/31/2016	Remaining term up to 1 year	2 to 5 years	over 5 years
Obligations from rental and leasing contracts	66.7	13.8	32.6	20.3
Capital commitments	2.5	2.5	0.0	0.0
Other financial obligations	**69.2**	**16.3**	**32.6**	**20.3**

Other financial obligations are exclusively due to third parties. They are shown at nominal value.

Rental and leasing obligations for property, plant and equipment of € 9.6 million (first half of 2016: € 11.3 million) are recognized in the statement of profit or loss of the first half of 2017.

The conditions of the most important operating rental and leasing agreements can be summarized as follows:

At the company's head office in Vienna a rental agreement exists, which ends on October 28, 2020. Both contracting parties are entitled to terminate the rental agreement prematurely with a notice period of six months. However, the landlord may only exercise this right under certain conditions. The rent is adjusted to the consumer price index.

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

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

The Group also rents numerous mining vehicles, diggers, forklifts and the like by cancelable leasing agreements. The contracts have terms ranging from 3 to 7 years; most of them do not include a purchasing option after the contract ends.

In addition to the aforementioned financial obligations, the RHI Group also has long-term purchase obligations related to the supply with raw materials, especially for electricity, natural gas, strategic raw materials as well as for the transport of raw materials within the Group. This results in other financial obligations of the nominal value of € 154.6 million at the reporting date (12/31/2016: € 193.3 million). The remaining terms of the contracts amount to up to 7.5 years. Purchases from these arrangements are recognized in accordance with the usual course of business. Purchase contracts are regularly reviewed for imminent losses, which may occur, for example, when requirements fall below the agreed minimum purchase volume or when contractually agreed prices deviate from the current market price level. A power supply contract with a remaining term of 6.5 years is accounted for in accordance with IAS 39. As market prices on the (interim) reporting date were lower than the contractually agreed prices, this leads to a financial liability amounting to € 47.4 million (12/31/2016: € 49.0 million). This power supply contract is included in the total value of € 154.6 million at June 30, 2017 with a nominal value of € 94.9 million (12/31/2016: € 103.0 million).

(62) Planned combination with Magnesita

RHI AG and the controlling shareholders of Magnesita Refratários S.A. ("Magnesita"), investment vehicles affiliated with GP Investments ("GP") and Rhône Capital ("Rhône", and together "Magnesita's Controlling Shareholders") reached an agreement in October 2016 to combine the operations of the two companies to create a leading refractory company to be named RHI-Magnesita. In accordance with the share purchase agreement, RHI AG will acquire a controlling stake of at least 46%, but no more than 50% plus one share of the total share capital in Magnesita (the "Transaction"), with the maximum of 50% plus one share subsequently being assumed. The purchase price for the 50% stake will be paid in cash amounting to € 121 million and 5.0 million new shares. Based on the share price of RHI AG of € 32.45 at June 30, 2017, the value of the 50% stake in Magnesita amounts to € 283 million, implying a value for Magnesita's entire share capital of € 566 million. If the Transaction is terminated for reasons not under the control of Magnesita's Controlling Shareholders, an aggregate break fee of up to € 20 million is payable by RHI AG to Magnesita's Controlling Shareholders. The Transaction will be financed by additional debt and the issuance of up to 5.0 million RHI-Magnesita shares. Magnesita will continue to finance itself on a standalone basis without credit support from the RHI Group.

All RHI-Magnesita shares issued as a result of the Transaction and mandatory tender offer will be subject to a minimum 12-month lock-up period. The completion of the Transaction is amongst other things subject to (i) approvals by the relevant competition authorities – these have already been granted subject to conditions and are explained in the following, (ii) the migration of RHI AG to the Netherlands, (iii) the listing of RHI-Magnesita's shares in the Premium Segment of the Official List on the Main Market of the London Stock Exchange and (iv) RHI's shareholders not having exceeded statutory withdrawal rights in an amount of more than € 70 million in connection with organizational changes preceding the transfer of the legal domicile from Austria.

