Consolidated Management Report 2015

Economic Environment

Global growth rates again fell short of expectations in 2015.

As in the previous years, the global growth rates again fell short of expectations in the year 2015 which caused the International Monetary Fund (IMF) to reduce its growth expectations in the course of the year. While at the beginning of the year the global economy was still expected to grow by 3.5% in 2015, the actual growth rate was only 3.1% according to preliminary estimates. The International Monetary Fund considers slower growth in the emerging markets the main reason for this development. This is the result of low raw material prices, the withdrawal of capital by foreign investors following the increase in the base rate in the US as well as the restructuring of the Chinese economy, whose negative impact on growth in other developing countries was greater than expected according to the IMF. As the export and investment-driven Chinese business model is reaching its limits, the local government initiated several reforms to strengthen domestic demand and the service sector. Despite the reform efforts, the economy in China continued to slow down, which was reflected in declining export and import statistics as well as decreasing property and raw material prices, among other things. The latter in turn had a negative impact on emerging countries exporting raw materials such as Brazil and Russia. In addition, geopolitical conflicts, negative effects of the rapid credit growth in the past years and the dependency on individual economic sectors had an adverse effect on growth in the emerging markets. While the economies of the emerging markets still expanded by 6.3% in the year 2011, this rate should have dropped to 4.0% in 2015 according to the preliminary estimates by the specialists of the International Monetary Fund. Consequently, the emerging markets and developing countries recorded declining growth rates for the fifth consecutive year.

While the emerging markets recorded declining growth rates for the fifth consecutive year, the advanced economies showed a moderate economic recovery.

In contrast, the advanced economies reported a moderate, but steady economic recovery. According to the preliminary data of the International Monetary Fund, the advanced economies expanded by 1.9% in the year 2015, after 1.1% only two years earlier, in 2013. Especially in the US, the economy was robust. As domestic consumption was strong, the unemployment rate dropped to 5.0%, marking a low since the beginning of the economic crisis of the year 2008. The positive domestic economic data finally led the US Federal Reserve to increase the base rate at its meeting in December 2015 for the first time since the year 2006; they had been hesitant for some time due to the capital market turbulence in the emerging markets.

In Europe, the economy benefited from low energy prices and the quantitative easing of the European Central Bank.

In the European Union, the economic upswing continued despite the difficult negotiations regarding an additional aid package for Greece as well as the effects of the refugee crisis. The economy benefited especially from low energy prices, the quantitative easing of the European Central Bank as well as the devaluation of the euro against other currencies. As a result, the Markit Purchasing Manager Index for the euro area has been continuously above the growth-signaling 50-point mark since July 2013. The unemployment rate of the euro area saw a positive development due to the reforms of the past years and the increase in exports caused by the devaluation of the euro, and dropped to 10.4% at the end of the year 2015, the lowest level since September 2011. Although the unemployment rate is still high, a reduction of 1.0% was achieved in the course of the year. However, there are still deflationary tendencies in the euro zone, which cause concern. In December 2015, the inflation rate amounted to 0.2% due to low energy prices; therefore, the European Central Bank is considering fine-tuning or extending the current 1.14-trillion-euro bond purchasing program and a further reduction of the deposit rate.

While growth in China was driven by public investments, industry exports, cheap labor and high credit growth over a long period of time, the economy recorded the weakest growth in 25 years in the past year due to the downturn of the property market, weak export business, high excess capacities especially in the heavy industry and declining domestic demand. Moreover, China is fighting the bursting of the bubble in the financial markets. After the Chinese lead index Shanghai Composite had picked up roughly 150% year-on-year in early June 2015, stock prices plunged by roughly 30% within a few days, among other things because the rules governing loan-financed leverage products had been tightened. Despite massive interventions by the Chinese authorities – for example, trading of roughly 40% of the listed stocks and planned IPOs were suspended, a fund financed by the Chinese Central Bank to stabilize the market was established and share buyback programs for state-controlled companies were adopted – prices continued to fall after a slight recovery. The devaluation of the yuan against the US dollar by roughly 5% in the course of the year increased concerns regarding economic growth in China in particular and in the emerging markets in general, and subsequently led to another significant drop in many raw material and metal prices as well as a slump in the share prices of many basic material producers. The copper price for example, which is considered an economic indicator, decreased by roughly 25% compared with the end of the year 2014.

Concerns regarding economic growth in China led to a significant drop in many raw material and metal prices.

In its outlook published in January 2016, the International Monetary Fund forecasts global economic growth of 3.4% in the current year after 3.1% in the year 2015. This outlook is influenced by three key factors: slower economic growth in China as a result of the restructuring of the economy, lower energy and raw material prices as well as a gradual tightening of the monetary policy in the US.

The International Monetary Fund forecasts economic growth of 3.4% for the year 2016.

IMF Outlook

GDP growth in %	2013	2014	2015	2016e	2017e
World	**3.3**	**3.4**	**3.1**	**3.4**	**3.6**
Developed economies	**1.1**	**1.8**	**1.9**	**2.1**	**2.1**
USA	1.5	2.4	2.5	2.6	2.6
Eurozone	(0.3)	0.9	1.5	1.7	1.7
Germany	0.4	1.6	1.5	1.7	1.7
France	0.7	0.2	1.1	1.3	1.5
Italy	(1.7)	(0.4)	0.8	1.3	1.2
Spain	(1.2)	1.4	3.2	2.7	2.3
Emerging markets	**5.0**	**4.6**	**4.0**	**4.3**	**4.7**
Brazil	2.7	0.1	(3.8)	(3.5)	0.0
Russia	1.3	0.6	(3.7)	(1.0)	1.0
India	6.9	7.3	7.3	7.5	7.5
China	7.7	7.3	6.9	6.3	6.0
Middle East / North Africa	2.3	2.8	2.5	3.6	3.6
Mexico	1.4	2.3	2.5	2.6	2.9

Earnings Position

Statement of profit or loss

	2015	2014	Change
Sales volume (thousand tons)	1,892	1,868	1.3%
Steel Division	1,152	1,246	(7.5)%
Industrial Division	443	440	0.7%
Raw Materials Division	297	182	63.2%
in € million			
Revenue	**1,752.5**	**1,721.2**	**1.8%**
Steel Division	1,099.9	1,108.8	(0.8)%
Industrial Division	614.6	566.6	8.5%
Raw Materials Division			
external revenue	38.0	45.8	(17.0)%
internal revenue	234.6	257.5	(8.9)%
EBITDA	**140.0**	**199.4**	**(29.8)%**
EBITDA margin	8.0%	11.6%	(3.6)pp
Operating EBIT[1]	**124.1**	**141.9**	**(12.5)%**
Steel Division	64.3	93.1	(30.9)%
Industrial Division	65.0	48.6	33.7%
Raw Materials Division	(5.2)	0.2	(2700.0)%
Operating EBIT margin	**7.1%**	**8.2%**	**(1.1)pp**
Steel Division	5.8%	8.4%	(2.6)pp
Industrial Division	10.6%	8.6%	2.0pp
Raw Materials Division[2]	(1.9)%	0.1%	(2.0)pp
EBIT	**37.5**	**109.3**	**(65.7)%**
Steel Division	63.4	91.4	(30.6)%
Industrial Division	58.9	34.9	68.8%
Raw Materials Division	(84.8)	(17.0)	(398.8)%
EBIT margin	**2.1%**	**6.4%**	**(4.3)pp**
Steel Division	5.8%	8.2%	(2.4)pp
Industrial Division	9.6%	6.2%	3.4pp
Raw Materials Division[2]	(31.1)%	(5.6)%	(25.5)pp
Net finance costs	**(19.3)**	**(32.7)**	**41.0%**
Share of profit of joint ventures	9.2	8.2	12.2%
Profit before income tax	**27.4**	**84.8**	**(67.7)%**
Income tax	(9.8)	(32.3)	69.7%
Income tax in %	35.8%	38.1%	(2.3)pp
Profit after income tax	**17.6**	**52.5**	**(66.5)%**
Earnings per share in € (basic and diluted)	0.40	1.28	

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

Business Development

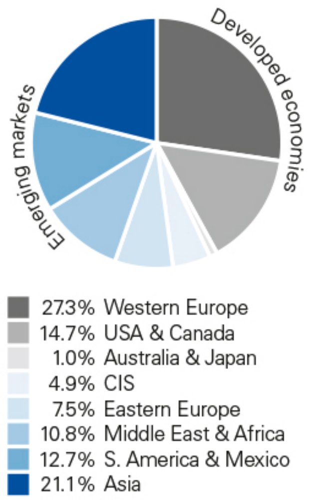
The RHI Group's sales volume increased from roughly 1,868,000 tons in the previous year to roughly 1,892,000 tons in the past financial year. This increase is attributable to stepping up the sale of raw dolomite in Italy, which makes a large contribution in terms of volume. However, due to the low price per ton, the contribution in terms of value is minor. While the Steel Division recorded a decline in volume by 7.5% in the year 2015, sales volume in the Industrial Division remained nearly constant with a year-on-year increase by 0.7%. Revenue totaled € 1,752.5 million in the past financial year after € 1,721.2 million in the year 2014. The decline in revenue in the Steel Division in Europe, the Middle East and North Africa was nearly compensated by a good business development in India and South America as well as positive currency translation effects resulting from the devaluation of the euro against the US dollar. The year-on-year increase in revenue by 8.5% in the Industrial Division is among other things attributable to higher project deliveries in the glass and environment, energy, chemicals business units. In addition, the cement/lime business unit benefited from a positive development of the construction industry in North America.

The operating EBIT dropped from € 141.9 million in the previous year to € 124.1 million in the past financial year. While the operating EBIT of the Steel Division decreased as a result of weaker margins in Europe and the Middle East as well as negative product mix effects due to declining volumes in the electric arc furnace segment, the Industrial Division benefited from improved utilization of fixed costs resulting from the increase in revenue, better margins in the glass business unit and several major repairs in the nonferrous metals business unit. The contribution to earnings by the Raw Materials Division was lower because of weaker utilization of the raw material plants related to declining volumes in the electric arc furnace segment. In addition, negative exchange rate effects from the valuation of balance sheet items had a negative effect of € 8.9 million on the operating EBIT, which are recorded under other expenses.

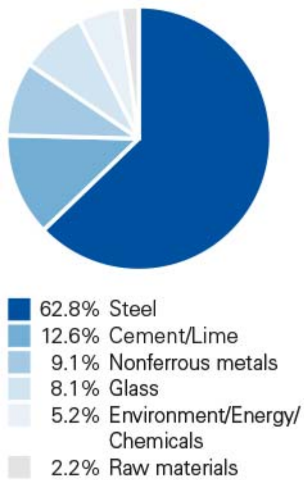
EBIT amounted to € 37.5 million in the past financial year and includes a full impairment of the assets of the site in Porsgrunn, Norway, of roughly € 23 million and of the site in Falconer, US, of roughly € 8 million, as well as negative effects on earnings of roughly € 58 million related to a necessary change in the measurement of a long-term energy supply contract concluded in the year 2011. In addition, provisions amounting to roughly € 3 million for the closure of the plant in Clydebank, Scotland, were formed. This is offset by positive effects of roughly € 6 million from the reversal of provisions following the sale of the premises of the plant in Duisburg, Germany, and lower closure costs at the site in Kretz, Germany.

Net finance costs of the year 2015 amounted to € (19.3) million. This improvement on the previous year is among other things attributable to earnings from the sale of a 2.6% share in a German residential property company and securities due to surplus coverage of the legally required provisions for pensions of two companies, a higher payout of these securities and the lower interest rate level. Profit from joint ventures results from the 50% share held in MAGNIFIN Magnesiaprodukte GmbH & Co KG, which primarily produces flame retardants. The tax rate was 35.8% in the year 2015. Profit after income tax amounted to € 17.6 million after € 52.5 million in the previous year.

Revenue by region



Revenue by industry



Steel Division

In the year 2015 the first global decline in steel output was recorded since the financial crisis of the year 2009 and otherwise since 1998.

The year 2015 saw a global decline in steel output for the first time since the financial crisis of the years 2008 and 2009 and otherwise since the year 1998. While growth had primarily been driven by the rapid capacity expansion in China and a positive development in the emerging markets in the past years, the global steel output in the year 2015 was down 2.8% on the previous year. With the exception of India, steel output decreased in all important markets. In the European Union, steel production declined by roughly 1.8%, while it plunged by 10.5% in the US as a result of massive increases in imports supported by the strengthening of the US dollar. In China, the steel output dropped by 2.3% as a result of the downturn of the construction industry as well as significantly reduced investment activities.

The market environment was characterized by an aggressive export strategy of Chinese producers resulting from a weak domestic market and high excess capacities.

