Consolidated Management Report 2014

Economic Environment

Global growth rates fell short of expectations in the year 2014.

In the past financial year, global growth rates did not meet expectations. The International Monetary Fund (IMF) consequently reduced its growth expectations in the course of the year. While global economic growth for the year 2014 was still estimated at 3.7% at the beginning of the year, the forecast published in the World Economic Outlook in October 2014 was adjusted to 3.3%. Overcoming the legacy of the global economic and financial crisis and returning to growth seem to be more difficult than expected. Moreover, the danger of stagnation, along with deflation in Europe, is causing concern for the further economic development. Here, the simultaneous reduction of national debt and the debt of private households and companies leads to a massive decline in investment activities. In addition, geopolitical tensions in Ukraine and the Middle East had a negative impact on growth. Political differences following the annexation of the Crimean peninsula by Russia resulted in an open military conflict. The sanctions imposed on Russia by the European Union and the US triggered a significant economic downturn, which also led to a strong devaluation of the Russian ruble.

The risk of possible deflation caused the ECB to reduce the base rate to a historic low, which led to a devaluation of the euro against the US dollar.

The risk of a possible deflation in the euro area caused the European Central Bank (ECB) to reduce the base rate to a historic low of 0.05% and the deposit facility rate to (0.2)%. Hence, banks that deposit money with the ECB in the short term have to pay a penalty rate for the security offered. This penalty was introduced, among other things, to encourage banks to increase lending rather than hoarding excess liquidity. In addition, the ECB decided in mid-January 2015 to purchase government and corporate bonds totaling € 1,140 billion in the period from March 2015 to September 2016, thus following the central banks of the USA, the UK and Japan with some delay. While in Europe the base rate should remain at a very low level for a longer period of time according to a statement by the ECB President, the US Federal Reserve is expected to raise the base rate after a long period in the first half of 2015 due to good economic data and declining unemployment figures. In combination with the end of the bond-buying program of the Federal Reserve in October 2014, this has led to a significant devaluation of the euro against the US dollar.

Capital outflows and declining raw material prices dampened growth in many emerging economies.

Since the reversal of the expansive US monetary policy started in June 2013, the emerging markets have been suffering from capital outflows, which have a negative impact on growth due to declining investments, and from high inflation rates resulting from the devaluation of local currencies. In addition, falling raw material prices and a lack of reforms during the boom years also burdened further growth prospects. For example, bureaucratic requirements and high labor costs cause difficulties for the further economic development in Brazil. In China economic growth also slowed down considerably as a result of a change from growth based on exports and investments to an economy driven by consumer spending. After the unmatched rise of the country to become the world's second largest economic power, experts assume that the growth opportunities of China in export, its primary domain to date, have been gradually exhausted.

In mid-July, the heads of state of the five large emerging markets, Brazil, Russia, India, China and South Africa, agreed on the establishment of a development bank as a counterpart to the World Bank as well as a monetary fund worth USD 100 billion.

The stock markets reached new highs in 2014 as a result of the expansive monetary policy of the central banks. The German lead index DAX, for example, exceeded the 10,000-point mark for the first time in its history and the S&P 500, which comprises the shares of 500 of the largest listed companies in the US, surpassed the 2,000-point mark. The yield on ten-year German government bonds dropped below 0.4% per year in a low-interest environment. In the course of the year the most important central banks increasingly voiced concerns that investors would misjudge and misprice risks due to low interest rates. The respective representatives referred, amongst other things, to the high ratings in stock and bond markets as well as a massive increase in investors' risk appetite.

The expansive monetary policy of central banks helped the stock markets reach new highs.

Due to the weak economic situation and the gap between supply and demand, many important industrial metal and energy prices dropped significantly. The price of copper, which is considered an economic indicator, declined by roughly 10% in the course of the year. The price of the West Texas Intermediate (WTI) crude oil grade fell from more than 100 US dollars per barrel to roughly 50 US dollars because of a combination of weaker demand resulting from slower economic growth and increased supply, which resulted from the shale oil and shale gas boom in the US.

In the current World Economic Outlook published in January 2015, the International Monetary Fund forecast an increase in global economic growth from 3.3% in the year 2014 to 3.5% in the year 2015. While growth in the advanced economies should accelerate from 1.8% to 2.4%, economic growth in the emerging markets is expected to slow down from 4.4% to 4.3%, which is primarily attributable to the developments in Russia and China. Moreover, the IMF expects India to take over from China as the country with the highest growth rates in the medium term and to act as another driving force for the global economy.

The International Monetary Fund forecasts economic growth of 3.5% for the year 2015.

IMF Outlook

GDP growth in %	2012	2013	2014	2015e	2016e
World	**3.4**	**3.3**	**3.3**	**3.5**	**3.7**
Developed economies	**1.2**	**1.3**	**1.8**	**2.4**	**2.4**
USA	2.3	2.2	2.4	3.6	3.3
Eurozone	(0.7)	(0.5)	0.8	1.2	1.4
Germany	0.9	0.2	1.5	1.3	1.5
France	0.3	0.3	0.4	0.9	1.3
Italy	(2.4)	(1.9)	(0.4)	0.4	0.8
Spain	(1.6)	(1.2)	1.4	2.0	1.8
Emerging markets	**5.1**	**4.7**	**4.4**	**4.3**	**4.7**
Brazil	1.0	2.5	0.1	0.3	1.5
Russia	3.4	1.3	0.6	(3.0)	(1.0)
India	4.7	5.0	5.8	6.3	6.5
China	7.7	7.8	7.4	6.8	6.3
Middle East / North Africa	4.8	2.2	2.8	3.3	3.9
Mexico	4.0	1.4	2.1	3.2	3.5

Earnings Position

Statement of profit or loss

	2014	2013	Change
Sales volume (thousand tons)	1,868	1,768[1]	5.7%
in € million			
Revenue	**1,721.2**	**1,754.7**	**(1.9)%**
Steel Division	1,108.8	1,097.5	1.0%
Industrial Division	566.6	619.0	(8.5)%
Raw Materials Division			
external revenue	45.8	38.2	19.9%
internal revenue	257.5	236.2	9.0%
EBITDA	**199.4**	**260.7**[2]	**(23.5)%**
EBITDA margin	11.6%	14.9%	(3.3)pp
Operating EBIT[3]	**141.9**	**126.8**	**11.9%**
Steel Division	93.1	64.4	44.6%
Industrial Division	48.6	70.2	(30.8)%
Raw Materials Division	0.2	(7.8)	102.6%
Operating EBIT margin	**8.2%**	**7.2%**	**1.0pp**
Steel Division	8.4%	5.9%	2.5pp
Industrial Division	8.6%	11.3%	(2.7)pp
Raw Materials Division[4]	0.1%	(2.8)%	2.9pp
EBIT	**109.3**	**111.1**	**(1.6)%**
Steel Division	91.4	97.3	(6.1)%
Industrial Division	34.9	86.8	(59.8)%
Raw Materials Division	(17.0)	(73.0)	76.7%
EBIT margin	**6.4%**	**6.3%**	**0.1pp**
Steel Division	8.2%	8.9%	(0.7)pp
Industrial Division	6.2%	14.0%	(7.8)pp
Raw Materials Division[4]	(5.6)%	(26.6)%	21.0pp
Net finance costs	**(32.7)**	**(29.8)**	**(9.7)%**
Share of profit of joint ventures	8.2	8.0	2.5%
Profit before income tax	**84.8**	**89.3**	**(5.0)%**
Income tax	(32.3)	(26.6)	(21.4)%
Income tax in %	38.1%	29.8%	8.3pp
Profit after income tax from continuing operations	**52.5**	**62.7**	**(16.3)%**
Profit after income tax from discontinued operations	0.0	0.7	(100.0)%
Profit after income tax	**52.5**	**63.4**	**(17.2)%**
Earnings per share in € (basic and diluted)			
Continuing operations	1.28	1.55	
Discontinued operations	0.00	0.02	

1) adjusted for sales volume data of Orient Refractories Ltd.
2) adjusted for income from the reversal of investment subsidies recognized as liabilities
3) EBIT before impairment losses, restructuring effects and result from the US Chapter 11 proceedings
4) based on external and internal revenue

Business Development

The RHI Group's sales volume rose from roughly 1,768,000 tons in the previous year to roughly 1,868,000 tons in the past financial year. This is primarily attributable to increased sales activities of the Raw Materials Division. By stepping up the sale of dolomite dust and by-products created in the production of fused magnesia, such as magnesium lime to fertilizer producers, sales volume grew by roughly 69,000 tons. The remaining amount of roughly 31,000 tons results largely from the positive business development in the Steel Division, especially in India and the Middle East.

Revenue in the past financial year amounted to € 1,721.2 million, after € 1,754.7 million in the year 2013. While revenue in the Steel Division rose by 1.0%, the Industrial Division recorded a decline in revenue by 8.5% compared to the previous year as customers in the nonferrous metals business unit postponed major repairs and due to weaker demand in the glass business.

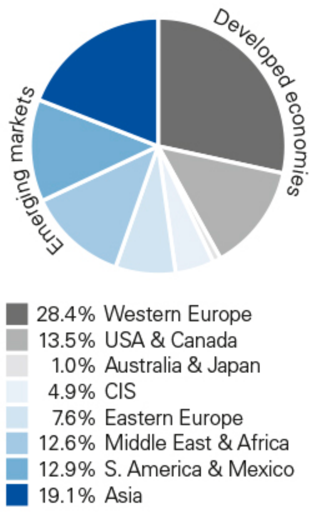
The operating EBIT before impairment losses and restructuring effects increased from € 126.8 million in the previous year to € 141.9 million in the past financial year. While the Steel Division benefited from an improved product mix and higher utilization of the production capacities as a result of the closure of the Duisburg plant, Germany, in early 2014, the operating EBIT of the Industrial Division decreased because of a decline in revenue and the related lack of coverage of fixed costs at the production facilities. The operating EBIT of the Raw Materials Division improved due to the progress made in optimizing the fused magnesia production at the site in Porsgrunn, Norway, and better capacity utilization at the raw material plants.

EBIT amounted to € 109.3 million in the past financial year and includes impairments on existing assets of the glass business unit amounting to roughly € 12 million and some € 7 million related to the fused magnesia production in Norway. In addition, EBIT of the year 2014 was affected by restructuring expenses resulting from the discontinuation of operations at the site in Kretz, Germany, in the course of optimizing raw material treatment in Europe, which amounted to roughly € 10 million, and from the closure of the plant in Duisburg, Germany, which amounted to roughly € 4 million. In the previous year EBIT was € 111.1 million and included, amongst other things, net income of roughly € 76 million from the termination of the US Chapter 11 proceedings, restructuring costs of roughly € 25 million for the closure of the plant in Duisburg, Germany, and an impairment of roughly € 65 million for the plant in Porsgrunn, Norway.

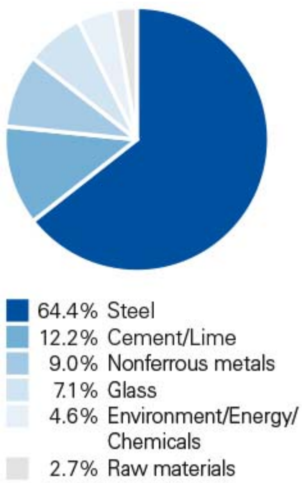
Net finance costs amounted to € (32.7) million in the year 2014 versus € (29.8) million in the previous year. This development is primarily attributable to the valuation of a put option of a minority shareholder resulting from an increase in enterprise value. The profit of joint ventures of € 8.2 million (previous year: € 8.0 million) results from the 50% share in MAGNIFIN Magnesiaprodukte GmbH & Co KG, which produces above all flame retardants based on magnesium hydroxide.

Profit before income tax decreased from € 89.3 million in the year 2013 to € 84.8 million in the year 2014. The tax rate amounted to 38.1% after 29.8% in the previous year. Profit after income tax thus totaled € 52.5 million in the financial year 2014 compared with € 63.4 million in the previous year. Earnings per share dropped from € 1.57 to € 1.28.

Revenue by region



Revenue by industry



Steel Division

World steel production recorded the slowest growth since the year 2009.

In 2014, world steel production recorded an increase by 0.8%, the slowest growth rate since the massive decline related to the financial crisis in the year 2009. While steel production had already been stagnating in a range from 360 to 370 tons in the advanced economies since the year 2010, growth also slowed down significantly in the emerging markets in the past financial year. After an average annual growth of roughly 8% in the period from 2009 to 2013, steel output increased by only 0.7% in the past financial year compared with the previous year, thus falling short of the growth rate of 1.1% in the advanced economies. This development is primarily attributable to the stagnation of the steel production in China. While China recorded growth rates in the high single-digit range in the past years, steel output remained nearly constant in the year 2014, at 823 million tons versus 822 million tons in the previous year, reflecting the weaker dynamics of the Chinese economy. Especially the slowdown of the construction industry, which went along with falling property prices, as well as lower foreign investments and fewer public infrastructure projects than in the previous years had a negative impact on the market environment of local steel producers. Due to the high vacancy rate for newly built real estate projects and the high debts of the Chinese communities, no rapid improvement of the market climate is to be expected. As a result, many Chinese steel producers attempt to expand their export business, especially in Southeast Asia, in order to escape the weakness of their home market. In view of estimated surplus capacities of up to 250 million tons, some experts see certain risks for the steel industry outside of China.

In the course of the year a recovery was noticeable with better economic data especially from the US.

In the advanced economies, the sovereign debt crisis in Europe and the weak economic growth in many industrialized nations left their marks on the steel industry. However, a slight recovery of the steel markets became tangible in the course of the year with improved economic data, especially from the US. In particular, positive data from the automotive industry and the construction sector led to a stimulation of demand. Consequently, steel output in the European Union and in the US increased by 1.8% and 1.7% respectively in comparison with the previous year.

Steel production

in million tons	2009	2010	2011	2012	2013	2014
World	**1,238**	**1,433**	**1,537**	**1,559**	**1,649**	**1,662**
China	577	639	702	731	822	823
World ex China	661	794	835	828	827	839
Developed economies	282	361	368	362	361	365
Emerging Markets	956	1,072	1,169	1,197	1,288	1,297
Regions						
Africa & Middle East	33	37	39	40	43	45
European Union	139	173	178	169	166	169
Other European countries	29	34	39	40	39	39
CIS	98	108	113	111	108	105
North America	84	112	119	122	119	121
South America	38	44	48	46	46	45
Asia	817	925	1,001	1,031	1,128	1,138

Source: World Steel Association (January 2015)

The Steel Division's sales volume increased by roughly 2% from approximately 1,216,000 tons in the previous year to some 1,246,000 tons in the past financial year. Revenue was up 1.0% from € 1,097.5 million to € 1,108.8 million. The sharp drop in revenue in South America due to a highly competitive situation resulting from the strong devaluation of local currencies was balanced out by growth in all other regions. The business development was particularly positive in India, Africa and the Middle East, where significant increases were recorded. The operating EBIT rose from € 64.4 million in the previous year to € 93.1 million in the past financial year due to improvements in the product mix and higher utilization of the production capacities resulting from the closure of the plant in Duisburg, Germany, at the beginning of the year. In addition, negative currency effects had influenced the earnings situation in the previous year. Consequently, the operating EBIT margin, at 8.4%, exceeded that of the year 2013, at 5.9%. The EBIT of the financial year 2014 is affected by restructuring costs related to the closure of the site in Duisburg, Germany, and amounted to € 91.4 million.

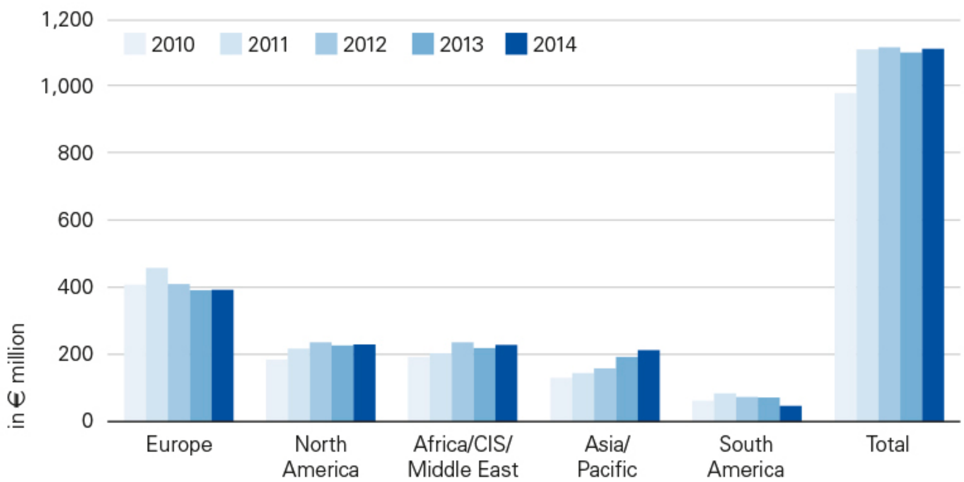
While revenue increased slightly in the Steel Division, the operating EBIT improved significantly.

Segment indicators

in € million	2014	2013	Change
Revenue	1,108.8	1,097.5	1.0%
Operating EBIT	93.1	64.4	44.6%
Operating EBIT margin	8.4%	5.9%	2.5pp
EBIT	91.4	97.3	(6.1)%
EBIT margin	8.2%	8.9%	(0.7)pp

The development of revenue in the past five years is shown below:

Development of revenue



Europe

Steel production in the European Union noticeably lost momentum in the course of the year 2014. While in the first quarter of 2014 an increase of 6.3% was recorded in comparison with the same period of the previous year, the growth rate for the full year decreased to 1.8%. The declining growth momentum was to be observed in all countries and reflects the slowdown of economic growth and the lower expectations regarding the further economic development. In this environment the automotive industry was the most dynamic driver of demand. The number of new registrations of cars in the European Union rose by 5.7% and that

The automotive industry was the main driver of the steel industry in Europe.

of commercial vehicles by 7.6% in comparison with the previous year. The development of construction steel continued to be weak as public investments in infrastructure projects were low due to saving efforts in order to reduce national debt. The development of the European stainless steel industry turned out to be a bright spot. After several difficult years due to high excess capacity and growing competition from China, this segment benefited from the gradual recovery of the relevant end markets. In addition, antidumping proceedings were initiated by the European Commission against Chinese producers of cold-rolled sheet metal made of stainless steel upon the initiative of the European industry association Eurofer. While the European producers significantly decreased their capacities in recent years, the share of Chinese imports rose substantially in a stagnating market and amounted to roughly 20% in 2014.

More than 20% of the revenue in Europe is attributable to full line service and outsourcing contracts.

In Europe, RHI increasingly focuses on full equipment and outsourcing contracts, so-called full line service contracts. These contracts represent a particularly close and efficient form of partnership, in which RHI is responsible for the complete refractories management at the steel plant – from the installation to the break-out of the used material. This business model enables an increase in the steel plant's productivity based on a long-term, intensive cooperation characterized by a common goal. This way, the customers benefit from a sustainable optimization in the entire refractory environment through metallurgical consulting and the adaptation of the lining concepts to the specific production processes and the use of high-tech machines. In the past financial year, more than 20% of the region's revenue was generated aside from the usual straight-line business.

In the flow control segment, the development of a new generation of ladle slide gates was completed – an important project that should secure the RHI Group's revenue for the coming years. Following successful hot tests, the first customers have already been supplied. The new generation of slide gate mechanics enables steelmakers to reduce operational costs through a novel tensioning module for refractory plates and gives especially clean steel producers the option of inertization to prevent contamination of steel through air intake during casting and an easy-to-integrate slag detection system.

The region's contribution to revenue increased slightly despite a difficult market environment.

The region's contribution to revenue in the past financial year was roughly 1% higher than in the previous year. The decline in the flow control business, especially in the tundish segment, was balanced out by a positive development in the ladle and steel degassing segments of the linings business. While revenue decreased in Italy and Germany, business in France and Spain was expanded. Especially in Italy the productivity problems associated with poor capacity utilization combined with liquidity problems resulting from the high debt of many steel producers had a negative impact on the market environment. In view of a slightly growing steel production in the European Union, RHI expects revenue to increase in the low single-digit range in the financial year 2015.

North America

With the increase in economic growth in the course of the year, growth of the steel production also accelerated.

North American steel producers increased their output in the year 2014 by 1.7% compared with the previous year. While a harsh winter had a negative impact on the economic development in the US in the first quarter of 2014, the accelerated economic growth in the further course of the year also led to an increase in steel production. The Mexican steel industry grew substantially by more than 4% due to the investments made in the previous years. However, as several major projects for the production of high-grade steel for the automotive industry were completed, Canacero, the Mexican iron and steel industry chamber, expects growth to slow down. In the coming two years approx. 3 billion US dollars will be invested in the modernization of existing plants and the expansion of production capacities, versus more than 11 billion US dollars in the past three years. Impetus should be provided by the ambitious infrastructure program of the government and growing demand on the part of the automotive industry in the coming years. With two production facilities in Mexico, RHI considers itself in a good position to participate in the market growth.

RHI's business in the US is characterized by volatile capacity utilization of many steel producers and the related short order cycles. Consequently, short delivery times, flexible production and a high service level are decisive for refractory suppliers to ensure further business success. As RHI has no production capacities for lining products, a high inventory level is necessary. For example, consignment warehouses are provided for customers because of long lead times from European production. RHI currently works on new approaches to optimize the supply chain with the objective to reduce working capital on a sustained basis. The focus in the region is on expanding technical services in order to consolidate the position as the first contact for process optimization in the steel plant through the efficient use of refractory products.

The region's contribution to revenue was expanded due to successful flow control business.

The region's contribution to revenue in the past financial year increased by roughly 2% compared to the previous year. Recording growth rates in the double-digit range, the flow control business in the US saw a very positive development, which subsequently led to a considerable improvement in capacity utilization at the plant in Saybrook, USA, which specializes in isostatic products. In contrast, the linings business did not quite meet expectations, with a slight decline in revenue especially in the converter segment. As the US dollar strengthened against the euro, a significant increase in revenue was realized in the fourth quarter of 2014. RHI imports a large part of the products for the US market from European production facilities and therefore benefits from the revaluation of the US dollar against the euro. In addition to the translation effect, the improved competitiveness in the US should subsequently lead to an expansion of business volume.

Africa/CIS/Middle East

Despite a slight decline in steel output in Africa, revenue increased due to market share gains.

Steel production in Africa decreased by roughly 0.7% in the past financial year compared with the previous year. Despite the enormous economic potential, African steel production is concentrated in two countries, Egypt and South Africa, which together account for roughly 86% of the steel output on the African continent. While the development of steel production in South Africa was relatively stable, output declined in Egypt due to an uncertain market environment resulting from political tensions. The RHI Group expanded the region's contribution to revenue by roughly 7% based on market share gains in the electric arc furnace and ladle segments. In the financial year 2015, RHI expects a slight increase in revenue compared to the year 2014. In the medium term the Group should benefit from the market growth through its good market position and the region's need to catch up economically.

In the CIS region, steel production has been affected by the escalating conflict in Eastern Ukraine.

Steel production in the CIS region was adversely affected by the conflict between Ukraine and Russia, which escalated in the course of the year. While steel production in the Ukraine, which is primarily located in the Donbass region in the eastern part of the country, recorded a massive drop by 17% in the past financial year compared with the previous year, Russian producers benefited from higher demand for armament goods on the one hand and from increased competitiveness in the export business as a result of the devaluation of the ruble on the other. Russian producers thus increased their output by roughly 3%. However, overall steel output in the CIS region recorded a year-on-year decline by 2.8%. After a subdued start to the year, RHI increased the CIS region's contribution to revenue by 5% compared with the previous year. While revenue generated in Ukraine came to an almost complete standstill, business in Russia saw a massive improvement by more than 30%. This development is primarily attributable to a strong linings business in the ladle and converter segments. As the economic situation weakened significantly at the end of the year 2014, which was, amongst other things, due to a massive drop in the oil price and a decrease in competitiveness compared with local competitors as a result of the devaluation of the ruble, the GUS region's contribution to revenue is expected to decline in the financial year 2015.

Due to RHI's positioning as a full-range and system supplier, revenue in the Middle East continued to increase.

Despite political tensions, steel production in the Middle East developed very positively, especially in Saudi Arabia and Qatar, and rose by 7.7% in the past financial year compared with the previous year. Due to RHI's positioning as a full-range and system supplier for new construction projects and a reliable project partner for long-term supply contracts, the region's contribution to revenue increased by approximately 2%. While revenue in Saudi Arabia and Qatar recorded double-digit percentage gains in the linings business, the flow control business declined especially in the tundish and slide gate plate segments. Due to political uncertainties and lower revenue from the sale of crude oil in the region, RHI expects revenue to remain stable or decline slightly in the financial year 2015.

Asia/Pacific

Since the utilization of production capacities dropped as a result of a slowdown of construction activities in China and due to low profitability in their domestic market, many Chinese steel producers try to expand their export business in Southeast Asia. In particular, local producers in Indonesia, Malaysia, Thailand and Vietnam are increasingly faced with imports from China. As the slabs imported from China are frequently offered at a significantly lower price than they can be produced locally, many steel producers are forced to adapt their production accordingly. This development was additionally fueled by different measures taken by the Chinese government. Many steel companies are forced to refinance at significantly higher conditions than before in the financial markets because access to cheap loans was terminated. Subsequently more and more Chinese producers try to generate additional cash flow in the export business. Due to the slow growth of the domestic economy, Chinese manufacturers also try to gain market share in the refractories market. Furthermore, local producers sound out their options for mergers in the extremely fragmented Chinese refractories market with more than 2,000 competitors in accordance with the directive of the Chinese government. This directive provides for a consolidation to roughly five companies of international size in the coming years. Currently, the revenue of the largest Chinese competitor amounts to less than € 500 million.

In India, the newly elected Prime Minister, Narendra Modi, pursues ambitious growth plans. One of the objectives is to more than treble steel production capacities in India to 300 million tons by the year 2025. This would correspond to annual growth of more than 10%. For the RHI Group, India is already the country with the second highest contribution to revenue, only barely behind the US. Due to the acquisition of the Indian company Orient Refractories Ltd. in the previous year, RHI considers itself in a good position to participate in the further growth of the refractories market in the future.

India is already the country with the highest contribution to the RHI Group's revenue after the US.

The region's contribution to revenue in the past financial year was up 11% on the previous year. This is primarily attributable to the expansion of the flow control business resulting from the integration of Orient Refractories Ltd., which had been acquired in April 2013, into the RHI Group. RHI expects significant revenue growth in the region in the year 2015, among other things due to an expansion of the production capacities in India.

South America

Being raw material exporters, the South American economies continue to suffer from the falling raw material prices and the capital flight of foreign investors as a result of the slump in growth. This subsequently led to a significant devaluation of the local currencies and high inflation rates. Despite the improved competitiveness of South American producers in the world market resulting from the strong currency devaluation, they have so far hardly benefited from this development. The imposition of import and antidumping duties improved the market environment of local steel producers only for a short period. Steel production in South America thus decreased by 2.2% in the past financial year compared with the previous year. This development is primarily attributable to the massive drop in steel output in Venezuela by more than 30% and the decline in Brazil, which is the most important market in South America with a share of roughly 75%. Due to a marred economic outlook resulting from falling raw material prices and weak domestic demand, no rapid recovery of the market is to be expected.

Low raw material prices, insufficient infrastructure and a lack of reforms dampen growth in South America.

The region's contribution to revenue in the past financial year fell by roughly 35% compared with the previous year and reflects the highly competitive situation in South America. The local producers benefit from a year-on-year devaluation by 20% of South American currencies against the euro on the one hand, and from higher import duties to protect local manufacturers on the other hand. Both factors have a negative impact on the development of the RHI Group's revenue, especially in the commodity segment, for example for ladle bricks. In addition, reduced deliveries in Venezuela following payment difficulties of local producers had a negative effect on the business development. As the third furnace in Brazil's largest steel mill will be commissioned and an important contract was won in the ladle segment, the region's contribution to revenue should increase slightly in the financial year 2015.

The strong devaluation of local currencies had a negative impact on the competitiveness of the RHI Group.

Industrial Division

The decline in revenue resulting from weaker demand in the nonferrous metals and glass business units had a negative impact on the operating EBIT due to low capacity utilization.

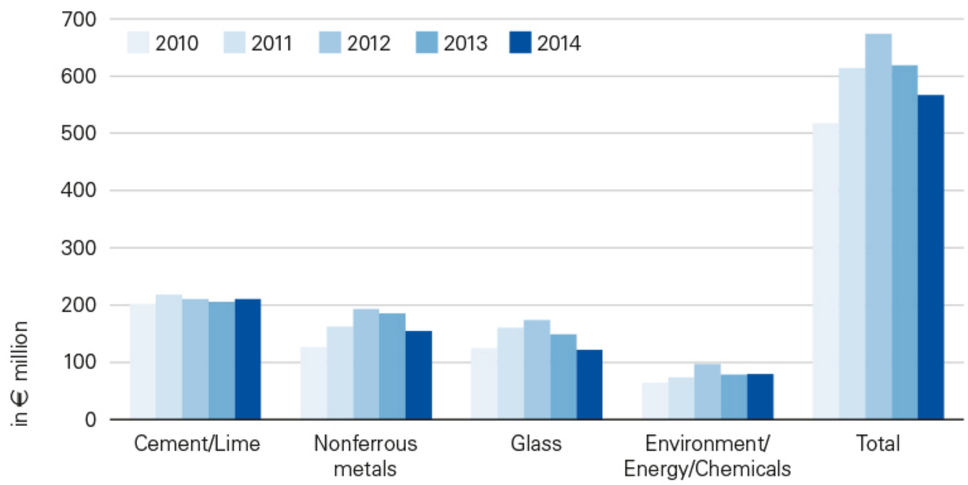
Sales volume of the Industrial Division amounted to 440,000 tons in the financial year 2014, thus remaining largely unchanged compared with 439,000 tons in the previous year. While the cement/lime and environment, energy, chemicals business segments recorded increases in sales volume, some of which were significant, the volume sold by the nonferrous metals and glass business units decreased. The decline in revenue from € 619.0 million in the year 2013 to € 566.6 million in the year 2014 is primarily attributable to weaker demand in the nonferrous metals and glass business units. While falling metal prices caused customers of the former to postpone major repairs, worldwide excess capacity burdened the market environment for the latter. The operating EBIT decreased from € 70.2 million in the year 2013 to € 48.6 million in the past financial year as a result of lower revenue and the related lack of coverage of fixed costs at the production plants. Hence, the operating EBIT margin, at 8.6%, was lower than in the year 2013, at 11.3%. EBIT of the past financial year was primarily affected by an impairment of existing assets of the glass business unit in the amount of roughly € 12 million and amounted to € 34.9 million.

Segment indicators

in € million	2014	2013	Change
Revenue	566.6	619.0	(8.5)%
Operating EBIT	48.6	70.2	(30.8)%
Operating EBIT margin	8.6%	11.3%	(2.7)pp
EBIT	34.9	86.8	(59.8)%
EBIT margin	6.2%	14.0%	(7.8)pp

The development of revenue in the past five years is shown below:

Development of revenue



Cement/Lime

Nearly all regions outside of Europe recorded growth in revenue.

The contribution to revenue of the cement/lime business unit in the past financial year rose by roughly 2% compared with the previous year. While business in Western Europe declined due to low investments in infrastructure, nearly all regions outside of Europe recorded an increase in revenue. The Middle East saw a particularly positive business development, with an increment in revenue clearly in the two-digit percentage range. Here, RHI won customers and additional market share due to a new product line. Because of the growth realized, the countries in the Middle East represent the second most important region for the cement/lime business unit after Asia and ahead of Western Europe. The ongoing weak economic growth in Europe indicates that there will be no significant upturn in the cement business in the years to come. In Spain for example, which used to be Europe's largest cement market, less than 10 million tons of cement were produced again in 2014, compared with more than 50 million tons in the year 2007.

Planned infrastructure projects in India and Indonesia indicate a positive development of demand for cement.

In Asia, the three most important markets, China, India and Indonesia, recorded different developments. While growth in revenue was in the medium single-digit percentage range in China and Indonesia, business in India declined slightly. This is in particular due to somewhat hesitant investments before the parliamentary elections in early May 2014. However, after a slow start, revenue developed positively during the course of the year. While no further increase in the demand for cement is to be expected in China in the medium term because of a slowdown in construction activities and an expected consolidation of the local cement industry, the further development of demand for cement is considered very positive in India and Indonesia. This is primarily attributable to a large number of infrastructure projects planned in the two countries. In order to further participate in the growth, RHI is currently expanding its production capacity by roughly 50% by building a third tunnel kiln at the site in Venkatapuram, India. As a result, the share of the Asia/Pacific region in the business unit's total revenue, which currently amounts to roughly 34%, should continue to grow in the years to come.