The Transaction was submitted in the USA regarding the necessary approval in October 2016 and approved by the Federal Trade Commission in November 2016 without any conditions. In late June 2017, the European Commission approved the combination of RHI and Magnesita subject to conditions. These include the sale of the RHI Group's dolomite business in the European Economic Area, which consists of the production sites in Marone, Italy, and Lugones, Spain, including brand names, sales, etc., and investments in a tunnel kiln in Marone in case the production site Lugones is not transferred. The contribution to revenue of the two RHI sites amounted to roughly € 50 million in the financial year 2016 and represents roughly 3% of the Group's revenue in the year 2016. In addition, the entire business of the Magnesita Group in the European Economic Area based in Oberhausen, Germany, which consists of the production, sale, etc. of magnesia-carbon bricks and basic mixes, has to be sold. Moreover, the buyer will receive supply contracts for sintered magnesia of up to roughly 43,000 tons. The conditions have to be met within six months. RHI and Magnesita are currently holding intensive talks with several potential buyers. The Brazilian antitrust authority CADE granted its approval regarding the planned Transaction on July 11, 2017, without imposing conditions.

At the extraordinary general meeting on August 4, 2017, the spin-off of all significant assets of RHI AG to its wholly-owned Austrian subsidiary RHI Feuerfest GmbH and the subsequent cross-border merger of RHI AG with its wholly-owned Dutch subsidiary RHI-MAG N.V. were approved. With the end of the general meeting, condition (iv) of exercising withdrawal rights not exceeding € 70 million has also been met. The listing of RHI AG on the Vienna Stock Exchange ends with the completion of the organizational changes. Completion of the acquisition by RHI-MAG N.V. of a controlling interest in Magnesita Refratários S.A. is scheduled to occur shortly after the merger becomes legally effective and after the ordinary shares of RHI-MAG N.V. have been admitted to listing on the Premium Segment of the Official List on the Main Market of the London Stock Exchange. For the planned cross-border merger of RHI AG with RHI-MAG N.V. it is required to make a cash compensation offer to exiting shareholders. On June 23, 2017, the Management Board set the price of the cash compensation at € 26.50 per share. This assessment is based on a pure stand-alone view of the RHI Group not including the synergies after closing of the planned transaction. After the merger has become legally effective, the company name of RHI-MAG N.V. will be changed to RHI-Magnesita N.V.

The new company will be managed by a European-Brazilian management team in Vienna. The Board of RHI Magnesita N.V. will consist of 19 directors and will include two executive directors, the designated CEO Stefan Borgas and the designated CFO Octavio Lopes, as well as 17 non-executive directors, six of whom will be employee representatives. Seven of the remaining eleven non-executive directors will be appointed as independent directors in accordance with the UK Corporate Governance Code of the UK Financial Reporting Council.

Following completion of the Transaction, which is expected for the end of October 2017, a mandatory tender offer will be launched by RHI-Magnesita or one of its affiliates for the remaining shares in Magnesita ("Offer"). The Offer will include the option to sell shares on the same payment terms as the Transaction as well as a cash-only alternative amounting to € 8.19 per Magnesita share (subject to certain adjustments according to the SPA). As part of the Offer, a maximum number of 5.0 million new RHI-Magnesita shares will be issued, thereby resulting in an aggregate number of no more than 10.0 million newly issued shares to finance the acquisition. Depending on the result of the mandatory tender offer, Magnesita's Controlling Shareholders have committed to purchase at least 1.5 million additional new RHI-Magnesita shares, thereby increasing their total number of RHI-Magnesita shares to a maximum of 6.5 million. RHI-Magnesita may decide to combine the Offer with a delisting offer and/or a voluntary offer to exit Magnesita from the "Novo Mercado" listing segment. The Offer will follow applicable Brazilian laws and regulations. Any RHI-Magnesita shares that are not taken up in the Offer by Magnesita's shareholders may be either placed into the market or with institutional investors.