The market environment was characterized by an aggressive export strategy on the part of Chinese steel producers resulting from a weak domestic market and high excess capacities. Compared with the previous year, Chinese producers stepped up their exports by roughly 19% to roughly 112 million tons, thus surpassing the 100-million-ton mark for the first time. Consequently, the pressure on steel prices and therefore on the profitability of manufacturers, and subsequently also on suppliers, was high. The local prices for hot-rolled coils, for example, which are used in the automotive industry and other sectors, dropped by roughly 38% in the US and China and by roughly 24% in Europe. However, the prices of important raw materials for steel production including iron ore and coking coal fell by a similar extent. In many markets, anti-dumping duties are discussed or have been introduced in response to the massively growing Chinese imports. Mexico, for example, imposed a 15-percent duty on all Chinese steel products, and India introduced a 20-percent protective duty on imported hot-rolled coils. The US also reacted to the massive increase in imports by introducing anti-dumping or countervailing duties on corrosion-resistant steel products and cold-rolled flat steel products. At the beginning of the year 2016, preliminary duties on cold-rolled coils were also adopted in Europe. In order to eliminate excess capacities, the Chinese government enacted significantly stricter emission regulations, whose success remains to be seen in the years to come.

Steel production

in million tons	2010	2011	2012	2013	2014	2015
World	**1,433**	**1,538**	**1,560**	**1,650**	**1,670**	**1,623**
China	639	702	731	822	823	804
World ex China	794	836	829	828	847	819
Developed economies	361	368	362	361	364	346
Emerging Markets	1,072	1,170	1,199	1,289	1,306	1,277
Regions						
Africa & Middle East	37	39	40	43	45	45
European Union	173	178	169	166	169	166
Other European countries	34	39	40	39	38	36
CIS	108	113	111	108	106	101
North America	112	119	122	119	121	111
South America	44	48	46	46	45	44
Asia	925	1,002	1,032	1,129	1,146	1,120

Source: World Steel Association (January 2016)

The Steel Division's sales volume declined by 7.5%, from 1,246,000 tons in the previous year to roughly 1,152,000 tons in the past financial year. This is primarily attributable to a weaker linings business in the electric arc furnace and in the ladle segments. Revenue decreased by 0.8% from € 1,108.8 million in the previous year to € 1,099.9 million. The decline in revenue in Europe, the Middle East and North Africa was compensated by a good business development in India and South America as well as positive currency translation effects resulting from the devaluation of the euro against the US dollar. The operating EBIT dropped from € 93.1 million in the previous year to € 64.3 million in the past financial year due to reduced utilization of the production capacities and negative product mix effects. EBIT amounted to € 63.4 million in the year 2015 and is affected by restructuring costs of € 3.3 million related to the closure of the plant in Clydebank, Scotland. This is offset by positive effects of € 2.4 million from the reversal of provisions following the sale of the premises of the plant in Duisburg, Germany.

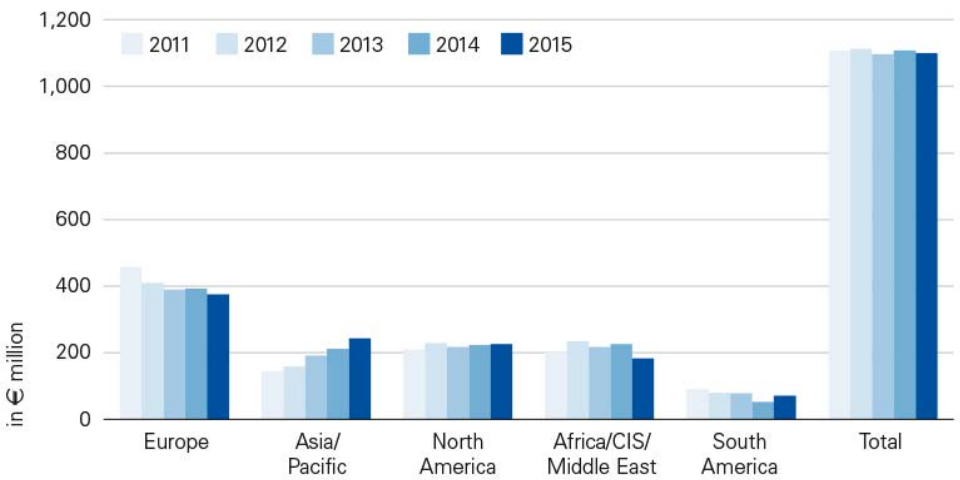
The operating EBIT declined due to weak utilization of the production capacity and negative product mix effects.

Segment indicators

in € million	2015	2014	Change
Revenue	1,099.9	1,108.8	(0.8)%
Operating EBIT	64.3	93.1	(30.9)%
Operating EBIT margin	5.8%	8.4%	(2.6)pp
EBIT	63.4	91.4	(30.6)%
EBIT margin	5.8%	8.2%	(2.4)pp

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

Development of revenue



As fixed costs are lower than in integrated steel plants, the Chinese exports have a particularly negative impact on utilization in the electric arc furnace and result in temporary shutdowns of aggregates. In addition, the input costs for integrated steel plants dropped more sharply than the prices of steel scrap due to a strong decrease in iron ore and coal prices. This had a negative effect on the Steel Division, where sales volume in the important EAF segment dropped by roughly 12%. The revenue generated in the electric arc furnace segment in the financial year 2015 amounted to roughly € 263 million compared with revenue of roughly € 106 million in the basic oxygen furnace segment.

Sales volume dropped significantly, especially in the important electric arc furnace segment.

Europe

The decline in steel production in Europe is attributable to a difficult market environment and plummeting steel prices due to high competitive pressure.

Steel production in the European Union dropped by 1.8% compared with the previous year and amounted to 166 million tons. In the first half of 2015, European producers still increased their output by 0.5% compared with the same period of the previous year. However, output dropped sharply in the second half of the year 2015. The decline compared with the second half of 2014 amounted to 4.5% and was related to the emerging concerns regarding the further economic development in China and its consequences for the global economy. Especially the steel industry in Italy, the UK and France saw a weak development due to the difficult market climate, which was characterized by plummeting steel prices as a result of the high competitive pressure. For example, the steel plant in Redcar, UK, which had only been taken over in the year 2011 by the Thai company Sahaviriya Steel Industries, was closed down and more than 1,700 employees were made redundant. In contrast, producers in Spain, Poland and Hungary recorded significant volume increases. The automotive industry continues to be an important driver of demand. According to the Automobile Manufacturers Association, the number of new registrations of commercial vehicles exceeded the 2-million mark after a 12.5% increase on the previous year and amounted to roughly 2.08 million. The development of new registrations of passenger cars was equally positive, with an increase by 9.3% compared to the previous year. In December 2015, the number of new registrations recorded the 28th consecutive monthly increase; however, it still only reached the level of the year 2010 again.

Due to soaring steel imports from China, the European Commission adopted anti-dumping duties on several steel grades.

In response to the soaring steel imports from China in the past years because of massive local excess capacities, the European Commission adopted anti-dumping duties on cold-rolled stainless steel sheets in March 2015; these duties range between 24.3% and 25.2% for Chinese producers and between 10.9% and 12.0% for Taiwanese producers. Cold-rolled stainless steel sheets are among other things used for numerous household appliances. In mid-May, investigations were initiated at the request of the industry association Eurofer regarding suspected dumping by Chinese and Russian manufacturers of cold-rolled flat steel products. At the beginning of the year 2016, preliminary duties in the range of 13.8% to 26.2% were adopted.

Within the scope of the plant concept, the Management Board of RHI AG made the decision to concentrate the activities of the two Scottish plants for isostatically pressed products at the Bonnybridge plant. The Clydebank plant will be closed by the end of 2016; the objective is for the nearby Bonnybridge site to take over as many of the 120 employees concerned as possible. This measure will make production in Scotland more competitive, but required restructuring costs amounting to roughly € 3 million. [G4-13]

Roughly 24% of the revenue in Europe is generated by full line supply and outsourcing contracts.

In order to counter the increasing competitive pressure of Chinese refractories producers, RHI increasingly focuses on long-term full line supply contracts and package solutions consisting of refractory material, lining machines and service. In Belgium, for example, a multi-year contract was concluded with an important customer for a tap-hole removal device including refractory deliveries. Outsourcing contracts represent an especially close and efficient form of partnership, with RHI taking responsibility for the complete refractories management at the steel plant. Customers thus benefit from sustainable optimization in the entire refractory environment based on consultancy in metallurgy matters, and from the adjustment of lining concepts to their specific production processes as well as the use of high-tech machinery. In the past financial year, roughly 24% of the region's revenue was generated aside from the usual straight-line business. In the course of the converter optimization with a major customer in Poland, RHI accomplished a new service life record of 2,160 heats. In the past years, service life averaged between 1,600 and 1.700 heats per converter campaign. The new record thus corresponds to an increase by roughly 30%, with marginally higher refractory costs. A comprehensive analysis of the customer process, the maintenance methods and the resulting wear mechanisms was performed in the individual converter zones in order to adapt the grade concept.

The region's contribution to revenue declined due to weak linings business in France, Belgium and the UK.

The region's contribution to revenue decreased by roughly 4% in the past financial year compared with the previous year. The decline by 7% in the segment of isostatically pressed products in the flow control business was compensated by a positive development in the area of slide gate plates following the market launch of the new generation of ladle slide gates in the previous year. In contrast, the development of the linings business was weak, especially in France, Belgium and the UK. RHI expects a slight increase in revenue for the financial year 2016 if further import duties are introduced, and slightly lower revenue if no protective measures are taken for the European steel industry.

Asia/Pacific

Of the four largest steel markets in Asia – China, Japan, India and South Korea – only India recorded growth.

Steel production in the Asia/Pacific region dropped by 2.3% in the past financial year compared with the previous year, which was the first reduction since the Asian crisis of the year 1998. Of the four largest markets China, Japan, India and South Korea, only India recorded growth. In China, the downturn of the construction industry resulting from falling property prices and significantly reduced investment activities have a negative impact on the market environment. Due to massive surplus capacity in China, which experts estimate at roughly 300 million tons, and low profitability in the domestic market, many steel producers focused on aggressively expanding their export business in order to utilize their capacities and to generate cash flow. Consequently, exports increased by roughly 19% compared with the previous year and amounted to roughly 112 tons in the past financial year. This is equivalent to more than double the steel production of Germany and has often led to trade conflicts and protectionist measures in the target regions. According to data of the Chinese Iron and Steel Association, Chinese steel producers generated an operating loss of roughly 56 billion yuan in the year 2015. The restructuring of the heavy industry introduced by the Chinese government is accompanied by stricter environmental legislation. In the city of Tangshan for example, where roughly 90 million tons of steel are produced per year, new regulations for emissions were adopted which require the upgrading of more than 100 furnaces and more than 180 converters. The target is to reduce steel production capacities by 100 to 150 million tons at the latest by the year 2020.

With revenue of roughly € 144 million, India is clearly the most important individual market for the Steel Division, ahead of the US and Germany.

The region's contribution to revenue rose by roughly 14% in the past financial year due to a further expansion of business in India. In addition, the strengthening of the Indian rupee and the Chinese yuan against the euro at the beginning of the year supported this development. With revenue totaling roughly € 144 million, India is by far the most important individual market for the Steel Division, ahead of the US and Germany. Due to slower growth in China and the resulting high steel exports of Chinese producers, RHI expects growth to be lower in 2016 than in the past financial year.

An increase in imports resulting from the strengthening of the US dollar and the related reduction in competitiveness of local producers led to a decline in steel production by 10.5% in the US.

North America

In the year 2015, the output of North American steel producers plummeted by 8.6% compared with the previous year. This is primarily attributable to higher imports as a result of the stronger US dollar and the related decline in competitiveness of the manufacturers in the US. Therefore steel production in the US dropped by 10.5% compared with the previous year. Due to the massive increase in imports, several steel producers initiated investigations regarding suspected dumping by Chinese producers, leading to the introduction of anti-dumping and countervailing duties on corrosion-resistant steel products and cold-rolled flat steel products. While the demand for steel by the automotive industry continued to be solid, business with the oil and gas industry came to a nearly complete standstill. Due to the decline in oil price, many oil production companies canceled their expansion plans and drastically reduced their investment programs. As a result, the number of active oil drilling rigs fell from a record high of roughly 1,600 in October 2014 to roughly 540 at the end of the year 2015. This corresponds to the level of the year 2010 and explains the massive drop in demand for pipes, drill heads and other steel equipment for oil production. The Mexican steel industry also suffers from the aggressive export strategy of Chinese producers, which caused the Mexican government to impose anti-dumping duties, among other things also because of massive personnel reductions in the industry.

For RHI, business in the US is characterized by the weak capacity utilization of many steel producers and the related short order cycles. Consequently, short delivery times, flexible production and a high service level play a key role in the further success of refractory producers. As RHI is lacking production capacities for linings products, this leads to high inventories. Due to the long lead time from European production, for example, consignment stocks are provided for customers. RHI works intensively on optimizing the supply chain with the target to reduce working capital on a sustained basis. The focus is on expanding technical services in order to consolidate the position as the first contact regarding process enhancement at steel plants through the efficient use of refractory products.

While sales volume fell by roughly 11%, the region's contribution to revenue rose by roughly 1% due to favorable exchange rate developments.