In North America, revenue was expanded as a result of a positive business development in Canada.

In North America, revenue was expanded, which was above all due to a positive business development in Canada. As the economic upturn in the US strengthened in the course of the year, many cement producers enjoy good utilization of their production capacities. Consequently, aggregates that had been shut down in the last few years were recommissioned due to the good order situation. The RHI Group has no production capacities for cement rotary kiln bricks in the US, but strives to participate in the positive market development by more firmly establishing a new product line. In South America, revenue declined slightly due to a slump in revenue in Venezuela, where the difficult foreign currency situation required the deliveries to local cement producers to be suspended. This negative development was nearly compensated by a gain in market share in Brazil. Here, customers trust the product quality and service packages of the RHI Group despite high import duties.

In the financial year 2015 RHI expects revenue to increase slightly in comparison with the year 2014. While the development of revenue in China is expected to be weaker due to the slowdown in the construction sector, this development should, however, be offset by an expected increase in primary production in Africa, Southeast Asia and in the Middle East. In addition, some contracts were won in the plant construction business in the year 2014, which will be delivered in the year 2015.

Nonferrous metals

Revenue declined as customers postponed major repairs as a result of falling metal prices.

In the financial year 2014, the contribution to revenue by the nonferrous metals business unit was down roughly 17% on the previous year. This development occurred primarily because customers postponed major repairs as a result of falling metal prices. The prices of copper and lead, for example, dropped by more than 10% in the course of the year. Due to the ban on exports of unprocessed ores, which was imposed in Indonesia at the beginning of the year 2014, the price of nickel peaked at an increase by more than 40%, but lost the gains made nearly completely in the course of the year and, like the price of aluminum, ended the year 2014 only slightly above the level of the previous year. As a result of declining margins, major mining groups were forced to save and many of them massively reduced investment programs and postponed planned projects for the development of further raw material deposits to the future.

The development of metal prices is also reflected in the deliveries of the nonferrous metals business unit. Revenue in the important copper and nickel segment decreased by roughly 26% year-on-year. Consequently, this segment's share in total revenue fell from roughly 48% in the year 2013 to roughly 42% in the year 2014. The decline in the ferroalloy segment, which is the second most important segment with a 20% share in revenue, was nearly compensated by the positive development in the lead and zinc segments. Business in the aluminum segment also saw a largely stable development. While there is strong competitive pressure in the primary aluminum segment due to the commodity character of refractory products, the requirements in the secondary aluminum segment, the extraction of aluminum from aluminum scrap, focus more on special technical solutions than cheap mass-produced goods. In the precious metal segment, revenue declined significantly in the past financial year after a major contract had been delivered in South Africa in the year 2013.

In addition to the annual maintenance business, regular major repairs, which include a complete relining of the refractory brickwork, have to be performed at certain intervals.

From a regional perspective, revenue in South America and Asia was expanded, while Europe, Africa and the Middle East recorded significant drops in revenue. This is primarily attributable to the fact that customers postponed the relining of refractory linings in existing aggregates. As refractory linings have a lifetime of roughly five years, regular major repairs which include a complete re-lining of the entire refractory brickwork have to be performed in addition to the annual maintenance. These major repairs can be postponed by about one year. Afterwards, however, the aggregate has to be either relined or shut down. The good level of incoming orders at the end of the past financial year thus indicates an increase in revenue in the year 2015 compared with the previous year.

Glass

Worldwide excess capacities both in the flat glass segment and in the refractories industry affected the market environment and caused impairments of roughly € 12 million.

The contribution to revenue by the glass business unit in the financial year 2014 fell by roughly 18% compared with the previous year. While business in the container glass segment (glass as a packaging material in the food industry) was slightly expanded due to a positive development in North America, revenue in the flat glass and special glass segments decreased significantly. This is primarily attributable to a weak development of revenue in Europe and in the Middle East.

The main causes of the difficult market environment include the worldwide excess capacities in both the flat glass segment, which is dependent on the construction sector, and in the refractories industry. Capacity utilization of the global production capacities for glass furnace bricks is below 50%, leading to not only a significant lack of coverage of production fixed cost, but also to pressure on the prices that can be realized in the market and subsequently to a tense earnings situation among many refractory producers. Furthermore, the challenging market environment leads to a very low level of investments within the glass industry. Therefore, many producers in both the flat glass and in the container glass segments try to take measures to increase service life, for example hot repairs, in order to delay major repairs for as long as possible. Apart from demand-related low furnace utilization, this has also led to a decrease in specific refractory consumption in the past years. RHI has reacted to these developments by offering adapted lining concepts and additional services in order to compensate for the declining demand for material.

Especially in the case of fused cast products, the high share of fixed costs in the overall production costs in combination with low capacity utilization bears heavy on the realizable margins. For this reason, the Management Board of RHI AG introduced sustainable cost savings amounting to € 3.5 million in the year 2014. In addition, raw materials for applications in the industrial business, which were previously purchased externally, will be self-produced at the American site starting in the financial year 2015. Despite these measures, an impairment amounting to roughly € 12 million had to be recognized on existing assets at the end of the year 2014.

The Management Board of RHI AG has initiated sustainable cost savings in the million euro range.

Due to an increase in orders in the course of the year, RHI expects revenue to increase slightly in the financial year 2015 in comparison with the previous year. The earnings situation should improve substantially as a result of the measures initiated.

Environment, energy, chemicals

The contribution of the environment, energy, chemicals business segment to revenue in the past financial year increased by roughly 1% compared with the previous year in a challenging market environment with falling energy prices. The significant decline in business with the oil and gas-processing industry was balanced out by increments in revenue in industrial chimney construction and in steel-related areas such as coke ovens and pelletizing plants. From a regional perspective, North America represents the most important region with 50% of the business unit's revenue, ahead of Europe. Due to the lack of willingness to invest in Europe, all suppliers focus on the maintenance business of existing plants. This leads to pressure on obtainable prices, especially in the case of larger contracts. Moreover, the so-called energy revolution – the change from fossil fuels to renewable energies, one of the objectives being a reduction of CO_2 emissions – has a negative effect on further market growth.

The significant drop in business with the oil and gas-processing industry was balanced out by increased revenue in industrial chimney construction and in steel-related segments.

The climate in the environment, energy, chemicals business unit underwent an unfavorable development in the past year. The oil price fell from more than 100 US dollars per barrel to less than 50 US dollars due to a combination of weaker demand resulting from a slowdown of economic growth and an expansion of supply as a result of the shale oil and shale gas boom in the US and caused a battle for market share between the countries of the OPEC cartel and the US. This subsequently also led to falling gas and electricity prices. Due to the decline in energy prices, no upswing can be expected in the new construction business in the year 2015. Therefore, revenue should remain stable or decline slightly in comparison with the previous year.

Raw Materials Division

External revenue increased as a result of stepping up the sale of by-products created in raw material production.

The Raw Materials Division's external sales volume increased significantly to roughly 182,000 tons in the past financial year compared with 113,000 tons in the previous year. This is primarily attributable to the sale of by-products created in the production of fused magnesia, for example the sale of magnesium lime to fertilizer manufacturers, and to the intensified sale of dolomite dust. Revenue was up 10.5%, from € 274.4 million in the previous year to € 303.3 million in the past financial year. This is due to both an increase in internal demand and higher external revenue. The operating EBIT rose from € (7.8) million in the previous year to € 0.2 million in the past financial year. This development reflects the progress made in optimizing the production of fused magnesia at the site in Porsgrunn, Norway, and successes resulting from a continuous improvement program. The Division's EBIT includes impairments in the amount of approximately € 7 million related to fused magnesia production in Norway as well as provisions for the discontinuation of operations at the site in Kretz, Germany, and amounted to € (17.0) million in the past financial year. EBIT of the year 2013 was affected by impairments in the amount of roughly € 65 million for the Porsgrunn site, Norway.

Segment indicators

in € million	2014	2013	Change
Revenue	303.3	274.4	10.5%
external revenue	45.8	38.2	19.9%
internal revenue	257.5	236.2	9.0%
Operating EBIT	0.2	(7.8)	102.6%
Operating EBIT margin	0.1%	(2.8)%	2.9pp
EBIT	(17.0)	(73.0)	76.7%
EBIT margin	(5.6)%	(26.6)%	21.0pp

Comprehensive measures to improve profitability secure the continued operation of the site in Porsgrunn, Norway.

In Porsgrunn, Norway, a large number of technical measures to reduce production costs were implemented in the past financial year. Significant progress was made in the fusion plant in this context, including above all a reduction of material loss and gas consumption in the calciner as well as improvements to increase flowability in the production of caustic magnesia. Moreover, a new concept was developed for the sorting process and technical improvements were carried out in order to further increase asset availability. As a result, the output volume of fused magnesia meeting specifications stabilized at roughly 1,000 tons per week and material waste was reduced accordingly. Damage from a fire, which was incurred in early May 2014 as a result of a power outage in the entire industry park, delayed the implementation of the process improvements. Consequently seven out of ten production lines were not available to RHI for several weeks. Further efforts are required in the preceding production of caustic magnesia in order to accomplish the targeted cost structure. Therefore, the Management Board of RHI AG adopted comprehensive measures which provide for a temporary reduction of the production volumes due to the low market price of fused magnesia. The premium grades for customers of the steel industry will still be supplied with Norwegian raw materials. These measures ensure continued operations of the site and will halve the additional costs compared with external purchases, which amounted to roughly € 27 million in the past financial year, already in the year 2015. However, this required an impairment on assets amounting to roughly € 7 million.

In Europe, the RHI Group is optimizing the treatment of raw materials. For this reason, production at the site in Kretz, Germany, has been discontinued and concentrated at other RHI plants. This results in sustainable annual savings of roughly € 3.5 million; roughly € 0.7 million were already achieved in the past financial year as production was partially shifted to other plants. The optimization of the raw material treatment led to a one-off negative effect of roughly € 10 million in the year 2014.

The discontinuation of production at the site in Kretz, Germany, as part of the optimization of raw material treatment had a negative effect of roughly € 10 million.

In spring 2014 RHI signed a contract for the acquisition of a raw material plant with a production capacity of roughly 100,000 tons of dead-burned magnesia as well as mining rights in Erzurum, Turkey, in order to further expand self-supply with raw materials for refractory products for the steel and cement industries. This contract provided for numerous contractual conditions for the closing of the transaction. Although the deadline was repeatedly extended, several of these contractually defined conditions were not met. Consequently, the transaction was not closed when the long stop date expired on September 30, 2014. The RHI Group did not extend the long stop date for the closing again and did therefore not pursue the transaction any further.

As the capacity utilization situation at the raw material plant in Eskisehir, Turkey, is very good, and in order to optimize the supply chain, RHI is planning to build a facility for refractory mixes at the same site. Currently, gunning mixes based on Turkish raw materials for customers in the steel industry in the Middle East and Africa are produced at European plants. A separate plant for mixes at the Turkish site will save transport costs and time. In addition, customers will benefit from shorter lead times from the order placement to the delivery of the product, and from enhanced security of supply.

RHI intends to build a mixes facility at the Eskisehir site, Turkey, in order to optimize the supply chain.

Raw material mining [G4-EN1]

Raw material costs account for roughly 60% of the total production costs in the RHI Group. Access to and availability of high-quality raw materials are decisive for refractory products because they have a significant influence on refractory performance characteristics. Due to growing demand and export restrictions in China, the prices of the two most important raw materials, fused magnesia and dead-burned magnesia, have more than doubled in the last ten years. Therefore RHI has invested in increasing the level of self-supply with magnesia based raw materials in the past years. As a result of expanding raw material production capacities in Turkey and in Austria, as well as acquisitions in Ireland and Norway, RHI has raised the self-sufficiency level to roughly 80%.

Raw material costs account for roughly 60% of the overall production costs in the RHI Group.

RHI mines magnesite and dolomite at five locations. In Radenthein, Austria, underground mining is used. In contrast, raw materials are extracted in surface mining operations in Marone, Italy, Eskisehir, Turkey, and Hochfilzen, Austria. In addition, part of the raw material supply of the site in Hochfilzen, Austria, is secured by the recovery of production waste, so-called fine tailings. Consequently, up to 30,000 tons of residual materials can be returned to the production process per year. In Breitenau, Austria, magnesite is mined in both underground and surface operations. Long-term mining licenses secure the access to the deposits. Core drilling activities are performed continuously in order to categorize deposits. Sustainable mining plans taking into account the lower mining districts are predominantly prepared within the Group. It is analyzed where in the mountain the re-

RHI mines magnesite and dolomite at five sites and pursues an alternative method of extracting raw materials from seawater.

sources are located and which mining options are available to be able to develop rock strata that are located even lower in the future. When it comes to specialized topics such as ground mechanics, RHI works with the University of Leoben.

At the sites in Drogheda, Ireland, and Porsgrunn, Norway, which were acquired in 2011, RHI pursues alternative raw material extraction from seawater. In the production of raw materials from seawater, the magnesium chloride contained in seawater is converted into magnesium hydroxide and calcium chloride in a reactor using slaked lime. The magnesium hydroxide settles in a sedimentation basin and is then partially dehydrated in filter systems. It is turned into caustic magnesia through heat treatment, which is then fired to become dead-burned magnesia or used in the fusion process. This two-staged process is more energy-intensive than the treatment of magnesite ore, but enables higher raw material qualities.

Reforestation and recultivation [G4-EN13]

Regarding reforestation and renaturation, RHI often goes beyond national regulations and nature protection requirements.

The mining of raw materials involves interference with nature. Renaturation is of vital importance, especially in the surface mines. In many cases, RHI goes beyond national regulations and nature protection requirements. At the site in Marone, Italy, for example, the rock of the closed-down terraces is "artificially aged" by oxygen at the surface. Soil of a thickness of up to three meters is applied to the terrace levels and planted together with experts. To ensure long-term stability, a mix of fast-growing special woods and local trees and bushes is planted. The area reforested to date comprises four hectares. The approval to mine another part of the mine was granted not least thanks to the recultivation activities. At the Eskisehir site, Turkey, 154,000 trees have been planted in the past seven years together with Eskisehir Osmangazi University and local authorities in the surface mine and on the tailings. The planted area totals 127 hectares. At the site in Hochfilzen, Austria, recultivation activities were continued in coordination with ecological construction supervision. Overall, RHI has restored roughly 1.6 hectares of mine dump slopes using hydroseeding.

Use of secondary raw materials

The amount of recycling material used was increased to roughly 87,500 tons, up 7.4% on the previous year.

The sustainable and intelligent use of resources is of great importance to RHI. The objective is to reuse a large part of the refractory products used by customers as high-grade recycling materials. Due to chemical changes of the refractory materials during use in the customer aggregate, only a certain part of the scrap material has been recovered directly for the production of refractory materials. RHI intends to tap this unused potential to a much greater extent by applying alternative treatment methods – this also represents a strategic focus in research. The recovery of refractory materials has several advantages. On the one hand, it counteracts increasingly scarce resources and rising raw material prices, and on the other hand also leads to a significant reduction of CO_2 emissions and of energy consumption.

The procurement and use of secondary raw materials were expanded in terms of both regions and products in the year 2014. At the sites in Veitsch, Austria, and Mainzlar, Germany, the approval was given to take over secondary raw materials directly from customers and to process non-hazardous refractory scrap material, thus simplifying the procurement process significantly for these sites. In addition, new processing and treatment methods were researched and existing processes were developed further. Based on new recipes, a slightly higher share of secondary raw materials was processed in the year 2014. In the reporting period, the volume of externally purchased secondary raw materials totaled roughly 89,000 tons. In comparison with the financial year 2013 the volume of recycling materials used was increased by 7.4% from roughly 81,500 tons to roughly 87,500 tons. In relation to the annual production volume, this corresponds to a recycling share of 5.5% compared with 5.4% in the year 2013. This share will be increased continuously in the years to come. [G4-EN2, G4-EN28]

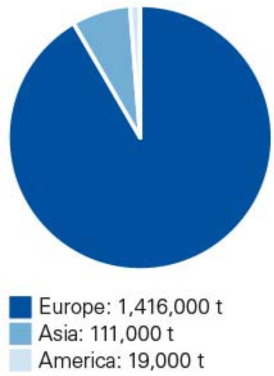
CO_2 emissions [G4-EN15, G4-EN16]

The production of refractory products is energy-intensive and associated with emissions. On the one hand, the raw materials only obtain the necessary refractory properties at temperatures of 1,800 degrees Celsius and above; on the other hand, carbon dioxide is released in the treatment of raw materials. This is inevitable as carbon dioxide is already contained in the raw material. RHI uses two processes for the production of raw materials. Magnesia is produced either by firing magnesite produced in mines ("dry route") or extracted from seawater ("wet route"). In both processes the CO_2 emissions are largely raw-material-related; therefore, any savings options are limited.

For example, when one ton of magnesia is produced using the dry route, roughly 1.4 tons of carbon dioxide are created, which consist of roughly 1.0 tons of CO_2 contained in the raw material and roughly 0.4 tons from the use of the fuel. Consequently, carbon dioxide bound in the raw material accounts for more than 70% of the emissions and cannot be avoided in the production process. Less than 20% of the emissions come from the thermal energy required to separate the magnesium oxide from carbon dioxide and the fusion energy for crystal formation. Some 10% of the input energy is accounted for by energy losses of the plant such as heat losses and waste gas temperature. Theoretically, a third of this could be saved, which corresponds to about 0.05 tons of carbon dioxide. As RHI continuously takes measures to enhance energy efficiency, the physical and thermal possibilities are nearly exhausted. [G4-EN19]

In the year 2014, the Group's total CO_2 emissions added up to 1.81 million tons, compared with 1.73 million tons in the year 2013. At roughly 86%, direct carbon dioxide emissions, i.e. emissions from our own production processes, accounted for the largest part. Indirect CO_2 emissions, which are derived from power consumption, accounted for roughly 14% of the total CO_2 emissions. Shown in a simplified manner, the carbon dioxide emissions created in electricity production are included based on a European primary energy mix. Raw material production accounted for roughly 90% of the direct CO_2 emissions, and the production of finished products for roughly 10%. The production option "dry route" was responsible for roughly three quarters of the carbon dioxide emissions of the raw material production, while the "wet route" option accounted for approximately one quarter of the emissions. The increase on the previous year is based on an increase in the Group's own production of raw materials. The CO_2 emissions from magnesia production by firing remained largely stable compared to the preceding years, while those generated in the production of magnesia from seawater rose. This is on the one hand due to an increase in volume and, on the other hand, to the higher energy consumption associated with this production route.

CO_2 emissions



In the production of magnesia more than 70% of the emissions are accounted for by carbon dioxide bound in the raw material, which cannot be avoided in the production process.

Financial and Assets Position

Investments

The decline in investments is attributable to the acquisition of a 69.6% share in the Indian company Orient Refractories Ltd. in the year 2013.

In the year 2014 the RHI Group's investments totaled € 77.4 million. Of this total, environmental investments and public authority requirements accounted for roughly € 8 million, the expansion of production capacities for roughly another € 8 million and maintenance, repair and rationalization measures as well as other investments such as gunning machines for sales, IT systems, other intangible assets and prepayments for roughly € 61 million. Totaling approximately € 5 million, the replacement of the tempering kilns including the desulfurization plant at the site in Veitsch, Austria, represented the largest investment project in the past financial year.

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

Investments

in € million	2014	2013	Change
EMEA	63.9	76.2	(16.1)%
Asia	8.0	56.7	(85.9)%
NAFTA	5.1	5.6	(8.9)%
South America	0.4	0.8	(50.0)%
Investments	**77.4**	**139.3**	**(44.4)%**

Cash flow and liquidity

Free cash flow declined as a result of the increase in working capital.

Net cash flow from operating activities decreased from € 171.5 million in the previous year to € 72.4 million in the past financial year. While the prior-year figure was positively influenced by net cash inflows resulting from the termination of the US Chapter 11 proceedings totaling € 24.8 million, an increase in working capital by € 89.9 million had a negative impact in the year 2014.

Net cash flow from investing activities amounted to € (125.1) million in the previous year and included payouts related to the acquisition of the 69.6% share in the Indian company Orient Refractories Ltd. amounting to € 48.7 million. In the year 2014 net cash flow from investing activities amounted to € (61.1) million. The included dividend income amounting to € 7.5 million (previous year: € 3.7 million) resulted from the 50% share in MAGNIFIN Magnesiaprodukte GmbH & Co KG, which primarily produces flame retardants based on magnesium hydroxide.

As a result of the increase in working capital, free cash flow, which is defined as the total of net cash flow from operating activities plus net cash flow from investing activities, dropped from € 46.4 million in the year 2013 to € 11.3 million in the year 2014. Net cash flow from financing activities amounted to € 24.6 million in the past financial year after € (112.8) million in the year 2013 and includes proceeds from the issue of a *Schuldscheindarlehen* with a volume of € 170 million. Cash and cash equivalents rose from € 112.4 million in the previous year to € 151.1 million at December 31, 2014 as a result of the cash flow balance of € 35.9 million and the effects of changes in exchange rates amounting to € 2.8 million.

Cash flow

in € million	2014	2013	Change
Net cash flow from operating activities	72.4	171.5	(57.8)%
Net cash flow from investing activities	(61.1)	(125.1)	51.2%
Net cash flow from financing activities	24.6	(112.8)	121.8%
Cash flow	**35.9**	**(66.4)**	**154.1%**

Net financial debt and financing

The consolidated statement of financial position as of December 31, 2014 shows financial liabilities amounting to € 618.0 million (previous year: € 535.3 million). After deducting cash and cash equivalents, net financial liabilities amounted to € 466.9 million (previous year: € 422.9 million). Net financial liabilities correspond to roughly 2.3 times the EBITDA of the year 2014. This key figure also corresponds to the covenants in the most important loan agreements of the RHI Group and will lead to renegotiations of the loan conditions if the value of 3.8 is exceeded. Compliance with the covenants is reviewed quarterly, calculated on the basis of the EBITDA of the four preceding quarters.

Net financial liabilities correspond to roughly 2.3 times the EBITDA of the year 2014.

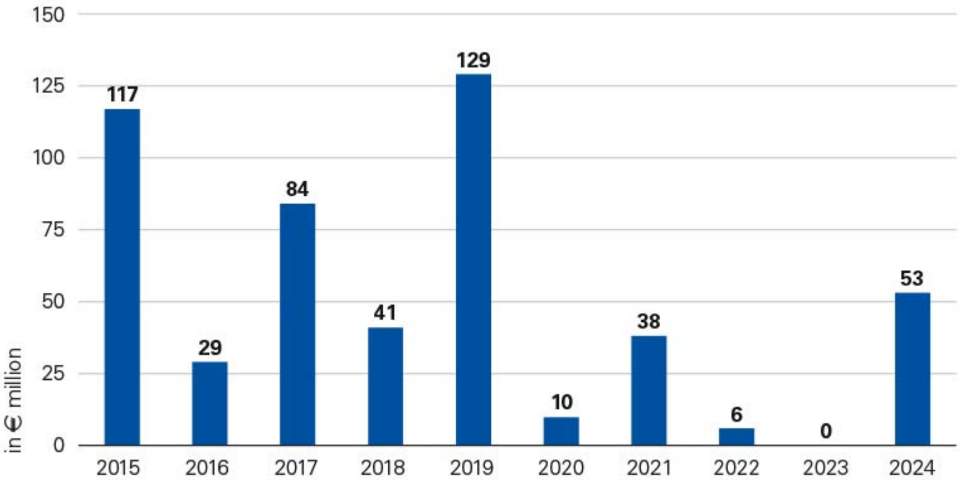
After the *Schuldscheindarlehen* of € 130 million placed in the year 2012, another *Schuldscheindarlehen* was issued in the past financial year. Due to high demand the initially planned volume of € 75 million was increased to € 170 million. The *Schuldscheindarlehen* with terms of five, seven and ten years was primarily placed with Austrian and German investors. Preference was given to the longer terms in the allocation. The proceeds from the transaction serve to refinance repayments and to secure liquidity in the long term.

In the past financial year a Schuldscheindarlehen of € 170 million was issued.

Taking into account interest rate hedges, 47.0% (December 31, 2013: 54.6%) of liabilities to financial institutions including the *Schuldscheindarlehen* carried a variable average interest rate of 2.0% at December 31, 2014 and 53.0% (December 31, 2013: 45.4%) a fixed average interest rate of 3.0%.

A term to maturity of more than five years applies to 19.9% of the financial liabilities, while 47.6% have a term to maturity between one and five years and 32.5% a term to maturity of less than one year. The repayment structure of non-current liabilities to financial institutions (Schuldscheindarlehen, export loans and bank financing) in the amount of € 506.7 million (previous year: € 378.1 million) as of December 31, 2014 and is shown in the table below:

Repayment structure

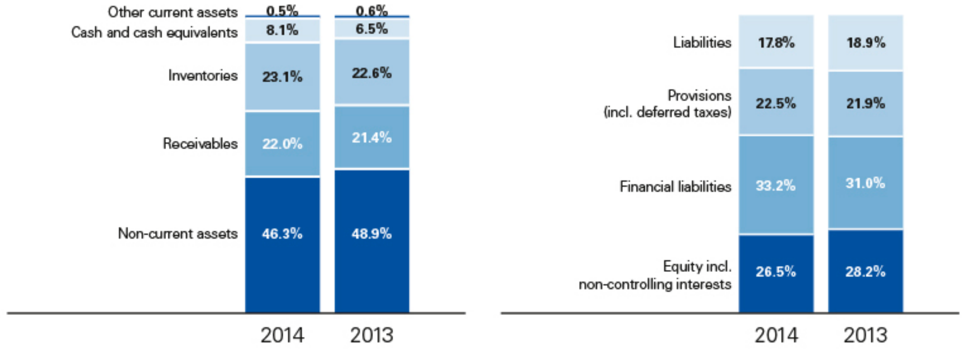


At December 31, 2014, the RHI Group had credit facilities of € 487.6 million with Austrian and foreign banks, compared with € 374.1 million at December 31, 2013 (not taking into account the sale of receivables). Of this total, € 427.1 million were unused at the end of December (previous year: € 262.3 million). In addition, liabilities to financial institutions from payments received on the sale of receivables amounted to € 12.5 million (previous year: € 10.8 million).

Balance sheet structure and equity development

The balance sheet total of the RHI Group increased by 7.9%, from € 1,724.0 million at December 31, 2013 to € 1,860.5 million at December 31, 2014, which was primarily due to an increase in working capital and higher non-current financial liabilities resulting from the issue of the *Schuldscheindarlehen*.

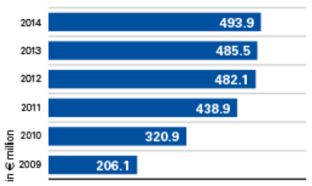
Balance sheet structure



Higher receivables result, among other things, from a very strong revenue development towards the end of the year 2014.

Working capital, which consists of inventories and trade receivables less trade payables and prepayments received, rose by 18.7% and amounted to € 570.9 million at the end of the financial year, versus € 481.0 million in the previous year. The increase in inventories by some € 40 million is predominantly attributable to regions where RHI has limited production capacities, for example North and South America, and is also influenced by exchange rate effects such as the strengthening of the US dollar against the euro. RHI currently works on new approaches to optimize the supply chain with the objective to reduce inventories by roughly € 100 million on a sustained basis. The higher receivables result, amongst other things, from a very strong revenue development towards the end of the year 2014. In addition, the payment discipline of some customers in the CIS region and in China deteriorated. In order to counteract default risks, receivables are hedged as far as possible through credit insurance or collaterals such as guarantees and letters of credit. At the end of the year 2014, the net credit risk amounted to € 124.6 million compared with € 100.4 million at December 31, 2013 and is related to uninsured receivables from roughly 150 customers as well as deductibles from credit insurance.

Equity development



The RHI Group's equity amounted to € 493.9 million at December 31, 2014 after € 485.5 million in the previous year. As the balance sheet total increased, the equity ratio declined from 28.2% to 26.5% in the year 2014. The gearing ratio, which is defined as net financial liabilities divided by equity, rose from 87.1% in the previous year to 94.5% in the past financial year. ROACE (return on average capital employed) is calculated by dividing EBIT less income tax by the average capital employed (property, plant and equipment, goodwill, other intangible assets and working capital) and measures how effectively and profitably a company uses its invested capital. Due to the one-off effects included in EBIT and the increase in capital employed, ROACE decreased from 7.3% in the year 2013 to 6.5% in the year 2014. The target value that RHI strives to achieve in the medium term is 12%.

Non-financial Performance Indicators

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

After publishing three separate sustainability reports, RHI decided to go one step further and fully cover sustainability topics in the annual report. This combined report meets the requirements of the G4-Guidelines Core of the Global Reporting Initiative and covers all sustainability activities of the RHI Group in the financial year 2014. In cases where certain data and key figures cannot be assessed throughout the Group or the definition of key figures has changed in comparison with the Sustainability Report 2013, this will be indicated if required. In the year 2014, the key figure employee turnover rate was redefined and reported in greater detail. An overview of the information to be published in accordance with GRI G4 including the respective page number can be found at the end of this annual report. The detailed sustainability program with all measures and schedules is shown on the website of the RHI Group. [G4-22, G4-28, G4-29, G4-30, G4-32]

After three separate sustainability reports, sustainability topics will be fully covered in the annual report.

Sustainability strategy

In the past financial year, the RHI Group's sustainability strategy was revised and released by the Management Board. The objective is to establish sustainability as part of value creation in the company processes. The focus was placed on the following four areas: customer benefits, innovation, responsible employer & diversity, and efficient use of resources. These topics will determine the sustainability activities of the coming years [G4-42]

Materiality matrix [G4-18, G4-19, G4-24, G4-25, G4-26, G4-27, G4-37]

In the year 2013, key aspects of sustainability for RHI and its stakeholders were defined. Employees and relevant external stakeholders were integrated in this process in order to obtain a realistic picture of the claims on sustainability management. Several workshops of the sustainability group were held and a worldwide employee survey was conducted.

In October 2013 RHI held the second stakeholder forum, in which external parties from different areas participated. The stakeholders were chosen based on their points of contact with RHI. Customers, suppliers, representatives of environmental protection organizations and authorities participated in discussions with the Management Board of RHI AG and employees of the Group about selected sustainability topics. Apart from the dialogue regarding the stakeholders' claims and the further sustainability process within the Group, the focus was on developing a materiality matrix together. Based on a materiality analysis, numerous topics were identified and prioritized. The more relevant a topic is for RHI and its stakeholders, the more strongly it should influence sustainability management in the future.

Based on a materiality analysis, twelve topics were defined as particularly relevant for RHI.

Based on the materiality matrix, RHI defined the following twelve topics as essential:

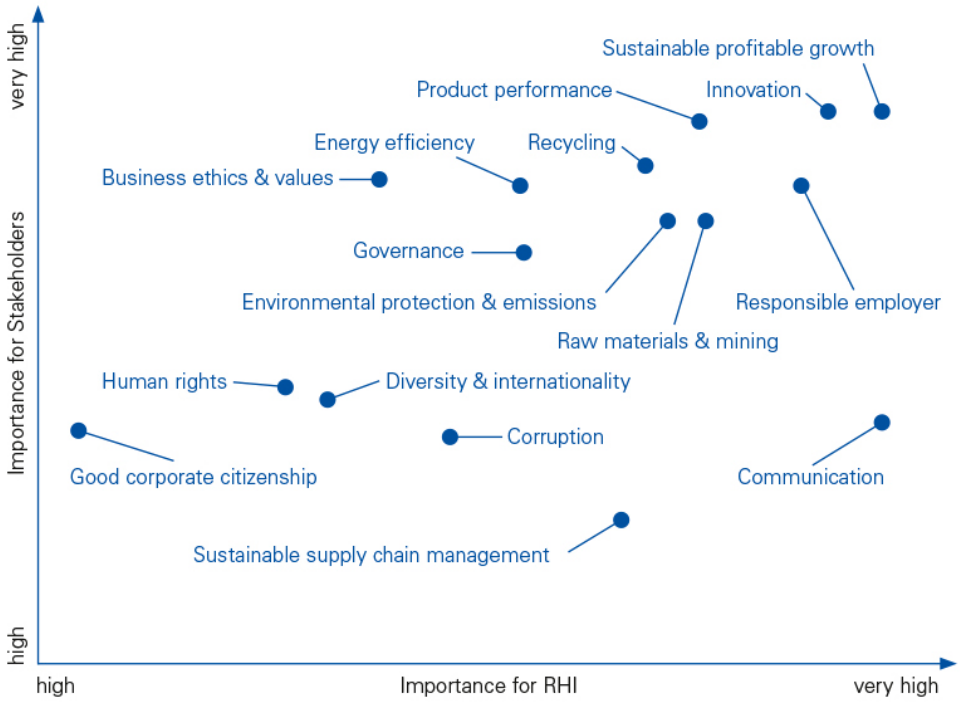
- Sustainable profitable growth
- Innovation
- Governance, business ethics and values
- Communication
- Product responsibility and quality management
- Raw materials and mining
- Environmental protection and emissions
- Recycling and waste management
- Energy efficiency
- Responsible employer
- Human rights
- Good corporate citizenship

The stakeholders defined the topic "sustainable profitable growth" as the most important.