Assuming that all free float shareholders tender their Magnesita shares in the mandatory offer on the same conditions as the controlling shareholders, the number of RHI-Magnesita shares will increase by 10 million to 49,819,039 after the closing of the Transaction. After the resolutions of the general meeting, the focus is now on the further implementation of the planned steps for the combination of RHI and Magnesita. The main focal points include meeting the merger control clearance requirements in Europe regarding the sale of three European plants and the preparation of the listing in the premium segment of the London Stock Exchange.

(63) Annual average number of employees

The average number of employees of the RHI Group based on full time equivalents amounts to:

	1-6/2017	1-6/2016
Salaried employees	3,379	3,590
Waged workers	4,005	4,165
Number of employees on annual average	**7,384**	**7,755**

(64) Notes on related party transactions

Related companies include subsidiaries that are not fully consolidated, joint ventures and MSP Foundation, Liechtenstein, as a shareholder of RHI AG, since it exercises significant influence based on its share of more than 25% in RHI AG. In accordance with IAS 24, the personnel welfare foundation of Stopinc AG, Hünenberg, Switzerland, also has to be considered a related company.

Related persons are persons holding a key position in the Group (active members of the Management Board and the Supervisory Board of RHI AG) and their close relatives.

Related companies
In the first half of 2017, the Group charged electricity and stock management costs amounting to € 1.6 million (first half of 2016: € 1.1 million) to the joint venture MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria. In the current reporting period, the Group purchased raw materials in the amount of € 1.1 million (first half of 2016: € 1.0 million). Furthermore, the Group received dividend payments of € 10.2 million (12/31/2016: € 7.5 million). At June 30, 2017, receivables from MAGNIFIN amount to € 1.0 million (12/31/2016: € 1.0 million) and liabilities to € 0.1 million (12/31/2016: € 0.0 million). Neither in the current reporting period nor in the comparative period valuation allowances for receivables from this company were recorded. The balance at the end of the financial year is unsecured and will be paid in cash. To secure a pension claim of a former employee of MAGNIFIN, the RHI Group has assumed a surety amounting to € 0.3 million (12/31/2016: € 0.3 million). A resulting cash outflow is not expected. No guarantees were received.

Business transactions with non-consolidated subsidiaries are not listed as they are of minor significance.

In the first half of 2017 and in the first half of 2016 no transactions were carried out between the RHI Group and MSP Foundation, with the exception of the dividend paid.

A service relationship with respect to the company pension scheme of the employees of Stopinc AG exists between the personnel welfare foundation of Stopinc AG and the fully consolidated subsidiary Stopinc AG. Stopinc AG makes contribution payments to the plan assets of the foundation to cover pension obligations. The pension plan is recognized as a defined benefit plan and is included in note (28). At December 31, 2016 current account receivables of € 0.8 million from the personnel welfare foundation existed, for which an interest of 2.5% was charged. In first half of 2017, employer contributions amounting to € 0.2 million (first half of 2016: € 0.2 million) were made to the personnel welfare foundation. The overfunding of the pension plan is recognized as a non-current asset of € 2.1 million (12/31/2016: € 2.1 million).

Related persons
Remuneration of key management personnel of the Group, which is subject to disclosure in accordance with IAS 24, comprises the remuneration of the active Management Board and Supervisory Board of RHI AG.

The expenses for the remuneration of the Management Board in the first half of 2017 recognized in the statement of profit or loss totals € 4.0 million (first half of 2016: € 2.7 million). The expenses not including non-wage labor costs amount to € 3.6 million (first half of 2016: € 2.5 million), of which € 2.6 million (first half of 2016: € 1.8 million) were related to current benefits (fixed, variable and other earnings) and € 1.0 million (first half of 2016: € 0.7 million) to share-based remuneration. At June 30, 2017, liabilities for performance-linked variable earnings and share-based payments and accrued vacation pay for active members of the Management Board of € 3.1 million (12/31/2016: € 1.6 million) are recognized as liabilities. There are no obligations arising from post-employment benefits and legally required termination benefits towards active members of the Management Board.