The region's contribution to revenue rose by roughly 1% in the past financial year primarily because of favorable exchange rate developments, while sales volume declined by roughly 11% compared with the year 2014. The flow control business was expanded by roughly 5% due to a positive development in the tundish segment, whereas the development of the linings business was weak, especially in the ladle segment, where a drop in sales volume by 18% was recorded. For the financial year 2016, RHI expects steel production in the US to recover as a result of the anti-dumping duties introduced at the end of the year 2015, which should go along with an expansion of business volume.

Africa's contribution to revenue decreased significantly as a result of the weak utilization of electric arc furnaces.

Africa/CIS/Middle East

Steel production in Africa declined by roughly 0.2% compared with the previous financial year. Despite the enormous economic potential, Africa's steel production is concentrated in two countries, Egypt and South Africa, which together account for roughly 87% of the steel output on the African continent. While production dropped by 15.1% in Egypt and by more than 50% in Libya, steel production in South Africa rose significantly by 16.3%. The region's contribution to revenue fell significantly by roughly 34% due to the weak business development in Egypt and Libya. This is primarily attributable to a weak utilization of the electric arc furnaces. For the year 2016, RHI expects a contribution to revenue at the level of the past financial year.

Steel production in the CIS region decreased by 4.3% compared with the previous year due to the continued political tensions in Eastern Ukraine. While Russian producers balanced out weak domestic demand by an increase in exports following the devaluation of the ruble, steel production in Ukraine, which is predominantly located in the Donbass region in the Eastern part of the country, fell by 15.6% in the past financial year. The region's contribution to revenue declined by roughly 12% compared with the previous year. This is primarily attributable to a decrease in competitiveness in Russia as a result of the currency devaluation and the growing "Buy Russian" mentality following the economic sanctions imposed by the European Union. For the year 2016, RHI expects a contribution to revenue at a similar level to the past financial year.

Russian steel producers balanced out weak domestic demand by an increase in exports following the devaluation of the ruble.

Steel production in the Middle East declined by 0.5% compared with the previous year. Important customers of the RHI Group responded to the low steel prices by cutting production. This resulted in a reduction of refractory inventories at the steel plants, causing a reduction of the region's contribution to revenue by roughly 14% compared with the previous year. Especially Qatar showed a weak business development as a result of the decrease in steel production by 14.1%. In addition, the increase in imported refractories from China led to a decline in revenue in the linings business. For the year 2016, RHI expects a contribution to revenue at the level of the past financial year.

As important customers cut production, the contribution to revenue of the Middle East declined.

South America

The economies on the South American continent are suffering from low raw material prices, the withdrawal of capital by foreign investors, high inflation and a lack of growth perspectives. Against this background, industrial production in the important Brazilian market fell by roughly 8%, reflecting a further reduction of investment activities in many industries. In addition, a big corruption scandal had a negative impact on the market environment. In the past financial year, steel production in South America dropped by 2.5% compared with the previous year. The largest percentage decline was recorded by Venezuela and Argentina. In Brazil, the most important market in South America with a share of 75%, producers reduced their output by 1.9%.

Despite this challenging market environment, the region's contribution to revenue rose by roughly 36% in the past financial year because deliveries to Venezuela were resumed and contracts won in Brazil. Here, especially the linings business showed a positive development in the ladle and degasser segment. Due to the continuing difficult market environment, RHI expects revenue to decline in 2016 in comparison with the previous year.

Despite the challenging market environment in South America, revenue increased significantly due to contracts won in Brazil.

Industrial Division

The operating EBIT increased significantly as a result of higher revenue and better margins in the nonferrous metals and glass business units.

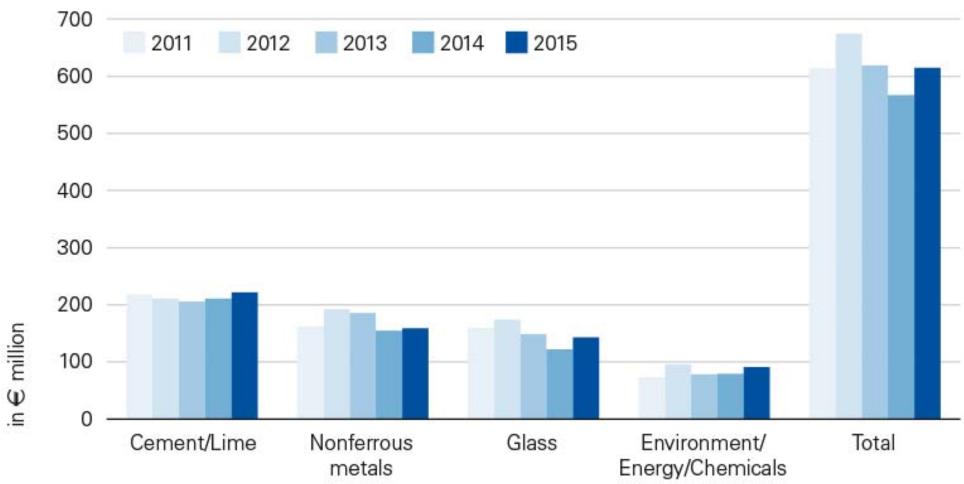
Sales volume of the Industrial Division amounted to roughly 443,000 tons in the financial year 2015, thus remaining largely constant compared with the volume of roughly 440,000 tons in the previous year. Revenue rose by 8.5% from € 566.6 million in the previous year to € 614.6 million. This is attributable, among other things, to a major contract carried out by the environment, energy, chemicals business unit in the petroleum coke gasifier sector in India. The glass and nonferrous metals business units also performed some major repairs postponed by customers in the previous year. In addition, the cement/lime business unit benefited from a positive development of the construction industry in North America. The operating EBIT rose from € 48.6 million in the year 2014 to € 65.0 million in the past financial year as a result of higher revenue and better margins in the nonferrous metals business unit and cost savings in the glass business unit. EBIT amounted to € 58.9 million in the year 2015 and is affected by the impairment of assets in the glass business unit amounting to € 8.0 million. This is offset by positive effects of € 1.9 million from the reversal of provisions related to the sale of the premises of the plant in Duisburg, Germany.

Segment indicators

in € million	2015	2014	Change
Revenue	614.6	566.6	8.5%
Operating EBIT	65.0	48.6	33.7%
Operating EBIT margin	10.6%	8.6%	2.0pp
EBIT	58.9	34.9	68.8%
EBIT margin	9.6%	6.2%	3.4pp

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

Development of revenue



Cement/Lime

The increase in revenue is primarily attributable to a positive business development in the North American market.

The contribution to revenue of the cement/lime business unit in the past financial year increased by roughly 5% compared with the previous year. This is primarily attributable to a positive business development in the North American market related to the recovery of the local construction industry. The growing demand for cement, along with the good economic prospects in the region, led to investments in the modernization of existing plants and in the expansion of production capacities. RHI on the one hand benefited from the growing demand for repairs resulting from good capacity utilization of the rotary kilns, and on the other hand from major contracts won in the new construction business, where RHI is responsible for the on-time delivery of refractory materials as well as for their correct installation.

Despite a difficult market environment in China resulting from the downturn of the construction industry, declining property prices and reduced investment activities, market share was expanded and revenue increased in the world's largest cement market, with an annual production of roughly 2.5 billion tons, in the past financial year due to the service quality offered. The important export business from China is negatively affected by the strengthening of the yuan against the euro, which led to a lower contribution to earnings of the cement/lime business unit compared with the previous year. In Indonesia, revenue saw double-digit growth due to a major contract won in the lime segment. In order to expand its market share in the Asia/Pacific region further, RHI is increasing its production capacity by roughly 50% at the site in Venkatapuram, India, by building a third tunnel kiln.

The important export business from China is negatively affected by the strengthening of the yuan against the euro, which led to a lower contribution to earnings of the business unit.

In the Middle East and North Africa, persistent political uncertainty led to a massive drop in cement production, which, along with a lack of investments, had a negative impact on the business development of the RHI Group. In important cement markets such as Turkey and Algeria, double-digit declines in revenue were recorded. Many economies in South America are struggling with slowing economic growth as a result of falling raw material prices. After production capacities were massively expanded in the boom years, the focus is now on cost savings. Despite high import duties, RHI managed to achieve a good market position in the past years. Similar to China, customers appreciate the quality of the refractory products and excellent after sales service. In spite of its good positioning, RHI was unable to detach itself from the general market development and recorded a significant drop in revenue in the region South America.

In the Middle East and North Africa persisting political uncertainty burdens the business development.

The European cement industry is still struggling with excess capacities resulting from weak demand. However, a stabilization of the demand for cement was tangible especially in the second half of the year 2015. This also applies to the Southern European crisis regions like Spain, Italy and Greece. Due to the cost pressure, cement producers focus on measures to enhance efficiency. For the financial year 2016 RHI expects revenue at a similar level as in the year 2015 and an improvement in earnings compared with the previous year.

Nonferrous metals

The prices of the relevant nonferrous metals recorded significant drops in the year 2015 and many of them marked new lows since the economic crisis in the year 2009 as concerns regarding the economic growth in China intensified in the course of the year. At the London Metal Exchange, the nickel price fell by roughly 42%, the zinc price by roughly 26%, the copper and tin prices by roughly 25% and the aluminum price by roughly 19% compared with the level at the end of 2014. Lead recorded the lowest reduction of roughly 3% because of a significant price increase at the end of the year 2015. As a result of the price drops, all of the above-mentioned metal prices are clearly below the average price of the past ten years, with nickel showing the highest markdown of roughly 55%, and lead the lowest markdown of roughly 11%. The copper price, which is important because of the high delivery volume of the business unit to the copper industry, recorded a markdown of roughly 33% at the end of the year 2015 against the average price of the last ten years. As concerns regarding a

The prices of many relevant nonferrous metals marked new lows since the economic crisis of 2009 as a result of concerns about economic growth in China.

global economic slowdown were growing at the beginning of the year 2016, the downward trend of the metal prices continued. The big mining corporations are under enormous cost pressure due to the falling metal prices and, in some cases, very high debt. Entire business segments are under scrutiny or up for sale. In some cases, capacity is taken off the market in order to stabilize prices. In addition, investment programs, which had already been massively reduced in the previous year, were scaled down again and planned projects for the development of further raw material deposits were postponed, so no significant new building projects are to be expected in the near future.

The business unit's contribution to revenue increased despite a lack of major contracts for new construction projects.

The financial year 2015 was also characterized by a lack of major contracts for new construction projects. Nevertheless, the nonferrous metals business unit's contribution to revenue was up 3% compared with the previous year in this difficult market environment, and the contribution to earnings increased significantly. This is primarily attributable to unexpected major repairs in the ferroalloy segment. Here, the operation of the so-called mega furnaces, which were built in the last few years, turned out to be substantially more complicated than the operators had assumed. The discontinuous operation of the furnaces caused high stress on the refractory material and subsequently led to necessary repairs of the lining. All operators trusted in the reliable engineering and the expertise of RHI. The copper and nickel segment, which is important for the business unit because it accounts for roughly 50% of its revenue, also showed a positive business development. Revenue consequently increased by roughly 22% compared with the weak previous year, which was among other things due to major contracts from Canada, China, Zambia, Germany, Chile and Russia. In addition, some large contracts were also won for casting furnaces in the secondary aluminum segment. In contrast, the lead and zinc segment recorded a decrease in revenue of roughly 25%, which was among other things due to reduced installations in China. Revenue in the ferronickel segment also dropped significantly compared with the previous year. In this segment, the refractory lining for key areas of the world's largest ferronickel furnace had already been delivered in the year 2014.

Visibility is low due to the cost pressure of customer industries and the resulting possible postponements of major repairs.

The visibility of the nonferrous metals business unit is low due to the cost pressure in the relevant customer industries and the resulting possible postponement of major repairs. This is also reflected in a 31% decline in the order level in comparison with the end of the year 2014. In the medium term, no significant new construction business is to be expected due to the economic downturn in China as in the past years investments were often made in capacities on the basis of significantly more optimistic demand scenarios. Based on the regular repair business, RHI expects revenue for the year 2016 to be at the level of the past financial year or slightly below.

Glass

The contribution to revenue of the glass business unit was roughly 17% higher in the past financial year than in the weak previous year. This is above all attributable to a positive development in the special glass segment in nearly all regions, in the container glass segment (glass as packaging material of the food industry) in Western Europe and some large contracts in the Middle East. While RHI benefited especially from increasing repair activities of North American flat glass manufacturers in the area of fired products, the difficult situation for Chinese producers resulting from the economic downturn burdened business development. For example, major contracts won in the special glass and flat glass segments were postponed to the year 2016 because financing was not secured. In Russia in contrast, utilization of the Podolsk plant improved as a result of the devaluation of the ruble and the "buy Russian" philosophy of local manufacturers.

The increase in revenue in the glass business unit is attributable to a positive development in the special glass segment, and in the container glass segment in Western Europe.