The stakeholders defined "sustainable profitable growth" as the most important topic. It comprises the objective of a long-term and sustainable development of the company, both in terms of revenue and profitability and in terms of structures and processes. All stakeholder groups also considered "RHI as a responsible employer" important; therefore, this topic requires special attention. RHI employees additionally rated the topic of "internal communication" essential.

The above-mentioned topics and aspects are relevant to all companies included in the Group's consolidated financial statements 2014. [G4-20]

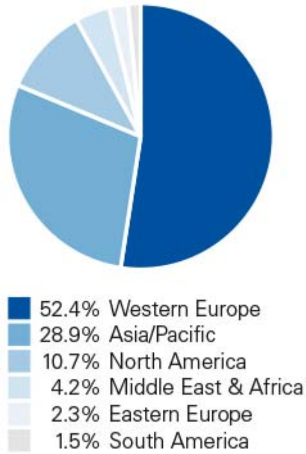
Materiality matrix



Employees

The employees' comprehensive knowledge and their high level of commitment are key success factors for the RHI Group. As an employer with subsidiaries on four continents and employees in 40 countries, RHI is faced with a variety of challenges. They include, amongst other things, the reaction to the threatening shortage of skilled labor, demographic changes and thus the ageing of personnel, enabling a knowledge transfer between the generations, the promotion of employees' mobility in line with internationalization, the creation of equal opportunities, development opportunities and career paths as well as the reaction to different needs regarding work-life-balance.

Employees by region



Personnel management within the RHI Group is decentralized. While guidelines and processes are defined by the central function Human Resources, eight regional shared service centers are responsible for local implementation. In the reporting year, key processes were developed further, including for example the definition and evaluation of management levels and personnel planning.

In the financial year 2014 the number of employees decreased from 8,121 to 8,016. The decline by 1.3% is due, amongst other things, to a program to optimize processes in the RHI Group, which was launched at the end of the year 2013. In 2014, 52.4% of the employees in fully consolidated companies of the RHI Group worked in Western Europe, 28.9% in Asia/Pacific, 10.7% in North America, 4.2% in the Middle East and Africa, 2.3% in Eastern Europe and 1.5% in South America. In Austria, 1,861 people were employed within the RHI group at the end of the year 2014. [G4-9, G4-10]

The employees' comprehensive knowledge and their high level of commitment are key success factors for RHI.

RHI generally concludes permanent contracts with employees and 83% of the staff have a permanent employment contract. Temporary workers are hired to cover order peaks, predominantly in production. Only the Turkish raw material and production site in Eskisehir employs seasonal workers for climate reasons. [G4-10]

In countries where collective bargaining agreements exist, 100% of the employees concerned are covered by these agreements. Worldwide this refers to roughly 61.7% of the personnel. [G4-11]

Collective bargaining agreements

At 12/31/2014	Employees covered		Employees not covered		
Region	Number	Share	Number	Share	Total
Western Europe	3,900	92.8%	301	7.2%	4,201
Eastern Europe	97	53.0%	86	47.0%	183
Middle East & Africa	122	36.2%	215	63.8%	337
North America	720	84.1%	136	15.9%	856
South America	107	87.0%	16	13.0%	123
Asia/Pacific	0	0.0%	2.316	100.0%	2,316
Total	**4,946**	**61.7%**	**3,070**	**38.3%**	**8,016**

The turnover rate, defined as all exits (including retirements, excluding seasonal workers) divided by the average number of employees of the year, amounted to roughly 10% in the past financial year, compared with approximately 12% in the previous year. This indicator was roughly the same for women and men, at about 11% and 10% respectively. Within the age groups, the turnover rate was highest among employees less than 30 years old at roughly 17%, followed by employees aged 50 and older at roughly 13% and the 30 to 50 age group at about 8%. From a regional perspective, the rate is highest in Africa and Eastern Europe, each at 20%, followed by North America, at roughly 18%, South America at roughly 14%, Western Europe at roughly 9% and the Middle East as well as Asia/Pacific, at roughly 8% each. [G4-LA1]

Diversity

In the year 2014, people of 66 different nationalities worked for the RHI Group.

The staff of RHI is made up of 66 nationalities in total. At the headquarters in Vienna, Austria, people from 15 countries are employed. The average age of the employees amounts to approximately 41, with 61.5% of the employees falling into the age group of 30 to 50 years. The under-30 age group includes 17.5% of the employees; 21.0% are over 50 years old. The average company affiliation amounted to roughly 11 years; the worldwide share of women remained at a similar level as in the previous year, at some 12%. At the level of the Management Board, the share of women amounted to 25% at the end of the year and to about 3% and 9% respectively at the first and second reporting levels. [G4-10, G4-LA12]

Age groups and gender

At 12/31/2014 Employee Group	Number women	Percentage by gender	Number men	Percentage by gender	Total
Salaried employees	861	23.4%	2,823	76.6%	3,684
Waged workers	98	2.4%	4,007	97.6%	4,105
Commercial apprentices	21	52.5%	19	47.5%	40
Technical apprentices	9	4.8%	178	95.2%	187
Total	**989**	**12.3%**	**7,027**	**87.7%**	**8,016**

Diversity contributes to competitiveness and to an innovative climate in the company.

Diversity adds to the Group's competitiveness and to the innovative climate in the company. The establishment of equal opportunities was promoted further in the year 2014. The objective is to optimally use the potential of both genders in order to maintain the company's competitiveness in the long term. For example, a project to determine and evaluate defined management levels in accordance with transparent personnel management was implemented, the network for the promotion of an exchange of female engineers across departments was established at the office in Vienna and training on intercultural competence was offered. At career fairs the focus was still on increasing the visibility of female role models in technical professions. Moreover, RHI participated in a project promoting women in leadership positions, an initiative of the European Commission and the Austrian Federal Ministry for Education and Women. As part of the research project, a practical exchange across industries took place with leading companies on the topic of equal opportunities. RHI has supported „More women in leading positions", an initiative of the Federation of Austrian Industries, since the year 2012. [G4-15]

The salary of new employees is based on education, professional experience and management level in the RHI Group. No difference is made between men and women. Roughly 80% of the management functions at the RHI Group's production sites worldwide were held by local employees at the end of the financial year 2014. [G4-LA13, G4-EC6]

Training in the RHI Group [G4-LA10]

RHI takes account of demographic changes in society and the related shortage of skilled labor by offering apprentice training that goes far beyond the legally required level. RHI promotes the mobility and job opportunities of young people by offering language courses and stays at locations abroad as part of an apprentice exchange program. In the year 2014, 15 apprentices participated in a national or international exchange program. Other training measures include social competence, methods of modern production technology, energy efficiency, occupational safety and general business administration. The objective is to cover the demand for skilled professionals by apprentices who have been specially trained for the particular requirements.

In the year 2014, 227 apprentices were employed in Austria, Germany, Ireland, Italy and Switzerland; roughly 82% worked in technical apprenticeships. Women accounted for roughly 13%, versus 17% in the previous year. RHI supports several initiatives to raise interest in a technical career in industry among girls and women. Roughly one third of the female apprentices within the RHI Group worked in a technical apprenticeship.

In the year 2014, 227 apprentices worked for RHI.

Advanced training and personnel development [G4-LA10]

The RHI Group offers its employees a wide range of development opportunities, which are keyed to the abilities, knowledge and needs of the respective person. The personnel development concept is based on the following seven RHI core competencies:

- Market and customer orientation
- Strategic thinking and action
- Innovation and change
- Result orientation
- Cooperation and communication
- Leadership
- Diversity

In advanced training, RHI distinguishes between open training, development programs and "Future Circles". In open training, there is a strong focus on conveying knowledge internally, i.e. training courses for employees by employees. The internal training catalogue, which was issued in Austria for the first time in 2013, was extended to Germany in 2014 and will be published in an international edition in the year 2015.

RHI offers its employees a wide range of development opportunities.

In the customized development programs, knowledge building and personal development for defined functions are promoted. Here, RHI distinguishes between leadership programs for junior managers and managers in sales and administration, "Professionals" programs for experts, and special "Shopfloor Leadership" programs for junior managers and managers in production. The latter comprise stays of several weeks in different production sites in the respective country and abroad. In the past financial year, 105 employees from Austria, Germany, China, Mexico and the US participated in a development program.

The first cycle of the Future Circles, talent programs for high potential employees, which had been started in 2013, was completed successfully in the past financial year. The share of women participating in the Future Circles was roughly 19%, thus exceeding the global share of women in the RHI Group of about 12%. At the end of 2014, a new nomination round was held. A potential assessment is followed by individual development plans for the preparation for future management tasks. The participants work above all on topics and tasks that are strategically relevant to RHI, are given special consideration in succession planning. The RHI Group's objective is to fill the majority of key positions internally. In the year 2014, several central key positions, for example in Controlling, Finance and Supply Chain Management, were filled internally.

The annual appraisal interview at RHI represents an important starting point for the definition of further development opportunities within the Group. In Austria, the rate of interviews conducted amounted to roughly 98%, in Germany to roughly 87%, and worldwide to roughly 70%. In the past financial year, employees in Austria completed an average of 27 hours of further training per person. [G4-LA9, G4-LA11]

Corporate benefits [G4-LA2]

Employees receive a bonus linked to the EBIT margin achieved in order to enable them to participate in the Group's economic success.

In general, all employees are entitled to corporate benefits. The benefits offered vary according to region and exceed the legally required level. In the year 2013, a company agreement was concluded for the first time, which allows employees without a separate bonus agreement to participate in the economic success of the RHI Group. The employees thus receive a bonus tied to the EBIT margin accomplished.

No defined benefit pension plans have been granted to employees joining the company since January 1, 1984; instead, a defined contribution model is in place. Where it is legally possible, the company supports pension plans with deferred compensation models. In such models, employees use part of their monthly remuneration for pension provisions. Moreover, RHI provides collective accident insurance and health insurance for business travel abroad for all employees worldwide. [G4-EC3]

Furthermore, RHI provides local benefits such as meal allowances, special shopping conditions, private health insurance as well as cultural and sports offers. At some sites, additional support such as anniversary benefits and special leave is available and a death benefit for relatives is paid.

Health and safety at work

At the end of the year 2014, 22 sites were certified according to the Occupational Health and Safety Assessment Series 18001.

It is increasingly important for companies to demonstrate to employees, customers and other business partners that occupational safety is consistently integrated into company processes. This is done by dealing with risks responsibly and by designing safe production and business processes. Occupational health and safety was reported and discussed on several occasions at meetings of the Management and Supervisory Boards of RHI AG in the year 2014. The focus will remain on this topic in the year 2015; the Supervisory Board is informed to the measures taken in this area on a quarterly basis. [G4-43]

The regionally varying assessment of potential dangers and personal misconduct as causes for accident present a challenge in terms of occupational safety. At the end of the year 2014, 22 sites were certified according to the Occupational Health and Safety Assessment Series 18001 (OHSAS 18001). Safe and healthy workplaces are indispensable for accomplishing the target of zero accidents throughout the Group by 2017, thus lowering the accident rate to less than 1.0. Continuous improvements have been observed in this context for several years.

In 2014, RHI was awarded the Quality Seal for Workplace Health Promotion.

RHI takes measures to reduce work-related stress. Workplace and impulse tests are conducted continuously. In addition, RHI runs integrated programs in workplace safety and health protection to prevent occupational accidents and to increase the wellbeing of employees. Several initiatives have been running for many years, including health circles, back training, nutritional counseling, safety days, preventive medical check-ups, influenza vaccinations or sports programs, and are very popular among employees. In the reporting year, RHI was awarded the Quality Seal for Workplace Health Promotion as a Group for the first time. Previously, the Austrian sites had received this award individually.

Personal misconduct is the most frequent cause of accidents within the RHI Group; roughly two thirds of all accidents are due to this cause. In the year 2014 the focus was therefore placed on the development of rules of conduct and required actions in order to raise employees' awareness of acting safely. Reporting and processing near accidents was another issue that was focused on as these accidents play an important role in accident prevention. The involvement of employees in prevention is a key to safe workplaces and work processes. At present, roughly 81% of the RHI Group's employees are represented in formal employer-employee committees on health and safety topics. In production, roughly 92% of the employees are involved in such committees. [G4-LA5]

Numerous local company agreements regarding health and safety exist in the RHI Group. They are for example related to non-smoker protection, alcohol at the workplace or data protection when accidents are reported and processed electronically. [G4-LA8]

The accident rate decreased compared with the previous year.

In the year 2014 the number of accidents with more than eight hours lost per 200,000 working hours amounted to 2.69 versus 2.98 in the year 2013. The number of days lost based on an eight-hour working day and in relation to 200,000 working hours amounted to 54.75 in the past financial year, after 54.50 in the previous year. This calculation includes both employees of the RHI Group and temporary workers. The accident rate was decreased in comparison with the previous year. From a regional perspective, the accident rate is highest in Europe. The objective is to reduce this rate further in the coming years by using additional qualified personnel. Regrettably, a fatal accident occurred during repair work in the year 2014. As a result of the accident analysis, a program was developed which requires, among other things, a marking of confined spaces as well as instructions for working in such an environment. The program will be rolled out throughout the Group in 2015. [G4-LA6]

Accidents and lost days

Number	Year	Europe	America	Asia	Total
Accidents	2014	4.12	1.25	0.90	2.69
Accidents	2013	4.37	1.58	1.13	2.98
Lost days	2014	55.50	53.50	56.25	54.75
Lost days	2013	52.25	73.75	49.25	54.50
Fatal accidents	2014	1	0	0	1
Fatal accidents	2013	0	0	0	0

In the year 2014, three recognized occupational diseases were reported, one of them in Europe and two in America. They were caused by noise, or by hazardous substances which lead to skin diseases. In order to prevent stress, technical measures are reviewed and special training and courses on correct behavior and the correct handling of personal protective equipment are offered. [G4-LA6]

Workers with a high incidence or risk of disease related to their occupation are not specifically recorded. This aspect is covered by local reporting requirements. [G4-LA7]

Work-life balance [G4-LA3]

Models for returning to work after parental leave enable a better reconciliation of professional and private life.

RHI implements numerous measures to promote work-life balance. Flexible working hours, home office solutions, part time models, advanced education and models for returning to work after parental leave enable a better reconciliation of professional and private life. Currently, roughly 13% of the female employees and 1% of the male employees worldwide work part time. In the year 2014, 21 persons were on parental leave in Austria. Eleven female employees and one male employee started their parental leave in the past financial year. [G4-10]

According to an internal analysis, some 95% of all employees on parental leave in Austria return to the company. Roughly 16% of the women and roughly 100% of the men then work full time. Only some 5% leave the company within one year of their return; half of them are women. The childcare facilities enabled by RHI range from kindergarten places to childcare vouchers to daycare.

Internal communication

The importance of internal communication was underscored by a survey throughout the Group, which was carried out in 2013 in the course of defining the key sustainability topics. The following requirements were derived from the results: reliable and fast communication of important information in the Group, transparent and understandable information of all employees on corporate strategy, information exchange between divisions and sites.

A proven tool for ongoing internal communication is the intranet, where reports on news and events are published regularly. The number of intranet news items – events and company news not including ad hoc releases and corporate news – was up 9.3% on the previous year. In addition, the worldwide employee magazine "RHI it's me" is published twice a year. The magazine is translated into nine languages and distributed at more than 100 sites.

Dealing with social partners

RHI AG considers its employee representatives business partners. The Management Board of RHI AG sought active exchange, for example through participation in works council conferences. Dealing with each other is characterized by mutual respect and openness, which allows solving even difficult problems together and to the best possible satisfaction of all parties involved.

Personnel indicators

	2014	2013	Change
Annual average number of employees[1]	8,036	8,285	(3.0)%
Number of employees at 12/31	8,016	8,121	(1.3)%
Revenue in € million	1,721.2	1,754.7	(1.9)%
Revenue per employee in € 1,000	214.2	211.8	1.1%
EBIT in € million	109.3	111.1	(1.6)%
EBIT per employee in € 1,000	13.6	13.4	1.5%
Value added in € million[2]	507.3	525.4	(3.4)%
Value added per employee in € 1,000	63.1	63.4	(0.5)%
Personnel expenses in € million	398.0	414.3	(3.9)%
Personnel expenses per employee in € 1,000	49.5	50.0	(1.0)%
Personnel expenses in % of revenue	23.1%	23.6%	(0.5)pp

1) Weighted by level of employment

2) Value added: EBIT + personnel expenses (excl. interest expenses for personnel provisions)

Social responsibility

RHI supports several initiatives contributing to improving the living conditions at the locations of the RHI Group.

The RHI Group recognizes its role as a good corporate citizen at all its locations and therefore assumes social responsibility. RHI thus supports several initiatives which contribute to improving living conditions. Based on a feasibility study on the topic of employability, which was co-financed by the Austrian Development Agency (ADA), RHI launched programs in Mexico and Turkey in the year 2013 to improve the training and employability of young people on a sustained basis. These programs are carried out together with the Institute for Development Cooperation (ICEP), an Austrian development organization. In cooperation with local partners, courses to train industrial mechanics, industrial electricians and toolmakers were set up in Ramos Arizpe, Mexico, and an adaptation of technical and practical training to the requirements of the job market was started at three vocational high schools in Eskisehir, Turkey. The three-year projects are 50% subsidized by the Austrian Development Agency. [G4-SO1]

At the locations of its sites, RHI has close ties with the communities and makes a significant contribution to maintaining local communities by supporting charities and sports clubs as well as a series of initiatives and projects. In the year 2014, RHI provided some € 260,000 for charitable projects. This total comprises all donations made throughout the Group. [G4-EC1]

Innovation / Research & Development

Innovative power is one of the key prerequisites for RHI to remain competitive in the global refractories markets and to secure sustainable profitable growth. Addressing ideas systematically and turning them into marketable products, processes and services is a decisive lever for RHI to generate growth. In the year 2014, more than 10% of the Group's revenue was created through products that were developed in the past five years.

Innovation management

In 2014 the focus was on designing innovation processes and their rollout in the Group.

The main tasks of the innovation and IP management department include identifying and substantiating innovation potential, preparing the decision-making basis for implementation and supporting all organizational units involved in their realization. In the past financial year, the focus was above all on designing innovation processes and their rollout in the Group in order to ensure an efficient and effective process. Key elements in this process include the structured collection of ideas, the definition of objective evaluation criteria and the analysis of market potential. In addition, innovations have to be protected through comprehensive patents and the industrial property rights acquired then have to be enforced consistently in the market. RHI relies on continuous investment controlling to provide transparency regarding the productivity of the resources invested.

Two examples of projects carried out in the year 2014 were:

- the investigation of the use of raw materials which are generated as by-products in the production of refractories in waste water treatment
- the development of a new business model as a service provider for the glass industry as a "Smart Solution Provider"; in this model, customized services are offered in addition to the materials delivered

Strategic approaches in research and development

RHI employs more than 160 people in research and development.

In line with the corporate strategy, the targeted research and development activities were pursued consistently in the reporting period. The Technology Center Leoben acts as a hub in a worldwide network of scientists and employees from a variety of specialist departments within the Group, including product management, marketing, sales, production and application technology, as well as raw material suppliers, technologically leading customer companies and cooperation partners at the technical, scientific and application-specific levels outside the Group. This network provides the more than 160 internal research and development employees with access to international specialists, enabling them to work on targeted solutions, product concepts and systems, and to take them to market maturity.

In addition to its most important cooperation partner, the University of Leoben, the RHI Group also worked with the following institutions at the scientific level: ENSCI Limoges, Joanneum Research, Johannes Kepler University Linz, University of Graz, Slovak Academy of Sciences, Graz University of Technology, Vienna University of Technology. Furthermore, RHI also worked together with key customers of the steel industry in several competence centers promoted by the Austrian Research Promotion Agency, for example with voestalpine Stahl Donawitz, voestalpine Stahl Linz, Siemens VAI and Ebner-Industrieofenbau.

The most important targets and directions of the R&D activities have not changed significantly in comparison with previous years. Some examples are:

- The use of recycled raw materials and research of new methods for recycling refractories contaminated during operations
- The search for novel, energy-efficient and emission-friendly production methods for raw materials
- The use of innovative materials and combinations of materials
- The research of high-temperature insulation materials for efficient energy use (insulation of high-temperature aggregates)
- The development of non-destructive testing methods for quality assurance
- The development of environmentally friendly binder systems
- The advancement of special ceramics such as isostatically pressed components, complex cast components and slide gate plates

Patents & intellectual property

The RHI patent portfolio consists of more than 120 active patent families. Patents and trademarks are used to protect products internationally and to prevent the abuse of innovative technologies and products. In the year 2014, 21 applications for new patents were filed. They include patent applications with respect to the geometry of refractory components, lining concepts for customer aggregates and the composition of refractory products. Due to the advanced stage of some projects, a series of patent applications is to be expected for the year 2015 as well. RHI strives to systematically check new developments for patentability in order to protect innovations by trademarks and to consolidate its market position.

The patent portfolio of the RHI Group consists of 120 active patent families. In the year 2014, 21 applications for new patents were filed.

Environmental protection and energy efficiency [G4-EN6, G4-EN27]

One of the key tasks of research and development is to advance the environmental protection and energy efficiency standards in the RHI Group. In close cooperation with the relevant specialists, production processes are thoroughly examined and improved further, even beyond the applicable limit values.

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

An ongoing process in research and development is the search for alternatives to chemicals which may no longer be used within the European Union after the implementation of the REACH Regulation (EC No 1907/2006, "Registration, Evaluation, Authorisation and Restriction of Chemicals") or which are considered to cause concern. This refers especially to various carbon-based bonds. Here, new developments have enabled a significant reduction of emissions in the production and use of refractory products.

In the area of energy efficiency, research projects were initiated which aim to critically examine the energy-intensive process steps drying, hardening and sintering. The objective is to enhance the reactions occurring during these temperature treatment steps through simulations and models, thus reducing energy consumption.

The requirements that the steel and glass industries place on insulating materials are growing continuously. In the development of novel refractory thermal insulation material, precise process data for future serial production were obtained through a pilot plant. In comparison with conventional insulating bricks, which are usually manufactured by adding burnout materials, these products have a lower density, which means considerable raw material savings. Moreover, favorable material properties regarding density, porosity, strength, thermal conductivity and heat capacity are the result, allowing a replacement of ceramic fibers in some areas.

Raw material development and backward integration

RHI works with external partners on increasing recoverable materials from used refractory products.

At the test facilities of the Technology Center Leoben, a variety of fused materials was produced on a trial scale based on comprehensive phase-theory considerations and thermochemical calculations. They were analyzed, characterized and the most promising options were passed on to product development. In addition to classic oxidic raw materials, non-oxidic raw materials have also turned out to be promising.

Used refractory materials are currently only recycled to a limited extent. This is due to the manifold chemical, mineralogical and physical changes during their use in customer processes. Together with external cooperation partners, RHI continuously develops processes and procedures further in order to increase the recoverable amount of reusable materials contained in used refractory products. As a result, primary resources will be saved and the landfilling of used products will be avoided.

At the site in Porsgrunn, Norway, intensive research activities and close cooperation with the production engineers on site resulted in a significant increase in the output volume of fused magnesia meeting the specifications. The raw material is primarily used for the production of carbon-bonded types of magnesia bricks, for example for the use in steel converters.

Water modeling

RHI simulates various customer-specific steel flow conditions in order to be able to provide optimal refractory solutions.

RHI has performed computer simulation calculations for many years in order to study the flow conditions of liquid steel from the steel ladle and tundish to the solidification in the mold, and to offer optimal refractory and design solutions for all customers. Building on the success of recent years and in order to reflect another facet of the continuous caster, a water model to simulate flows in the areas of thin slab, billet and bloom casters was developed and commissioned in the year 2014. A model for the simulation of slide gate plates is also in the final phase of development. Water modeling and simulation calculations have made decisive contributions to product development, and numerous customers were convinced of the RHI Group's product and solution competence in the respective areas.

Scientific service for customers

In cooperation with customers, RHI conducts tests of used refractory materials.

In close cooperation with customers, tests are conducted on used refractory materials taken from different aggregates and laboratory-scale trials are conducted in the RHI Group in order to examine changes that occur in the refractory material, for example through contact with defined types of slag, thus clarifying the underlying corrosion mechanisms. As part of the laboratory experiments, new tests and methods are also developed. The knowledge generated is used specifically for the development of refractory products and lining recommendations. Based on the results of the examination, a high-grade lining concept is then developed together with the customers. As a result, refractory products can be used optimally at the customer's site. The results of selected cooperation projects in the nonferrous metals industry will subsequently be presented at recognized international conferences or published in the trade press together with the partners.

Another example of customer orientation is the Training Center Cement, where customers from the cement industry have the opportunity to see, learn and practice the lining of a cement rotary kiln (on a 1:1 model) with brick material and state-of-the-art lining machinery as well as the usage of monolithic materials at a seminar of several days.

Investments in innovative power and the future of the company

Research and development costs before subsidies and capitalization amounted to roughly € 23 million in the past financial year. Roughly 20% of these costs are accounted for by the optimization of existing products, production processes and process improvements, roughly 40% by the development of new products and production processes, roughly 15% by basic research and roughly 25% by environmental protection and energy efficiency.

Research and development expenses amounted to roughly € 23 million in 2014.

At the end of the year 2014, more than 160 people were employed in research and development; the share of women slightly exceeds 30%. The R&D team in Leoben consists of colleagues from 10 different countries, with the share of employees with a university degree totaling approximately 45%.

Training and further education have traditionally been very important in R&D. In the year 2014, seven female and five male apprentices were trained in ten different technical professions. This clearly reflects that personnel resources required in the future are trained internally and equipped with the best possible specialist knowledge for the challenges they will face in their profession.

Environment and Energy

The global environmental management system of RHI is certified according to ISO 14001:2004 at 23 production sites.

For many years, RHI has been working on making production as energy-efficient as possible while at the same time saving resources. Compliance with legal obligations and other requirements is a matter of course. A network of specialists from research, development and production work globally to reduce the impact on the environment to the greatest possible extent. A central competence center for environmental protection, energy, health and occupational safety coordinates RHI's activities and defines corporate environmental guidelines, for example with respect to uniform measuring methods, in order to provide comparable data. This measure aims to ensure compliance with all limit values within the RHI Group.

The global environmental management system of RHI was certified according to the international standard ISO 14001:2004 at 23 production sites at the end of the year 2014. The objective of energy management is to systematically reduce energy consumption. Moreover, RHI's products and services enable customers to produce more energy-efficiently and reduce emissions.

In the year 2014, the RHI Group invested roughly € 14 million in ecological measures consisting of environmental investments, waste disposal costs and services such as certifications or consultations. Examples of environmental projects in the past financial year were the construction of a desulfurization plant in the course of replacing the existing tempering plant in Veitsch, Austria, and the establishment of a plant for the recovery of magnesite fine tailings in Hochfilzen, Austria, which added up to roughly € 7 million. [G4-EN31]

Integrated Management System

An integrated management system ensures uniform control in the areas of quality, environment, and occupational health and safety.

The sustainability process in the RHI Group is supported by the Integrated Management System (IMS), which ensures uniform control of management systems in the areas of quality (ISO 9001), environment (ISO 14001), occupational health and safety (OHSAS 18001). RHI is externally certified according to ISO 9001:2008 at 26 out of 32 production sites by Lloyd's Register Quality Assurance, Vienna. Based on internal and external audits, potential improvements are continuously identified and implemented as part of the continuous improvement process.

The project to assess customer satisfaction, which had been running since 2010, was concluded in the reporting year. The survey addressed product and service quality, sustainability and brand loyalty. The results were presented to the Management Board and improvement measures were derived, which are pursued as a priority in the area of sales. For example, a project to reduce logistics expenses and increase efficiency with the objective of customer retention was initiated. [G4-PR5]

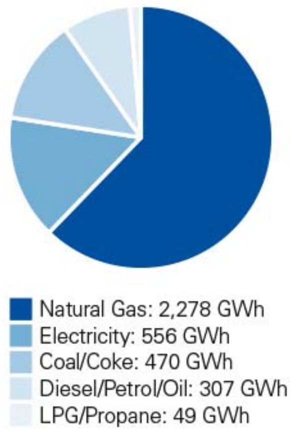
A project to improve customer relationship management was defined in the course of an internal process improvement project. Furthermore, the introduction of a new tool for customer and supplier complaints is planned to eliminate deficiencies in the supplier process based on the feedback. In order to guarantee the high delivery quality of suppliers in the long term, audits of strategically important suppliers were conducted in order to establish a mutual process understanding regarding production and application.

Energy efficiency [G4-EN3, G4-EN6]

To ensure competitive production of refractory materials, the process along the entire value chain needs to be as energy-efficient as possible due to the level of energy intensity, especially in raw material treatment.

The RHI Group's absolute energy consumption totaled 3,660 gigawatt hours in the past financial year, compared with 3,543 gigawatt hours in the previous year. The increment by roughly 3% compared to the previous year is primarily attributable to an increase in the Group's own production of raw materials. The energy mix in the RHI Group consists of natural gas, electricity, diesel, petrol, oil, liquid petroleum gas (LPG), propane, coal and coke. As the main energy source was switched at some Chinese sites, the share of natural gas in total energy consumption rose in the year 2014, while the share of liquid petroleum gas/propane dropped accordingly. Renewable energies like bio fuels cannot be used for production-related reasons at RHI because the required firing temperatures cannot be reached.

Energy consumption



Development of energy consumption

	in GWh			in 1,000 GJ		
Energy consumption	2012	2013[1)]	2014	2012	2013	2014
Natural gas	2,005	2.069	2.278	7,218	7,449	8,201
Electricity	443	514	556	1,595	1,850	2,004
Coal/coke	490	477	470	1,764	1.717	1,691
Diesel/petrol/oil	99	258	307	356	929	1,105
LPG/propane	300	225	49	1.080	810	176
Total	**3,337**	**3,543**	**3,660**	**12,013**	**12,755**	**13,177**

1) The figures published in the Annual Report 2013 included consumption estimates for the month of December.

RHI is increasingly taking account of the topic of energy efficiency by gradually establishing an energy management system according to ISO 50001 at each site. In the year 2012, the introduction of a central energy management system was launched and an energy management officer appointed. In addition, energy performance indicators were defined to identify best practice examples and to analyze deviations. All five German production sites were admitted to the system in the reporting year and certified externally. For the year 2015, the plan is to introduce ISO 50001 as an internal management system at the Austrian sites without external certification.

Refractories production is energy-intensive, especially in the treatment of raw materials.

Use of substitute materials to protect health and the environment [G4-PR1]

RHI is working on reducing the health risk among employees and customers due to hazardous substances. Consequently, dangerous substances are continuously replaced with less hazardous or non-hazardous materials provided that an equivalent result can be obtained and the effort required is adequate. The search for substitute materials and research of alternatives are central parts of product responsibility in the RHI Group.

The search for substitute materials is a central part of product responsibility in the RHI Group.

The R&D department analyzes any new substance prior to its potential use to assess whether it is potentially hazardous. If this is the case and there is no substitute material, this substance is entered in the register of hazardous substances. Special instructions, for example regarding the use of personal protective equipment, ensure safe handling of registered hazardous substances. There is an officer responsible for toxic substances at every site.

RHI complies with the relevant regulations throughout the Group. Within the European Union, RHI implements the REACH Regulation (EC No 1907/2006, "Registration, Evaluation, Authorisation and Restriction of Chemicals") and the CLP Regulation (EC No 1272/2008, "Classification, Labelling and Packaging of Chemicals"). The registration of chemicals used is centrally performed, controlled and administered. RHI only utilizes raw materials registered in accordance with the REACH Regulation. Roughly 20% of the shaped products, refractory bricks and functional products contain substances which have been classified as having particularly hazardous properties under the REACH Regulation. Although the finished products containing such substances are not subject to labeling, RHI continuously tests substitute materials and processes. RHI prepares safety data sheets for all products, thus going beyond the provisions of the REACH Regulation, which require safety data sheets only for unshaped products such as casting and ramming mixes containing hazardous substances. The safety data sheets are generally provided to all customers, including those outside the European Union. They contain information with respect to safe storage, transport and disposal of the products as well as all relevant information that serves to ensure that customers can apply these products without any health or environment-related dangers. [G4-PR3]

By using non-hazardous raw materials, less hazardous waste is generated when disposing of refractory products. In addition, these materials can more easily be reused as recycling materials.