In addition to the variable remuneration, the members of the Management Board of RHI AG are also entitled to share-based payments. This program is a performance-linked and share-based compensation model, in which the vesting period per tranche extends over the respective financial year. At the beginning of the program, a portion of the annual salary is defined for the members of the Management Board, which is translated into a number of virtual shares using a reference price. The relevant reference price for the remuneration program of the respective financial year corresponds to the average RHI share price from December 1 of the previous year to January 31 of the current reporting year. The actual, vested entitlement to virtual shares depends on the level of target achievement; financial criteria (operating EBIT, ROACE) determine 70% and other criteria 30% of the entitlement. The equivalent value of the number of virtual shares determined per tranche will be paid in cash in three equal portions in the following three financial years. This equivalent value in cash is determined on the basis of the average share price of the respective period from December 1 of the reporting year to January 31 of the following year.

The effects of this compensation program on the interim consolidated financial statements are shown in the table below:

	Number of virtual shares		Provision in € million		Expense in € million	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016	1-6/2017	1-6/2016
Compensation program 2017	77,395	0	1.3	0.0	1.3	0.0
Compensation program 2016	50,827	73,042	1.6	1.7	0.4	0.5
Compensation program 2015	7,391	14,781	0.2	0.4	0.1	0.0
Total	**135,613**	**87,823**	**3.1**	**2.1**	**1.8**	**0.5**

In the first half of 2017 a payment of € 0.8 million was made for the compensation programs 2015 and 2016 (first half of 2016: € 0.1 million for the compensation program 2015).

For members of the Supervisory Board (capital representatives), remuneration totaling € 0.1 million (first half of 2016: € 0.1 million) was recognized through profit or loss in the first half of 2017.

Employee representatives in the Supervisory Board, who are employed by the RHI Group, do not receive compensation for their activity in the Supervisory Board. For their activity as employees in the company and the activity of their close relatives employed with the RHI Group, expenses of € 0.4 million are recognized in the first half of 2017 (first half of 2016: € 0.4 million). This group of persons received no shares in the first half of 2017 (first half of 2016: 176 shares) as part of the employee stock ownership plan "4 plus 1".

No advance payments or loans were granted to members of the Management Board or Supervisory Board. The RHI Group did not enter into contingent liabilities on behalf of the Management Board and Supervisory Board.

Directors Dealings reports are published on the websites of RHI AG and of the Austrian Financial Market Authority. All members of the Management Board and the Supervisory Board are covered by D&O insurance in the RHI Group.

From October 16, 2015 until September 28, 2016, an unpaid consultancy agreement with a close relative of a related person was in place for the support of the initiation of the transacation with the shareholders of Magnesita Refratários S.A., which was terminated before the signing of the agreement regarding the acquisition of the company.

(65) Seasonal and cyclical influences

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

(66) Corporate bodies of RHI AG

Members of the Management Board
Stefan Borgas, Vienna, Chairman (since December 1, 2016)
Franz Struzl, Vienna, Chairman (until November 30, 2016)
Wolfgang Ruttenstorfer, Vienna, Chairman (on interim basis from June 26, 2016 to November 30, 2016)
Barbara Potisk-Eibensteiner, CFA, Hagenbrunn (until August 31, 2017)
Franz Buxbaum, Bad Vöslau (until December 31, 2016)
Thomas Jakowiak, Vienna (since January 1, 2016)
Gerd Schubert, Vienna (since January 1, 2017)
Reinhold Steiner, Trofaiach