In the past financial year, the global market environment was still characterized by little willingness to invest, high surplus capacities especially in the flat glass segment as well as a progressing market consolidation in the USA and Europe. The sale of Mexican producer Vitro's container glass business to Owens-Illinois for roughly 2 billion euros was announced as was the sale of the glass packaging segment of the French building material group Saint-Gobain to US financial investor Apollo for roughly 3 billion euros. In Europe and North America, both of which represent important markets for RHI, a certain level of stabilization was noticeable in the course of the year and no further glass furnaces were shut down. However, many producers in the flat glass and the container glass segments are still taking measures to extend service life, such as hot repairs, in order to postpone major repairs for as long as possible. The special glass market was also largely stable in the past year. However, an increase in operating times of the glass furnaces can also be observed in this area, especially in the important TFT glass segment. In addition, alternatives to TFT-LCD, so-called OLED displays, are marketable and a reduction of glass consumption is associated with this alternative technology. There were no significant new construction activities in the year 2015, with the exception of Turkey and Nigeria, where investments were made in new capacities in the container glass and the flat glass segments.

The global market environment is characterized by low investment activities, high surplus capacities in the flat glass segment and progressing market consolidation.

The production of fused cast products for the glass industry is associated with high fixed costs, which in combination with low capacity utilization weigh on the margins. This required a complete write-down of assets of roughly € 8 million for the US plant in Falconer. In the year 2015, several concepts were developed for the future of the plant and the Management Board decided to initiate a structured selling process.

The Management Board of RHI AG decided to initiate a structured selling process for the US plant in Falconer.

Reduced refractories consumption along with excess capacities caused some Chinese manufacturers to take production capacity off the market. After the refractories market volume in the glass sector has declined by about a third since the year 2011, further adjustments are still necessary in order to enable sustainably higher profitability within the industry. RHI responds to these developments by offering adapted lining concepts and increased service offers in order to compensate for the declining demand for materials. For the year 2016 RHI expects a development similar to that of the past financial year.

Environment, energy, chemicals

The business unit's revenue rose due to a double-digit million contract for a construction project in the coal and petroleum coke gasifier segment in India.

In a challenging market environment with falling energy prices the contribution to revenue of the environment, energy, chemicals business unit rose by roughly 14% compared with the previous year. This is primarily attributable to a contract in the double-digit million range for a new construction project in the coal and petroleum coke gasifier segment in India. Another very positive development was a complete contract including engineering, refractory material and the installation by supervisors, which was carried out for the first time for two new pelletizing plants in the Middle East. A major contract was also won in India for several sulfur recovery plants as a complete package. The expansion of package offers consisting of engineering, material, installation and maintenance to the CIS region has equally shown first positive results.

Despite this positive development, the market environment still has to be considered challenging. Due to the low oil price, hardly any investments are made in new construction projects anymore. The resulting high cost pressure in the industry leads to massive saving measures, capacity adjustments and a market consolidation. This development affects especially those customers operating with process costs that clearly exceed the current oil price level, in particular the oil sand industry in the west of Canada. Even newer technologies such as coal and petroleum coke gasification see little demand at present because they compete with cheap liquid petroleum gas.

The new business segment with hardening plants for iron enrichment, so-called pelletizing plants, showed a very satisfactory development.

In contrast, the maintenance business with existing plants continues at a good level. The new business segment with hardening plants for iron enrichment, so-called pelletizing plants, showed a very satisfactory development. Several contracts for new plants, including comprehensive engineering, were won in the current financial year. In addition, strong demand by the oil and gas processing industry has started in Iran after the end of the international embargo and has already led to specific project plans. For the financial year 2016, RHI expects revenue at the level of the past financial year or slightly below.

Raw Materials Division

External sales volume of the Raw Materials Division rose significantly from roughly 182,000 tons in the previous year to roughly 297,000 tons in the past financial year. The increase by 63.2% is primarily attributable to stepping up the sale of raw dolomite in Italy, which makes a large contribution in terms of volume. However, due to the low price per ton, the contribution in terms of value is minor. Revenue decreased by 10.1% from € 303.3 million in the previous year to € 272.6 million in the past financial year. This is due to lower internal demand by the Steel Division, especially in the area of basic mixes, and to a decline in external revenue resulting from the insolvency of a customer in Italy. The reduced demand by the Steel Division results from a decline in sales volume in the electric arc furnace segment by roughly 12%. Hearth construction and gunning mixes are important products for the electric arc furnace. In the past financial year, the RHI Group generated revenue of roughly € 132 million with theses products, after € 145 million in the previous year. In this product segment RHI has its own raw materials, which are mined at the Austrian sites in Breitenau and Hochfilzen. Consequently, the decline in sales volume also led to poor utilization of the raw material plants. The operating EBIT dropped from € 0.2 million to € (5.2) million in the past financial year due to the weak capacity utilization. EBIT amounted to € (84.8) million in the year 2015 and includes impairments amounting to € 23.2 million related to the fused magnesia production in Porsgrunn, Norway, and € 58.0 million related to the necessary change in valuation of a long-term energy supply contract concluded in the year 2011. This is offset by positive effects of roughly € 1.6 million from the reversal of provisions due to lower closure costs at the Kretz site, Germany.

A decline in sales volume in the electric arc furnace segment of the Steel Division caused weak utilization of the raw material plants.

Segment indicators

in € million	2015	2014	Change
Revenue	272.6	303.3	(10.1)%
external revenue	38.0	45.8	(17.0)%
internal revenue	234.6	257.5	(8.9)%
Operating EBIT	(5.2)	0.2	(2.700.0)%
Operating EBIT margin	(1.9)%	0.1%	(2.0)pp
EBIT	(84.8)	(17.0)	(398.8)%
EBIT margin	(31.1)%	(5.6)%	(25.5)pp

The persisting decline of fused magnesia prices in China required a complete write-down of assets amounting to roughly € 23 million for the plant in Porsgrunn, Norway, although further operating progress was made. In addition, incidents at the Norwegian plant forced the management to make more conservative estimates regarding the technical production capacities. As a result, the contract volume defined in the electricity supply contract concluded in 2011 will not be needed to the full extent in the long term. The volume not consumed by the company itself will be sold in the market. As the so-called “own-use exemption” no longer applies, a changed valuation of the long-term energy supply contract as a financial instrument in accordance with IAS 39 became necessary. In addition to a defined purchase volume, the contract also provides for a defined purchase price. Due to the valuation of the complete term of the contract at market price level until the end of the year 2023, a negative non-cash effect on earnings of roughly € 58 million was recognized at the end of the year 2015. In the following years, this financial liability will be reversed and will lead to the corresponding improvements in earnings. Moreover, depending on the further development of the raw material prices, RHI will adjust production volumes and purchase fused magnesia externally at a lower price.

The persisting decline of fused magnesia prices required a complete write-down of assets at the site in Porsgrunn, Norway.

Due to the weak order situation, production capacities were shut down.

Due to the weak order situation, the production of sintered magnesia with its preceding facilities at the Austrian raw material plants was cut back. The rotary kiln operations in Hochfilzen were shut down for six weeks; in Breitenau, only a third of the capacity was utilized and one Lepol kiln was shut down. Production was also reduced at the Turkish site in Eskisehir. Here, one of three shaft kilns and one of two rotary kilns were not operated. The commissioning of the mixes plant under construction was postponed to the end of the year 2016. In Ireland, one of the two shaft kilns was turned off due to weak demand, and scheduled maintenance work was brought forward.

Slower economic growth in the emerging markets, along with a weaker industrial production, led to falling price levels for many important refractory raw materials such as sintered and fused magnesia, bauxite, andalusite or fused corundum. As many of these raw materials are traded in US dollars, the devaluation of the euro against the US dollar compensated the price advantage for European producers. However, due to stricter environmental legislation in the largest mining country China, which for example prohibits the use of certain energy sources in raw material production, RHI expects raw material prices to increase in the medium term.

Raw material mining [G4-EN1]

Raw material costs account for roughly 60% of the RHI Group's total production costs.

Raw material costs account for roughly 60% of the total production costs in the RHI Group. The two most important raw materials are sintered magnesia and fused magnesia. Access to and availability of high-quality raw materials are decisive for refractory products because they have a significant influence on their refractory performance characteristics. Roughly 70% of the global magnesite deposits are located in China, North Korea and Russia. Therefore, RHI considers access to its own raw materials a strategic advantage.

RHI mines magnesite and dolomite at five locations. Underground mining is used at the Austrian sites in Radenthein and Breitenau, while 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. Up to 30,000 tons of raw materials can thus be returned to the production process per year. 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, analyzing where in the rock the resources are located and which mining options are available to develop rock strata that are located even lower in the future.

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

At the sites in Drogheda, Ireland, and Porsgrunn, Norway, which were acquired in 2011, RHI pursues an alternative method of raw material extraction from seawater. In this production method, 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 dehydrated in filter systems. It is turned into caustic magnesia through heat treatment, which is then fired to become sintered magnesia or charged to the fusion process. This process is more energy-intensive than the treatment of magnesite ore because of the two-stage procedure, but enables higher raw material qualities.

Reforestation and recultivation [G4-EN13]

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

The mining of raw materials involves interference with nature. RHI takes comprehensive measures to restore natural habitats, especially in the surface mines, but also in the surroundings of production sites. In many cases, the activities go beyond national regulations and nature conservation requirements; they are considered a process that takes several years and require sustainable commitment. In Eskisehir, Turkey, for example, another 6,000 trees were planted in cooperation with the Eskisehir Osmangazi University and the local forestry authority as part of the 8th environment and tree festival in 2015. With this campaign, the population of young trees now totals 160,000 and the area planted with trees has grown to roughly 132 hectares. At the site in Hochfilzen, Austria, the head surface of Schmerlhalde West, which is located at a sea level of 1,820 meters in the Weißenstein magnesite mine, was also recultivated. In coordination with the ecological construction supervision, the surface was given a near-natural design and three biotopes were created. At the site in Marone, Italy, the shut-down terraces in the Calarusso mine are gradually being restored. In the year 2015 the existing reforested area was touched up and trees and bushes were replanted after having been damaged during the hot summer months.

Use of secondary raw materials

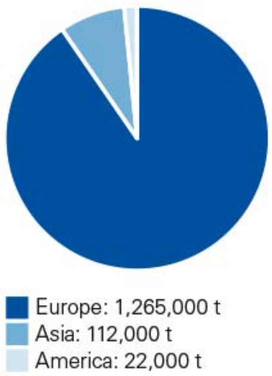
The recovery of refractory materials has several advantages.

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 portion of the scrap material has so far 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 serves to secure the supply with raw materials in the long term and to reduce increasingly cost-intensive raw material procurement; on the other hand, it also leads to a significant reduction of CO_2 emissions and energy consumption. Moreover, the recycling of scrap materials reduces the volume of waste and cuts disposal costs.

The amount of recycling material used dropped by 35% to roughly 57,000 tons because of a decline in sales volume of magnesia-carbon bricks.

In the reporting period, the volume of externally purchased secondary raw materials totaled roughly 60,000 tons, after roughly 89.000 tons in the previous year. Based on existing recipes, the portion of non-basic secondary raw materials processed was unchanged in the year 2015. In the basic segment, the use of secondary raw materials declined due to decreasing sales volumes in the area of magnesia-carbon bricks and the closure of the production site in Kretz, Germany. The volume of recycling materials used dropped by 35%, from roughly 87,500 tons to roughly 57,000 tons. In relation to the annual production volume, this corresponds to a recycling share of 4.0% after 5.5% in the year 2014. [G4-EN2, G4-EN28]

Direct CO_2 emissions



CO_2 emissions [G4-EN15, G4-EN16]

The production of refractory products is energy-intensive and associated with emissions. On the one hand, the 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 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% is related to 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 have been nearly exhausted. [G4-EN19]

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

In the year 2015 the Group's total CO_2 emissions added up to 1.65 million tons compared with 1.81 million tons in the year 2014. The reduction compared with the previous year is primarily due to the Group's lower raw material production resulting from a decrease in the volume of finished products sold. The main part of CO_2 emissions, roughly 85%, was accounted for by direct carbon dioxide emissions, i.e., emissions related to production processes. Indirect CO_2 emissions, which are derived from power consumption, accounted for roughly 15% of the total CO_2 emissions. Shown in a simplified manner, the carbon dioxide emissions created in electricity production are integrated based on a European primary energy mix. Raw material production accounted for roughly 88% of the direct CO_2 emissions, and the production of finished products for roughly 12%. The production option "dry route" was responsible for roughly three quarters of production-related carbon dioxide emissions, while the "wet route" option accounted for approximately one quarter of the emissions.

Financial and Asset Position

Investments

In the year 2015 the RHI Group's investments amounted to € 80.8 million. Of this total, environmental investments and public authority requirements accounted for roughly € 12 million and the expansion of production capacities such as the construction of a third tunnel kiln at the site in Venkatapuram, India, for another € 18 million; maintenance, repair and rationalization measures as well as other investments such as gunning machines for sales, IT systems, other intangible assets and prepayments added up to roughly € 51 million. The largest investment project of the past financial year was the construction of a mixes plant at the site in Eskisehir, Turkey, which totaled roughly € 12 million.