Waste management

RHI continuously reduces ceramic scrap and returns it to the production process in order to reduce waste.

RHI continuously reduces ceramic scrap and returns it to the production process in order to prevent waste. Residual materials that cannot be avoided are handled by licensed waste companies. In the year 2014, RHI reported roughly 55,000 tons of non-hazardous waste and roughly 2,500 tons of hazardous waste. Due to the increased raw material production, the amount of non-hazardous waste rose in comparison with the previous year. Roughly 75% of the non-hazardous waste consisted of ceramic scrap and mineral waste which could not be returned to production, for example because of mixing with other materials or due to insufficient grain size. [G4-EN23, G4-EN27]

Development of waste volume

	Hazardous waste			Non-hazardous waste		
Waste in tons	2012	2013	2014	2012	2013	2014
Europe	2,045	2,692	2,423	32,794	20,083	31,044
America	85	60	55	13,780	14,707	13,401
Asia	29	61	59	9,880	13,139	10,241
Total	**2,159**	**2,813**	**2,537**	**56,454**	**47,929**	**54,686**

In the past years, RHI developed an innovative packaging solution for refractory materials with an intelligent film to secure the load, which reduces the amount of packaging waste for the customer, while at the same time providing a high level of protection during transport. As a result of substituting conventional shrink packaging, gas consumption is reduced by approximately 200,000 cubic meters per year.

In the year 2014, RHI shipped roughly 823,000, or roughly 77%, of the packages using this method. The target of 80% was missed by a slight margin due to special customer requirements. The reduction of packaging material through higher filling weight was continued in 2014. The share of six and seven-layer palletizing decreased from roughly 67% to roughly 64% as fewer corresponding customer orders were placed. However, the target of 62% was exceeded. Disposable pallets are used for the majority of shipments of refractory products. In addition, round-trip pallets are used within Europe as well as special pallets developed by the German refractories industry, which customers can return. In the year 2014, some 6,000 pallets were shipped in Germany, of which 3,631 (61%) were re-purchased and thus reused. [G4-EN28]

Reduction of dust emissions [G4-EN21]

RHI continuously works on reducing detectable dust emissions from firing and treatment processes. Successful exhaust gas treatment projects caused a decrease in dust loads by roughly 50% at the Austrian sites in Hochfilzen and Breitenau. Significant energy savings were realized at the Breitenau plant, Austria through a change in the exhaust system; in addition, the emissions of carbon dioxide and nitrogen oxides also declined due to the lower energy consumption. In the year 2013, a pilot project had been started to reduce diffuse dust, developing best-practice approaches for the production sites. Diffuse dusts are created during transport and treatment of material as well as at the transfer point of conveyors. The proposed solutions derived from this project were applied at several production sites in the reporting year.

Successful exhaust gas treatment projects reduced the dust loads at the Austrian sites in Hochfilzen and Breitenau by some 50%.

Water consumption [G4-EN8]

Water is primarily used for cooling purposes in the RHI Group, but also to wash raw materials. A comparatively very low amount of water is used for briquetting and in production as part of the recipe. In the year 2014, RHI used roughly 6 million cubic meters of water, of which the Austrian sites accounted for roughly 79%. These sites primarily utilized ground water. In the previous year, water consumption had amounted to roughly 5.9 million cubic meters, compared with roughly 5.8 million cubic meters in the year 2012.

Sustainable transport concepts [G4-EN30]

Logistics processes in the RHI Group have to be as efficient as possible in order to reduce the impact on the environment and to optimize costs. This includes measures such as minimizing empty trips, better utilization of means of transport or using combined transport to reduce traffic on roads. These requirements are laid down in the ecological targets of the integrated management system. Internal and external audits are performed regularly to determine whether these targets have been achieved. Due to the introduction of a time window management system, waiting times at the sites in Veitsch, Austria, and Mainzlar, Germany, were significantly reduced, and empty trips were avoided through round-trip concepts. Better utilization of all means of transport is accomplished by optimized dimensions of packaging units and a certified load-securing concept.

Better utilization of all means of transport is achieved by optimized dimensions of packaging units and a certified load-securing concept.

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Risk Management, Accounting & Internal Control System

Risk management process [G4-14]

A structured risk management process for the systematic recording, assessment and control of corporate risks has been in place at the RHI Group since the year 2009. The specific consideration of risks and opportunities in strategic and operating decisions as well as the definition of a risk policy makes risk management an important controlling tool for the Group.

Central risk management is part of the finance department and responsible for the implementation and further development of the risk management process. The main components of this process are the establishment of a formally adopted risk policy, the direct integration of the persons responsible for operating business, the definition and comprehensive communication of uniform structures and methods and professional software to record and evaluate risks and opportunities.

In the year 2013, the auditor was commissioned to evaluate the functionality of the risk management for the first time. Based on the reference model (ISO 31.000:2009) chosen by RHI, the auditor assessed the risk management to be functional as of September 30, 2013. RHI decided to have this audit performed every other year, which is why no audit took place in 2014. Risks and opportunities are allocated to the following risk areas in the Group: Strategy, volume/sales, operations, supply chain, compliance, legal & taxes, finance and corporate.

Risk area: Strategy

In line with its strategic orientation, the RHI Group deliberately takes certain risks in order to ensure future economic success. The expansion pursued in the emerging markets entails increased market and country-specific risks, which are managed through spreading, monitoring and the utilization of local know-how. The financial success of raw material integration is to a great extent dependent on the development of the price of dead-burned and fused magnesia in the world markets. The related investments lead to higher fixed costs, reducing the flexibility to respond to market fluctuations. Moreover, the RHI Group's innovation policy is associated with the risks typical of research and development activities.

Risk area: Volume/Sales

The customer industries of the RHI Group show above-average sensitivity to economic fluctuations. The further economic development and the related demand by customer industries remain the main uncertainty in this area. In addition, growth in the emerging markets will fall short of the high growth rates of the past. The assessment regarding the further economic development and political stability are key elements in the demand for refractory products.

Risk area: Operations

The safety and availability of production facilities represents a significant risk for RHI, which has been successfully controlled using risk control programs and optimized maintenance and insurance concepts. The risks related to the utilization of existing capacity resulting from decreased demand for refractory products were reduced by taking several measures (increased flexibility, closure of plants in Duisburg and Kretz, Germany); nevertheless, these risks are still present. The profitability situation of the site in Porsgrunn, Norway, is another significant risk for the RHI Group.

Risk area: Supply Chain

As a globally operating production company, RHI is exposed to the development of the procurement markets. Especially price fluctuations in the raw material, energy and transport markets represent a significant risk factor for the Group. These uncertainties are reduced by concluding long-term supply contracts. RHI currently benefits from the low energy prices due to the massive drop of the oil price.

Risk area: Compliance, Legal & Taxes

Full compliance with laws and regulations is a matter of course for RHI. However, like many other internationally operating corporations, RHI is confronted with increasing regulatory complexity. To counter these growing risks, employees and partners are made aware of these risks through a code of conduct, compliance guidelines and training. Moreover, tax and company audits as well as a change in business models may have a negative effect on the Group.

Risk area: Finance

Financial risks are incorporated in RHI Group's corporate risk management and are centrally controlled by Group Treasury. None of the following risks represent a significant risk for the RHI Group:

Credit risk in the RHI Group is primarily related to operating receivables due from customers. In order to counteract the default risk related to a hedged item, receivables are hedged as far as possible through credit insurance and collateral arranged through banks (guarantees, letters of credit), even if the contractual partner has an outstanding credit rating. Credit and default risks are monitored continuously, and the corresponding provisions are made for risks that have occurred and for identifiable risks.

The Group's financial policy is based on long-term financial planning and is centrally controlled and monitored continuously at RHI. The liquidity requirements resulting from budget and medium-term planning is secured by concluding appropriate financing agreements. These lines of credit were concluded with different Austrian and international financial institutions in order to ensure independence of banks. The companies of the RHI Group are integrated into a clearing process managed by Central Treasury and provided with financing limits in order to minimize the need of borrowings for the Group as a whole.

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

Hedges were in place for the following currencies in the year 2014 ("hedging currency" to "domestic currency"):

- EUR to CNY (surplus of liabilities from intercompany financing)
- EUR to INR (surplus of liabilities from operating activities and intercompany financing)
- CAD to EUR (surplus of receivables from intercompany financing)

- USD to EUR (surplus of receivables from operating activities and intercompany financing)
- USD to MXN (surplus of receivables from operating activities)
- USD to INR (surplus of receivables from operating activities)

At December 31, 2014, the following open hedge positions existed:

- EUR to CNY (Volume: € 24.2 million, surplus of liabilities from intercompany financing)
- EUR to INR (Volume: € 6.5 million, surplus of liabilities from operating activities and intercompany financing)
- CAD to EUR (Volume: CAD 5.4 million, surplus of receivables of RHI AG from intercompany financing)
- USD to EUR (Volume: USD 84.6 million, surplus of receivables of RHI AG from operating activities and intercompany financing in USD)
- USD to MXN (Volume: USD 10.0 million, surplus of receivables from operating activities of the Mexican subsidiaries)
- USD to INR (Volume: USD 0.5 million, surplus of receivables from operating activities of the Indian subsidiaries)

The interest risk in the RHI Group is primarily related to financial instruments carrying variable interest rates, which may lead to fluctuations in profit and cash flows. The RHI Group is predominantly exposed to interest risks in the euro area. In the year 2013, interest hedges for loans with a maturity beyond 2013 totaling € 100 million were concluded. A variable interest rate was converted into a fixed interest rate through an interest rate swap. In the course of the year 2014, interest hedges decreased in parallel with the repayment of loans and amounted to € 92.9 million at December 31, 2014.

Risk area: Corporate

This risk area covers all other important corporate areas such as personnel, IT, safety and organization. As a global company, RHI is exposed to all usual corporate risks, including data security or failures of IT systems, which are controlled with the appropriate measures.

Financial reporting process

At the aggregated level, the financial reporting process at RHI consists of preparation, consolidation, audit and publication. The Group companies prepare individual financial statements according to IFRS at the company level based on the rules and provisions set out in the RHI Group manual for financial reporting. In the Group manual, a uniform chart of accounts and rules regarding measurement and recognition are defined. The individual IFRS financial statements of the Group companies, which are predominantly prepared with SAP, provide the basis for further processing in central group accounting. The consolidation department, whose tasks and responsibilities essentially comprise the support of the Group companies' data reports, the execution of consolidation measures, the analysis of the consolidated financial statements and the preparation of financial reports, is responsible for the preparation of the consolidated financial statements. The consolidation process is described in a guideline, which provides an overview of the sequence of the preparation of the consolidated financial statements by means of Hyperion Financial Management and quality assurance measures. In addition to the comprehensive and automated controls in the form of validations, extensive manual checks regarding plausibility and completeness of the financial information are performed. The information of internal and external accounting is based on the same data base and is reconciled for reporting on a monthly basis. In the assessment of risks involved in the financial reporting process and the determination of controls, special attention is paid to those items of the statement of financial position, the statement of profit or loss and the statement of cash flows which may have the most sustainable effects on the financial reporting of the RHI Group. These are in particular non-current assets, inventories, trade receivables and payables as well as personnel provisions. The internal financial reports prepared by Corporate Controlling are primarily addressed to the Management Board and executives on a monthly basis and the Supervisory Board of RHI AG. As part of mandatory external reporting, interim reports and half-year financial reports in accordance with IAS 34 as well as annual financial reports/annual reports are prepared and published.

Internal control system

RHI has guidelines regarding the internal control system (ICS), which address the risks of the Group and define preventive measures. The guidelines were established by the Management Board and have been introduced throughout the Group. The respective competent central and local management is responsible for implementing and monitoring the ICS. In addition, these internal controls are audited regularly at the group level. The risk portfolio is reviewed annually for necessary adjustments. The implementation of and compliance with the guidelines is audited by the staff unit Group Audit, which reports to the Management Board. The annual audit plan is derived from the risk assessment of all company activities in the Group, approved by the Management Board and reported to the audit committee of the Supervisory Board. The results of the audits of the effectiveness of the ICS are reported to the Management Board on a regular basis. In the year 2014, one report on the effectiveness of the ICS was made to the audit committee. The RHI Group's guidelines pertaining to the ICS follow the basic structures of the internationally recognized standards for internal control systems (COSO – Internal Control and Enterprise Risk Managing Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission).

Central elements of the ICS include regular audits of compliance with the institutionalized four-eye principle, the separation of duties and defined control steps for the monitoring and control of effectiveness and efficiency of the operating activity (e.g. protection of assets against loss and damage caused by malversation), the reliability of financial reporting and compliance with the legal provisions applicable to the company. In spring of 2013, RHI enforced a code of conduct. In this code, the Group not only commits to compliance with legal compliance requirements, but also advocates ethical standards that go far beyond these requirements. The code of conduct was translated into nine languages and distributed to all employees worldwide. Its implementation was accompanied by intensive training courses.

Notes in accordance with § 243a UGB

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

At December 31, 2014, the share capital of RHI AG amounted to € 289,376,212.84 (12/31/2013: € 289,376,212.84) and consisted of 39,819,039 no-par bearer shares (12/31/2013: 39,819,039). Only shares of this class are issued. Each RHI share has one vote. There are no RHI shares with special control rights.

Limitations regarding the voting rights of RHI shares, including from agreements between shareholders, are not known to the company.

Direct or indirect shares in RHI capital

At March 4, 2015, the following investors with significant shareholdings were known to RHI: MS Private Foundation, Austria, with a share of more than 25%, Chestnut Beteiligungsgesellschaft mbH with more than 5% and Silver Beteiligungsgesellschaft mbH with more than 5%. The voting rights of Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH are jointly exercised; consequently, the joint share in voting rights held by the two companies exceeds 10%.

Authorization of the members of the Management Board to issue shares

The Management Board was authorized by resolution of the Annual General Meeting of RHI AG on April 30, 2010, in accordance with § 169 of the Stock Corporation Act (AktG), to increase share capital, without any further consent by the Annual General Meeting until April 30, 2015 – also in several tranches – for a cash contribution by up to € 43,406,425.75 by issuing up to 5,972,855 no-par bearer shares with voting rights and to determine the issue price, the issue conditions and further details regarding the execution of the capital increase.

Employee stock ownership plan „4 plus 1“

With a resolution of the 35th Annual General Meeting of RHI AG of May 9, 2014, the company was authorized to acquire treasury shares in accordance with § 65 para. 1 (4) AktG in the amount of up to 12,000 no-par shares, which corresponded to 0.03% of the company's share capital at the time the resolution was adopted; the shares can be acquired at the share price of the day on which this authorization to issue shares to employees and executives of the company as well as to members of the management, executives and employees of Group companies is exercised as part of the employee stock ownership plan "4 plus 1". The authorization is valid for 18 months from the day of the resolution.

Significant agreements taking effect in the case of a change of control

Part of the contracts regarding non-current liabilities to financial institutions includes not only reasons for termination ensuing from legislation, but also a reason to terminate in the event that a person or a group of persons acting in concert acquires direct or indirect control of more than 50% of the shares or the voting rights in the borrower. In this context, control refers to the right to appoint the majority of the Management Board members of the borrower, or to hold the majority of the voting rights at the Annual General Meeting, or to have the contractual right to determine the business policy of the borrower. In the event that this reason of termination exists, the lenders may declare the loan due with immediate effect and demand immediate repayment of the principal including interest, as well as the payment of other amounts payable that may have been incurred. This so-called "Change of control" clause represents a termination option for the lender for non-current liabilities to financial institutions with a volume of roughly € 422 million.

A compensation agreement has been concluded with one member of the Management Board for the case of a public takeover bid.

Provisions regarding the appointment and removal of members of the Management and Supervisory Boards

The appointment and removal of members of the Management Board are governed by § 75 of the Stock Corporation Act (AktG). In addition to that, the articles of association stipulate in § 8 that the Management Board shall consist of two, three, four or five persons.

The Supervisory Board consists of a minimum of three members.

Outlook

In October 2014, the World Steel Association published its outlook regarding the development of steel demand in the year 2015. While growth is expected to be positive in the advanced economies, in particular due to the strong development of the automotive industry, the further development of the demand for steel in the emerging markets, especially in China, the CIS region and South America, is viewed much more critically. In China for example, growth of only 0.8% is expected in 2015 due to a massive slowdown of the construction industry. In South America and the CIS region, declining raw material prices, a lack of structural reforms, high inflation rates and a difficult labor market should have a negative impact on the demand for steel in the future. The experts of the World Steel Association thus only expect little growth in the year 2015 after a significant decline in the year 2014. In contrast, Europe and the US should develop more positively. The estimates regarding the development of steel demand amount to 2.9% for Europe and to 1.9% for the US. The Steel Division is optimistic to participate in an economic recovery emanating from the US and to expand business further, especially in the Asia/Pacific region. Through enhanced integration of Orient Refractories Ltd., which was acquired in the year 2013, in the RHI Group and the capacity expansion carried out, India could take over from the US as the most important single market of the RHI Group.

While the development of the cement/lime business unit in China is expected to be weaker due to a downturn in the construction sector, this development should, however, be balanced out by an expected increase in primary production in Africa and Southeast Asia as well as in the Middle East. Many customers of the nonferrous metals business unit postponed their major repairs due to a decrease in metal prices in the past year. These repairs may be put off for roughly one year. Following that, however, a relining or a shutdown of the aggregate will be necessary. The good order intake at the end of the past financial year indicates an increase in revenue in the year 2015 compared with the previous year. While the market environment of the glass business unit is likely to remain challenging as a result of excess capacities for glass furnace bricks, the operating EBIT should improve significantly due to the cost savings initiated. In the environment, energy, chemicals business unit no recovery in the new construction business is to be expected due to the decline in energy prices. Consequently, revenue should remain stable or decline slightly.

RHI imports a large part of the products for the US market from European production sites, thus benefiting from the strengthening of the US dollar against the euro. In addition to the translation effect, the increased competitiveness in the US should subsequently lead to an expansion of business volume. A partially opposing effect results from higher production costs in China as a result of the revaluation of the yuan against the euro.

In summary, RHI expects a year-on-year increase in revenue by roughly 3% and an operating EBIT margin of approximately 9% in the current economic environment due to the positive development of incoming orders in the past months and the measures taken by the management. If the US dollar continues to strengthen against the euro, further positive effects on revenue and EBIT can be expected. The RHI Group intends to invest roughly € 80 million in the year 2015.

Material Events after the Reporting Date

The Management Board of RHI AG is not aware of any events after the reporting date, which may have a material effect on the assets, financial and earnings position of the Group.

Vienna, March 4, 2015

The Management Board

Franz Struzl
CEO
CSO Industrial Division

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO
CTO R&D

Reinhold Steiner
CSO Steel Division

Consolidated financial statements 2014

Consolidated statement of financial position

as of 12/31/2014

in € million	Notes	12/31/2014	12/31/2013
ASSETS			
Non-current assets			
Property, plant and equipment	(11)	544.2	543.7
Goodwill	(13)	36.1	34.5
Other intangible assets	(14)	74.0	79.6
Investments in joint ventures	(15)	18.3	18.2
Other non-current financial assets	(16)	39.6	37.1
Other non-current assets	(17)	19.6	9.1
Deferred tax assets	(18)	130.1	121.4
		861.9	**843.6**
Current assets			
Inventories	(19)	429.0	389.4
Trade and other current receivables	(20)	408.4	368.6
Income tax receivables	(21)	6.9	7.8
Other current financial assets	(22)	3.2	2.2
Cash and cash equivalents	(23)	151.1	112.4
		998.6	**880.4**
		1,860.5	**1,724.0**

EQUITY AND LIABILITIES			
Equity			
Share capital	(24)	289.4	289.4
Group reserves	(25)	192.3	185.9
Equity attributable to shareholders of RHI AG		481.7	475.3
Non-controlling interests	(26)	12.2	10.2
		493.9	**485.5**
Non-current liabilities			
Non-current financial liabilities	(27)	417.0	362.1
Other non-current financial liabilities	(16)	1.3	0.0
Deferred tax liabilities	(18)	16.5	17.4
Personnel provisions	(28)	355.1	312.9
Other non-current provisions	(29)	6.1	4.1
Other non-current liabilities	(30)	8.8	7.9
		804.8	**704.4**
Current liabilities			
Current financial liabilities	(27)	201.0	173.2
Other current financial liabilities	(22)	0.4	0.3
Trade payables and other current liabilities	(31)	296.4	291.8
Income tax liabilities	(32)	24.1	25.7
Current provisions	(33)	39.9	43.1
		561.8	**534.1**
		1,860.5	**1,724.0**

Consolidated statement of profit or loss

from 01/01/2014 to 12/31/2014

in € million	Notes	2014	2013[1)]
Revenue	(34)	1,721.2	1,754.7
Cost of sales	(35)	(1,350.3)	(1,376.4)
Gross profit		**370.9**	**378.3**
Selling and marketing expenses	(36)	(114.7)	(118.2)
General and administrative expenses	(37)	(114.9)	(115.5)
Other income	(38)	50.9	57.3
Other expenses	(39)	(50.3)	(75.1)
Operating EBIT		**141.9**	**126.8**
Impairment losses	(40)	(19.8)	(65.3)
Restructuring costs	(41)	(13.6)	(26.4)
Net income from US Chapter 11 proceedings	(42)	0.8	76.0
EBIT		**109.3**	**111.1**
Interest income	(43)	2.6	2.5
Interest expenses	(44)	(22.2)	(21.2)
Other net financial expenses	(45)	(13.1)	(11.1)
Net finance costs		**(32.7)**	**(29.8)**
Share of profit of joint ventures	(15)	8.2	8.0
Profit before income tax		**84.8**	**89.3**
Income tax	(46)	(32.3)	(26.6)
Profit after income tax from continuing operations		**52.5**	**62.7**
Profit after income tax from discontinued operations	(47)	**0.0**	**0.7**
Profit after income tax		**52.5**	**63.4**
attributable to shareholders of RHI AG		51.0	62.6
attributable to non-controlling interests	(26)	1.5	0.8

in €			
Earnings per share (basic and diluted)	(56)	1.28	1.57
thereof continuing operations		1.28	1.55
thereof discontinued operations		0.00	0.02

All items up to and including the operating EBIT do not include impairment losses for cash-generating units and restructuring effects and no results from the US Chapter 11 proceedings.

1) Explanations regarding changes in presentation are provided under note (3).

Consolidated statement of comprehensive income

from 01/01/2014 to 12/31/2014

in € million	Notes	2014	2013
Profit after income tax		**52.5**	**63.4**
Currency translation differences			
Unrealized results from currency translation	(7)	22.1	(40.9)
Reclassification to the statement of profit or loss due to the disposal of subsidiaries	(5)	0.0	(0.1)
Market valuation of cash flow hedges	(59)		
Unrealized results from fair value change		(1.9)	0.6
Deferred taxes on unrealized results from fair value change		0.5	(0.2)
Reclassification reserves to the statement of profit or loss		(0.1)	0.1
Market valuation of available-for-sale financial instruments			
Unrealized results from fair value change	(58)	3.1	0.5
Deferred taxes on unrealized results from fair value change	(18)	(0.6)	(0.1)
Items that will be reclassified subsequently to profit or loss, if necessary		**23.1**	**(40.1)**
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans	(28)	(49.0)	0.2
Deferred taxes on remeasurement of defined benefit plans	(18)	13.4	(0.8)
Share of other comprehensive income of joint ventures	(15)	(0.2)	0.0
Items that will not be reclassified to profit or loss		**(35.8)**	**(0.6)**
Other comprehensive income after income tax		**(12.7)**	**(40.7)**
Total comprehensive income		**39.8**	**22.7**
attributable to shareholders of RHI AG		37.2	23.8
attributable to non-controlling interests	(26)	2.6	(1.1)

Consolidated statement of cash flows

from 01/01/2014 to 12/31/2014

in € million	Notes	2014	2013
Profit after income tax from continuing operations		52.5	62.7
Adjustments for			
income taxes		32.3	26.6
depreciation and amortization charges		67.8	72.1
impairment losses of property, plant and equipment and intangible assets		23.0	78.4
income from the reversal of investment subsidies		(0.7)	(0.9)
reversal of impairment losses on securities		0.0	(0.4)
losses / (gains) from the disposal of property, plant and equipment		1.5	(2.4)
net income from US Chapter 11 proceedings		(0.8)	(76.0)
interest result		19.6	18.7
share of profit of joint ventures		(8.2)	(8.0)
other non-cash changes		17.5	50.8
Changes in			
inventories		(31.0)	24.6
trade receivables		(39.6)	(24.9)
other receivables and assets		(4.2)	0.1
provisions		(29.7)	(26.9)
trade payables		6.6	(2.5)
other liabilities		(3.2)	0.1
Net cash inflows from US Chapter 11 proceedings		0.0	24.8
Cash flow from operating activities		**103.4**	**216.9**
Income taxes paid less refunds		(31.0)	(45.4)
Net cash flow from operating activities	(50)	**72.4**	**171.5**
Investments in subsidiaries net of cash		0.0	(49.9)
Cash inflows from the sale of subsidiaries net of cash		0.0	(0.1)
Investments in property, plant and equipment and intangible assets		(76.2)	(89.4)
Cash inflows from the sale of property, plant and equipment		2.6	6.9
Cash inflows from / investments in non-current receivables		0.6	0.5
Sale of / investments in securities		0.0	(0.1)
Dividend payments and repayment of capital from joint ventures		7.6	3.7
Investment subsidies received		1.9	0.9
Interest received		2.4	2.4
Net cash flow from investing activities	(51)	**(61.1)**	**(125.1)**
Investments in non-controlling interests		(1.2)	0.0
Dividend payments to shareholders of RHI AG		(29.9)	(29.9)
Dividend payments to non-controlling interests		(0.6)	(0.4)
Proceeds from non-current borrowings and loans		172.2	14.0
Repayments of non-current borrowings and loans		(43.7)	(80.3)
Changes in current borrowings		(52.4)	2.0
Interest payments		(19.8)	(18.2)
Net cash flow from financing activities	(52)	**24.6**	**(112.8)**
Total cash flow		**35.9**	**(66.4)**
Change in cash and cash equivalents		**35.9**	**(66.4)**
Cash and cash equivalents at beginning of year		112.4	185.7
Changes due to currency translation		2.8	(6.9)
Cash and cash equivalents at year-end	(54)	151.1	112.4
Total interest paid	(53)	20.9	22.1
Total interest received	(53)	2.6	2.5

Consolidated statement of changes in equity

from 01/01/2014 to 12/31/2014

in € million	Share capital	Additional paid-in capital	Retained earnings
Notes	(24)	(25)	(25)
12/31/2013	**289.4**	**38.3**	**287.7**
Profit after income tax	**-**	**-**	**51.0**
Currency translation differences	-	-	-
Market valuation of cash flow hedges	-	-	-
Market valuation of available-for-sale financial instruments	-	-	-
Remeasurement of defined benefit plans	-	-	-
Share of other comprehensive income of joint ventures	-	-	-
Other comprehensive income after income tax	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**51.0**
Dividends	-	-	(29.9)
Other changes in equity	-	-	(0.9)
Transactions with shareholders	**-**	**-**	**(30.8)**
12/31/2014	**289.4**	**38.3**	**307.9**

in € million	Share capital	Additional paid-in capital	Retained earnings
12/31/2012 adjusted[1)]	**289.4**	**38.3**	**255.0**
Profit after income tax	**-**	**-**	**62.6**
Currency translation differences	-	-	-
Market valuation of cash flow hedges	-	-	-
Market valuation of available-for-sale financial instruments	-	-	-
Remeasurement of defined benefit plans	-	-	-
Other comprehensive income after income tax	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**62.6**
Dividends	-	-	(29.9)
Change in non-controlling interests due to			
addition to consolidated companies	-	-	-
disposal of consolidated companies	-	-	-
Transactions with shareholders	**-**	**-**	**(29.9)**
12/31/2013	**289.4**	**38.3**	**287.7**

1) Explanations regarding adjustments are provided in the section "Other changes in comparative information" of the notes to the consolidated financial statements 2013.

Group reserves						
Accumulated other comprehensive income						
Cash flow hedges	Available-for-sale financial instruments	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity
(25)	(25)	(25)	(25)		(26)	
0.5	**2.0**	**(70.3)**	**(72.3)**	**475.3**	**10.2**	**485.5**
-	**-**	**-**	**-**	**51.0**	**1.5**	**52.5**
-	-	-	21.0	**21.0**	**1.1**	**22.1**
(1.5)	-	-	-	**(1.5)**	**-**	**(1.5)**
-	2.5	-	-	**2.5**	**-**	**2.5**
-	-	(35.6)	-	**(35.6)**	**-**	**(35.6)**
-	-	(0.2)	-	**(0.2)**	**-**	**(0.2)**
(1.5)	**2.5**	**(35.8)**	**21.0**	**(13.8)**	**1.1**	**(12.7)**
(1.5)	**2.5**	**(35.8)**	**21.0**	**37.2**	**2.6**	**39.8**
-	-	-	-	**(29.9)**	**(0.6)**	**(30.5)**
-	-	-	-	**(0.9)**	**-**	**(0.9)**
-	**-**	**-**	**-**	**(30.8)**	**(0.6)**	**(31.4)**
(1.0)	**4.5**	**(106.1)**	**(51.3)**	**481.7**	**12.2**	**493.9**

Group reserves						
Accumulated other comprehensive income						
Cash flow hedges	Available-for-sale financial instruments	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI AG	Non-controlling interests	Total equity
-	**1.6**	**(69.7)**	**(33.2)**	**481.4**	**0.7**	**482.1**
-	**-**	**-**	**-**	**62.6**	**0.8**	**63.4**
-	-	-	(39.1)	**(39.1)**	**(1.9)**	**(41.0)**
0.5	-	-	-	**0.5**	**-**	**0.5**
-	0.4	-	-	**0.4**	**-**	**0.4**
-	-	(0.6)	-	**(0.6)**	**-**	**(0.6)**
0.5	**0.4**	**(0.6)**	**(39.1)**	**(38.8)**	**(1.9)**	**(40.7)**
0.5	**0.4**	**(0.6)**	**(39.1)**	**23.8**	**(1.1)**	**22.7**
-	-	-	-	**(29.9)**	**(0.4)**	**(30.3)**
-	-	-	-	**-**	**11.8**	**11.8**
-	-	-	-	**-**	**(0.8)**	**(0.8)**
-	**-**	**-**	**-**	**(29.9)**	**10.6**	**(19.3)**
0.5	**2.0**	**(70.3)**	**(72.3)**	**475.3**	**10.2**	**485.5**

Notes

to the consolidated financial statements 2014

PRINCIPLES AND METHODS

(1) General

RHI 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. RHI 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 consolidated financial statements are prepared as of the reporting date of the annual financial statements of RHI AG. The financial year of RHI AG corresponds to the calendar year. Insofar as financial years of companies included in the consolidated financial statements do not end on the reporting date of RHI AG on December 31 due to local legal requirements, interim financial statements are prepared for the purpose of consolidation. The reporting date of the Indian subsidiaries Orient Refractories Ltd., RHI Clasil Limited and RHI India Private Limited is March 31.

The consolidated financial statements for the period from January 1 to December 31, 2014 were drawn up pursuant to § 245a of the Austrian Commercial Code (UGB) in accordance with all International Financial Reporting Standards (IFRSs) mandatory at the time of preparation as adopted by the European Union (EU). The additional requirements of § 245a para. 1 UGB were taken into account.

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.

The 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 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 consolidated financial statements.

With the exception of specific items such as available-for-sale financial assets, derivative financial instruments and defined benefit obligations, the 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 consolidated financial statements in agreement with generally accepted accounting and valuation methods under IFRS, as adopted by the EU, requires the use of estimates and assumptions that influence the amount and presentation of assets and liabilities recognized as well as the disclosure of contingent assets and liabilities as of the 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 consolidated financial statements on March 4, 2015 and released them for distribution to the Supervisory Board. The Supervisory Board is responsible for reviewing the consolidated financial statements and for stating whether it approves the consolidated financial statements.