Members of the Supervisory Board
Herbert Cordt, Vienna, Chairman
Helmut Draxler, Vienna, Deputy Chairman
Wolfgang Ruttenstorfer, Vienna, Deputy Chairman (until June 25, 2016; from December 1, 2016)
Hubert Gorbach, Frastanz
Alfred Gusenbauer, Vienna
Gerd Peskes, Düsseldorf, Germany
Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg, Munich, Germany
David A. Schlaff, Vienna

Employee representatives:

Walter Geier, Leoben
Christian Hütter, Vienna
Roland Rabensteiner, Veitsch
Franz Reiter, St. Jakob in Haus

(67) Material events after the interim reporting date

RHI AG has adapted its financing structure in the context of the planned combination with Magnesita. In addition to obtaining acquisition financing for the purchase price of Magnesita, financial liabilities related to the "Schuldscheindarlehen" concluded in 2012 and 2014 have been refinanced. The conclusion of changed and new loan agreements is dated as of July 2017 for the majority of the volume. The main loan agreements concluded relate to syndicated financing arrangements amounting to € 477 million and a "Schuldscheindarlehen" of € 178 million. In addition, all existing export loans and one-off financing will also be refinanced in the course of the transaction in the fourth quarter of 2017.

In the first half of 2017, production was interrupted at one plant for an indefinite period. Therefore, the intention of closing the plant was communicated to the employees on August 24, 2017 and negotiations regarding a social plan were initiated.

After the interim reporting date on June 30, 2017, there were no other events of special significance which may have a significant effect on the financial position and performance of the RHI Group.

Vienna, August 25, 2017

Management Board

Stefan Borgas
CEO

Barbara Potisk-Eibensteiner
CFO

Gerd Schubert
COO
CTO R&D

Thomas Jakowiak
CSO Industrial Division

Reinhold Steiner
CSO Steel Division

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor's report

Report on the Interim Consolidated Financial Statements

Audit Opinion
We have audited the interim consolidated financial statements of RHI AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period from January 1 to June 30, 2017, and the notes to the interim consolidated financial statements.

In our opinion, the accompanying interim consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at June 30, 2017, and of its financial performance and cash flows for the period from January 1 to June 30, 2017 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

Basis for Opinion
We conducted our audit in accordance with Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the interim consolidated financial statements of the period from January 1 to June 30, 2017. These matters were addressed in the context of our audit of the interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Descriptions of individual key audit matters
- Audit approach
- Reference to related disclosures

1. Deferred tax assets on tax loss carry-forwards and other deductible temporary differences

- Description of the individual key audit matter

The RHI Group capitalized deferred tax assets in a total amount of EUR 134.7m, which mainly include deferred tax assets on tax loss carry-forwards in the amount of EUR 57.1m and deductible temporary differences arising on provisions for employee benefits in the amount of EUR 52.2m. Deferred tax assets are capitalized based on the assumption that sufficient taxable income will be generated within a planning period of at least 5 years against which loss carry-forwards and other deductible temporary differences can be offset. These assumptions are based on estimates of the current and the planned taxable results and any future measures implemented by the companies concerned that will have an effect on tax.

- Audit approach

We:

- Identified, for significant companies, the process used to determine the future taxable results that serve as the basis for the calculation of deferred tax assets,
- Performed plausibility checks for significant companies to evaluate if the budgeted figures used are plausible when compared to our knowledge of the planned course of business,
- Received tax advisor confirmation letters to confirm the existence and accuracy of the tax loss carry-forwards,
- Analyzed and confirmed the accounting assumptions on the possibility to utilize tax loss carry-forwards and deductible temporary differences, and
- Audited the presentation and the disclosures in the notes to the interim consolidated financial statements.

- Reference to related disclosures

For further related information, we refer to the notes to the interim consolidated financial statements of the RHI Group item (7) on principles of accounting and measurement on deferred taxes, item (9) with regard to discretionary decisions, assumptions and estimates on income taxes, and item (16) concerning deferred taxes.