The expansion of production capacities in India and the construction of a mixes plant in Turkey were important investments in the year 2015.

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

Investments

in € million	2015	2014	Change
EMEA	61.2	63.9	(4.2)%
Asia	13.4	8.0	67.5%
NAFTA	5.3	5.1	3.9%
South America	0.9	0.4	125.0%
Investments	**80.8**	**77.4**	**4.4%**

Cash flow and liquidity

Net cash flow from operating activities increased from € 72.4 million in the previous year to € 175.4 million in the past financial year. This development is among other things attributable to the reduction of working capital by € 38.3 million compared with the end of the year 2014.

Net cash flow from investing activities amounted to € (47.2) million in the past financial year and includes payments related to the sale of securities due to surplus coverage of the legally required provisions for pensions of two companies amounting to roughly € 11 million, and payments related to the sale of a 2.6% share in a German residential property company amounting to roughly € 3 million. The included dividend income of € 8.2 million (previous year: € 7.6 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 decrease in working capital, free cash flow, which is defined as the sum of net cash flow from operating activities plus net cash flow from investing activities, rose from € 11.3 million in the year 2014 to € 128.2 million in the year 2015. Net cash flow from financing activities amounted to € (124.4) million in the year 2015 after € 24.6 million in the previous year and includes, among other things, the repayment of the three-year tranche of the *Schuldscheindarlehen* issued in 2012. Cash and cash equivalents amounted to € 149.7 million at 31 December 2015 and remained nearly unchanged compared with the level at the end of the year 2014, at € 151.1 million.

Free cash flow increased to € 128.2 million due to a reduction of working capital.

Cash flow

in € million	2015	2014	Change
Net cash flow from operating activities	175.4	72.4	142.3%
Net cash flow from investing activities	(47.2)	(61.1)	22.7%
Net cash flow from financing activities	(124.4)	24.6	605.7%
Cash flow	**3.8**	**35.9**	**(89.4)%**

Net financial debt and financing

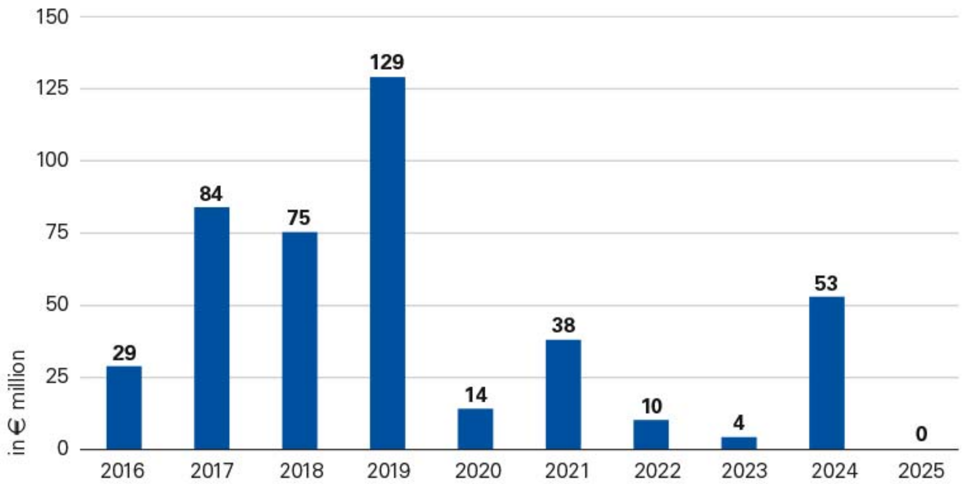
A strong free cash flow generation led to a significant reduction of net debt to € 397.9 million.

The consolidated statement of financial position as of December 31, 2015 shows financial liabilities amounting to € 547.6 million (previous year: € 618.0 million). After deducting cash and cash equivalents, net financial liabilities amount to € 397.9 million (previous year: € 466.9 million). Net financial liabilities correspond to roughly 2.8 times the EBITDA of the year 2015. 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. The EBITDA of the past financial year includes negative effects on earnings of € 58.0 million related to the necessary change in the valuation of a long-term energy supply contract at market price level concluded in the year 2011. Adjusted for this one-off effect, EBITDA amounted to € 198.0 million in 2015. The result of net financial liabilities divided by the adjusted EBITDA is 2.0.

The average interest rate on liabilities to financial institutions including the Schuldscheindarlehen amounts to roughly 2.4%.

After *Schuldscheindarlehen* of € 130 million and € 170 million were placed in the years 2012 and 2014, the three-year tranche of the *Schuldscheindarlehen* 2012, which amounted to € 58.5 million, was repaid in the past financial year. Taking into account interest hedges, 38.0% (December 31, 2014: 47.0%) of liabilities to financial institutions including the *Schuldscheindarlehen* carried a variable average interest rate of 1.9% at December 31, 2015 and 62.0% (December 31, 2014: 53.0%) a fixed average interest rate of 2.7%. A term to maturity of more than five years applies to 23.5% of the financial liabilities, while 56.5% have a term to maturity between one and five years and 20.0% have a term to maturity of less than one year. The repayment structure of non-current liabilities to financial institutions (*Schuldscheindarlehen*, export loans and one-off financing) amounts to € 437.0 million (previous year: € 506.7 million) as of December 31, 2015 and is shown in the table below:

Repayment structure



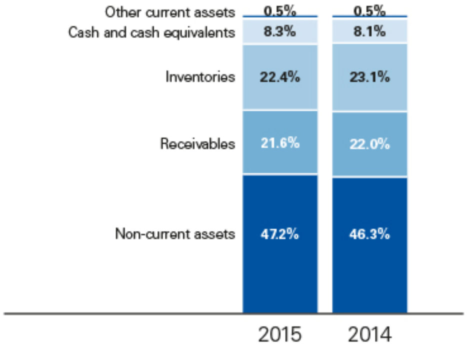
At December 31, 2015, the RHI Group had credit facilities of € 401.2 million with Austrian and foreign banks, compared with € 487.6 million at December 31, 2014 (not taking into account the sale of receivables). Of this total, € 339.1 million were unused at the end of December (previous year: € 427.1 million). The reduction by € 88.1 million is primarily due to the expiry of a facility of € 100.0 million taken out as part of the *Schuldscheindarlehen* 2012. In addition, liabilities to financial institutions from payments received on the sale of receivables amounted to € 9.5 million at December 31, 2015 (previous year: € 12.5 million).

Balance sheet structure and equity development

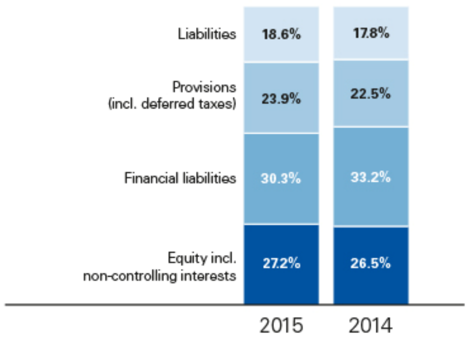
The balance sheet total of the RHI Group declined from € 1,860.5 million at December 31, 2014 to € 1,804.5 million at December 31, 2015, which was primarily due to the reduction of working capital and lower financial liabilities.

Balance sheet structure

ASSETS



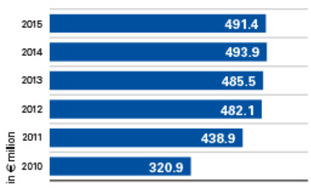
EQUITY AND LIABILITIES



Working capital declined significantly compared with the end of 2014 despite negative currency effects such as the stronger US dollar against the euro.

Working capital, which consists of inventories and trade receivables less trade payables and prepayments received, decreased by 6.7% and amounted to € 532.6 million at the end of the financial year compared with € 570.9 million in the previous year. As a result, the working capital ratio, i.e., working capital in relation to revenue, improved from 33.2% to 30.4% at the end of the year 2015. The reduction of inventories by roughly € 25 million despite negative exchange rate effects, for example the stronger US dollar against the euro, is primarily attributable to the Steel and Raw Materials Divisions. RHI is working on a further optimization of the supply chain with the objective to reduce inventories by at least € 50 million over the next three years. Receivables less prepayments from customers declined by roughly € 12 million compared with the end of the year 2014. In order to counteract default risks, receivables are hedged as far as possible through credit insurance or collateral such as guarantees and letters of credit. At the end of the year 2015 the net credit risk amounted to € 120.0 million after € 124.6 million at December 31, 2014 and is related to uninsured receivables from roughly 160 customers as well as deductibles from credit insurance.

Equity development



The RHI Group's equity amounted to € 491.4 million at December 31, 2015 after € 493.9 million in the previous year. As a result of the decrease in the balance sheet total, the equity ratio increased from 26.5% to 27.2% in the year 2015. The gearing ratio, which is defined as net financial liabilities divided by equity, dropped from 94.5% in the previous year to 81.0% in the past financial year. ROACE (return on average capital employed) is calculated by dividing EBIT less 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 6.5% in the year 2014 to 2.3% in the year 2015. 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.

The RHI Group's sustainability activities are fully covered in the annual report.

This combined report meets the requirements of the G4-Guidelines Core of the Global Reporting Initiative (GRI) and covers all sustainability activities of the RHI Group in the financial year 2015. In cases where certain data and key figures cannot be assessed throughout the Group, country-specific information is provided. 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. [G4-28, G4-32]

Sustainability strategy

The sustainability strategy of the RHI Group was released by the Management Board in the year 2014 and the following four focal points were defined for the coming years: customer benefits, innovation, responsible employer and diversity as well as efficient use of resources. In the financial year 2015 the areas of activity were analyzed. The results showed that the topics customer benefits, innovation and efficient use of resources are already covered to a high extent. Therefore, the focus was placed on potential initiatives in the area of diversity in a first step. The sustainability program was revised, with the program measures being assigned to the strategic areas of activity and the key sustainability topics. Information regarding the sustainability strategy and the sustainability program can be found on the company website. [G4-42]

Key sustainability topics [G4-18, G4-19, G4-24, G4-25, G4-26, G4-27]

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

In the past financial year RHI reviewed the materiality of the sustainability topics defined in a multi-stage process in the year 2013 and reprioritized them. An online survey was conducted to integrate stakeholders worldwide and to enable international participation. Internal stakeholders were chosen by their function in the Group and their relation to sustainability topics. For example, all plant managers were invited to take into account local claims. The selection of external stakeholders such as customers, suppliers, authorities, associations as well as education and research institutions was based on their contact points with RHI, taking into consideration the proposals of internal stakeholders. More than 200 representatives of internal and external stakeholder groups were invited to participate in the survey; the response rate amounted to 33.5%, with answers from 14 countries. The questions were related to topics that should be at the center of sustainability management and of reporting, and to the evaluation of the Group's sustainability performance.

The results showed that the sustainability topics identified in 2013 have maintained their relevance for RHI and its stakeholders. The following twelve topics are still considered to be material and within the organization are relevant to all companies included in the consolidated financial statements 2015: [G4-20]

- Sustainable profitable growth
- Innovation
- Governance, business ethics and values
- Communication
- Product responsibility and quality management

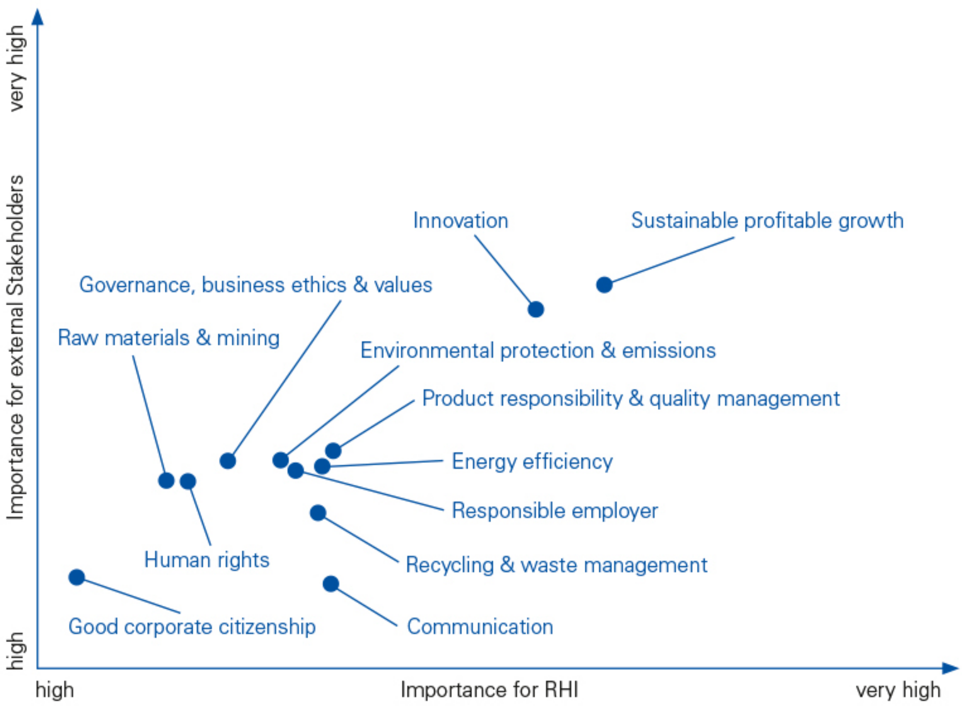
- Raw materials and mining
- Environmental protection and emissions
- Recycling and waste management
- Energy efficiency
- Responsible employer
- Human rights
- Good corporate citizenship

Based on the materiality analysis of 2013, all of these topics are of "high" or "very high" importance, with "sustainable profitable growth" and "innovation" clearly rated as most important aspects from both an internal and an external perspective. No additional topics were identified; "process quality" was included in "product responsibility and quality management". A direct comparison of the current materiality matrix with the matrix of the year 2013 is not possible because the process and the evaluation method have been changed. However, the topics "sustainable profitable growth" and "innovation" were also given top priority in the year 2013. [G4-22]

The stakeholders defined "sustainable profitable growth" and "innovation" as the most important topics.