(2) Initial application of new financial reporting standards

In the financial year 2014, the following new or revised financial reporting standards including the resulting changes in other standards, which are also adopted by the EU, were applied for the first time:

Standard	Title	Publication (EU endorsement)	Mandatory application for RHI	Effects on RHI consolidated financial statements
New standards				
IFRS 10	Consolidated Financial Statements	05/12/2011 (12/11/2012)	01/01/2014	No effect
IFRS 11	Joint Arrangements	05/12/2011 (12/11/2012)	01/01/2014	Classification of a company previously recognized as associated company as joint venture. Equity-method accounting is continued.
IFRS 12	Disclosure of Interests in Other Entities	05/12/2011 (12/11/2012)	01/01/2014	Additional notes disclosures, see (5), (15), (26)
Amendments of standards				
IAS 19	Defined Benefit Plans: Employee Contributions	11/21/2013 (12/17/2014)	01/01/2016	No effect
IAS 27	Separate Financial Statements	05/12/2011 (12/11/2012)	01/01/2014	Not relevant
IAS 28	Investments in Associates and Joint Ventures	05/12/2011 (12/11/2012)	01/01/2014	No effect
IAS 32	Offsetting Financial Assets and Financial Liabilities	12/16/2011 (12/13/2012)	01/01/2014	No effect
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	05/29/2013 (12/19/2013)	01/01/2014	Disclosure of the recoverable amount only if an impairment was recognized or reversed. See notes (8), (39), (41)
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	06/27/2013 (12/19/2013)	01/01/2014	No effect
IFRS 10-12	Transition Guidance	06/28/2012 (04/04/2013)	01/01/2014	No effect
IFRS 10, IFRS 12, IAS 27	Investment Entities	10/31/2012 (11/20/2013)	01/01/2014	Not relevant

The amendments of accounting standards that influenced the asset, financial and earnings position and the notes of the RHI Group in the financial year 2014 are explained in detail in the following:

IFRS 10 "Consolidated Financial Statements" supersedes the provisions on consolidation previously defined in IAS 27 "Consolidated and Separate Financial Statements" and explains a uniform control concept for all entities including special purpose entities.

Control exists when an investor is exposed to the risks of variable returns from the company in which it holds a share or has a right to variable returns and has the ability to affect those returns through its power over the investee. If one of those elements changes, it must be reassessed whether control exists.

IAS 27 "Separate Financial Statements" now only includes provisions regarding the accounting of investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent company provided they are prepared in accordance with IFRS.

IFRS 11 "Joint Arrangements" supersedes IAS 31 "Interests in Joint Ventures". It governs the accounting of joint operations and joint ventures.

The classification of a joint arrangement as a joint operation or a joint venture depends on the rights and obligations of the parties to the arrangement. The structure, the legal form of the arrangement as well as all contractual conditions and other relevant facts and circumstances must be taken into account. A joint operation is a joint arrangement by two or more entities whereby they have direct rights to the assets and obligations for the liabilities. A joint venture is defined as a joint arrangement whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangement in which they are involved. Joint ventures have to be included in the consolidated financial statements using the equity method in accordance with IAS 28. In contrast, assets and liabilities as well as income and expenses of a joint operation have to be recognized proportionately in the consolidated statement of financial position and the consolidated statement of profit or loss.

The initial application of IFRS 10 and IFRS 11 as of January 1, 2014 does not result in a change of the type of consolidation for the Group companies of the RHI Group or in a change of the previous accounting of these group companies. However, as a result of the reassessment of the involvement in MAGNIFIN Magnesiaprodukte GmbH & Co KG, which had previously been classified as an associated company, this company was reclassified as a joint venture. As the equity method still has to be applied in the accounting of this company according to IFRS, there is no impact on the recognized assets, liabilities and comprehensive income of the RHI Group.

IFRS 12 "Disclosure of Interests in Other Entities" provides disclosure standards for consolidated financial statements and pools the disclosures for interests in other entities. As a result of the application of IFRS 12, taking into account the change in classification of the aforementioned entity, all disclosures required regarding interests in other entities at December 31, 2014 are more comprehensive than in the past. They can be found under notes (5), (15) and (26).

The amendments to IAS 36 "Impairment of Assets" clarify that the recoverable amount of the assets or cash-generating units only have to be indicated if impairments have been recognized or reversed during the reporting year. The related information is provided under notes (8), (39) and (41).

In the preparation of the notes required in accordance with IFRS 12 and IAS 36, transitional provisions were applied and the comparative figures of the previous years were adjusted.

(3) Other changes in comparative information

In order to improve the informative value of the consolidated financial statements as of December 31, 2014, the following changes in presentation were made for the previous year:

Amortization charges on development costs, which were previously included in general and administrative expenses, were reclassified to cost of sales with retroactive effect as this presentation is more appropriate (Adjustment 1).

Foreign exchange results were previously shown as the net amount of foreign exchange gains and losses, either under other income or under other expenses. The net results from foreign exchange contracts were shown as a correcting item to the foreign exchange result. Due to the materiality of the effects, they are no longer offset now based on the no-netting principle (Adjustment 2).

The changes in presentation had the following effects on the consolidated statement of profit or loss:

	2013	Effect 2013		2013	Effect
in € million	as published	Adjustment 1	Adjustment 2	adjusted	2014
Cost of sales	(1.374.2)	(2.2)	-	(1.376.4)	(2.0)
Gross profit	380.5	(2.2)	-	378.3	(2.0)
General and administrative expenses	(117.7)	2.2	-	(115.5)	2.0
Other income	7.9	-	49.4	57.3	46.1
Other expenses	(25.7)	-	(49.4)	(75.1)	(46.1)

The information for the previous year was adjusted accordingly for all of the above-mentioned changes in presentation.

(4) New financial reporting standards not yet adopted

The IASB issued further standards, amendments to standards and interpretations, whose application was, however, not yet mandatory for the year 2014. They were not applied prematurely on a voluntary basis.

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

Standard	Title	Publication (EU endorsement)[1]	Mandatory application for RHI	Expected effects on RHI consolidated financial statements
New interpretation				
IFRIC 21	Levies	05/20/2013 (06/13/2014)	01/01/2015	No effect
Amendments of standards				
Various	Annual improvements to IFRSs 2010-2012 Cycle	12/12/2013 (12/17/2014)	01/01/2016	Additional notes disclosures
Various	Annual improvements to IFRSs 2011-2013 Cycle	12/12/2013 (12/18/2014)	01/01/2015	No effect

1) according to EU Endorsement Status Report of 03/04/2015

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 consolidated financial statements:

Standard	Title	Publication[1)]	Mandatory application for RHI	Expected effects on RHI consolidated financial statements
New standards				
IFRS 9	Financial Instruments	07/24/2014	01/01/2018	A reliable assessment of the effects is not possible at the moment.
IFRS 14	Regulatory Deferral Accounts	01/30/2014	01/01/2016	Not relevant
IFRS 15	Revenue from Contracts with Customers	05/28/2014	01/01/2017	A reliable assessment of the effects is not possible at the moment.
Amendments of standards				
IAS 1	Disclosure Initiative	12/18/2014	01/01/2016	No effect
IAS 16, IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	05/12/2014	01/01/2016	No effect
IAS 16, IAS 41	Bearer Plants	06/30/2014	01/01/2016	Not relevant
IAS 27	Equity Method in Separate Financial Statements	08/12/2014	01/01/2016	Not relevant
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	09/11/2014 (endorsement postponed by EU)	01/01/2016 or later	No effect
IFRS 10, IFRS 12, IAS 28	Investment Entities: Applying the Consolidation Exception	12/18/2014	01/01/2016	Not relevant
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	05/06/2014	01/01/2016	No effect
Various	Annual Improvements to IFRSs 2012-2014 Cycle	09/25/2014	01/01/2016	No effect

1) according to EU Endorsement Status Report of 03/04/2015

The new IFRS 9 "Financial Instruments" supersedes the current provisions of IAS 39 "Financial Instruments: Recognition and Measurement" for the accounting of financial instruments.

The measurement categories loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial assets at fair value through profit or loss are replaced by the categories amortized cost and fair value. Whether an instrument can be allocated to the category amortized cost depends on the business model of the company, i.e. how the company controls its financial instruments, and on the contractual cash flows of the individual instrument. IFRS 9 introduces additional changes with respect to financial liabilities.

IFRS 9 requires not only the recognition of losses incurred, but also of expected losses, with the extent of the recognition depending on the change in the default risk of the financial assets since their addition. Exceptions are made for trade receivables, for example.

For the accounting of hedging relationships, the risk management target will be decisive in the future. In addition, the requirements to demonstrate hedge effectiveness will change.

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

IFRS 15 introduces a five-step model to determine revenue realization. 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 realized 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.

A reliable estimate of the effects of the application of IFRS 9 and IFRS 15 on the RHI consolidated financial statements can only be made when a detailed analysis has been conducted. Currently, no premature application of the new or changed standards and interpretations is planned.

(5) Group of consolidated companies

In addition to RHI AG as the parent company, the RHI consolidated financial statements include the financial statements of 79 subsidiaries. One joint venture is consolidated using the equity method.

Four (12/31/2013: four) subsidiaries and four (12/31/2013: three) other investments, which are considered to be immaterial for the assets, financial and earnings position of the RHI Group due to their suspended or minimal business activities, were not included in the consolidated financial statements.

The group of consolidated companies developed as follows:

	2014		2013	
Number of consolidated companies	Full consolidation	Equity method	Full consolidation	Equity method
Balance at beginning of year	**80**	**2**	**79**	**2**
Additions	1	0	2	0
Disposals	(1)	(1)	(1)	0
Balance at year-end	**80**	**1**	**80**	**2**

Changes in the group of consolidated companies in the reporting year 2014
The newly established subsidiary RHI ITALIA S.R.L. (100%), Brescia, was included in the group of consolidated companies with effect from December 15, 2014. The purpose of the company is the sale of refractory products and customer service in Italy.

With effect from January 1, 2014, the US subsidiary INTERSTOP Corporation, Cincinnati, was merged with RHI US Ltd., Wilmington, and is no longer part of the group of consolidated companies.

With effect from December 31, 2014, Società Dolomite Italiana SDI S.R.L., a company based in Brescia and previously consolidated using the equity method, has been carried at cost as its liquidation is largely completed in economic terms. In the reporting year a cash inflow from a capital decrease of € 0.1 million was recorded. The change in accounting method had no material effect on the asset, financial and earnings position of the RHI Group.

Changes in the group of consolidated companies in the previous year
On January 15 of the previous year, the RHI subsidiary Dutch US Holding B.V., Arnhem, Netherlands, signed an agreement for the acquisition of 43.6% of the share capital of Orient Refractories Ltd. (in the following "ORL"). ORL is a listed company based in India and produces special refractory products and refractory mixes for the iron and steel industry. The company's head office is based in New Delhi; the production and R&D site is located in Bhiwadi in the state of Rajasthan. Moreover, ORL operates eight sales offices in India. The closing of the acquisition of this block of shares through Dutch US Holding B.V. took place on March 4, 2013. The purchase price amounted to € 31.8 million and was paid in cash.

The mandatory public offer to the shareholders of ORL related to the acquisition of the block of shares for up to another 26% of the shares commenced on March 25, 2013 and was closed on April 29, 2013. The public offer was accepted in full. The purchase price amounted to € 19.0 million and was also paid in cash. After the execution of the mandatory offer, Dutch US Holding B.V. now holds 69.6% of the shares and voting rights in ORL. This acquisition is another important element in the implementation of its growth strategy, which focuses on emerging markets, and is aimed at strengthening the market position in the flow control business.

The acquisition is treated as a single transaction. The initial consolidation was carried out with the execution of the mandatory public offer on April 29, 2013 on the basis of 69.6% of the voting rights in ORL. Non-controlling interests were measured on the basis of the proportional share of net assets.

The IFRS measurement of the net assets acquired at the acquisition date, which were determined on a preliminary basis in the previous year, were not adjusted in the financial year 2014. The components of the purchase price at the time of initial consolidation are shown in the following table:

in € million	04/29/2013
Property, plant and equipment	6.6
Intangible assets	29.5
thereof land use rights	12.8
thereof customer relations	12.1
Other non-current assets	0.5
Inventories	9.4
Trade and other current receivables	10.4
Cash and cash equivalents	2.1
Deferred tax liabilities	(11.6)
Current financial liabilities	(0.8)
Trade payables and other current liabilities	(7.0)
Income tax liabilities	(0.2)
Net assets	**38.9**
Non-controlling interest	(11.8)
Proportional share of net assets acquired	**27.1**
Goodwill	23.7
Purchase price	**50.8**

In the measurement of the fair values of property, plant and equipment, the historical acquisition costs were adjusted for current price changes in order to obtain the replacement cost of the used assets (Level 2 in accordance with IFRS 13).

The fair value measurement of the contractual land use rights of ORL was performed by an external expert applying the comparative value method (Level 3). The intangible asset is amortized over 65 years according to the remaining term of the contracts using the straight-line method.

In the valuation of customer contracts and the related customer base of ORL, it was distinguished between Indian and non-Indian customer relationships and the multi-period-excess earnings method was applied (Level 3). The customer relationships are amortized as scheduled over a period of six and four years respectively.

The gross value of the receivables acquired amounted to € 10.6 million at the date of acquisition, of which € 0.2 million are expected to be irrecoverable.

The deferred tax liabilities recognized at a tax rate of 33.99% are related especially to the fair value measurement of the intangible assets identified.

The goodwill created in the course of the acquisition reflects the expected strategic advantage for the Group resulting from a stronger market position in the flow control business in the growing Indian and Asian steel industry. Goodwill cannot be used for tax purposes.

In the period from May to December 2013, ORL contributed € 32.2 million to revenue and € 2.4 million to profit after income tax. If the business combination had been carried out at January 1, 2013, consolidated revenue would have amounted to € 1,772.4 million (versus the revenue of € 1,754.7 million as reported) and profit after income tax to € 64.5 million (versus profit after income tax of € 63.4 million as reported). When the pro-forma items were determined it was assumed that the adjustments of fair value, which were made at the date of acquisition, would have also been applicable in the case of an acquisition as of January 1, 2013.

The external acquisition-related costs for the acquisition of ORL amounted to roughly € 0.7 million and were recognized in general and administrative expenses in the years 2012 and 2013.

With effect from November 1, 2013, the newly established subsidiary RHI Refractories Egypt LLC. (100%), based in Cairo, Egypt was included in the group of consolidated companies.

As of March 21, 2013, all shares (51%) in FC Technik AG, Winterthur, Switzerland, were sold. The proportional share of net assets disposed at the date of deconsolidation is shown below:

in € million	03/21/2013
Property, plant and equipment	0.1
Inventories	0.1
Trade and other current receivables	1.1
Cash and cash equivalents	0.7
Trade payables and other current liabilities	(0.3)
Income tax liabilities	(0.1)
Net assets disposed	**1.6**
Non-controlling interest	(0.8)
Proportional share of net assets acquired	**0.8**

The result from deconsolidation is calculated as follows:

in € million	03/21/2013
Proceeds on the sale	0.7
Proportional share of net assets disposed	(0.8)
Reclassification proportional currency translation differences	0.1
Result from deconsolidation	**0.0**

Of the selling price of € 0.7 million the amount of € 0.6 million was paid in cash in the year 2013. The remaining amount was deferred.

Acquisition of additional shares where control already exists

The RHI subsidiary Dutch Brasil Holding B.V., Arnhem, Netherlands exercised the option to acquire 40% of the shares in RHI India Private Limited, Navi Mumbai by purchase contract of November 24, 2014. For the 40% share held by the non-controlling interest, a call option existed for RHI and a put option for the non-controlling shareholder. The purchase price for this transaction amounted to € 1.2 million and was paid in cash in December 2014. The cash outflow is recognized in cash flow from financing activities. Due to the put option granted, a financial liability of the same amount was shown in the consolidated statement of financial position, which was derecognized. Hence, RHI holds 100% of the shares and voting rights in this Indian company.

Companies of the RHI Group
The ten most important 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 AG, Germany	Germany	Production
Magnesit Anonim Sirketi, Turkey	Turkey	Mining, production, sales
Orient Refractories Ltd., India	India	Production, sales
RHI Canada Inc., Canada	Canada	Production, sales, provision of services
RHI Refractories (Dalian) Co., Ltd., PR China	PR China	Production
RHI US Ltd., USA	USA	Production, sales
RHI-Refmex, S.A. de C.V., Mexico	Latin America	Sales
Veitsch-Radex America Inc., Canada	USA	Sales, provision of services
Veitsch-Radex GmbH & Co OG, Austria	Austria	Mining, production

The following list, which was drawn up in accordance with § 245a para. 1 UGB in conjunction with § 265 para 2 UGB, shows all companies in which RHI holds a share of at least 20%:

		12/31/2014		12/31/2013	
Ser. no.	Name and registered office of the company	Share-holder	Share in %	Share-holder	Share in %
1.	RHI AG, Vienna, Austria				
	Fully consolidated subsidiaries				
2.	Betriebs- und Baugesellschaft mbH, Wiesbaden, Germany	6.	100.0	6.	100.0
3.	CJSC "RHI Podolsk Refractories", Moscow, Russia	28.,73.	100.0	28.,73.	100.0
4.	Didier Belgium N.V., Evergem, Belgium	38.,69.	100.0	38.,69.	100.0
5.	Didier Vertriebsgesellschaft mbH, Wiesbaden, Germany	6.	100.0	6.	100.0
6.	Didier-Werke AG, Wiesbaden, Germany	1.,28.	100.0	1.,28.	100.0
7.	Dolomite Franchi S.p.A., Brescia, Italy	28.	100.0	28.	100.0
8.	D.S.I.P.C.-Didier Société Industrielle de Production et de Constructions, Breuillet, France	6.	100.0	6.	100.0
9.	Dutch Brasil Holding B.V., Arnhem, Netherlands	73.	100.0	73.	100.0
10.	Dutch MAS B.V., Arnhem, Netherlands	6.	100.0	6.	100.0
11.	Dutch US Holding B.V., Arnhem, Netherlands	73.	100.0	73.	100.0
12.	Full Line Supply Africa (Pty) Limited, Sandton, South Africa	28.	100.0	28.	100.0
13.	GIX International Limited, Wakefield, Great Britain	80.	100.0	80.	100.0
14.	INDRESCO U.K. Ltd., Wakefield, Great Britain	13.	100.0	13.	100.0
15.	INTERSTOP Corporation, Cincinnati, USA	-	-	70.	100.0
16.	INTERSTOP (Shanghai) Co., Ltd., Shanghai, PR China	72.	100.0	72.	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)]	28.	83.3	28.	83.3
19.	LLC "RHI Wostok", Moscow, Russia	1.,28.	100.0	1.,28.	100.0
20.	LLC "RHI Wostok Service", Moscow, Russia	1.,28.	100.0	1.,28.	100.0
21.	Lokalbahn Mixnitz-St. Erhard AG, Vienna, Austria	61.	100.0	61.	100.0
22.	Magnesit Anonim Sirketi, Eskisehir, Turkey[2)]	28.	100.0	28.	100.0
23.	Magnesitwerk Aken Vertriebsgesellschaft mbH i.L., Aken, Germany	6.	100.0	6.	100.0
24.	Mezubag AG, Pfäffikon, Switzerland	72.	100.0	72.	100.0
25.	Orient Refractories Ltd., New Delhi, India	11.	69.6	11.	69.6
26.	Premier Periclase Ltd., Drogheda, Ireland	11.	100.0	11.	100.0
27.	Producción RHI México, S. de R.L. de C.V., Ramos Arizpe, Mexico	53.,80.	100.0	53.,80.	100.0
28.	Radex Vertriebsgesellschaft mbH, Leoben, Austria	77.	100.0	77.	100.0
29.	REFEL S.p.A., San Vito al Tagliamento, Italy	6.	100.0	6.	100.0

Ser. no.	Name and registered office of the company	12/31/2014 Share-holder	Share in %	12/31/2013 Share-holder	Share in %
30.	Refractory Intellectual Property GmbH, Vienna, Austria	1.	100.0	1.	100.0
31.	Refractory Intellectual Property GmbH & Co KG, Vienna, Austria	1.,30.	100.0	1.,30.	100.0
32.	RHI Argentina S.R.L., San Nicolás, Argentina	17.,80.	100.0	17.,80.	100.0
33.	RHI Canada Inc., Burlington, Canada	80.	100.0	80.	100.0
34.	RHI Chile S.A., Santiago, Chile	13.,80.	100.0	13.,80.	100.0
35.	RHI Clasil Limited, Hyderabad, India[1)]	80.	53.7	80.	53.7
36.	RHI Dinaris GmbH, Wiesbaden, Germany	69.	100.0	69.	100.0
37.	RHI Finance A/S, Hellerup, Denmark	1.	100.0	1.	100.0
38.	RHI GLAS GmbH, Wiesbaden, Germany	69.	100.0	69.	100.0
39.	RHI India Private Limited, Navi Mumbai, India[1)]	9.,80.	100.0	80.	60.0
40.	RHI ITALIA S.R.L., Brescia, Italy	1.	100.0	-	-
41.	RHI Marvo Feuerungs- und Industriebau GmbH, Gerbstedt, Germany[3)]	42.	100.0	42.	100.0
42.	RHI MARVO Feuerungs- und Industriebau GmbH, Kerpen, Germany[4)]	6.	100.0	6.	100.0
43.	RHI MARVO SRL, Ploiesti, Romania	28.,73.	100.0	28.,73.	100.0
44.	RHI Monofrax, LLC, Wilmington, USA	70.	100.0	70.	100.0
45.	RHI Normag AS, Porsgrunn, Norway	28.	100.0	28.	100.0
46.	RHI-Refmex, S.A. de C.V., Ramos Arizpe, Mexico	53.,80.	100.0	53.,80.	100.0
47.	RHI Refractories Africa (Pty) Ltd., Sandton, South Africa	6.	100.0	6.	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	71.	100.0	71.	100.0
50.	RHI Refractories Asia Pacific Pte. Ltd., Singapore	1.	100.0	1.	100.0
51.	RHI Refractories (Dalian) Co., Ltd., Dalian, PR China	28.	100.0	28.	100.0
52.	RHI Refractories Egypt LLC., Cairo, Egypt	28.,73.	100.0	28.,73.	100.0
53.	RHI Refractories España, S.L., Lugones, Spain	6.,10.	100.0	6.,10.	100.0
54.	RHI Refractories France S.A., Breuillet, France	71.	100.0	71.	100.0
55.	RHI Refractories Holding Company, Wilmington, USA	80.	100.0	80.	100.0
56.	RHI Refractories Ibérica, S.L., Lugones, Spain	71.	100.0	71.	100.0
57.	RHI Refractories Italiana s.r.l., Brescia, Italy	71.	100.0	71.	100.0
58.	RHI Refractories Liaoning Co., Ltd., Bayuquan, PR China[1)]	28.	66.0	28.	66.0
59.	RHI Refractories Mercosul Ltda, Sao Paulo, Brazil	73.,80.	100.0	73.,80.	100.0
60.	RHI Refractories Nord AB, Stockholm, Sweden	71.	100.0	71.	100.0
61.	RHI Refractories Raw Material GmbH, Vienna, Austria	1.,28.	100.0	1.,28.	100.0
62.	RHI Refractories Site Services GmbH, Wiesbaden, Germany	6.	100.0	6.	100.0
63.	RHI Refractories (Site Services) Ltd., Newark, Great Britain	14.	100.0	67.	100.0
64.	RHI Refractories UK Limited, Clydebank, Great Britain	6.	100.0	6.	100.0
65.	RHI Refratários Brasil Ltda, Belo Horizonte, Brazil	9.,80.	100.0	9.,80.	100.0
66.	RHI Rückversicherungs AG, Vaduz, Liechtenstein	28.	100.0	28.	100.0
67.	RHI Sales Europe West GmbH, Mülheim-Kärlich, Germany	6.,71.	100.0	6.,71.	100.0
68.	RHI Trading (Dalian) Co., Ltd., Dalian, PR China	28.	100.0	28.	100.0
69.	RHI Urmitz AG & Co KG, Mülheim-Kärlich, Germany	5.,6.	100.0	5.,6.	100.0
70.	RHI US Ltd., Wilmington, USA	11.	100.0	11.	100.0
71.	SAPREF AG für feuerfestes Material, Basel, Switzerland	80.	100.0	80.	100.0
72.	Stopinc AG, Hünenberg, Switzerland	6.,28.	100.0	6.,28.	100.0
73.	Veitscher Vertriebsgesellschaft mbH, Vienna, Austria	1.	100.0	1.	100.0
74.	Veitsch-Radex America Inc., Burlington, Canada	33.	100.0	33.	100.0
75.	Veitsch-Radex America LLC., Wilmington, USA	70.	100.0	70.	100.0
76.	Veitsch-Radex GmbH, Vienna, Austria	1.	100.0	1.	100.0
77.	Veitsch-Radex GmbH & Co OG, Vienna, Austria	1.,76.	100.0	1.,76.	100.0
78.	Veitsch-Radex Vertriebsgesellschaft mbH, Vienna, Austria	1.	100.0	1.	100.0
79.	VERA FE, Dnepropetrovsk, Ukraine	28.	100.0	28.	100.0

Ser. no.	Name and registered office of the company	12/31/2014 Share-holder	12/31/2014 Share in %	12/31/2013 Share-holder	12/31/2013 Share in %
80.	VRD Americas B.V., Arnhem, Netherlands	1.,28.	100.0	1.,28.	100.0
81.	Zimmermann & Jansen GmbH, Düren, Germany	6.	100.0	6.	100.0
	Subsidiaries not consolidated due to minor significance				
82.	Dr.-Ing. Petri & Co. Unterstützungs-Gesellschaft mbH, Duisburg, Germany	6.	100.0	6.	100.0
83.	INTERSTOP do Brasil i.L., Barueri, Brazil	72.	100.0	72.	100.0
84.	INTERSTOP Licensing LLC, Dover, USA	72.	100.0	72.	100.0
85.	RHI Réfractaires Algérie E.U.R.L., Sidi Amar, Algeria	54.	100.0	54.	100.0
	Joint ventures consolidated using the equity method				
86.	MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria	73.,90.	50.0	73.,90.	50.0
87.	Società Dolomite Italiana SDI S.R.L. i.L., Brescia, Italy[5)]	-	-	7.	50.0
	Other immaterial investments, measured at cost				
88.	LLC "NSK Refractory Holding", Moscow, Russia	28.	49.0	28.	49.0
89.	LLC "NSK Refractory", Novokuznetsk, Russia	28.	49.0	28.	49.0
90.	MAGNIFIN Magnesiaprodukte GmbH, St. Jakob, Austria	73.	50.0	73.	50.0
91.	Società Dolomite Italiana SDI S.R.L. i.L., Brescia, Italy[5)]	7.	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 AG and Veitscher Vertriebsgesellschaft mbH.
3) Formerly: MARVO Feuerungs- und Industriebau GmbH
4) Formerly: MARVO Feuerungs- und Industriebau GmbH
5) Formerly: Società Dolomite Italiana SDI S.p.A., Gardone Val Trompia
i.L. In liquidation

(6) Methods of consolidation

Subsidiaries
Subsidiaries are companies over which RHI AG exercises control. Control exists when the company has the power do 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 the conditions for the capitalization of an intangible asset in accordance with IAS 38 are met.

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 recognized immediately 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 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 possible controlling interest, the difference between the carrying amount 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

Investments in joint ventures are consolidated 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 identifiable assets and liabilities of the joint venture is determined and recognized as goodwill. Goodwill is shown under the item investments in joint ventures in the statement of financial position.

The acquisition cost of investments consolidated 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 within the framework of consolidation, if they are material.

RHI examines at every 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.

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

(7) Foreign currency translation

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

The items included in the financial statements of each Group company are valued based on the currency of the primary economic environment in which the company operates (functional currency). This is the local currency for all Group companies, with the exception of Magnesit Anonim Sirketi, Eskisehir, Turkey. The annual financial statements of Magnesit Anonim Sirketi are prepared in euro.

Foreign currency transactions and balances
Foreign currency transactions in the individual financial statements of Group companies are translated into the functional currency based on the exchange rate in effect on the date of the transaction. Gains and losses arising from the settlement of such transactions and the measurement of monetary assets and liabilities in foreign currencies at the exchange rate in effect on the reporting date are recognized in profit or loss under other income or expenses. Contrary to this, unrealized currency translation differences from monetary differences 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 annual 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 exchange rate on the reporting date, while the statements of profit or loss are translated at the average monthly exchange rate. Any differences resulting from this translation process as well as differences resulting from the translation of amounts carried forward from the prior year are recorded in other comprehensive income without recognition to profit or loss. Cash flows are translated at average monthly exchange rates.

Goodwill and adjustments to the fair value of assets and liabilities related to the purchase price allocation of a foreign subsidiary are recognized as assets and liabilities of the respective foreign subsidiary and translated at the exchange rate at the reporting date.

The RHI sales company in Venezuela does not apply the provisions of IAS 29 for Financial Reporting in Hyperinflationary Economies as it is immaterial for the presentation of the asset, financial and earnings position of the Group.

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

		Closing rate		Average monthly rate	
Currencies	1 € =	12/31/2014	12/31/2013	2014	2013
Brazilian real	BRL	3.23	3.25	3.10	2.86
Pound sterling	GBP	0.78	0.83	0.81	0.85
Chilean peso	CLP	738.25	723.59	754.40	653.11
Chinese renminbi yuan	CNY	7.53	8.33	8.22	8.13
Indian rupee	INR	76.87	85.08	81.30	77.62
Canadian dollar	CAD	1.41	1.46	1.47	1.36
Mexican peso	MXN	17.91	18.03	17.63	16.97
Norwegian krone	NOK	9.03	8.37	8.33	7.76
Swiss franc	CHF	1.20	1.23	1.22	1.22
South African rand	ZAR	14.07	14.49	14.33	12.66
US dollar	USD	1.22	1.38	1.33	1.33

(8) 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, the property, plant and equipment leased through finance leasing 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 in the RHI Group:

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.

Investment property

In accordance with IAS 40, investment property refers to land or buildings held to earn rental or for capital appreciation. Investment property is measured at cost less accumulated depreciation and less accumulated impairment losses (cost model). Buildings are depreciated on a straight-line basis over a useful life that corresponds to that of owner-occupied properties. Investment properties are included in the item property, plant and equipment of the statement of financial position.

Goodwill

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

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

Other intangible assets

Research costs are expensed in the year incurred and included under general and administrative expenses.

Development costs also represent expenses in the period. They are recognized under general and administrative expenses. They are only capitalized if they are expected to generate future cash flows that not only cover normal costs, but also the related development costs. In addition, the recognition criteria defined in IAS 38 must be met. Capitalized development costs are amortized on a straight-line basis over the expected useful life, 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 amortization, less accumulated amortization and impairments. Intangible assets with a specific 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:

Patents	7 to 18 years
Brand rights	20 years
Land use rights	50 or 65 years
Customer relations	4 to 7 years

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.

If there is an indication for an impairment of a specific asset, only this specific asset will be tested for impairment. The recoverable amount is determined through fair value. If the fair value is lower than the carrying amount, an impairment loss is recorded in the operating EBIT or, in the case of restructuring, in the restructuring costs.

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 correspond to the 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. The 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 RHI.

In the Steel Division two units, Linings and Flow Control, are defined as CGUs and strategic business units. These two units are determined according to the production stages in the process of steel production. In the Industrial Division, each of the four industries (glass, cement/lime, nonferrous metals and environment, energy, chemicals) represents one CGU. 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. Moreover, the Porsgrunn plant produces fused magnesia, which is intended exclusively for the use in the CGU Steel/Linings. This results in an isolated relationship with the CGU Steel/Linings.

The CGUs of the RHI Group are shown in the table below:

		RHI Group	
	Steel Division	Industrial Division	Raw Materials Division
CGU	Linings	Glass	Raw Materials Production
	Flow Control	Cement/Lime	Norway
		Nonferrous Metals	
		Environment, Energy, Chemie	

As in the previous year, the impairment test is based on the value in use. The recoverable amount of the CGU is determined using the discounted cash flow method and incorporates the terminal value. The detailed planning of the first five years is congruent with the strategic business and financial planning of the CGU. Based on the detailed planning period, it is 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 2014, the terminal value is 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 are discounted using the weighted average cost of capital (WACC). The weighted average cost of capital is calculated taking into account comparable companies (peer group); the corresponding parameters are derived from capital market information. In addition, country-specific risk premiums of the respective CGU are considered in the weighted average cost of capital.

The weighted average cost of capital before tax is determined per legal unit and weighted according to the share of revenue of the legal units in each CGU. The weighted interest rates of the CGUs range between 5.4% and 9.2% in 2014. In the previous year, the interest rates determined on the same basis ranged between 4.5% and 8.4%.

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

A simplified statement of cash flows serves to determine the cash flows on the basis of strategic business and financial planning of the CGUs. The forecasts include cash flows from future maintenance investments. Expansion investments are only taken into account in the future cash flows when there has been a significant cash outflow or significant payment obligations have been entered into due to services received and it is sufficiently certain that the investment measure will be completed. All other expansion investments are 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 are generally not included. For reasons of practicability, the expected cash flows also include tax payments, therefore the values in use of the CGUs are determined using an after-tax weighted average cost of capital. The after-tax weighted average cost of capital is iteratively reconciled to an implicit pre-tax weighted average cost of capital, which is indicated in the notes.

If the result before tax is negative in the detailed planning period, tax inflows (tax refunds) are considered regardless of whether tax loss carryforwards exist.