2. Assets held for sale and liabilities with regard to assets held for sale

- Description of the individual key audit matter

On the assets side of the balance sheet, the RHI Group reports assets held for sale in the amount of EUR 45.4m and liabilities relating to assets held for sale in the amount of EUR 19.7m. These assets and liabilities are allocated to two disposal groups and are either measured at the carrying amount or at the lower fair value less cost to sell. The Company used the most likely purchase price offers from the Company's point of view to calculate the fair value. The calculation of the fair value (less cost to sell) resulted in an impairment of EUR 1.7m that was shown in the income statement. The portion of total comprehensive income reported under capital reserves was shown in a separate column.

- Audit approach

We:

- Surveyed the process applied to identify and define the disposal groups held for sale,
- Evaluated if the classification as a disposal group complies with IFRS 5,
- Recalculated the derivation of the fair value by using the underlying purchase price offers, and
- Audited the presentation and the disclosures in the notes to the interim consolidated financial statements.

- Reference to related disclosures

For further related information, we refer to the notes to the interim consolidated financial statements of the RHI Group item (7) on principles of accounting and measurement on disposal groups held for sale and to item (22) concerning disposal groups held for sale.

Responsibilities of Management and the Audit Committee for the Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim consolidated financial statements.

As part of an audit in accordance with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the interim consolidated financial statements, including the disclosures, and whether the interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the interim consolidated financial statements of the period from January 1 to June 30, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Comments on the Condensed Interim Management Report for the Group

Pursuant to the Austrian Commercial Code, the condensed interim management report for the Group is to be audited as to whether it is consistent with the interim consolidated financial statements and as to whether the condensed interim management report for the Group was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the condensed interim management report for the Group in accordance with the provisions of Section 87 (4) Austrian Stock Exchange Act (BörseG).

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the condensed interim management report for the Group was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 87 (4) BörseG and is consistent with the interim consolidated financial statements.

Statement

Based on the findings during the audit of the interim consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the condensed interim management report for the Group came to our attention.

Responsible Engagement Partner

Responsible for the proper performance of the engagement is Mr. Aslan Milla, Austrian Certified Public Accountant.

Vienna, August 25, 2017

PwC Wirtschaftsprüfung GmbH

signed:

Aslan Milla
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of Section 281 (2) UGB apply.

Statement of the Management Board in accordance with § 82 (4) of the Austrian Stock Exchange Act

Statement of the Management Board in accordance with § 82 (4) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the interim consolidated financial statements, which were prepared in accordance with the International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim consolidated financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, August 25, 2017

Management Board

Stefan Borgas
CEO

Barbara Potisk-Eibensteiner
CFO

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COO
CTO R&D

Thomas Jakowiak
CSO Industrial Division

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

Only the German text is binding.

This quarterly report contains forward-looking statements based on the currently held beliefs and assumptions of the management of RHI AG ("RHI"), which are expressed in good faith and, in their opinion, reasonable. These statements may be identified by words such as "expectation" or "target" and similar expressions, or by their context. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual earnings position, profitability, performance or results of RHI to differ materially from the earnings position, profitability, performance or results expressed or implied by such forward-looking statements. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forward-looking statements. RHI disclaims any obligation to update these forward-looking statements to reflect future events or developments.

These materials may use terms which are non-IFRS financial measures. These supplemental financial measures should not be viewed in isolation as alternatives to measures of RHI's financial condition, results of operations or cash flows as presented in accordance with IFRS in its Consolidated Financial Statements. For definition of these supplemental financial measures, a reconciliation to the most directly comparable IFRS financial measures and information regarding the usefulness and limitations of these supplemental financial measures please contact the RHI Investor Relations team (investor.relations@rhi-ag.com). In addition, the general disclaimer of the websites of the RHI Group applies to this quarterly report.

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