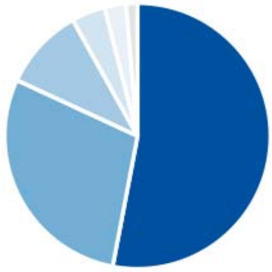
The external stakeholders rated the Group's sustainability performance in the twelve areas either equally high or higher than the employees of the RHI Group. The performance in environmental protection and emissions was rated highest by both internal and external stakeholders.

Materiality matrix



Employees

Employees by region



The employees' comprehensive knowledge and their high level of commitment are key success factors for the RHI Group. In order to stay competitive, the Group has to present itself as an attractive employer worldwide to its current employees and potential job applicants. This is the only way for RHI to recruit and develop the best qualified employees and use their potential in the long term. The employees' knowledge, skills, ideas and high level of commitment are indispensable for the success of the RHI Group. As an employer with subsidiaries on four continents and employees in 34 countries, RHI is faced with a variety of challenges. They include, among other things, filling key positions with the right people, the reaction to the threatening shortage of skilled labor, the ageing of personnel due to demographic changes, succession management and thus enabling a knowledge transfer between the generations, the creation of equal opportunities and development opportunities, and the reaction to individual needs regarding work-life-balance.

Personnel management within the RHI Group is decentralized. The central function Human Resources defines group-wide guidelines and is responsible for the strategic management of supra-regional processes. Eight regional shared service centers are accountable for local implementation. In the reporting year, key processes were implemented, including for example the definition and assessment of management levels and the evaluation and promotion of key staff.

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

In the year 2015 the number of employees decreased from 8,016 to 7.898. The decline by 1.5% is primarily attributable to personnel adjustments at the production plants. In the year 2015, 53.0% of the employees in fully consolidated companies of the RHI Group worked in Western Europe, 28.9% in Asia/Pacific, 10.0% in North America, 4.1% in the Middle East and Africa, 2.6% in Eastern Europe and 1.4% in South America. At the end of the year 2015, 1,857 people were employed in Austria. [G4-9, G4-10]

RHI generally concludes permanent contracts with employees. Currently 82% of the employees have a permanent employment contract. Temporary workers are hired to cover order peaks in production. Only the Turkish raw material and production site in Eskisehir employs seasonal workers for climate reasons. [G4-10]

The turnover rate amounted to roughly 9% in the past financial year.

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 9% in the past financial year, compared with roughly 10% in the previous year. This indicator was roughly the same for women and men, at about 10% and 9% respectively. Within the age groups, the turnover rate was highest among employees less than 30 years old at roughly 14%, followed by employees aged 50 and older at roughly 13% and the 30 to 50 age group at roughly 6%. From a regional perspective, the rate is highest in North America, South America and Eastern Europe, each at roughly 20%, followed by Africa at roughly 13%, Asia/Pacific and Western Europe, each at roughly 7%, and the Middle East at roughly 3%. [G4-LA1]

Health and safety at work

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 achieved by dealing with risks responsibly and by ensuring safe production and business processes. Occupational health and safety are not just a focus for the management, but are an integral part of the corporate culture. At meetings of the Management and Supervisory Boards of RHI AG, occupational safety was reported and discussed on several occasions in the year 2015. In addition, the key figure "accident rate", which is defined as the number of accidents with more than eight hours of lost time per 200,000 working hours, is a bonus-relevant indicator for the Management Board as well as for managers of the Operations area. [G4-43]

The accident rate is a bonus-relevant indicator for the Management Board and managers of the Operations area.

Occupational health and safety is controlled as part of the integrated management system at RHI. RHI is certified as a group according to the Occupational Health and Safety Assessment Series 18001 (OHSAS 18001). At the end of 2015, 23 sites were covered by OHSAS. Safe and healthy workplaces are indispensable in order to meet 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.

The accident rate declined from 2.69 in the previous year to 1.85 in the financial year 2015. From a regional perspective, the accident rate was highest in Europe. The number of lost days based on an eight-hour working day and per 200,000 working hours amounted to 46.00 compared with 54.75 in the previous year. The calculation takes into account both employees of the RHI Group and temporary workers. [G4-LA6]

The accident rate and the number of days lost decreased significantly compared with the previous year.

Accident rate and lost days

Number	Year	Europe	America	Asia	Total
Accidents	2015	2.75	1.01	0.66	1.85
Accidents	2014	4.12	1.25	0.90	2.69
Lost days	2015	47.25	62.25	38.25	46.00
Lost days	2014	55.50	53.50	56.25	54.75
Fatal accidents	2015	0	0	0	0
Fatal accidents	2014	1	0	0	1

More than two thirds of all occupational accidents are due to personal misconduct. In order to counteract this cause, the employees are given clearly defined rules of conduct. In addition, training and courses to improve hazard perception are offered, with a special focus on how employees can contribute to avoiding dangerous situations. The active involvement of employees in prevention is a key to the reduction of accidents and occupational diseases. At present, roughly 81 % of the 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. Numerous local company agreements regarding health and safety are in place at the RHI Group, for example regarding non-smoker protection, alcohol at the workplace or data protection relating to accident reports and their processing. [G4-LA5, G4-LA8]

In order to prevent accidents, hazard perception is improved at training courses and special attention is paid to the contribution of employees to avoiding danger.

In the reporting year, a group-wide program regarding work in confined spaces was introduced, which defines, among other things, the placarding and instructions for working in such an environment. In addition, uniform rules were developed for employees and visitors with respect to wearing personal protective equipment. These rules are mandatory at all production sites as of January 1, 2016. Based on a workplace evaluation and an analysis of accident data, uniform protection has been stipulated through this minimum standard throughout the Group.

In the financial year 2015, one work-related disease of an employee in Europe was reported. This employee had skin irritations related to the working materials used. [G4-LA6]

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

Diversity

In the year 2015, people of 70 different nationalities worked for the RHI Group.

Staff diversity is essential in order to maintain the Group's competitiveness and to create an innovative climate in the company. Since 2014, diversity has also been one of the focal points in the RHI sustainability strategy. The staff of RHI consists of people from 70 nations. People of 18 different nationalities work at the company's headquarters in Vienna, Austria. The average age of the employees amounts to roughly 41, with 61.0% of the employees falling into the age group of 30 to 50 years. The under-30 age group includes 16.5% of the employees and 22.5% are over 50 years old. The average company affiliation amounted to 11.5 years; the worldwide share of women remained at a similar level as in the previous year, at 12.5%. At the level of the Management Board, the share of women amounted to 25% at the end of the year. The share of women in the first three management levels amounted to 0%, roughly 6% and roughly 10% at the end of the year. [G4-10, G4-LA12]

Employee groups by gender

At 12/31/2015 Employee Group	Number women	Percentage by gender	Number men	Percentage by gender	Total
Salaried employees	863	23.6%	2,800	76.4%	3,663
Waged workers	96	2.4%	3,905	97.6%	4,001
Commercial apprentices	18	50.0%	18	50.0%	36
Technical apprentices	10	5.0%	188	95.0%	198
Total	**987**	**12.5%**	**6,911**	**87.5%**	**7,898**

Diversity among employees is important in order to maintain the RHI Group's competitiveness and to create an innovative climate in the company.

The topic of equal opportunities has been firmly anchored in the company since 2008 and has since been promoted through several initiatives. The focus lies on optimally using the potential of both genders and all age groups in order to maintain the company's competitiveness in the long term. Management levels for the creation of transparency in leadership positions have thus been implemented and the network for the promotion of an interdepartmental exchange of female technicians at the location in Vienna was further boosted. Making female role models in technical professions visible has by now become an integral part of the company's profile at career fairs. In the coming years, RHI will join "Austria is looking for the Technikqueens", an initiative by OMV AG, in order to inspire girls to pursue a technical career. Moreover, RHI participated in the network "Companies for families", an initiative of the Austrian Federal Ministry of Families and Youth. This initiative presents best practice examples of compatibility of professional and private life in leading companies. RHI has also supported

"More women in leading positions", an initiative of the Federation of Austrian Industries, since 2012. As part of a project throughout Austria, possibilities for age-appropriate work are evaluated in order to sustainably secure employees' ability to work at an older age. Internationalization is promoted through international career opportunities and training courses on intercultural competence. [G4-15]

The salary of new employees in the RHI Group is based on training, professional experience and management level of the respective position. No difference is made between men and women. Roughly 81% of the management functions at the RHI Group's production sites worldwide were held by local employees at the end of the financial year 2015. [G4-LA13, G4-EC6]

Training, advanced education and personnel development [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. Among more than 100 participating companies, RHI thus placed 11th in the Austrian State Prize "Best Training Companies – Fit for Future". In the financial year 2015, 234 apprentices were trained in Austria, Germany, Ireland, Italy, Norway and Switzerland, with roughly 85% of them working in technical apprenticeships. The share of women amounted to roughly 12% compared to roughly 13% in the previous year. About 36% of the female apprentices in the RHI Group work in a technical apprenticeship. RHI strives to inspire girls and women through several initiatives to pursue a technical career in industry. Additional offers such as language courses or stays at locations abroad as part of apprentice exchange programs promote the mobility of young people and consequently enhance their job opportunities. In the past financial year, 17 apprentices participated in a national or international exchange program. Other training measures include social competence, energy efficiency, methods of modern production technology, occupational safety and general business administration. The target is to cover the demand for skilled professionals with apprentices who have been trained to meet these specific requirements.

In 2015, 234 apprentices were trained in Austria, Germany, Ireland, Italy, Norway and Switzerland, with roughly 85% of them working in technical apprenticeships.

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. 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 held by employees. The central goal of such courses is simple, fast and modern access to information on a broad basis. In the past financial year, an e-learning platform, which offers selected training in addition to conventional seminars, was introduced and has been extended continuously.

RHI offers its employees a wide range of development opportunities.

In customized development programs, which extend over a longer period of time and several modules, knowledge building and personal development for defined functions are promoted. Aside from the existing successful offers, a development initiative for project managers and a comprehensive training program teaching financial and business know-how designed especially for executives were implemented in the year 2015. Another milestone is the expansion of the operations programs, which prepare managers in production for their tasks. For example, a shopfloor leadership program was launched in China for the first time in the past financial year. Stays at and exchanges with other production sites in the country or abroad are essential elements of these programs. In the past financial year, 183 employees from Austria, Germany, Italy, Spain, Ireland, China, Mexico, Canada and the US participated in a development program.

The share of women in RHI's internal talent program "Future Circles" is roughly 16%, exceeding the global share of women in the RHI Group of 12.5%.

RHI's internal talent program "Future Circles" – for employees who show especially high potential – was successfully continued with a second round in four groups. Currently, 82 employees are taking part in a Future Circle. The share of women in the Future Circles is roughly 16%, thus exceeding the global share of women in the RHI Group of 12.5%. The participants are promoted individually, work in teams on strategically relevant tasks and projects and exchange ideas and thoughts with top management in the course of the project. Furthermore, the participants are given special consideration and support when internal positions are filled and as part of succession planning. Therefore, the nomination process for talents was expanded by adding a systematic succession planning process, in which a structured discussion and planning of filling key positions in the future were carried out. The RHI Group's objective is to fill the majority of key positions internally.

The annual appraisal interview at RHI represents a central 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 89%, and worldwide to roughly 70%. In the past financial year, employees completed an average of 25 hours of further training per person. [G4-LA9, G4-LA11]

Corporate benefits [G4-LA2]

All employees receive a bonus linked to the EBIT margin to allow them to participate in the economic success of the RHI Group.

In general, all employees are entitled to corporate benefits. The benefits offered exceed the legally required level and vary according to region. Based on a company agreement concluded in the year 2013, all employees without a separate bonus agreement participate in the economic success of the RHI Group and receive a bonus linked to the EBIT margin.

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.

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.