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

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

Basis for planning

CGU Steel/Linings

The basis for strategic market planning in this CGU is the forecast for world steel production, which is prepared by an independent institution (CRU, London, United Kingdom). This forecast is analyzed by experts in the RHI Group and, if necessary, revised and adjusted for internal analyses and evaluations. In the year 2014, RHI corrected this forecast for world steel production downwards based on an internal estimate, and assumed a more conservative development of the world steel market for strategic business planning. This results in a moderate average annual volume growth of 1.1% in the detailed planning period, with the price level remaining stable at the same time. The cost items are 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 leads to a gross operating margin between 19.9% and 20.2% in the planning period. As in 2013, the planning does not take into account expansion investments in 2014. As in the previous year, goodwill of € 9.4 million is allocated to the CGU Steel/Linings as of December 31, 2014. The relevant capital costs before tax amount to 8.9% (12/31/2013: 8.4%) and the assumed growth for the terminal value is 0.3% (12/31/2013: 1.5%). According to current judgment, no combination of changes in the key parameters which would lead to an impairment appears to be realistic.

CGU Steel/Flow Control

The strategic market planning of the CGU Steel/Flow Control is also based on the forecast of world steel production. In this unit, RHI also assumes low volume growth with an annual growth rate of 2.0% in the detailed planning period and moderate price increases (annual growth rate of 0.5% in the detailed planning period). Cost planning is the same as in the CGU Steel/Linings. The gross operating margin resulting from revenue and cost planning ranges between 22.5% and 22.7% in the detailed planning period. This year's planning does not contain any expansion investments. In the planning of the previous year, the unit in India, which was acquired in the year 2013 and is allocated to the CGU Steel/Flow Control, was considered for the first time. Goodwill amounting to € 25.7 million (12/31/2013: € 23.6 million) and an intangible asset of unlimited service life of € 1.8 million, unchanged compared with the previous year, is allocated to the CGU Steel/Flow Control as of December 31, 2014. This asset refers to a brand name that has been acquired. The Group plans to continue to use this brand name without a change. A weighted average cost of capital before tax of 9.2% (12/31/2013: 8.4%) was applied. The growth assumed for the terminal value also amounts to 0.3% (12/31/2013: 1.5%). An increase in the interest rate by 10% combined with a 5% reduction in profitability and no further growth of the terminal value (growth rate 0%) would cause the recoverable amount to correspond precisely to the carrying amount of this unit.

CGU Raw Materials/Norway
This unit comprises the activities of the plant in Porsgrunn, Norway. At this site, RHI produces high-grade fused magnesia, which represents an important pillar in the strategic raw material supply of the Group. The development of the sales and production volumes is essentially derived from RHI's internal demand for this raw material and thus correlates above all to the development of the CGU Steel/Linings. In addition, it is planned to market individual intermediate products and by-products as well as fused magnesia for non-refractory applications. The measurement of the external and internal sales volume is based on market prices. However, as no fused magnesia comparable in terms of quality and availability is available in the market, the market price is determined as the reference price of a basket of commodities for the Group's internal requirements. Every single reference raw material of the basket of commodities available in the market is measured at the respective expected market price. Production costs for the first year in the detailed planning period are planned for every single phase in the production process for individual types of cost and subsequently adjusted for the following years in accordance with the defined plan of measures. Due to the currently very low market price of fused magnesia, the reference value of the basket of commodities has also declined. The Management Board of RHI AG therefore decided to temporarily decrease the production volume, which will reduce the negative contribution to earnings in the coming periods. In the detailed planning period, the originally planned production volume of 60,000 tons of fused magnesia per year will already be reached again. In this CGU, a weighted average cost of capital before tax of 5.4% (12/31/2013: 4.5%) was applied. The growth assumed for the terminal value amounts to 0.3% as for the CGU Steel/Linings (12/31/2013: 1.5%).

CGU Industrial/Glass
The market of the CGU Industrial/Glass is characterized by global excess capacities. However, in the planning period it is assumed that investments in the glass industry will increase again after the subdued investment activities of the past years and that an increasing number of projects will consequently be won again in the medium term, especially in the flat glass segment. Against this backdrop the RHI management introduced a realignment of this unit; as a result, RHI will increasingly act as a full-range supplier and additionally offer services. All of this will lead to an annual volume growth of 4.8% in the detailed planning period, combined with generally stable prices. In the CGU Industrial/Glass, the cost items for the first year of the detailed planning period are also planned taking into account cost developments for the individual types of cost at the respective sites and adjusted for further years in accordance with existing estimates. These plans also incorporate the market initiatives for improved utilization of existing capacities, which are included in volume growth, as well as the measures to accomplish sustainable cost savings at the production sites, which were introduced at the beginning of the year 2014. Consequently, average gross margins between 15.6% and 17.4% will be realized in the long term. A pre-tax weighted average cost of capital of 8.1% (12/31/2013: 8.3%) was applied. The growth assumed for the terminal value amounts to 0.3% (12/31/2013: 1.5%).

Result of impairment test
Based on the impairment test conducted in the year 2014, the recoverability of the assets was demonstrated in all CGUs with the exception of the CGU Raw Materials/Norway and the CGU Industrial/Glass.

For the CGU Raw Materials/Norway, an expense of € 7.5 million (2013: € 65.3 million) was recognized in the item impairment losses in the statement of profit or loss, of which € 3.7 million (2013: € 23.9 million) are related to buildings, € 2.1 million (2013: € 20.8 million) to technical plant and machinery and € 1.7 million (2013: € 18.4 million) to furniture and fixtures, and goodwill of € 2.2 million in the previous year. The recoverable amount of the CGU Raw Materials/Norway was determined on the basis of the value in use and amounts to € 24.1 million at December 31, 2014 (12/31/2013: € 34.4 million).

The impairment recognized in the item impairment losses in the statement of profit or loss for the CGU Industrial/Glass amounts to € 12.3 million, of which land and buildings account for € 3.0 million, technical plant and machinery for € 4.1 million, other plant, furniture and fixtures for € 0.8 million, plant under construction for € 0.2 million, goodwill for € 0.4 million and other intangible assets for € 3.8 million. The recoverable amount of this CGU was determined on the basis of the value in use and amounts to € 99.4 million at December 31, 2014.

As in the previous year, no reversals of impairments were made in the financial year 2014.

Other financial assets and liabilities

The item other financial assets in the consolidated statement of financial position of RHI 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 and 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 fair value. Foreign currency receivables are translated at the exchange rate effective on reporting date.

Derivative financial instruments, which are not part of an effective hedging relationship in accordance with IAS 39, must be classified as held for trading in accordance with IFRS and measured at fair value. In the RHI Group, this measurement category includes forward exchange contracts as well as embedded derivatives in open orders that are denominated in currencies other than the functional currency. Derivative financial instruments are valued individually using the applicable forward rate as of the 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 of the forward exchange contracts 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 hedge is recognized as such (hedge accounting). RHI applies the stipulations regarding hedge accounting to protect future cash flows (cash flow hedge). This reduces volatilities in the statement of profit or loss and in the cash flows. Derivative financial instruments are concluded in the form of interest rate swaps to protect the cash flow risk of financial liabilities carrying variable interest. The interest rate swaps as hedging instruments are measured at fair value, which corresponds to the amount which RHI would receive or have to pay on the reporting date when the financial instrument is terminated. The fair value is calculated using the interest rates and yield curves relevant on the reporting date. The effective part of the fair value changes is initially recorded in other comprehensive income as unrealized gain or loss. Only at the time of the realization of the hedged item, the contribution of the hedged item 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.

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

Deferred taxes are recognized on temporary differences relating to shares in subsidiaries and 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 only recognizes deferred tax assets to the extent that it is reasonably certain that sufficient taxable profits, including results from the reversal of taxable temporary differences, will be available within a five-year planning period.

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 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 9.0% to 37.2% (12/31/2013: 9.0% to 40.0%) were applied for foreign companies.

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 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 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 are reflected in the derecognition of the relevant receivables.

Receivables denominated in foreign currencies are translated using the mean rate of exchange on the reporting date.

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 formed 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 under revenue.

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 two 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 mean rate of exchange at the reporting date.

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 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 subsidiaries. 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 the initial recognition without affecting profit or loss. Subsequently, changes of liabilities are recorded in net finance costs.

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

Non-current provisions are measured at their discounted settlement value as of the 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 is calculated according to the projected unit credit method and reduced by 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.

The expense to be recognized in a period includes the current and past service costs, settlement gains and losses, interest expenses from the interest accrued on obligations and interest income 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 average 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 discounts applied to employee turnover and the probability of actual claims are based on figures from comparable prior periods.

The calculation of pension obligations reflects the expected retirement age based on the underlying commitments.

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

Remeasurement gains and losses are recorded under other comprehensive income in the period incurred after taking into account deferred taxes.

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, lump-sum settlements and payments to semi-retirees.

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

Individual companies are required by company agreements to make lump-sum settlement payments.

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.

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 reporting date or whose implementation was commenced prior to the reporting date.

Trade payables and other current liabilities

These liabilities are initially recognized at fair value, and subsequently measured at amortized cost. Foreign currency liabilities are translated at the mean rate of exchange in effect on the reporting date.

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.

Moreover, proceeds from the sale of CO_2 emission rights is recognized under revenue.

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 consolidated 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.

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

(9) 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 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 utilization of such assets. Investments in joint ventures are allocated to the segments. All other assets are shown under unallocated assets. 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.

(10) 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, RHI 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 € 616.4 million at December 31, 2014 (12/31/2013: € 621.5 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, thus taking into account all changes resulting from updates of strategic planning. Sensitivity analyses are also performed as part of the impairment test. In their calculation one of the following parameters is changed: increase in the discount rate by 10%, reduction in the form of the contribution margin by 10% und reduction of the growth rate in terminal value by 50%.

In all CGUs with the exception of the two impaired CGUs Raw Materials/Norway and Industrial/Glass these simulations do not result in impairments. For the two impaired CGUs the sensitivity analysis shows the following results:

		12/31/2014		12/31/2013
in € million	Change in assumption	CGU Raw Materials/Norway	CGU Industrial/Glass	CGU Raw Materials/Norway
Discount rate	+10%	(4.7)	(10.3)	(7.1)
Profitability	(10)%	(2.4)	(10.9)	(8.8)
Growth rate	(50)%	(1.0)	(2.0)	(6.8)

Impairment of goodwill
The effect of an adverse change by plus 10% to the estimated interest rates as of December 31, 2014 or by minus 10% in the contribution margin would not result in an impairment charge to the goodwill recognized (carrying amount 12/31/2014: € 36.1 million, 12/31/2013: € 34.5 million).

Impairment of other intangible assets with indefinite useful life
The effect of an adverse change by plus 10% to the estimated interest rate as of December 31, 2014 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 12/31/2014 and 12/31/2013: € 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	12/31/2014 Pension plans	12/31/2014 Termination benefits	12/31/2013 Pension plans	12/31/2013 Termination benefits
Present value of the obligations	-	353.1	66.0	319.0	55.7
Interest rate	+0.25	(9.5)	(1.8)	(8.4)	(1.4)
	(0.25)	9.8	1.8	8.9	1.5
Salary increase	+0.25	0.6	1.7	0.7	1.4
	(0.25)	(0.8)	(1.6)	(0.7)	(1.3)
Pension increase	+0.25	5.8	-	6.6	-
	(0.25)	(5.8)	-	(6.3)	-
Life expectancy	+1 year	10.5	-	8.8	-
	(1) year	(10.3)	-	(8.5)	-

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 € 46.0 million (12/31/2013: € 47.2 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 reporting day 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 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 reporting date within the planning period defined for the accounting and measurement of deferred taxes, the net position of deferred tax assets amounting to € 113.6 million (12/31/2013: € 104.0 million) would have to be increased by € 0.5 million (12/31/2013: € 0.3 million) or reduced by € 1.0 million (12/31/2013: € 0.3 million).

Other items

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(11) Property plant and equipment

Property, plant and equipment developed as follows in the year 2014 and in the previous year:

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment, machinery	Other plant, office equipment	Prepayments made and plant under construction	Total
Cost 12/31/2013[1)]	430.4	32.5	822.5	268.9	50.0	1,604.3
Currency translation	2.7	0.0	13.2	3.1	0.2	19.2
Additions	4.2	0.4	17.7	8.0	36.5	66.8
Retirements and disposals	(2.5)	0.0	(17.5)	(9.1)	(0.5)	(29.6)
Reclassifications	6.3	(1.1)	27.2	9.8	(43.0)	(0.8)
Cost 12/31/2014	**441.1**	**31.8**	**863.1**	**280.7**	**43.2**	**1,659.9**
Accumulated depreciation 12/31/2013[1)]	249.2	24.3	584.2	202.9	0.0	1,060.6
Currency translation	(0.3)	0.0	6.1	1.3	0.0	7.1
Depreciation charges	9.2	0.3	32.5	14.4	0.0	56.4
Impairment losses	6.8	0.0	7.5	2.8	0.6	17.7
Retirements and disposals	(1.7)	0.0	(14.9)	(9.0)	(0.5)	(26.1)
Reclassifications	0.6	(0.7)	(0.4)	0.5	0.0	0.0
Accumulated depreciation 12/31/2014	**263.8**	**23.9**	**615.0**	**212.9**	**0.1**	**1,115.7**
Carrying amounts 12/31/2014	**177.3**	**7.9**	**248.1**	**67.8**	**43.1**	**544.2**

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment, machinery	Other plant, office equipment	Prepayments made and plant under construction	Total
Cost 12/31/2012	401.6	32.0	792.0	241.9	124.8	1,592.3
Currency translation[1)]	(10.3)	0.0	(11.3)	(4.4)	(2.1)	(28.1)
Additions to consolidated companies	1.5	0.0	4.5	0.5	0.1	6.6
Disposals of consolidated companies	0.0	0.0	(0.1)	(0.1)	0.0	(0.2)
Additions	4.3	0.5	15.1	6.0	51.3	77.2
Retirements and disposals	(8.5)	0.0	(18.4)	(7.9)	(5.2)	(40.0)
Reclassifications[1)]	41.8	0.0	40.7	32.9	(116.3)	(0.9)
Reclassification to current assets	0.0	0.0	0.0	0.0	(2.6)	(2.6)
Cost 12/31/2013[1)]	**430.4**	**32.5**	**822.5**	**268.9**	**50.0**	**1,604.3**
Accumulated depreciation 12/31/2012	219.3	23.9	545.9	177.4	0.0	966.5
Currency translation[1)]	(1.2)	0.0	(3.6)	(1.3)	0.0	(6.1)
Disposals of consolidated companies	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Depreciation charges[1)]	12.0	0.4	34.1	15.2	0.0	61.7
Impairment losses[1)]	26.8	0.0	24.4	19.4	5.2	75.8
Retirements and disposals	(7.7)	0.0	(16.6)	(7.7)	(5.2)	(37.2)
Accumulated depreciation 12/31/2013[1)]	**249.2**	**24.3**	**584.2**	**202.9**	**0.0**	**1,060.6**
Carrying amounts 12/31/2013[1)]	**181.2**	**8.2**	**238.3**	**66.0**	**50.0**	**543.7**

Investment property is included in real estate, land and buildings. Explanations are provided under note (12).

1) Values adjusted

In the financial year 2014 necessary adjustments to the statement of property, plant and equipment were identified. In the previous year, assets were reclassified from the item plant under construction to the item real estate, land and buildings at the date of their commissioning, rather than to the item other plant, furniture and fixtures in accordance with the Group standard. Consequently, depreciation and impairment losses were also not allocated correctly. The inconsistencies in the presentation of property plant and equipment were corrected with retroactive effect at December 31, 2014. As a result, the carrying amount of real estate, land and buildings was reduced by € 5.8 million, technical plant and machinery by € 1.7 million and of plant under construction by € 0.1 million as of December 31, 2013. The carrying amount of other plant increased by € 7.6 million. This adjustment had no effect on other parts of the financial statements.

The additions to property, plant and equipment include capitalized borrowing costs of € 0.1 million (2013: € 2.9 million). The average capitalization rate amounted to 2.3% in the financial year 2014 (2013: 2.5%).

The item prepayments made and plant under construction includes plant under construction with a carrying amount of € 41.3 million at the reporting date (12/31/2013: € 48.0 million), of which the replacement investment in tempering kilns including a desulfurization plant at the Austrian production site Veitsch represents the largest investment of the financial year 2014.

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

(12) Investment properties

The investment properties held by RHI with a carrying amount of € 10.9 million (12/31/2013: € 6.2 million) predominantly consist of undeveloped, unleased properties. The increase in carrying amount results from the reclassification of the property, which was originally designated for the construction of a production site in Brazil in Rio de Janeiro and has a carrying amount of € 5.5 million, from owner-occupied properties to investment properties. A utilization of this property cannot be expected within the next twelve months.

At December 31, 2014, the fair value of investment properties totals € 15.9 million (12/31/2013: € 8.5 million). The fair value was determined exclusively internally on the basis of observed or realized transactions which are comparable with the location and type of investment properties (Level 3 in accordance with IFRS 13).

Rental income and direct operating expenses related to investment properties were immaterial.

(13) Goodwill

Goodwill developed as follows:

in € million	2014	2013
Cost at beginning of year	36.7	17.4
Currency translation	1.9	(4.4)
Additions to consolidated companies	0.0	23.7
Cost at year-end	**38.6**	**36.7**
Accumulated impairment at beginning of year	(2.2)	0.0
Currency translation	0.1	0.0
Impairment losses	(0.4)	(2.2)
Accumulated impairment at year-end	**(2.5)**	**(2.2)**
Carrying amount at year-end	**36.1**	**34.5**

(14) Other intangible assets

Other intangible assets changed as follows in the financial year 2014 and in the previous year:

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost 12/31/2013	33.0	123.6	156.6
Currency translation	0.3	5.1	5.4
Additions	4.4	1.5	5.9
Retirements and disposals	0.0	(0.5)	(0.5)
Reclassifications	0.0	0.8	0.8
Cost 12/31/2014	**37.7**	**130.5**	**168.2**
Accumulated amortization 12/31/2013	18.6	58.4	77.0
Currency translation	0.2	1.2	1.4
Amortization charges	3.1	8.3	11.4
Impairment losses	0.4	4.5	4.9
Retirements and disposals	0.0	(0.5)	(0.5)
Accumulated amortization 12/31/2014	**22.3**	**71.9**	**94.2**
Carrying amounts 12/31/2014	**15.4**	**58.6**	**74.0**

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost 12/31/2012	28.7	98.2	126.9
Currency translation	(0.2)	(5.5)	(5.7)
Additions to consolidated companies	0.0	29.5	29.5
Additions	5.0	1.3	6.3
Retirements and disposals	(0.5)	(0.8)	(1.3)
Reclassifications	0.0	0.9	0.9
Cost 12/31/2013	**33.0**	**123.6**	**156.6**
Accumulated amortization 12/31/2012	16.4	51.5	67.9
Currency translation	(0.1)	(0.3)	(0.4)
Amortization charges	2.5	7.9	10.4
Impairment losses	0.3	0.1	0.4
Retirements and disposals	(0.5)	(0.8)	(1.3)
Accumulated amortization 12/31/2013	**18.6**	**58.4**	**77.0**
Carrying amounts 12/31/2013	**14.4**	**65.2**	**79.6**

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.

As of December 31, 2014 and December 31, 2013 there are no restrictions on the sale of intangible assets.

(15) 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. RHI 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 consolidated using the equity method in the RHI consolidated financial statements.

MAGNIFIN generated revenue amounting to € 34.7 million in the financial year 2014 (2013: € 33.5 million). Profit before income tax amounts to € 15.5 million (2013: € 14.5 million) and includes depreciation on property, plant and equipment and amortization of intangible assets of € 2.2 million (2013: € 2.3 million), interest income of € 0.1 million (2013: € 0.1 million) and interest expenses of € 0.3 million (2013: € 0.2 million). Total comprehensive income including other comprehensive income before income tax of € (0.4) million (2013: € 0.0 million) amounts to € 15.1 million (2013: € 14.5 million).

Income taxes on the share of profit of MAGNIFIN amounting to € 2.1 million (2013: € 1.9 million) are recognized by RHI AG, as the group parent in terms of taxes, due to the legal form of the joint venture.

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

in € million	12/31/2014	12/31/2013
Non-current assets	9.2	10.6
Current assets (without cash and cash equivalents)	10.7	10.7
Cash and cash equivalents	14.3	11.7
Non-current personnel provisions	(4.1)	(3.8)
Current provisions	(1.0)	(1.1)
Trade payables and other current liabilities	(2.3)	(1.9)
Net assets	**26.8**	**26.2**

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

in € million	2014	2013
Proportional share of net assets at beginning of year	**13.1**	**9.0**
Share of profit	8.2	8.0
Share of other comprehensive income (remeasurement losses)	(0.2)	0.0
Dividends received	(7.5)	(3.7)
Other changes in value	(0.2)	(0.2)
Proportional share of net assets at year-end	**13.4**	**13.1**
Goodwill	4.9	4.9
Carrying amount of share in joint ventures	**18.3**	**18.0**

(16) Other non-current financial assets and liabilities

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

in € million	12/31/2014	12/31/2013
Available-for-sale investments	0.5	0.4
Available-for-sale securities and shares	37.0	33.9
Other non-current financial receivables	2.1	2.2
Interest derivatives designated as cash flow hedges	0.0	0.6
Other non-current financial assets	**39.6**	**37.1**

As in the previous year, accumulated impairments on investments and securities of € 2.0 million are recognized as of December 31, 2014.

The negative fair values of interest derivatives amount to € 1.3 million (12/31/2013: € 0.0 million) and are recognized under other non-current financial liabilities in the statement of financial position.

(17) Other non-current assets

Other non-current assets include the following items:

in € million	12/31/2014	12/31/2013
Stripping costs	10.0	6.8
Receivables from other taxes	7.2	0.0
Plan assets from overfunded pension plans	1.9	1.9
Prepaid expenses	0.5	0.4
Other non-current assets	**19.6**	**9.1**

Prepaid expenses for stripping costs arising from mining raw materials in a surface mine are shown in non-current assets due to the planned use of the mine. In the previous year, stripping costs of a surface mine amounting to € 2.0 million were shown under current assets. Receivables from other taxes are related to input tax credits, which are expected to be utilized in the medium term. In the previous year, these receivables were shown under current assets.

(18) Deferred taxes

The net position of deferred taxes of the Group, derived from items of the statement of financial position, is calculated as follows:

in € million	12/31/2014	12/31/2013
Deferred tax assets	130.1	121.4
Deferred tax liabilities	(16.5)	(17.4)
Net position	**113.6**	**104.0**

The following table shows the development of the Group's net position:

in € million	2014	2013
Net position at beginning of year	**104.0**	**109.3**
Currency translation	(1.1)	1.0
Additions to consolidated companies	0.0	(11.6)
Changes recognized in profit or loss	(2.9)	6.1
Changes recognized in other comprehensive income	13.3	(1.1)
Tax rate changes recognized in profit or loss	0.3	0.3
Net position at year-end	**113.6**	**104.0**

The change in net position classified according to the type of temporary differences and loss carryforwards is shown below:

in € million	Tax loss carryforwards	Non-current assets	Personnel provisions	Other provisions	Inventories, other	Total
12/31/2013	**77.6**	**(28.3)**	**44.8**	**4.2**	**5.7**	**104.0**
Currency translation	0.3	(1.9)	0.1	0.0	0.4	(1.1)
Changes recognized in profit or loss	(10.0)	6.1	(0.1)	(0.2)	1.3	(2.9)
Changes recognized in other comprehensive income	0.0	0.0	13.4	0.0	(0.1)	13.3
Tax rate changes recognized in profit or loss	0.1	0.0	0.1	0.0	0.1	0.3
12/31/2014	**68.0**	**(24.1)**	**58.3**	**4.0**	**7.4**	**113.6**

in € million	Tax loss carryforwards	Non-current assets	Personnel provisions	Other provisions	Inventories, other	Total
12/31/2012	**88.6**	**(39.0)**	**47.6**	**6.5**	**5.6**	**109.3**
Currency translation	(0.7)	2.3	(0.3)	(0.1)	(0.2)	1.0
Additions to consolidated companies	0.0	(11.4)	0.0	0.0	(0.2)	(11.6)
Changes recognized in profit or loss	(10.2)	19.7	(1.7)	(2.4)	0.7	6.1
Changes recognized in other comprehensive income	0.0	0.0	(0.8)	0.0	(0.3)	(1.1)
Tax rate changes recognized in profit or loss	(0.1)	0.1	0.0	0.2	0.1	0.3
12/31/2013	**77.6**	**(28.3)**	**44.8**	**4.2**	**5.7**	**104.0**

As of December 31, 2014, subsidiaries which generated tax losses in the past year or the previous year recognized net deferred tax assets on temporary differences and on loss carryforwards of € 9.3 million (12/31/2013: € 21.1 million). These assets are considered to be unimpaired because the companies concerned are expected to generate taxable income in the future.

Tax loss carryforwards totaled € 433.6 million (12/31/2013: € 458.7 million) in the RHI Group as of December 31, 2014. 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 result.

No deferred taxes were recognized for tax loss carryforwards of € 167.7 million (12/31/2013: € 153.8 million). The main part of the non-capitalized tax losses can be carried forward indefinitely. Roughly € 4.3 million (12/31/2013: € 4.7 million) can be used in the year 2015, € 2.4 million (12/31/2013: € 0.4 million) until the year 2024 and € 9.9 million (12/31/2013: € 9.5 million) until 2029. Roughly € 18.3 million (12/31/2013: € 17.7 million) will lapse at the earliest in the year 2030 if not used by then.

In addition, no deferred tax assets were recognized for temporary differences totaling € 16.1 million (12/31/2013: € 8.5 million, value adjusted) as it is not sufficiently probable that they can be used. The main part of these deductible temporary differences can be carried forward for up to 20 years.

Taxable temporary differences of € 67.2 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:

	12/31/2014			12/31/2013		
in € million	Current	Non-current	**Total**	Current	Non-current	**Total**
Deferred tax assets	25.4	104.7	**130.1**	24.3	97.1	**121.4**
Deferred tax liabilities	0.3	16.2	**16.5**	0.7	16.7	**17.4**

(19) Inventories

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

in € million	12/31/2014	12/31/2013
Raw materials and supplies	88.2	87.9
Unfinished products and unfinished services	119.5	114.2
Finished products and goods	213.0	178.2
Prepayments made	8.3	9.1
Inventories	**429.0**	**389.4**

The inventories recognized as of December 31, 2014 totaled € 429.0 million (12/31/2013: € 389.4 million), of which roughly € 3.0 million (12/31/2013: € 3.2 million) were carried at net realizable value. The impairment losses recognized in the year 2014, netted out against reversals of impairment losses, amount to roughly € 4.1 million. In contrast, reversals of impairment losses, netted out against impairment losses, of € 4.7 million had to be recognized in the financial year 2013, which were attributable to lower inventory ranges and higher turnover rates compared with 2012.

There are no restrictions on the disposal of inventories.

(20) Trade and other current receivables

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

in € million	12/31/2014	12/31/2013
Trade receivables	331.0	277.7
Receivables from long-term construction contracts	7.1	11.0
Receivables from joint ventures	0.6	0.8
Receivables from Personalfürsorgestiftung	0.8	0.8
Taxes other than income tax	49.3	55.3
Receivables employees	1.0	1.0
Prepaid expenses	3.1	4.8
Other current receivables	15.5	17.2
Trade and other current receivables	**408.4**	**368.6**
thereof financial assets	334.0	280.1
thereof non-financial assets	74.4	88.5

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

in € million	12/31/2014	12/31/2013
Contract costs incurred up to the reporting date	9.1	32.3
Profits recognized by the reporting date	0.8	28.2
Prepayments received	(2.8)	(49.5)
Receivables from long-term construction contracts	**7.1**	**11.0**

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

As in the previous year, trade receivables with a total nominal value of € 34.0 million were assigned for financial liabilities as of December 31, 2014.

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

in € million	2014	2013
Accumulated valuation allowance at beginning of year	**20.5**	**15.0**
Currency translation	(0.2)	(0.4)
Additions to consolidated companies	0.0	0.2
Disposals of consolidated companies	0.0	(0.2)
Addition	8.4	9.7
Use	(0.6)	(0.8)
Reversal	(2.3)	(3.0)
Accumulated valuation allowance at year-end	**25.8**	**20.5**

(21) Income tax receivables

Income tax receivables amounting to € 6.9 million (12/31/2013: € 7.8 million) are mainly related to tax prepayments and deductible withholding taxes.

(22) Other current financial assets and liabilities

Other current financial assets consist of the following items:

in € million	12/31/2014	12/31/2013
Other current financial receivables	1.6	2.0
Financial assets held for trading	1.6	0.2
Other current financial assets	**3.2**	**2.2**

Other current financial liabilities amount to € 0.4 million (12/31/2013: € 0.3 million) and include the negative fair values of derivative financial instruments in the form of forward exchange contracts and embedded derivatives in open orders in a currency other than the functional currency, which are categorized as held for trading. An overview of forward exchange contracts can be found under note (59).

(23) Cash and cash equivalents

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

in € million	12/31/2014	12/31/2013
Cash at banks	148.2	110.3
Money market funds	2.4	1.5
Checks	0.4	0.5
Cash on hand	0.1	0.1
Cash and cash equivalents	**151.1**	**112.4**

(24) Share capital

The fully paid-up 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 have one voting right per share at the Annual General Meeting.

The following investors holding a significant share in RHI AG are known to RHI: MS Private Foundation with a share of more than 25% as well as Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH with a share of more than 5% each. The voting rights of Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH are exercised jointly. Hence, the joint share in voting rights of the two companies exceeds 10%. The remaining RHI shares are in free float.

With a resolution of the Annual General Meeting of RHI AG of May 9, 2014, the company was authorized to acquire treasury shares in accordance with § 65 para. 1 (4) AktG (Stock Corporation Act) in the amount of up to 12,000 no-par shares, which corresponded to 0.03% of the company's share capital at the time the resolution was adopted; the shares can be acquired at the share price of the day on which this authorization to issue shares to employees and executives of RHI AG as well as to members of the management, executives and employees of Group companies of RHI AG is exercised as part of the employee stock ownership plan "4 plus 1". The authorization is valid for 18 months starting on the day of the resolution. In the year 2014, 6,472 (2013: 4,245) shares were acquired over the stock exchange for the employee stock ownership plan and issued to employees. As of December 31, 2014 and December 31, 2013 no treasury shares were held by RHI AG.

The Management Board was authorized by resolution of the Annual General Meeting of RHI AG on April 30, 2010, in accordance with § 169 AktG, to increase share capital with the approval of the Supervisory Board, without any further consent by the Annual General Meeting until April 30, 2015 – also in several tranches – for a capital contribution by up to € 43,406,425.75 by issuing up to 5,972,855 no-par bearer shares with voting rights and to determine the issue price, the issue conditions and further details regarding the execution of the capital increase (authorized capital). No capital increase out of the authorized capital 2010 was made by December 31, 2014.

(25) 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, 2013. The difference to the additional paid-in capital as shown in 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 financial year 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 item also influences the result or is terminated.

Unrealized fair value changes of available-for-sale securities and shares in other investments 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 business. 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.

(26) Non-controlling interests

Non-controlling interests hold a share of 30.4% (12/31/2013: 30.4%) in the listed company Orient Refractories Ltd. (in the following "ORL"), based in New Delhi, India. ORL has been included in the RHI consolidated financial statements since April 29, 2013 and 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	12/31/2014	12/31/2013
Non-current assets	30.3	29.1
Current assets	28.5	20.9
Non-current liabilities	(9.1)	(8.8)
Current liabilities	(9.6)	(7.7)
Net assets	**40.1**	**33.5**
Percentage of non-controlling interests	30.4%	30.4%
Carrying amount of non-controlling interests	**12.2**	**10.2**

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

in € million	01-12/2014	05-12/2013
Revenue	55.1	33.2
Operating expenses, net finance costs and income tax	(50.4)	(30.6)
Profit after income tax	**4.7**	**2.6**
thereof attributable to non-controlling interests of ORL	1.5	0.8

in € million	01-12/2014	05-12/2013
Profit after income tax	4.7	2.6
Other comprehensive income	3.8	(6.7)
Total comprehensive income	**8.5**	**(4.1)**
thereof attributable to non-controlling interests of ORL	2.6	(1.2)

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

in € million	01-12/2014	05-12/2013
Net cash flow from operating activities	2.5	2.7
Net cash flow from investing activities	(0.9)	(0.6)
Net cash flow from financing activities	(1.7)	(1.5)
Total cash flow	**(0.1)**	**0.6**

Net cash flow from financing activities includes dividend payments to non-controlling interests amounting to € 0.6 million (05-12/2013: € 0.4 million).