Work-life balance [G4-LA3]

RHI is convinced that the best performance is achieved when employees can combine their professional and private life well. Flexible working hours, home office solutions, part time models, advanced education and models for returning to work after parental leave facilitate a reconciliation of professional and private life. Currently, roughly 15% of the female employees worldwide and 1% of the male employees work part time. In the year 2015, 26 persons were on parental leave in Austria, of whom 16 women and five men started their parental leave in the reporting year. [G4-10]

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

According to an internal analysis, roughly 96% of all employees on parental leave in Austria return to the company. Roughly 17% of the women and roughly 100% of the men then work full time. Only about 4% 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 and daycare.

Employee representation

RHI AG considers its employee representatives worldwide 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. Worldwide, roughly 61.4% of the staff are covered by collective bargaining agreements. In countries where such agreements exist, 100% of the employees concerned are covered. [G4-11]

RHI AG considers its employee representatives worldwide business partners.

Collective bargaining agreements

At 12/31/2015	Employees covered		Employees not covered		
Region	Number	Share	Number	Share	Total
Western Europe	3,883	92.7%	306	7.3%	4,189
Eastern Europe	116	57.4%	86	47.6%	202
Middle East	0	0%	225	100%	225
Africa	102	100.0%	0	0%	102
North America	656	83.0.%	134	17.0%	790
South America	93	86.1%	15	14.0%	108
Asia/Pacific	0	0.0%	2,282	100.0%	2,282
Total	**4,850**	**61.4%**	**3,048**	**38.6%**	**7,898**

Internal communication

The employees of the RHI Group work at more than 100 locations spread around the globe on four continents. As a result there is a substantial need for reliable and prompt information within the Group. However, different languages, time zones and cultures place great demands on the organization of internal communication. In addition to other tools, RHI relies above all on two channels to inform its employees: the group-wide intranet and the employee magazine "RHI it's me". News and events are regularly posted on the intranet; employees use this tool primarily because of its topicality. The employee magazine is published twice a year throughout the Group, is translated into nine languages and distributed to all sites.

The employees of the RHI Group work at more than 100 locations around the globe on four continents.

Social responsibility

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

As a good corporate citizen, RHI assumes social responsibility in the regions where its sites are located and supports initiatives that contribute to improving the living conditions. In the year 2013, RHI started a global program together with the Austrian development organization ICEP focusing on an improvement in the technical vocational training of young people in Mexico and Turkey. In Ramos Arizpe, Mexico, a dual training program for industrial mechanics, industrial electricians and toolmakers was initiated in cooperation with local partners. On the one hand, this program helps young people increase their chances in the job market, and on the other hand, it meets the demand of industry for well qualified skilled workers. The program has become a part of the local technical vocational training offer by now. In Eskisehir, Turkey, RHI cooperates with schools and companies to improve internships and adapt the curricula to the requirements of industry. A first pilot course started in December 2015. As the training structures provided exceed the company's own needs, the three-year project is 50% co-financed by the Austrian Development Cooperation. [G4-SO1]

At the locations of its sites, RHI makes a significant contribution to maintaining local communities by supporting local charities and associations as well as a series of initiatives. In the year 2015, RHI provided some € 430,000 for charitable projects. This total comprises all donations made throughout the Group. Orient Refractories Ltd. in India accounted for roughly € 220,000 in accordance with local legal requirements. [G4-EC1]

Personnel indicators

	2015	2014	Change
Annual average number of employees[1]	8,035	8,036	0.0%
Number of employees at 12/31	7,898	8,016	(1.5)%
Revenue in € million	1,752.5	1,721.2	1.8%
Revenue per employee in € 1,000	218.1	214.2	1.8%
EBIT in € million	37.5	109.3	(65.7)%
EBIT per employee in € 1,000	4.7	13.6	(65.4)%
Value added in € million[2]	446.0	507.3	(12.1)%
Value added per employee in € 1,000	55.5	63.1	(12.0)%
Personnel expenses in € million	408.5	398.0	2.6%
Personnel expenses per employee in € 1,000	50.8	49.5	2.6%
Personnel expenses in % of revenue	23.3%	23.1%	0.2pp

1) weighted by level of employment

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

Innovation / Research & Development

Innovative power is one of the key prerequisites for RHI to remain competitive in the contested global refractories market 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. The RHI Group relies on the innovative power of its employees in order to justify its claim of technology leadership. Innovation management gives creativity a structure and ensures that ideas are converted to marketable products, services and new business models. In the year 2015, more than 10% of the Group's revenue was generated by newly developed refractory products, which were launched on the market in the last five years.

Innovation management

The strategic focus of innovation management is on the development of new service products that benefit the customer.

The "Innovation & IP Management" department was established in the year 2013. Its main tasks include identifying and substantiating innovation potential, preparing the decision-making basis for implementation and supporting all organizational units involved in their realization. In the last three years, the position regarding the innovation portfolio with respect to products, services and business models was analyzed, and a systematic process was developed and rolled out across the Group. More than 140 ideas were generated in workshops, using the idea management tool and within the continuous improvement process, and were developed in a structured way based on the innovation procedure. More than 90 ideas are undergoing project development or have already been implemented. Innovation management makes an important contribution to realizing the corporate strategy, with several initiatives of the department being considered strategic measures. In the coming years, the strategic focus will be on the development of new service products that benefit the customer. The business model "Smart Solutions Provider" has already been developed for the glass industry. It includes, for example, the hot and cold inspection of glass tanks, hot repairs, glass defect analysis, construction supervision and commissioning as well as an emergency service, and was successfully implemented in the market in the reporting year. Other projects carried out successfully in the year 2015 include the introduction of 3D printing in mold construction for prefabricated refractory components, which led to a reduction of both production times and production costs, and the use of fused cast products as wear protection or as acid-resistant lining for industrial plants.

Patents & intellectual property

The patent portfolio of the RHI Group consists of roughly 140 active patent families. 13 applications for new patens were filed in 2015.

RHI strives to examine newly developed products and technologies for patentability in a systematic and structured way in order to secure industrial property rights and consolidate its market position. In the past year, 13 applications for new patents were filed, including patent applications regarding the geometry of refractory components, lining concepts for customer aggregates and the composition of refractory products. At the end of the year 2015, the patent portfolio consisted of roughly 140 active patent families. Patents and trademarks are used to protect products internationally and to prevent abuse of the new technologies and products.

Organization and strategic approaches of research and development

RHI employs more than 170 people in research and development.

The research and development division consists of a central organizational unit at the Technology Center in Leoben, Austria, and individual decentralized units as well as employees who work on specific regional tasks in coordination with the central unit. At the end of the year 2015, more than 170 people worked in research and development, with the share of women slightly exceeding 30%. The R&D team in Leoben consists of colleagues of eleven different nationalities. The share of employees with a university degree amounts to more than 40%. [G4-LA12]

In the research and development division, great value is placed on internally training the personnel resources needed in the future and to equip them with the best possible specialist knowledge for the professional challenges to come. In the year 2015, eleven apprentices – six women and five men – were trained in nine different technical and commercial professions.

In line with the corporate strategy, targeted research and development activities were continued in the past reporting period. The most important focal points of R&D include:

- the further development of special ceramics such as isostatically pressed components, complex cast products and slide gate plates, among other things in view of the optimization of clean steel applications
- the development of methods for nondestructive material testing in line with quality assurance and the optimization of the production processes through big-data analyses of the production parameters
- the use of recycled raw materials and research of new methods for the treatment and reuse of refractory materials changed during operation
- the use of new materials and combinations of materials
- the research of high-temperature insulation materials for efficient energy use of high-temperature aggregates
- the development of environmentally friendly binder systems.

The most important scientific cooperation partners in the past financial year included the University of Leoben, Johannes Kepler University in Linz, Joanneum Research, the University of Graz and the Graz University of Technology, the Vienna University of Technology, the Slovak Academy of Sciences and École Nationale Supérieure de Céramique Industrielle (ENSCI) in Limoges, France. RHI also worked closely with technology leaders in the steel industry such as voestalpine Stahl Donawitz, voestalpine Stahl Linz, Böhler Edelstahl and Primetals Technologies at competence centers promoted by the Austrian Research Promotion Agency.

Research and development expenses amounted to approx. € 23 million in the year 2015.

Research and development costs before subsidies and capitalization amounted to € 23.4 million in the past financial year. Basic research accounts for 15% of these costs, the development of new products and production processes for 40%, the optimization of existing products, production processes and process improvements for roughly 20%, and environmental protection and energy efficiency for roughly 25%.

Basic research

In basic research, which is often conducted in collaboration with scientific cooperation partners and within the framework of subsidized competence centers, an important focus lies on gaining an understanding of corrosion and erosion mechanisms of RHI products in different customer processes. The further development of the models for the simulation systems used at RHI also takes place as part of scientific collaborations.

One focus of basic research is on corrosion and erosion mechanisms of RHI products in different customer processes.

The simulation and modeling methods used include the finite element method (FEM), computational fluid dynamics (CFD), the discrete element method (DEM), thermochemical simulations and water modeling. These methods enable the analysis of the flow conditions of liquid steel from the steel ladle through the tundish to solidification in the mold. Based on the models, customer-specific design and refractory solutions are offered. In the reporting year, a new water model for the simulation of slide gates was successfully commissioned.

Development of new products and production methods

Innovative raw materials and production processes provide the basis for new products. New fused raw materials are developed based on phase-theory considerations and thermochemical calculations at the test plants of the Technology Center Leoben and developed further until ready for series production at the production facilities in Radenthein, Austria. In addition to classic oxidic raw materials, research also deals with non-oxidic raw materials, which have turned out to be promising.

RHI works on increasing recoverable materials from used refractory products.

Used refractory materials are only recycled to a limited extent at present because of the chemical, mineralogical and physical changes during their use in customer production processes. In cooperation with external partners, processes and methods are developed to recover the reusable materials contained in used refractories and to reintroduce them to the production process. The aim is to conserve primary resources on the one hand and prevent landfilling of used products on the other hand.

Optimization of existing products and production methods as well as process improvements

To enhance existing production processes, the process data and data from the automatic product test facilities are interlinked and analyzed on the basis of big data approaches. In order to optimize products and adapt them to customer requirements, used refractory materials taken from a variety of customer aggregates are thoroughly studied. The proposals for optimization that are derived lead to a longer service life of refractory linings and to improvements of the customer's specific process costs. The results of these analyses often serve as a basis for product innovations. The close interdisciplinary cooperation between material development, design development in the simulation department and production development enable further improvements of the properties of existing products and optimal adaptation to customer needs.

RHI conducts different simulations of customer-specific steel flow conditions in order to offer optimal refractory solutions.

Examining raw material alternatives for existing products in order to secure raw material availability and to optimize the customer's total cost of ownership is also one of the fundamental activities of research and development.

Knowledge transfer to customers is an important cornerstone in R&D. At the Training Center Cement in Leoben, customers are familiarized with RHI's refractory products and lining techniques in courses lasting several days. On a full-scale model of a cement rotary kiln, the participants can learn and practice the handling of refractory products using modern lining machinery.

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

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

Together with specialists at the production sites, processes and process data are documented, analyzed and measures to stabilize processes and save resources are derived. The main focus is on energy-intensive processes such as drying, curing and sintering. The processes are also examined using modeling and simulation. The objective is to further develop the environmental standards and to lower the energy consumption of the RHI Group.

The area of material development looks for alternatives for substances, which may no longer be used after the implementation of the REACH Regulation (EC No. 1907/2006, "Registration, Evaluation, Authorisation and Restriction of Chemicals") within the EU or are considered to cause concern. New developments with reduced emissions have already been successfully placed in the market.

New refractory insulating materials are developed to support customers in reducing their energy consumption.

New refractory insulating materials are developed in order to support customers in reducing their energy consumption. Process data for serial production can be derived from the production at the pilot plant. In comparison with previously used insulating materials, the new materials feature improved density, porosity, strength, thermal conductivity and thermal capacity, allowing a reduction of the use of ceramic fibers in some sub-segments.

Environment and Energy

For many years, RHI has been working on making production as resource-sparing and energy-efficient as possible, while administrative obligations by local authorities have been permanently increasing. 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. The global environmental management system of RHI is certified according to the international standard 14001:2004 at 22 production sites at the end of the year 2015. The energy management aims to reduce energy consumption systematically. In addition, RHI's products and services also contribute to more energy-efficient production and reduced emissions at customers' sites.

The global environmental management system of RHI is certified according to the international standard 14001:2004 at 22 production sites.

In the year 2015, the RHI Group invested roughly € 15 million in ecological measures, which consist of environmental investments, waste disposal costs and services such as certifications or consultations. For example, the modification of the smelter at the Radenthein plant, Austria, was started and is scheduled to be completed in the year 2018. The focus of the first stage is on redesigning the processes of crushing and loading. Especially diffuse dust emissions will be reduced in this process. Another environmental project was the replacement of the chimney pipe at the Hochfilzen plant, Austria. [G4-EN31]

Integrated Management System

RHI's integrated management system (IMS) in the areas of quality (ISO 9001), environment (ISO 14001), occupational health and safety (OHSAS 18001) serves as an instrument to continuously improve the performance and processes throughout the Group. Based on internal and external audits, potential improvements are continuously identified and implemented as part of the continuous improvement process. RHI is externally certified according to ISO 9001:2008 at 27 of 32 production sites by Lloyd's Register Quality Assurance, Vienna.