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	2014	2013
Accumulated other comprehensive income at beginning of year	**(2.0)**	**0.1**
Unrealized results from currency translation	1.1	(2.0)
Change due to disposal of subsidiaries	0.0	(0.1)
Accumulated other comprehensive income at year-end	**(0.9)**	**(2.0)**

In the previous year, the 51% share in the Swiss company FC Technik AG, Winterthur, was sold and currency translation differences attributable to non-controlling interests were reclassified to the statement of profit or loss.

(27) Financial liabilities

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

The financial liabilities have the following contractual remaining terms:

	Total		Remaining term	
in € million	12/31/2014	up to 1 year	2 to 5 years	over 5 years
"Schuldscheindarlehen"	312.0	58.5	156.5	97.0
Export credits and one-time financing	194.7	58.4	126.4	9.9
Utilized other credit lines	73.0	73.0	0.0	0.0
Accrued interest	2.3	2.3	0.0	0.0
Liabilities to financial institutions	582.0	192.2	282.9	106.9
Liabilities to fixed-term or puttable non-controlling interests	29.2	6.7	1.6	20.9
Other financial liabilities	6.8	2.1	4.7	0.0
Financial liabilities	**618.0**	**201.0**	**289.2**	**127.8**

	Total		Remaining term	
in € million	12/31/2013[1)]	up to 1 year	2 to 5 years	over 5 years
"Schuldscheindarlehen"	142.0	0.0	125.5	16.5
Export credits and one-time financing	236.1	41.4	145.3	49.4
Utilized other credit lines	122.6	122.6	0.0	0.0
Accrued interest	1.5	1.5	0.0	0.0
Liabilities to financial institutions	502.2	165.5	270.8	65.9
Liabilities to fixed-term or puttable non-controlling interests	25.9	5.4	1.5	19.0
Other financial liabilities	7.2	2.3	4.7	0.2
Financial liabilities	**535.3**	**173.2**	**277.0**	**85.1**

1) To increase transparency, the classification of financial liabilities has been extended. Prior-year figures have been adjusted to the current presentation.

In early October 2014, RHI AG placed a "Schuldscheindarlehen" of € 170.0 million with terms of five, seven and ten years primarily with Austrian and German investors. The proceeds from the transaction serve to refinance repayments and to secure liquidity in the long term.

Taking into account existing interest rate swaps, 53.0% (12/31/2013: 45.4%) of the liabilities to financial institutions carry fixed interest and 47.0% (12/31/2013: 54.6%) carry variable interest.

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	12/31/2014 Carrying amount in € million	Interest terms fixed until	Effective annual interest rate	Currency	12/31/2013 Carrying amount in € million
2015	EURIBOR + margin	EUR	205.1	2014	EURIBOR + margin	EUR	141.7
	Variable interest rate + margin	EUR	34.0		Variable interest rate + margin	EUR	34.0
	3.45%	EUR	12.0		LIBOR + margin	CAD	34.1
	Floating interest rate + margin	EUR	10.1		Floating interest rate + margin	EUR	27.1
	0.75% + margin	EUR	5.0		ECB interest rate + margin	EUR	10.0
	LIBOR + margin	USD	1.9		LIBOR + margin	USD	15.9
	Interbank rate + margin	Var.	21.3		Interbank rate + margin	Var.	13.1
				2015	3.45%	EUR	12.0
					0.75% + margin	EUR	5.0
2017	0.69%	EUR	50.0	2017	0.69%	EUR	50.0
2019	0.68%	EUR	25.0	2019	0.68%	EUR	25.0
	3.25%	EUR	24.0		3.25%	EUR	24.0
	0.72%	EUR	17.9		0.72%	EUR	21.4
	3.15%	EUR	16.0		3.15%	EUR	16.0
	1.46% + margin	EUR	10.0		1.46% + margin	EUR	10.0
	1.42% + margin	EUR	3.0		1.42% + margin	EUR	3.0
	1.49%	EUR	16.0				
2020	3.15% + margin	EUR	38.8	2020	3.15% + margin	EUR	38.8
	3.90%	EUR	13.6		3.90%	EUR	13.6
2021	1.97%	EUR	17.0				
2022	4.50%	EUR	6.0	2022	4.50%	EUR	6.0
2024	3.00%	EUR	53.0				
			579.7				**500.7**

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

Of the liabilities to financial institutions recognized at December 31, 2014 € 34.0 million were secured by assignment of receivables, unchanged in comparison with the previous year. 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 (61) for its calculation) represents the covenants in the most important 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 roughly € 422 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.

(28) Personnel provisions

Personnel provisions include the following provisions:

in € million	12/31/2014	12/31/2013
Pensions	268.7	238.4
Termination benefits	66.0	55.7
Other personnel provisions	20.4	18.8
Personnel provisions	**355.1**	**312.9**

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

in € million	12/31/2014	12/31/2013
Present value of pension obligations	353.1	319.0
Fair value of plan assets	(87.9)	(86.5)
Funded status	**265.2**	**232.5**
Asset ceiling	1.6	4.0
Net debt from pension obligations	**266.8**	**236.5**
thereof assets from overfunded pension plans	1.9	1.9
thereof provisions for pensions	268.7	238.4

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

in € million	12/31/2014	12/31/2013
Active beneficiaries	76.5	70.4
Terminated Beneficiaries	39.0	35.5
Retirees	237.6	213.1
Present value of pension obligations	**353.1**	**319.0**

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

in %	12/31/2014	12/31/2013
Interest rate	2.4%	3.7%
Future salary increase	2.0%	2.2%
Future pension increase	1.4%	1.7%

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 is calculated annually at December 31, taking into account the expected future cash flows which were determined based on the current personal and commitment data.

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 probability of employee turnover was estimated based on age or length of service.

The retirement age used for the calculation depends on the respective legal requirements of the relevant country. The calculation is based on the earliest possible retirement age in accordance with the current legal requirements of the relevant country, depending amongst other things on gender and date of birth.

The main pension regulations are described below:

The Austrian Group companies account for € 136.0 million (12/31/2013: € 131.8 million) of the present value of pension obligations and for € 25.7 million (12/31/2013: € 28.5 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 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). RHI 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 € 128.6 million (12/31/2013: € 111.7 million) of the present value of pension obligations and for € 0.7 million (12/31/2013: € 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 to the majority of the beneficiaries.

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

in € million	2014	2013
Net debt from pension obligations at beginning of year	**236.5**	**247.5**
Currency translation	0.6	(1.3)
Pension cost	12.2	12.5
Remeasurement losses/(gains)	38.9	0.7
Benefits paid	(17.9)	(17.8)
Contributions to external funds	(3.5)	(5.3)
Reclassifications	0.0	0.2
Net debt from pension obligations at year-end	**266.8**	**236.5**

The present value of pension obligations developed as follows:

in € million	2014	2013
Present value of pension obligations at beginning of year	**319.0**	**339.8**
Currency translation	3.6	(2.7)
Current service cost	3.7	3.9
Past service cost	0.1	0.0
Interest cost	11.5	11.7
Remeasurement losses/(gains)		
from changes in demographic assumptions	0.2	0.1
from changes in financial assumptions	39.1	(6.1)
due to experience adjustments	3.4	3.1
Benefits paid	(27.9)	(31.1)
Employee contributions to external funds	0.4	0.4
Transfers/reclassifications	0.0	(0.1)
Present value of pension obligations at year-end	**353.1**	**319.0**

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

in € million	2014	2013
Fair value of plan assets at beginning of year	**86.5**	**95.6**
Currency translation	3.0	(1.4)
Interest income	3.2	3.1
Income on plan assets less interest income	1.3	(2.9)
Benefits paid	(10.0)	(13.3)
Employers' contributions to external funds	3.5	5.3
Employee contributions to external funds	0.4	0.4
Transfers	0.0	(0.3)
Fair value of plan assets at year-end	**87.9**	**86.5**

The changes in the asset ceiling are shown below:

in € million	2014	2013
Asset ceiling at beginning of year	**4.0**	**3.3**
Interest	0.1	0.0
Changes less interest	(2.5)	0.7
Asset ceiling at year-end	**1.6**	**4.0**

At December 31, 2014 the weighted average duration of pension obligations amounts to 11 years (12/31/2013: 11 years).

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

in € million	2014	2013
Current service cost	3.7	3.9
Past service cost	0.1	0.0
Interest cost	11.5	11.7
Interest income	(3.2)	(3.1)
Interest from asset ceiling	0.1	0.0
Pension expense recognized through profit or loss	**12.2**	**12.5**

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

in € million	2014	2013
Accumulated remeasurement losses at beginning of year	**77.7**	**77.0**
Remeasurement losses/(gains) on present value of pension obligations[1)]	42.8	(2.9)
Income on plan assets less interest income	(1.3)	2.9
(Gains)/losses from changes in asset ceiling less interest	(2.5)	0.7
Accumulated remeasurement losses at year-end	**116.7**	**77.7**

1) Including € 0.1 million (2013: € 0.0 million) from a joint venture consolidated using the equity method

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

	12/31/2014			12/31/2013		
in € million	Active market	No active market	Total	Active market	No active market	Total
Insurances	0.0	64.7	64.7	0.0	63.9	63.9
Equity instruments	8.3	0.0	8.3	7.5	0.0	7.5
Debt instruments	1.9	8.9	10.8	1.9	8.7	10.6
Cash and cash equivalents	0.3	0.1	0.4	0.8	0.3	1.1
Other assets	0.5	3.2	3.7	0.3	3.1	3.4
Fair value of plan assets	**11.0**	**76.9**	**87.9**	**10.5**	**76.0**	**86.5**

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.

RHI 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. RHI expects employer contributions of € 3.4 million to external plan assets in the financial year 2015 and direct payments to entitled beneficiaries amounting to € 15.4 million

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

in %	12/31/2014	12/31/2013
Interest rate	2.1%	3.6%
Future salary increase	3.3%	3.3%

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	2014	2013
Provisions for termination benefits at beginning of year	**55.7**	**57.7**
Currency translation	0.1	(0.2)
Current service cost	1.6	1.7
Interest cost	1.9	2.1
Remeasurement losses/(gains)[1)]		
from changes in financial assumptions	10.3	(1.0)
due to experience adjustments	(0.2)	0.1
Benefits paid	(3.4)	(4.7)
Provisions for termination benefits at year-end	**66.0**	**55.7**

1) allocation of prior-year figures adjusted

Payments for termination benefits are expected to amount to € 1.8 million in the year 2015.

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

in € million	2014	2013
Accumulated remeasurement losses at beginning of year	**17.0**	**17.9**
Remeasurement losses/(gains)[1)]	10.2	(0.9)
Accumulated remeasurement losses at year-end	**27.2**	**17.0**

1) Including € 0.1 million (2013: € 0.0 million) from a joint venture consolidated using the equity method

At December 31, 2014 the weighted average duration of termination benefit obligations amounts to 11 years (12/31/2013: 11 years).

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

in € million	12/31/2014	12/31/2013
Service anniversary bonuses	18.9	16.4
Lump-sum settlements	0.5	0.7
Semi-retirements	1.0	1.7
Other personnel provisions	**20.4**	**18.8**

The measurement of provisions for service anniversary bonuses is based on an average weighted interest rate of 1.9% (12/31/2013: 3.4%) and takes into account salary increases of 4.4% (12/31/2013: 4.5%).

The discount rate of provisions for semi-retirement amounts to 0.2% as of December 31, 2014 (12/31/2013: 3.4%).

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

in € million	12/31/2014	12/31/2013
Present value of semi-retirement obligations	3.8	4.7
Fair value of plan assets	(2.8)	(3.0)
Provisions for semi-retirement obligations	**1.0**	**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	2014
Provisions at beginning of year	**4.1**
Currency translation	0.1
Reversal	(0.8)
Addition	5.0
Reclassifications	(2.3)
Provisions at year-end	**6.1**

The provisions of € 6.1 million recognized at December 31, 2014 are primarily related to provisions for obligations related to leases. Currently, these provisions are expected to be used in a period from two to six years.

At December 31 of the previous year, this item predominantly included provisions for demolition and disposal costs for buildings and plant on land and property owned by third parties, which were based on legal obligations. Parts of these provisions were reclassified to current provisions in the reporting year 2014 as they are expected to be used in the year 2015.

(30) Other non-current liabilities

Other non-current liabilities of € 8.8 million (12/31/2013: € 7.9 million) include deferred income for subsidies received from third parties amounting to € 5.5 million (12/31/2013: € 4.3 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	12/31/2014	12/31/2013
Trade payables	175.7	173.8
Prepayments received on orders	20.5	23.3
Liabilities to subsidiaries	0.1	0.0
Liabilities to joint ventures	0.1	0.6
Taxes other than income tax	17.2	16.8
Liabilities employees	53.1	51.8
Payables from commissions	8.9	10.2
Customers with credit balances	5.2	2.0
Other current liabilities	15.6	13.3
Trade payables and other current liabilities	**296.4**	**291.8**
thereof financial liabilities	195.8	186.7
thereof non-financial liabilities	100.6	105.1

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

(32) Income tax liabilities

Income tax liabilities amounting to € 24.1 million (12/31/2013: € 25.7 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 tax provisions have been formed 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
12/31/2013	**12.1**	**10.8**	**6.4**	**13.8**	**43.1**
Currency translation	0.0	0.1	0.0	0.0	0.1
Use	(0.2)	(4.1)	0.0	(12.0)	(16.3)
Reversal	(0.8)	(1.8)	(0.5)	(0.4)	(3.5)
Addition	2.2	4.0	0.7	6.0	12.9
Reclassifications	2.3	0.0	0.0	0.0	2.3
Reclassification from current liabilities	0.5	0.2	0.0	0.6	1.3
12/31/2014	**16.1**	**9.2**	**6.6**	**8.0**	**39.9**

The item demolition and disposal costs, environmental damages includes provisions for the estimated dismantling and demolition costs of plant and buildings as well as winding-up costs of the former sites in Duisburg and Kretz in Germany in the amount of € 10.1 million (12/31/2013: € 7.0 million). It is assumed that the cash outflow of these provisions will occur within the coming months, at the latest by the end of the year 2015. Furthermore, provisions for recultivation and expected refurbishment costs resulting from environmental damage at other locations exist at the reporting date.

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

Provisions for guarantees provided include obligations from sureties and guarantees to banks and insurance companies in the country and abroad. It is currently uncertain when precisely the cash outflow is due.

The item restructuring costs, other includes provisions for restructuring costs, 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 € 3.6 million as of December 31, 2014 (12/31/2013: € 11.7 million) and primarily consist of benefit obligations to employees due to termination of employment, and costs of lease obligations of the former sites in Duisburg and 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 in the amount of the settlement proposed by the Frankfurt Higher Regional Court was formed as of December 31, 2014. This amount was offset against equity. The related estimated interest expense was recognized through profit or loss. 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 consists of the following components:

in € million	2014	2013
Revenue from the sale of goods and the rendering of services	1,649.5	1,689.5
Revenue from long-term construction contracts	71.7	65.2
Revenue	**1,721.2**	**1,754.7**

The distribution of revenue by product group, division and country is given in the explanations to segment reporting under note (55).

(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 on production equipment, the amortization of intangible assets and impairment charges to inventories. Moreover, cost of sales also includes the costs of services provided by the Group or services received.

At the plant in Porsgrunn, Norway, significant progress was made in the year 2014 in the implementation of the project plan to optimize the production process at the fusion plant built by RHI. Nevertheless, individual problems in different stages of the production process caused additional costs of € 27.1 million compared with external purchases in the year 2014. This amount includes both expenses and income from insurance of € 1.6 million related to a fire damage in May 2014 resulting from a power outage in the entire industry park. In the previous year, cost of sales included € 37.9 million related to problems in production.

(36) Selling and marketing expenses

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

(37) General and administrative expenses

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

Research and development expenses totaled € 22.6 million (2013: € 22.5 million), of which development costs amounting to € 3.8 million (2013: € 4.2 million) were capitalized. Income from research grants amounted to € 4.3 million in the reporting year 2014 (2013: € 3.8 million).

(38) Other income

The individual components of other income are:

in € million	2014	2013[1]
Foreign exchange gains	44.9	43.5
Gains from derivative financial instruments	1.8	5.9
Income from the disposal of non-current assets	1.3	3.5
Income from the derecognized liability of share purchase price Podolsk	0.0	0.5
Miscellaneous income	2.9	3.9
Other income	**50.9**	**57.3**

1) Explanations regarding changes in presentation are provided in note (3).

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	2014	2013[1]
Foreign exchange losses	(34.7)	(65.0)
Losses from derivative financial instruments	(11.4)	(1.3)
Losses from the disposal of non-current assets	(1.2)	(1.2)
Impairment losses of investment project Brazil	(0.4)	(5.3)
Other expenses of investment project Brazil	(1.2)	(1.2)
Miscellaneous expenses	(1.4)	(1.1)
Other expenses	**(50.3)**	**(75.1)**

1) Explanations regarding changes in presentation are provided in note (3).

The net foreign currency effects amount to € 10.2 million (2013: € (21.5) million). The net amount of gains and losses from derivative financial instruments amounts to € (9.6) million (2013: € 4.6 million). This amount includes realized effects from forward exchange contracts of € (11.3) million (2013: € 2.4 million).

In 2014 the RHI Management Board evaluated a concept for the establishment of a production facility in Brazil with a substantially lower investment total than originally planned. Against the backdrop of the current market situation and the expected further market development, it was decided not to implement this plan. At the end of the year 2014, acquired property, plant and equipment of € 0.4 million was fully written down, after impairment losses of € 5.3 million had already been recognized for plant under construction as the original plan was abandoned. € 0.3 million (2013: € 3.6 million) of this expense is allocated to the Steel Division and € 0.1 million (2013: € 1.7 million) to the Industrial Division. The property, plant and equipment written down in the year 2014 had a recoverable amount (fair value less costs of disposal) of € 0.4 million at December 31, 2013.

(40) Impairment losses

CGU Raw Materials/Norway

The optimization program for the plant in Porsgrunn, Norway, which started in 2013 and will run for several years, has been continued and significant progress has been made. However, as the market price of fused magnesia is currently low, a temporary adjustment of production volume was made. Therefore, an impairment of € 7.5 million was recognized on property, plant and equipment in the statement of profit or loss in the year 2014. In the previous year, impairment losses of € 65.3 million were recorded.

CGU Industrial/Glass
The cash-generating unit Industrial/Glass is influenced by a difficult market environment with worldwide excess capacities in the glass industry. In view of the currently low contract volumes and an intensified price war, no significant improvement of the results is to be expected in the short term.

Given this prospect, the management of RHI realigned this unit in the year 2014 and introduced not only market initiatives, but also a sustainable cost saving program. In addition, raw materials that had previously been purchased externally for application in the industrial business, will in the future be produced at the US site in Falconer in order to improve capacity utilization. Despite these measures, which are already being implemented, an impairment of € 12.3 million had to be recognized on property, plant and equipment and intangible assets in the statement of profit or loss at the end of the year 2014.

(41) Restructuring costs

Duisburg plant, Germany
Restructuring costs totaling € 3.9 million (2013: € 24.7 million) were recorded for the winding-up of the former production facility in Duisburg, Germany, in 2014.

As of March 31, 2014, the majority of the employees of the plant were transferred to a transitional company. Contrary to the original plans regarding the winding-up of the site and the utilization of existing equipment and other assets, no such utilization possibilities arose in 2014. As a result, existing employment relationships and the impairment of the assets concerned had to be reassessed. This reassessment, which was performed as of September 30, 2014, led to restructuring costs totaling € 3.0 million, of which € 1.0 million were related to impairment losses on non-current assets.

The impairment losses are made up of the following components: € 0.9 million (2013: € 1.9 million) for technical plant and machinery, € 0.1 million (2013: € 0.9 million) for other plant and in the previous year € 2.9 million for buildings and € 0.1 million for intangible assets. € 0.6 million (2013: € 3.7 million) are attributable to the Steel Division and € 0.4 million (2013: € 2.1 million) to the Industrial Division. The recoverable amount was calculated on the basis of fair value less costs of disposal (Level 3 in accordance with IFRS 13) and amounts to € 1.9 million as of December 31, 2014 (12/31/2013: € 3.8 million).

Payments of € 12.0 million have been made for the social plan so far.

Kretz site, Germany
At the site in Kretz, Germany, magnesite raw materials were treated at a leased plant. As part of the optimization of the Group's raw material treatment, the Management Board of RHI AG decided to terminate operations at this site because significant investments would have been necessary due to additional official regulations.

Provisions for lease payments to be effected, the measures required for the restoration of the original state of the leased object as well as the expected costs related to the termination payments for the employees of the site totaling € 8.1 million were formed in the fourth quarter of 2014. Furthermore, impairments of € 1.6 million were recognized for property, plant and equipment and intangible assets. Of this total, € 0.1 million are related to conversions, € 0.4 million to technical plant and machinery, € 0.2 million to other plant and € 0.9 million to other intangible assets. The recoverable amount (fair value less costs of disposal, Level 3 in accordance with IFRS 13) amounts to zero at December 31, 2014. The total cost of € 9.7 million is allocated to the Raw Materials Division in its entirety.

Dashiqiao plant, PR China
Impairment losses on fusion lines of € 1.7 million resulting from capacity adjustments were incurred at the Chinese raw material plant Dashiqiao in the previous year. The recoverable amount (fair value less costs of disposal, Level 3) amounts to zero at December 31, 2013.

(42) Net income from US Chapter 11 proceedings

With effect from April 30, 2013, the reorganization proceedings under Chapter 11 of the US Bankruptcy Code of the US companies NARCO, Harbison-Walker, AP Green and GIT (together with their subsidiaries referred to as "ANH companies"), which had been deconsolidated as of December 31, 2001, and the associated asbestos-related claims for damages were definitively completed with full legal security. After the termination of the proceedings, € 76.0 million were recognized to profit or loss, of which USD 40.0 million were related to a payment agreed with a previous owner of the ANH companies and € 32.6 million to the reversal of provisions. Further information on the Chapter 11 proceedings is provided under note (32) of the RHI consolidated financial statements 2013.

The income of € 0.8 million recognized in this item in the financial year 2014 results from the reduction of provisions that still exist in the context of outstanding guarantees due to a reassessment of the scope of obligations.

(43) Interest income

This item includes interest on cash at banks and similar income amounting to € 1.4 million (2013: € 1.3 million), interest income on available-for-sale securities and shares amounting to € 1.0 million (2013: € 1.0 million) and interest on financial receivables amounting to € 0.2 million (2013: € 0.2 million).

(44) Interest expenses

This item includes interest expenses for "Schuldscheindarlehen" and bank loans less capitalized interest on borrowings, interest from interest rate swaps, tax-related interest, interest expenses attributable to non-controlling interests totaling € 2.7 million (2013: € 3.2 million) and other interest and similar expenses.

(45) Other net financial expenses

Other net financial expenses consist of the following items:

in € million	2014	2013
Interest income on plan assets	3.2	3.1
Interest expense on provisions for pensions	(11.6)	(11.7)
Interest expense on provisions for termination benefits	(1.9)	(2.1)
Interest expense on other personnel provisions	(0.7)	(0.8)
Net interest expense personnel provisions	(11.0)	(11.5)
Expenses from the valuation of put options	(2.1)	0.0
Reversal of impairment losses on securities	0.0	0.4
Other net financial expenses	**(13.1)**	**(11.1)**

(46) Income tax

Income taxes consist of the following items:

in € million	2014	2013
Current tax expense	29.7	33.3
Deferred tax (income)/expense relating to		
temporary differences	(7.3)	(16.8)
tax loss carryforwards	9.9	10.1
	2.6	(6.7)
Income tax	**32.3**	**26.6**

The current tax expense of the year 2014 includes tax income relating to other periods of € 3.6 million (2013: € 3.4 million) and tax expenses for previous periods of € 3.3 million (2013: € 9.9 million). Tax expenses of the previous year were primarily attributable to external tax audits.

In addition to the income taxes recognized in the statement of profit or loss, tax income totaling € 13.3 million (2013: tax expenses of € 1.1 million), which are attributable to other comprehensive income were also recognized in other comprehensive income.

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 from continuing operations, and the income tax reported are shown below:

in € million	2014	2013
Profit before income tax	**84.8**	**89.3**
Arithmetic tax expense with tax rate of 25% (2013: 25%)	**21.2**	**22.3**
Different foreign tax rates	(0.5)	(0.2)
Expenses not deductible for tax purposes, non-creditable taxes	8.5	10.4
Income not subject to tax and tax advantages	(6.0)	(6.2)
Non-capitalized tax losses and temporary differences of the financial year	6.7	5.3
Utilization of previously unrecognized loss carryforwards and temporary differences	(3.0)	(2.6)
Capitalization of previously unrecognized loss carryforwards and temporary differences	(0.1)	(0.9)
Change in valuation allowance on deferred tax assets[1)]	2.6	3.2
Deferred tax income due to changes in tax rates	(0.3)	(0.3)
Deferred income tax relating to prior periods	0.5	(0.5)
Current income tax relating to prior periods	(0.3)	6.5
Other[1)]	3.0	(10.4)
Recognized tax expense	**32.3**	**26.6**
Effective tax rate (in %)	**38.1%**	**29.8%**

1) Prior-year figures adjusted to current presentation.

Changes in tax rates in the USA due to the expansion of business activities to other states, in Chile and in several other countries, led to deferred tax income of € 0.3 million in the financial year 2014. Changes in tax rates abroad also led to deferred tax income of € 0.3 million in the previous year.

As a result of the definitive disposal of the ANH companies due to the termination of the Chapter 11 proceedings, RHI Refractories Holding Company recorded a reduction of income tax expenses of € 8.7 million in the previous year, which was recognized in the other reconciliation item. Income tax expenses directly attributable to the effects of the termination of the Chapter 11 proceedings amounted to € 13.5 million for the RHI Group in 2013.

(47) Profit after income tax from discontinued operations

In the previous year, this item included non-cash income from the reversal of provisions in the context of the Insulating Division, which was sold in the year 2006, of € 1.0 million less deferred income taxes amounting to € 0.3 million. The result is attributable to the shareholders of RHI AG in its entirety.

(48) 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 financial year 2014 and the previous year:

in € million	Cost of sales	Selling and marketing expenses	General and administrative expenses	Other income/ expenses	Impairment losses	Restructuring expenses	Total 2014
Changes in inventories, own work capitalized	(35.6)	0.0	(3.8)	0.0	0.0	0.0	(39.4)
Cost of materials	873.8	0.5	2.7	0.0	0.0	0.0	877.0
Personnel costs	253.4	60.6	81.0	0.0	0.0	3.0	398.0
Depreciation	60.1	2.9	5.0	0.4	19.8	2.6	90.8
Other income	(6.7)	0.0	(7.7)	(50.9)	0.0	(0.8)	(66.1)
Other expenses	205.3	50.7	37.7	49.9	0.0	8.8	352.4
Total	**1,350.3**	**114.7**	**114.9**	**(0.6)**	**19.8**	**13.6**	**1,612.7**

in € million	Cost of sales	Selling and marketing expenses	General and administrative expenses	Other income/ expenses	Impairment losses	Restructuring expenses	Total 2013
Changes in inventories, own work capitalized	3.8	0.0	(4.2)	0.0	0.0	0.0	(0.4)
Cost of materials	856.5	0.3	2.2	0.0	0.0	0.0	859.0
Personnel costs	256.3	65.3	81.0	0.0	0.0	11.7	414.3
Depreciation	64.9	3.5	4.0	5.4	65.3	7.4	150.5
Other income	(8.2)	0.0	(7.3)	(57.3)	0.0	0.0	(72.8)
Other expenses	203.1	49.1	39.8	69.7	0.0	7.3	369.0
Total	**1,376.4**	**118.2**	**115.5**	**17.8**	**65.3**	**26.4**	**1,719.6**

Cost of materials includes expenses for raw materials and purchased goods of € 682.3 million (2013: € 664.5 million) as well as expenses for services received, especially energy, amounting to € 194.7 million (2013: € 194.5 million).

Systematic amortization of intangible assets is largely recognized in cost of sales and general and administrative expenses within functional costs.

(49) Personnel costs

The individual components of personnel costs are listed below:

in € million	2014	2013
Wages and salaries	305.6	320.0
Pensions		
Defined benefit plans	3.8	3.9
Defined contribution plans	3.0	2.9
Termination benefits		
Defined benefit plans	1.6	1.7
Defined contribution plans	1.9	1.8
Other expenses	1.5	1.7
Fringe benefits	80.6	82.3
Personnel expenses (without interest expenses)	**398.0**	**414.3**

Personnel costs include restructuring costs amounting to € 3.0 million (2013: € 11.7 million), lump-sum settlements of € 1.5 million (2013: € 6.3 million) and remeasurement losses from the measurement of other benefits to employees of € 2.1 million (2013: € 2.3 million) due in the long term. Personnel costs do not include amounts resulting from the interest accrued on personnel provisions. They amount to € 11.0 million (2013: € 11.5 million) and are recorded in net finance costs.

As in the previous year, employees of RHI AG and Group companies had the opportunity to receive bonus shares free of charge as part of the voluntary RHI stock option plan "4 plus 1" in the financial year 2014. The employees receive one RHI share free of charge for every four RHI shares they have purchased themselves. The expense resulting from this employee stock option plan amounts to € 0.1 million (2013: € 0.1 million) and was recorded in the item wages and salaries.

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 year. 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.

Changes in items of the statement of financial position of companies that report in foreign currencies are translated at average monthly exchange rates 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 exchange rate in effect on the reporting date. The effects of changes in exchange rates on cash and cash equivalents are shown separately.

(50) 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 € 11.0 million (2013: € 11.5 million), net remeasurement gains of monetary foreign currency positions and derivative financial instruments of € 3.3 million (2013: net losses of € 14.7 million) and non-cash funding of provisions for restructuring amounting to € 10.3 million (2013: € 18.7 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.

In the previous year, the termination of the reorganization proceedings of the US ANH Group had an effect on cash and cash equivalents of the RHI Group through net cash inflow of € 24.8 million. With the termination of the proceedings, RHI received a payment of € 30.5 million (USD 40.0 million) from Honeywell, a previous owner of the ANH companies, and recorded a cash outflow of € 2.8 million, which was predominantly related to calling guarantees which served as collateral for premiums and deductibles for insurance policies of the ANH companies. RHI also received a payment of € 0.8 million from the ANH companies. Income taxes paid to tax authorities amounted to roughly € 3.7 million.

(51) 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 capitalized in the previous year, which only had 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 reporting year 2014, no acquisitions of companies or divestments were carried out. In the previous year, expenses for the acquisition of subsidiaries amounted to € 49.9 million, of which € 48.7 million were attributable to the acquisition of 69.6% of the shares in Orient Refractories Ltd. (purchase price paid of € 50.8 million less acquired cash and cash equivalents of € 2.1 million), € 1.0 million to the payment for the acquisition of CJSC "RHI Podolsk Refractories" in the year 2011 as the purchase price was made final as well as € 0.2 million to the final instalment for the acquisition of RHI Normag AS in the year 2011.

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

(52) Net cash flow from financing activities

Net cash flow from financing activities includes outflows from the acquisition of non-controlling interests, 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 € 2.3 million (2013: € 1.4 million) as well as non-cash interest expenses from discounting non-current assets amounting to € 1.7 million (2013: € 0.0 million), which are therefore not included in interest paid in the consolidated statement of cash flows.

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

(53) Total interest paid and total interest received

Total interest paid amounts to € 20.9 million in the reporting period (2013: € 22.1 million), of which € 1.0 million (2013: € 1.1 million) are included in cash flow from operating activities, € 0.1 million (2013: € 2.8 million) in cash flow from investing activities and € 19.8 million (2013: € 18.2 million) in cash flow from financing activities.

Total interest received amounts to € 2.6 million in the financial year 2014 (2013: € 2.5 million), of which € 0.2 million (2013: € 0.1 million) are included in cash flow from operating activities and € 2.4 million (2013: € 2.4 million) in cash flow from investing activities.

(54) Cash and cash equivalents

Cash and cash equivalents as presented in the consolidated statement of cash flows corresponds to the cash and cash equivalents recognized in the statement of financial position.

The use of cash and cash equivalents of € 7.0 million (12/31/2013: € 21.0 million) is restricted by foreign exchange regulations in various countries, which, based on previous experience, are for the short term.

OTHER DISCLOSURES

(55) Segment reporting

Segment reporting by operating company division
The following tables show the financial data for the operating segments for the year 2014 and the previous year:

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group 2014
External revenue	1,108.8	566.6	45.8	0.0	1,721.2
Internal revenue	0.0	0.0	257.5	(257.5)	0.0
Segment revenue	**1,108.8**	**566.6**	**303.3**	**(257.5)**	**1,721.2**
Operating EBIT	**93.1**	**48.6**	**0.2**	**0.0**	**141.9**
Impairment losses	0.0	(12.3)	(7.5)	0.0	(19.8)
Restructuring costs	(2.2)	(1.7)	(9.7)	0.0	(13.6)
Net income from US Chapter 11 proceedings	0.5	0.3	0.0	0.0	0.8
EBIT	**91.4**	**34.9**	**(17.0)**	**0.0**	**109.3**
Net finance costs	0.0	0.0	0.0	(32.7)	(32.7)
Share of profit of joint ventures	0.0	0.0	8.2	0.0	8.2
Profit before income tax					**84.8**
Depreciation and amortization charges	(23.7)	(16.3)	(27.8)	0.0	(67.8)
Segment assets 12/31/2014	619.9	302.0	499.5	420.8	1,842.2
Investments in joint ventures 12/31/2014	0.0	0.0	18.3	0.0	18.3
					1,860.5
Investments in property, plant and equipment and intangible assets (according to non-current assets statement)	30.5	21.1	21.1	0.0	72.7

in € million	Steel	Industrial	Raw Materials	Elimination/ Unallocated assets	Group 2013
External revenue	1,097.5	619.0	38.2	0.0	1,754.7
Internal revenue	0.0	0.0	236.2	(236.2)	0.0
Segment revenue	**1,097.5**	**619.0**	**274.4**	**(236.2)**	**1,754.7**
Operating EBIT	**64.4**	**70.2**	**(7.8)**	**0.0**	**126.8**
Impairment losses	0.0	0.0	(65.3)	0.0	(65.3)
Restructuring costs	(16.0)	(8.6)	(1.8)	0.0	(26.4)
Net income from US Chapter 11 proceedings	48.9	25.2	1.9	0.0	76.0
EBIT	**97.3**	**86.8**	**(73.0)**	**0.0**	**111.1**
Net finance costs	0.0	0.0	0.0	(29.8)	(29.8)
Share of profit of joint ventures	0.0	0.0	8.0	0.0	8.0
Profit before income tax					**89.3**
Depreciation and amortization charges	(25.2)	(17.3)	(29.6)	0.0	(72.1)
Segment assets 12/31/2013	574.2	266.8	494.9	369.9	1,705.8
Investments in joint ventures 12/31/2013	0.2	0.0	18.0	0.0	18.2
					1,724.0
Investments in property, plant and equipment and intangible assets (according to non-current assets statement)	61.0	12.5	10.0	0.0	83.5

Revenue amounting to approximately € 209.1 million (2013: € 219.8 million) was realized with one customer in 2014, which is predominantly included in the Steel segment. No other single customer contributed 10% or more to consolidated revenue in 2014 or 2013. 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 utilization of the assets. Investments in joint ventures are allocated to the segments. All other assets are recognized under unallocated assets.

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 reporting year, revenue is classified by product group as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	707.7	423.8	0.0	1,131.5
Unshaped products	313.1	51.6	45.1	409.8
Other	88.0	91.2	0.7	179.9
Revenue	**1,108.8**	**566.6**	**45.8**	**1,721.2**

In 2013, revenue was classified by product group as follows:

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	700.9	467.6	0.1	1,168.6
Unshaped products	312.3	53.2	38.0	403.5
Other	84.3	98.2	0.1	182.6
Revenue	**1,097.5**	**619.0**	**38.2**	**1,754.7**

Segment reporting by country
Revenue is classified by customer sites as follows:

in € million	2014	2013
Austria	38.4	37.2
All other countries		
USA	157.2	156.5
India	153.1	127.7
Germany	141.1	155.0
Mexico	111.7	105.9
Italy	94.3	92.5
PR China	90.0	89.1
Canada	75.3	67.9
Russia	64.9	50.5
France	47.2	44.9
Saudi Arabia	45.1	48.7
Brazil	38.8	47.2
Other countries (each below € 44.0 million)	664.1	731.6
Revenue	**1,721.2**	**1,754.7**

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	12/31/2014	12/31/2013
Austria	188.0	184.3
All other countries		
PR China	142.8	138.2
Germany	83.3	82.1
India	58.7	54.2
Mexico	32.5	31.9
Norway	24.7	34.4
Other countries (each below € 26.0 million)	124.3	132.7
Property, plant and equipment and intangible assets	**654.3**	**657.8**

(56) 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.

	2014	2013
Share of shareholders of RHI AG in profit after income tax (in € million)	51.0	62.6
thereof continuing operations (in € million)	51.0	61.9
thereof discontinued operations (in € million)	0.0	0.7
Weighted average number of shares	39,819,039	39,819,039
Earnings per share (in €)	**1.28**	**1.57**
thereof continuing operations (in €)	1.28	1.55
thereof discontinued operations (in €)	0.00	0.02

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

(57) Dividend payments and proposed dividend

In accordance with the Stock Corporation Act, the dividend payable to the shareholders of RHI AG is based on the accumulated profit as shown in the annual financial statements of RHI AG, which are prepared in accordance with the Austrian Commercial Code. Accumulated profit developed as follows in the financial year 2014:

in € million	2014
Accumulated profit carried forward	590.4
Dividend payments	(29.9)
Profit for the year	42.4
Accumulated profit 12/31/2014	**602.9**
Proposed dividend	(29.9)
Profit carryforward	**573.0**

Based on a resolution adopted by the 35th Annual General Meeting on May 9, 2014, dividends totaling € 29.9 million were paid out in the financial year 2014 for the year 2013, which corresponded to a dividend of € 0.75 per share.

At the 36th Annual General Meeting on May 8, 2015, the Management Board will propose a dividend of € 0.75 per share for the financial year 2014, which corresponds to a dividend payment of € 29.9 million. The proposed dividend is subject to the approval by the Annual General Meeting and was not recognized as a liability in the consolidated financial statements 2014.

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

(58) 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/loss	Fair value recognized in equity	12/31/2014[2] Carrying amount	12/31/2014[2] Fair value
Assets							
Available-for-sale investments	FAAC	-	0.5	-	-	0.5	-
Available-for-sale securities	AfS	1	-	-	33.7	33.7	33.7
Available-for-sale shares	AfS	3	-	-	2.2	2.2	2.2
Available-for-sale shares	FAAC	-	1.1	-	-	1.1	-
Other non-current financial receivables	LaR	-	2.1	-	-	2.1	-
Trade and other current receivables	LaR	-	334.0	-	-	334.0	-
Other current financial receivables	LaR	-	1.6	-	-	1.6	-
Financial assets held for trading	FAHfT	2	-	1.6	-	1.6	1.6
Cash and cash equivalents	LaR	-	151.1	-	-	151.1	-
Equity and liabilities							
Non-current financial liabilities	FLAAC	2	417.0	-	-	417.0	444.0
Interest derivatives designated as cash flow hedges	-	2	-	-	1.3	1.3	1.3
Current financial liabilities	FLAAC	2	201.0	-	-	201.0	201.3
Financial liabilities held for trading	FLHfT	2	-	0.4	-	0.4	0.4
Trade payables and other current liabilities	FLAAC	-	195.8	-	-	195.8	-
Aggregated according to measurement category							
Loans and receivables	LaR		488.8	-	-	488.8	
Available for sale financial instruments	AfS		-	-	35.9	35.9	
Financial assets at cost	FAAC		1.6	-	-	1.6	
Financial assets held for trading	FAHfT		-	1.6	-	1.6	
Financial liabilities measured at amortized cost	FLAAC		813.8	-	-	813.8	
Financial liabilities held for trading	FLHfT		-	0.4	-	0.4	

in € million	IAS 39 Measurement category[1]	Level	(Amortized) cost	Fair value recognized in profit/loss	Fair value recognized in equity	12/31/2013[2] Carrying amount	12/31/2013[2] Fair value
Assets							
Available-for-sale investments	FAAC	-	0.4	-	-	0.4	-
Available-for-sale securities	AfS	1	-	-	31.2	31.2	31.2
Available-for-sale shares	AfS	3	-	-	1.6	1.6	1.6
Available-for-sale shares	FAAC	-	1.1	-	-	1.1	-
Other non-current financial receivables	LaR	-	2.2	-	-	2.2	-
Interest derivatives designated as cash flow hedges	-	2	-	-	0.6	0.6	0.6
Trade and other current receivables	LaR	-	280.1	-	-	280.1	-
Other current financial receivables	LaR	-	2.0	-	-	2.0	-
Financial assets held for trading	FAHfT	2	-	0.2	-	0.2	0.2
Cash and cash equivalents	LaR	-	112.4	-	-	112.4	-
Equity and liabilities							
Non-current financial liabilities	FLAAC	2	362.1	-	-	362.1	373.3
Current financial liabilities	FLAAC	2	173.2	-	-	173.2	173.2
Financial liabilities held for trading	FLHfT	2	-	0.3	-	0.3	0.3
Trade payables and other current liabilities	FLAAC	-	186.7	-	-	186.7	-
Aggregated according to measurement category							
Loans and receivables	LaR		394.5	-	-	394.5	
Available for sale financial instruments	AfS		-	-	32.8	32.8	
Financial assets at cost	FAAC		1.5	-	-	1.5	
Financial assets held for trading	FAHfT		-	0.2	-	0.2	
Financial liabilities measured at amortized cost	FLAAC		722.0	-	-	722.0	
Financial liabilities held for trading	FLHfT		-	0.3	-	0.3	

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 presentation of carrying amounts and fair values of financial assets and liabilities by level and measurement category as well as the presentation of carrying amounts by IAS 39 measurement category are summarized in an overview table. The items trade and other non-current receivables and payables also include non-financial assets and liabilities and 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 (20) and (31). The comparative period was adjusted accordingly.

In the RHI Group especially securities, derivative financial instruments and shares in a residential property company are measured at fair value on a recurring basis.

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

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

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

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

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

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

The fair value of available-for-sale shares which are not listed is determined by discounting the expected cash flow taking into account the country-specific weighted average cost of capital in the RHI Group (Level 3). The development of Level 3 fair values is presented below:

in € million	2014	2013
Fair values at beginning of year	**1.6**	**1.6**
Unrealized results from fair value change recognized in other comprehensive income	0.6	0.0
Fair values at year-end	**2.2**	**1.6**

If the weighted average cost of capital had been 25 basis points higher or lower, the fair value would have been € 0.1 million (12/31/2013: € 0.0 million) lower or higher.

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

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

Available-for-sale investments of € 0.5 million (12/31/2013: € 0.4 million) and available-for-sale shares of € 1.1 million (12/31/2013: € 1.1 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 RHI Group intends to liquidate an investment with a carrying amount of € 0.1 million.

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

The remaining terms of trade and other current receivables and liabilities as well as cash and cash equivalents are predominantly short. Therefore, the carrying amounts of these items approximate fair value at the 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 reporting years 2014 and 2013 is shown in the following table, classified according to the measurement categories defined in IAS 39:

in € million	2014	2013
Net gain on available-for-sale financial instruments		
recognized in the statement of profit or loss	1.0	1.4
recognized in other comprehensive income	3.1	0.5
	4.1	1.9
Net loss from loans and receivables as well as financial liabilities at amortized cost	(16.3)	(46.4)
Net loss/gain on financial assets and financial liabilities classified as held for trading	(9.6)	4.6

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

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

The net result of financial assets held for trading and financial liabilities includes changes in the market value and realized results of forward exchange contracts and embedded derivatives in open orders in a currency other than the functional currency of RHI.

Net finance costs include interest income amounting to € 2.4 million (2013: € 2.4 million) and interest expenses of € 19.8 million (2013: € 19.6 million). They result from financial assets and liabilities which are carried at fair value without recognition to profit or loss.

(59) Derivative financial instruments

Interest rate swaps
In the financial year 2013, RHI AG concluded interest rate swaps amounting to € 100.0 million to hedge the cash flow risk of financial liabilities carrying variable interest rates ("pay fixed rates – receive floating 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 € 42.9 million at the reporting date (12/31/2013: € 46.4 million) ends in the financial year 2019. The interest payments from the hedged item and the compensation payments from the two interest rate swaps are made quarterly at the end of the quarter.

A hedging relationship with a nominal value of € 50.0 million (12/31/2013: € 50.0 million) runs until the financial year 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.

Fixed interest rates amount to roughly 0.7%, the variable interest rates are based on the EURIBOR.

The effectiveness of a hedging relationship is tested on a prospective and retrospective basis. The conditions of the interest rate swaps correspond to the conditions of the hedged items. In the two reporting years no hedge ineffectiveness had to be recognized through profit or loss.

The fair values of the interest rate swaps totaled € (1.3) million at the reporting date (12/31/2013: € 0.6 million). Unrealized losses of € 1.9 million from the value change of hedges were recognized in other comprehensive income in the financial year 2014 taking into account deferred tax assets amounting to € 0.5 million. A gain of € 0.1 million recognized in other comprehensive income in the previous year was reclassified to interest expenses. In the preceding reporting year, unrealized gains of € 0.6 million were recognized in other comprehensive income taking into account deferred tax liabilities of € 0.2 million. In addition, losses recognized in other comprehensive income amounting to € 0.1 million were reclassified to interest expenses.

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

		12/31/2014			12/31/2013		
Purchase	Sale	Nominal value in million		Fair value in € million	Nominal value in million		Fair value in € million
EUR	USD	USD	84.6	(0.2)	USD	35.0	0.0
EUR	CNY	EUR	24.2	(0.1)	EUR	41.7	0.0
MXN	USD	USD	10.0	0.0		-	-
EUR	INR	EUR	6.0	(0.1)	EUR	6.5	0.1
EUR	CAD	CAD	5.4	0.0		-	-
INR	EUR	EUR	0.5	0.0	EUR	0.3	0.0
INR	USD	USD	0.5	0.0		-	-
Forward exchange contracts				**(0.4)**			**0.1**

(60) Financial risk management

Financial risks are incorporated in RHI's corporate risk management and are centrally controlled by Group Treasury. None of the following risks represent a significant risk for the RHI Group:

Credit risk in the RHI Group is primarily related to operating receivables due from customers. In order to counteract the default risk related to a hedged item, receivables 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.

The Group's financing policy is based on long-term financial planning and is centrally controlled and monitored continuously at RHI. The liquidity requirement resulting from budget and medium-term planning is secured by concluding appropriate financing agreements. These lines of credit were concluded with different Austrian and international financial institutions in order to ensure independence of banks. The companies of the RHI Group are integrated into a clearing process managed by Central Treasury and provided with financing limits in order to minimize the need of borrowings for the Group as a whole.

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

The interest risk in the RHI Group is primarily related to financial instruments carrying variable interest rates, which may lead to fluctuations in results and cash flows. The RHI Group is predominantly exposed to interest risks in the euro area. In the year 2013, interest hedges totaling € 100.0 million were concluded. A variable interest rate was converted into a fixed interest rate through an interest rate swap. This affected loans with maturity beyond 2016. A small part of these loans has been repaid, so that the liability of interest hedges amounts to € 92.9 million at December 31, 2014.

Credit risk
Hereinafter the credit risk from trade receivables is shown classified by customer industry, by foreign currency and by term:

The 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	12/31/2014	12/31/2013[1)]
Segment Steel	219.3	202.8
Segment Industrial	106.8	72.1
Segment Raw Materials	4.9	2.8
Trade receivables	331.0	277.7
Credit insurance and bank guarantees	(206.4)	(177.3)
Net credit exposure	**124.6**	**100.4**

1) Receivables from long-term construction contracts are deemed non-financial assets and are therefore not considered. The prior-year figures were adjusted to the current presentation.

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	12/31/2014	12/31/2013[1)]
US dollar	67.7	73.7
Pound sterling	4.8	3.2
Other currencies	4.5	5.0
Other functional currencies	254.0	195.8
Trade receivables	**331.0**	**277.7**

1) Prior-year figures adjusted

The classification of receivables by days outstanding is shown below:

in € million	12/31/2014	12/31/2013[1)]
Neither impaired nor past due at reporting date	225.3	178.8
Not impaired at reporting date and past due in the following time frames		
Less than 30 days	25.8	30.4
Between 30 and 59 days	7.4	8.5
Between 60 and 89 days	7.1	7.3
More than 90 days	12.4	3.3
Impaired at reporting date	77.5	67.9
Valuation allowance	(24.5)	(18.5)
Trade receivables	**331.0**	**277.7**

1) The age structure analysis of trade receivables is presented adapted in accordance with the provisions of IFRS 7. The individual maturity bands are shown at gross value; impaired receivables and valuation allowances are shown separately. The comparative period was adjusted.

With respect to receivables that were neither impaired nor overdue, there were no indications at the reporting date that the debtors would be unable to meet their payment obligations. No valuation allowance was recognized for overdue receivables amounting to € 52.7 million at the reporting date (12/31/2013: € 49.5 million adjusted) and impaired receivables of € 53.0 million (12/31/2013: € 49.4 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.

Financial planning in the RHI Group is centrally managed and monitored continuously. The liquidity requirements determined by the planning process are secured through adequate financing agreements.

As of December 31, 2014, the RHI Group has a credit facility of € 427.1 million (12/31/2013: € 262.3 million) at its disposal, which is unused and available immediately, as well as unused credit lines from the sale of receivables amounting to € 8.1 million (12/31/2013: € 11.2 million).

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:

			Remaining term		
in € million	Carrying amount 12/31/2014	Cash outflows	up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions					
fixed interest	215.2	249.2	33.9	126.3	89.0
variable interest	366.8	382.7	169.3	185.3	28.1
Liabilities to fixed-term or puttable non-controlling interests	29.2	124.6	6.7	10.8	107.1
Other financial liabilities	6.8	6.9	2.1	4.8	0.0
Trade payables and other current liabilities	195.8	195.8	195.8	0.0	0.0
Non-derivative financial liabilities	**813.8**	**959.2**	**407.8**	**327.2**	**224.2**

			Remaining term		
in € million	Carrying amount 12/31/2013[1)]	Cash outflows	up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions					
fixed interest	130.6	150.4	6.9	98.1	45.4
variable interest	371.6	388.9	170.6	195.3	23.0
Liabilities to fixed-term or puttable non-controlling interests	25.9	115.4	5.4	10.1	99.9
Other financial liabilities	7.2	7.4	2.4	4.8	0.2
Trade payables and other current liabilities	186.7	186.7	186.7	0.0	0.0
Non-derivative financial liabilities	**722.0**	**848.8**	**372.0**	**308.3**	**168.5**

1) Retrospective adjustment of presentation resulting from the changed presentation of financial liabilities (note (27)).

Derivative financial instruments

The remaining terms of derivative financial instruments based on expected undiscounted cash flows as of December 31, 2014 and December 31, 2013 are shown in the table below:

			Remaining term		
in € million	Carrying amount 12/31/2014	Cash flows	up to 1 year	2 to 5 years	over 5 years
Receivables from derivatives with net settlement					
Financial assets held for trading	1.6	1.6	1.6	0.0	0.0
Liabilities from derivatives with net settlement					
Interest derivatives designated as cash flow hedges	1.3	1.4	0.4	1.0	0.0
Financial liabilities held for trading	0.4	0.4	0.4	0.0	0.0

			Remaining term		
in € million	Carrying amount 12/31/2013	Cash flows	up to 1 year	2 to 5 years	over 5 years
Receivables from derivatives with net settlement					
Interest derivatives designated as cash flow hedges	0.6	0.8	(0.3)	1.0	0.1
Financial assets held for trading	0.2	0.2	0.2	0.0	0.0
Liabilities from derivatives with net settlement					
Financial liabilities held for trading	0.3	0.3	0.3	0.0	0.0

Foreign currency risks

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. Equity instruments 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 foreign currency provisions are also included in the analysis of risk.

The following table shows the foreign currency positions in the major currencies as of December 31, 2014:

in € million	USD	EUR	CHF	Other	Total
Financial assets	214.6	45.4	0.6	26.2	286.8
Financial liabilities and provisions	(166.5)	(79.7)	(13.5)	(14.8)	(274.5)
Net foreign currency position	**48.1**	**(34.3)**	**(12.9)**	**11.4**	**12.3**

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

in € million	USD	EUR	CHF	Other	Total
Financial assets	218.1	55.6	0.6	33.1	307.4
Financial liabilities and provisions	(191.3)	(80.0)	(12.3)	(39.6)	(323.2)
Net foreign currency position	**26.8**	**(24.4)**	**(11.7)**	**(6.5)**	**(15.8)**

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. It is assumed that the positions on the reporting date are representative for the entire year. The sensitivity analysis does not include the foreign exchange differences that result from translating the net asset positions of the foreign Group companies into the Group currency, the euro.

A 10% appreciation or devaluation of the relevant functional currency against the following major currencies as of December 31, 2014 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	(4.4)	(6.9)	5.3	8.4
Euro	2.7	8.7	(4.0)	(11.3)
Swiss franc	1.2	1.2	(1.4)	(1.4)
Other currencies	(1.0)	(5.2)	1.2	6.3

The hypothetical effect on profit or loss as of December 31, 2013 can be summarized as follows:

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain/(loss)	Equity	Gain/(loss)	Equity
US dollar	(2.4)	(4.4)	3.0	5.3
Euro	1.7	7.7	(3.2)	(10.4)
Swiss franc	1.1	1.1	(1.3)	(1.3)
Other currencies	0.6	(1.2)	(0.7)	1.6

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

The RHI Group measures fixed-interest financial assets and financial liabilities at amortized cost, and did not elect to use the option that permits the measurement of these items at fair value through profit or loss. A hypothetical change in the market interest rates for these financial instruments at the reporting date would have had no effect on profit and 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. If the market interest rate as of December 31, 2014 had been 25 basis points higher or lower, equity would have been € 0.5 million (12/31/2013: € 0.6 million) higher or lower taking into account tax effects.

Changes in market interest rates have an effect on 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, and are therefore included in the calculation of the result-related sensitivities. If the market interest rate as of December 31, 2014 had been 25 basis points higher or lower, the interest result would have been € 0.3 million (12/31/2013: € 0.4 million) lower or higher.

Other financial market risks
RHI holds certificates in an investment fund amounting to € 33.7 million (12/31/2013: € 31.2 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.

(61) Capital management

The objectives of the capital management strategy of the RHI Group are to secure 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. The overall strategy of the RHI Group has not changed in comparison with 2013.

The RHI Group manages its capital structure through internal targets with respect to net 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 at the reporting date are shown below:

	12/31/2014	12/31/2013
Net debt (in € million)	466.9	422.9
Net debt factor	2.3	1.6
Net gearing ratio (in %)	94.5%	87.1%
Equity ratio (in %)	26.5%	28.2%

Net 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). It is a measure of the ability of a company to repay its debt and amounts to 2.3 for the current financial year. At December 31 of the previous year, this ratio was 1.6. RHI's target is to keep the debt factor below 3.0.

The net gearing ratio is the ratio of net debt to equity; it amounts to 94.5% for the financial year. In the previous year, the net gearing ratio amounted to 87.1%. 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 consequently derived from the equity ratio.

RHI 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. By extension, the comparison of this profitability key figure with the capital costs of RHI enables statements with respect to changes in company value. The 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	12/31/2014	12/31/2013
∅ **Working capital**		
∅ Inventories	409.2	406.3
∅ Trade receivables	304.4	270.4
∅ Receivables from long-term construction contracts	9.1	7.2
∅ Trade payables	(174.8)	(177.5)
∅ Prepayments received on orders	(21.9)	(26.1)
	526.0	**480.3**
∅ **Assets**		
∅ Property, plant and equipment	544.0	584.8
∅ Goodwill and other intangible assets	112.1	95.3
	656.1	**680.0**
Average capital employed	**1,182.1**	**1,160.3**
EBIT	109.3	111.1
Taxes	(32.3)	(26.6)
Net operating profit after taxes	**77.0**	**84.5**
Return on average capital employed (in %)	**6.5%**	**7.3%**
∅ RHI WACC (in %)	6.7%	7.0%

The ROACE amounts to 6.5% in the reporting year and is lower than the profitability of 7.3% in the previous year. This decline is primarily due to special effects, which were higher in 2014 than in 2013. In the year 2014 these effects were related to impairments of the cash-generating units Raw Materials/Norway and Industrial/Glass as well as restructuring costs for the plant in Kretz, Germany. In the year 2013, special effects related to the raw material plant in Norway, restructuring costs for the plant in Duisburg, Germany, and effects from the termination of the US Chapter 11 proceedings were included.

In the reporting year 2014 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.

(62) Contingent liabilities

At December 31, 2014 warranties, performance guarantees and other guarantees amount to € 28.5 million (12/31/2013: € 24.0 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, liabilities from sureties of € 0.9 million (12/31/2013: € 1.0 million) were recorded, of which € 0.3 million are related to contingent liabilities to creditors from joint ventures.

Individual proceedings and lawsuits which result from ordinary activities including the securing of raw materials are pending as of December 31, 2014 or can potentially be exercised against RHI 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 asset, financial and earnings position of the RHI Group.

(63) Other financial obligations

Other financial obligations consist of the following items:

in € million	Total 12/31/2014	Remaining term up to 1 year	 2 to 5 years	 over 5 years
Obligations from rental and leasing contracts	71.1	13.7	35.7	21.7
Capital commitments	6.7	6.7	0.0	0.0
Miscellaneous financial obligations	3.8	1.0	2.8	0.0
Other financial obligations	**81.6**	**21.4**	**38.5**	**21.7**

in € million	Total 12/31/2013	Remaining term up to 1 year	 2 to 5 years	 over 5 years
Obligations from rental and leasing contracts	83.5	14.3	40.8	28.4
Capital commitments	2.0	2.0	0.0	0.0
Miscellaneous financial obligations	3.5	0.9	2.6	0.0
Other financial obligations	**89.0**	**17.2**	**43.4**	**28.4**

Other financial obligations are exclusively accounted for by third parties. They are shown at nominal value.

Rental and leasing obligations for property, plant and equipment of € 24.9 million (2013: € 23.6 million) are recognized in the statement of profit or loss of the financial year 2014. 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 indexed.

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 3 years each. The annual rent is coupled to the development of an 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 indexing.

The Group also rents numerous mining vehicles, diggers, forklifts and the like within the framework of cancelable leasing agreements. The contracts have terms ranging from 2 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 basic and non-basic raw materials as well as for the transport of raw materials within the Group. This results in other financial obligations of € 388.9 million at the reporting date (12/31/2013: € 430.4 million). The terms of the contracts amount to up to twelve years. Income from these arrangements is recognized in accordance with the usual course of business. Purchase contracts are regularly reviewed for onerous contracts, which may occur, for example, when requirements fall below the agreed minimum purchase volume.

(64) Notes to off-balance sheet items

To secure liquidity requirements RHI AG regularly sells trade receivables amounting to the portion covered by credit insurance to a domestic financial institution. At December 31, 2014 the receivables sold totaled € 73.0 million (12/31/2013: € 63.2 million). The default and foreign currency risks from the receivables sold were transferred from RHI AG to the buyer. The sale of receivables has reduced receivables in accordance with the provisions of IAS 39.

(65) Investment project Turkey

In early April 2014 the Turkish subsidiary Magnesit Anonim Sirketi, Eskisehr, signed a contract for the acquisition of a raw material plant as well as mining rights in Erzurum, Turkey, with the Cihan Group. This contract provided for numerous contractual conditions for the closing of the transaction. Although the deadline was repeatedly extended, several of these contractually defined conditions were not met. Consequently, the transaction was not closed when the long stop date expired on September 30, 2014. The RHI Group will not extend the long stop date for the closing again and will therefore not pursue the transaction any further.

(66) Expenses for the Group auditor

The expensed fee for the activity of the Group auditor Deloitte Audit Wirtschaftsprüfungs GmbH in accordance with § 266 para 11 UGB amounted to € 0.3 million in the financial year 2014 (2013: € 0.3 million). The fee included € 0.2 million (2013: € 0.2 million) for the audit of the consolidated financial statements and the annual financial statements of RHI AG, and € 0.1 million (2013: € 0.1 million) for other certification services. The fees for other certification services include the remuneration for the audit of the financial statements of Austrian subsidiaries subject to statutory audits as well as certifications regarding compliance with certain contractual agreements.

(67) Annual average number of employees

The average number of employees of the RHI Group weighted by employment level amounts to:

	2014	2013
Salaried employees	3,675	3,701
Waged workers	4,361	4,584
Number of employees on annual average	**8,036**	**8,285**

(68) Notes on related party transactions

Related companies include subsidiaries that are not fully consolidated, joint ventures and MS Private Foundation as a shareholder of RHI AG, as it exercises significant influence based on its unchanged share of more than 25% in RHI AG. In accordance with IAS 24, the Personalfürsorgestiftung der Firma 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 financial year 2014, the Group charged electricity and stock management cost amounting to € 2.8 million (2013: € 2.9 million) and interest of € 0.1 million (2013: € 0.1 million) to the joint venture MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria. In the same period, the Group purchased raw materials in the amount of € 2.1 million (2013: € 2.5 million). Furthermore, the Group received dividend payments of € 7.5 million (2013: € 3.7 million). At December 31, 2014 receivables from MAGNIFIN amount to € 0.6 million (12/31/2013: € 0.8 million); liabilities amount to € 0.1 million (12/31/2013: € 0.6 million). Neither in the reporting period nor in the previous financial years were valuation allowances formed for receivables from this company. 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 RHI has assumed a guarantee for € 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 financial years 2014 and 2013 no transactions were carried out between the RHI Group and MS Private 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 Personalfürsorgestiftung der Firma 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, 2014 current account receivables of € 0.8 million (12/31/2013: € 0.8 million) from the personnel welfare foundation existed, for which an interest of 3.25% is paid as in the previous year. In the past reporting period, employer contributions amounting to € 0.4 million (2013: € 0.4 million) were made to the personnel welfare foundation. The overfunding of the pension plan is recognized as a non-current asset of € 1.9 million (12/31/2013: € 1.9 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 financial year 2014 recognized in the statement of profit or loss amount to € 2.5 million (2013: € 7.3 million). The expenses not including non-wage labor costs amount to € 2.2 million (2013: € 6.2 million), of which € 2.2 million (2013: € 2.4 million) were related to current benefits (fixed, variable and other earnings) and in the previous year € 3.8 million to the termination of employment. At December 31, 2014 liabilities for performance-linked variable earnings of active members of the Management Board of € 0.3 million (12/31/2013: € 0.5 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.

For members of the Supervisory Board (capital representatives), remuneration totaling € 0.4 million (2013: € 0.3 million) was recognized through profit or loss in the year 2014.

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 RHI, expenses of € 0.8 million (2013: € 0.7 million) were incurred. This group of persons received 116 (2013: 108) RHI shares in the reporting year 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. The company has the obligation to pay one member of the Management Board a compensation of up to € 2.5 million in the case of a public takeover bid.

As in the previous year, no stock option plans existed for members of the Management 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 at RHI.

Detailed and individual information on the remuneration of the Management Board and the Supervisory Board is presented in the Corporate Governance Report 2014 of the RHI Group.

Earnings of former members of the Management Board amounted to € 3.5 million (2013: € 1.2 million).

(69) Corporate bodies of RHI AG

Members of the Management Board
Franz Struzl, Vienna, Chairman
Barbara Potisk-Eibensteiner, Hagenbrunn
Franz Buxbaum, Bad Vöslau
Reinhold Steiner, Trofaiach

Members of the Supervisory Board
Herbert Cordt, Vienna, Chairman
Helmut Draxler, Vienna, Deputy Chairman
Wolfgang Ruttensdorfer, Vienna, Deputy Chairman
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

(70) Material events after the reporting date

After the reporting date on December 31, 2014, there were no events of special significance which may have a material effect on the asset, financial and earnings position of the RHI Group.

Vienna, March 4, 2015

Management Board

Franz Struzl
CEO
CSO Industrial Division

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO
CTO R&D

Reinhold Steiner
CSO Steel Division

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RHI AG, Vienna, for the financial year from January 1, 2014 to December 31, 2014. These consolidated financial statements comprise the consolidated statement of financial position as of December 31, 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year ended December 31, 2014, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System
The company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as well as the additional requirements of § 245a of the Austrian Commercial Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

Opinion
Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2014 and of its financial performance and its cash flows for the fiscal year from January 1, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, March 4, 2015

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Marieluise KRIMMEL m.p.
Austrian Certified Public Accountant

Mag. Nikolaus SCHAFFER m.p.
Austrian Certified Public Accountant

The publication or dissemination of the consolidated financial statements bearing our opinion may only take place in the approved version. This opinion relates exclusively to the German language version of the complete consolidated financial statements including the Group management report. For any other versions, the regulations contained in section 281 para. 2 UGB (Austrian Commercial Code) are to be observed.

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

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

We confirm to the best of our knowledge that the consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, March 4, 2015

Management Board

Franz Struzl
CEO
CSO Industrial Division

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO
CTO R&D

Reinhold Steiner
CSO Steel Division