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

In the years 2010-2014, the RHI Group conducted a project to assess customer satisfaction. In the reporting year, preparations for a global survey were carried out. This customer survey will deal with topics such as products and service performance and is planned for the year 2016. [G4-PR5]

In the past financial year a new tool for improving the management of customer complaints was rolled out throughout the Group. The objective is to derive improvements regarding product faults, packaging or services even more effectively and thus increase customer-orientation in the value chain even further. The introduction of the new tool for process improvement in the area of supplier complaints is scheduled for the year 2016.

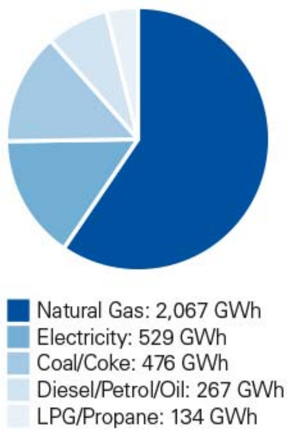
Energy efficiency [G4-EN3, G4-EN6]

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 roughly 3,470 gigawatt hours in the past financial year after 3,660 gigawatt hours in the previous year. The decline by roughly 5% in the energy required in comparison with the previous year is above all due to the reduction in vol-

The production of refractories is energy-intensive, especially in the area of raw material treatment.

ume sold by the Steel Division, which also caused a decline in in-house raw material production.

Energy consumption



The energy mix in the RHI Group consists of natural gas, electricity, diesel, petrol, oil, liquid petroleum gas (LPG), propane, coal and coke. The selective use of renewable energies such as biofuels was evaluated again in the reporting period. These energy sources cannot be used at RHI for reasons of production technology as the required firing temperatures cannot be reached. In addition, no form of biofuel is available in the necessary quality and sufficient quantity at economically justifiable conditions. With the gradual establishment of an energy management system in accordance with ISO 50001, RHI attaches special importance to the topic of energy efficiency. Following the external certification of the German production sites in the year 2014, the standard ISO 50001 was introduced at all Austrian production sites as an internal management system without external certification. This path will be consistently pursued further in the year 2016 and the management system will be established at other locations. In addition to targeted training for employees, energy days were held at Austrian sites in order to inform employees about energy topics and energy efficiency and to raise awareness of these issues. In line with the Austrian Energy Efficiency Act, measures which enabled energy savings of 0.6% at the Austrian sites were implemented.

Development of energy consumption

	in GWh			in 1,000 GJ		
Energy consumption	2013[1)]	2014	2015	2013	2014	2015
Natural gas	2,069	2,278	2,067	7,449	8,201	7,440
Electricity	514	556	529	1,850	2,004	1,905
Coal/coke	477	470	476	1,717	1,691	1,713
Diesel/petrol/oil	258	307	267	929	1,105	961
LPG/propane	225	49	134	810	176	483
Total	**3,543**	**3,660**	**3,473**	**12,755**	**13,177**	**12,502**

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

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

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

In order to reduce the effects of hazardous substances on the health of employees and customers as well as on the environment, research and development strongly focuses on the search for substitute materials. Any new substance is tested for potential dangers before it is used, and provided that appropriate alternatives are available, hazardous materials are replaced by less hazardous or non-hazardous substances. The classification in accordance with chemical legislation and an evaluation of the impact of the substances on health and the environment guarantee a safe production process and the safe use of the products at the customer's site. As a result of the ongoing search for substitute materials, products with lower emissions from organic binders were launched on the market.

For the classification of chemicals and their labeling on packaging and in safety data sheets, the "Globally Harmonized System" (GHS) of the United Nations is applied in the Group. Within the European Union, the GHS is implemented through the CLP Regulation (EC No. 1272/2008, "Classification, Labeling and Packaging of Chemicals"). RHI made the changes for mixtures in safety data sheets in accordance with the provisions of the Regulation by June 2015. For substances, the new provisions have already been in force since 2010.

RHI only utilizes raw materials registered in accordance with the REACH Regulation (EC No 1907/2006, "Registration, Evaluation, Authorization and Restriction of Chemicals"). RHI contributes to the implementation of the objectives of the Regulation by looking for substitute substances and closely cooperates with national and European trade associations. Beyond the requirements of the REACH Regulation, safety data sheets are prepared not only for unshaped products containing hazardous substances, but for all products. They are provided to all customers, also outside the European Union. Customers are thus informed about safe storage, transport, use and disposal of the products. To enable the sales department to inform customers of changes as fast as possible, an internal newsletter system was introduced in the past financial year, which automatically generates notifications of change as soon as a safety data sheet changes. [G4-PR3]

The RHI Group only uses raw materials registered in accordance with the REACH Regulation.

By using non-hazardous raw materials, the amount of hazardous waste when refractory products are disposed of is reduced. Another advantage is the fact that products which do not contain hazardous substances can be reused more easily as no test of substitute substances is necessary. [G4-EN27]

Waste management [G4-EN23, G4-EN27]

RHI continuously reduces ceramic scrap and returns it to the production process in order to cut down on the quantity of waste. Residual materials that cannot be avoided are handled by licensed waste companies. In the past financial year, RHI reported roughly 58,000 tons of non-hazardous waste and roughly 2,300 tons of hazardous waste. The increase in non-hazardous waste is primarily attributable to the fact that due to lower demand it was not possible to sell the same amount as by-products as in the previous year.

In order to prevent waste, RHI continuously reduces ceramic scrap and returns it to the production process.

Development of waste volume

	Hazardous waste			Non-hazardous waste		
Waste in tons	2013	2014	2015	2013	2014	2015
Europe	2,692	2,423	2,156	20,083	31,044	37,699
America	60	55	63	14,707	13,401	11,029
Asia	61	59	99	13,139	10,241	9,009
Total	**2,813**	**2,537**	**2,318**	**47,929**	**54,686**	**57,737**

Roughly 75% of the non-hazardous waste consisted of ceramic scrap and mineral waste which so far could not be returned to production, for example because of mixing with other materials or due to insufficient grain size. In the reporting year, RHI intensified its efforts to ensure that ceramic waste is not even created in the first place using technical and organizational measures. An important element in this process is the prevention of material losses, especially at the numerous material handover points, as well as the establishment of short material cycles at the dust removal facilities. This requires close cooperation between the respective departments. RHI strives to consistently pursue this initiative further in 2016.

The innovative packaging solution for refractory materials developed by RHI was already in use at 13 sites in the past financial year. The intelligent film to secure the load offers high protection during transport and reduces packaging waste at the customer site. In addition, substituting conventional shrink packaging resulted in annual savings of roughly 280,000 cubic meters of gas for the Group according to calculations of the pilot plants. In the year 2015, RHI shipped roughly 1,126,000 packaging units, of which 948,000 or roughly 84% were packaged using this method. The target of 85% was nearly fully met. The share of six-layer and seven-layer palletizing, which among other things serves to reduce packaging material through higher filling weight, amounted to 67%. The target of 62% was thus exceeded.

Reduction of dust emissions [G4-EN21]

RHI continuously works on keeping the collected dust emissions from firing and treatment processes at a low level.

RHI continuously works on keeping the collected dust emissions from firing and treatment processes at a low level. This is achieved among other things through preventive and systematic maintenance and service. In the year 2015, the program focusing on a reduction of diffuse dust was continued. Measures of the continuous improvement process such as structural adaptations of material conveyor belts at handover points produced remarkable successes. In addition to positive effects on the environment, there is also an economic benefit as the material is maintained in the production cycle.

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 2015, RHI used roughly 5.8 million cubic meters of water, compared with roughly 6.0 cubic meters in the previous year. The Austrian sites accounted for roughly 78%. These sites primarily utilized ground water. The preparation of reports on the initial state of the soil with respect to emissions in soil and water was advanced further this year. The implementation is associated with considerable expenses, especially in sampling.

Sustainable transport concepts [G4-EN30]

Using efficient logistics processes, RHI tries to optimize transport costs and transport routes.

The RHI Group strives to optimize transport costs and transport routes through efficient logistics concepts and to reduce any negative impacts on the environment. Measures including the minimization of empty trips, optimal utilization of the means of transport, an increase in the share of purely rail-based transport or a reduction of traffic on roads through combined transport contribute to realizing these requirements. The accomplishment of the targets linked with these measures is regularly reviewed internally and externally as part of the integrated management system. In the past financial year, RHI started the project "Distribution Network Study", an initiative derived from the overall optimization program "Excellence in Transportation Management". The objective of the project is to improve the transport network applying analysis and optimization tools, which were developed especially to increase the effectiveness of supply chains.

Risk Management, Accounting & Internal Control System

Risk management process [G4-14]

Since its introduction in the year 2009 the risk management process of RHI has been developed continuously with the objective of making a significant contribution to the Group's strategic and operational management. Risks and opportunities related to both existing operating activities and future development areas as well as to project activities are systematically recorded, evaluated and controlled. For this purpose, risk policy specifications are of central importance. For example, compliance, health or safety risks have to be strictly minimized according to this policy. In contrast, it is indispensable to take controlled entrepreneurial risks when implementing the strategy. Non-tolerable risks must be prevented, reduced or transferred by applying appropriate strategies. Central risk management, a staff function in Finance, is responsible for the implementation and further development of the risk management process. The main elements of this process are the establishment in a formally adopted risk policy, direct and full integration of all responsible managers, uniform structures and methods as well as the use of a professional software. In the year 2015, the functionality of the risk management was evaluated by the auditor for the second time. Based on the reference model chosen by RHI (ISO 31.000:2009), the auditor's assessment showed that the risk management functional as of June 30, 2015. This test is performed every other year and will thus take place again in the year 2017. Throughout the Group, risks and opportunities are allocated to the risk areas listed below.

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 sintered 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 are the main uncertainties in this area. Demand for refractory products is significantly influenced by steel production, the construction industry, and metal and energy prices. Due to the political instability in the Middle East and the developments in the global steel markets driven by the economic situation in China, the Steel Division expects higher risks. The Industrial Division is also confronted with a difficult market environment due to low metal and energy prices.

Risk area: Operations

The risks related to the safety and availability of production facilities have been controlled successfully for years by comprehensive maintenance concepts and risk control programs. The global production network and centrally controlled logistics concepts additionally secure the RHI Group's ability to produce and deliver products. Finally, optimized insurance solutions provide for a risk reduction in case any damage occurs. Another significant uncertainty related to the operation of production facilities is the utilization of the existing capacities in a difficult market environment, which could require further adjustments to the plant structure with the corresponding one-off expenses.

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 risks are partially countered by concluding long-term contracts. Depending on the market price development, purchase prices fixed for the long term may have advantages or disadvantages.

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 impairments and 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 are secured by concluding appropriate financing agreements. These lines of credit were concluded with different Austrian and international banks in order to ensure independence of banks. The companies of the RHI Group are integrated into a clearing process managed by Central Treasury and provided with financing limits in order to minimize the need of borrowings for the Group as a whole.

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 2015 ("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)
- EUR to NOK (surplus of receivables from 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, 2015, the following open hedge positions existed:

- EUR to CNY (Volume: € 25.7 million, surplus of liabilities from intercompany financing)
- EUR to INR (Volume: € 6.3 million, surplus of liabilities from operating activities and intercompany financing)
- EUR to NOK (Volume: € 11.5 million, surplus of receivables of RHI NORMAG AS from operating activities)
- CAD to EUR (Volume: CAD 10.0 million, surplus of receivables of RHI AG from intercompany financing)
- USD to EUR (Volume: USD 24.0 million, surplus of receivables of RHI AG from operating activities and intercompany financing in USD)
- USD to MXN (Volume: USD 5.0 million, surplus of receivables from operating activities of the Mexican subsidiaries)
- USD to INR (Volume: USD 0.2 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 results and cash flows. The RHI Group is predominantly exposed to interest risks in the euro area. The interest hedges concluded in the year 2013 for loans with a maturity beyond 2016 totaling € 100 million, with a variable interest rate being converted into a fixed interest rate through an interest rate swap, decreased in parallel with the repayment of loans in the course of the year 2015 and amounted to € 84.3 million at December 31, 2015.

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. The Group manual defines, among other things, a uniform chart of accounts and rules regarding measurement and recognition. The individual IFRS financial statements of the Group companies, which are predominantly prepared using 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 2015, two reports on the effectiveness of the ICS were 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.

Notes in accordance with § 243a UGB

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

At December 31, 2015, the share capital of RHI AG amounted to € 289,376,212.84 (12/31/2014: € 289,376,212.84) and consisted of 39,819,039 (12/31/2014: 39,819,039) no-par bearer shares. Only shares of this class are issued. Each RHI share generally has one vote. There are no RHI shares with special control rights.

With the exception of the voting rights of the MSP Foundation, no limitations regarding the voting rights of RHI shares, including from agreements between shareholders, are known to the company.

Direct or indirect shares in RHI capital

At March 4, 2016, the following investors with significant shareholdings were known to RHI: MSP Foundation, Liechtenstein, with a share of more than 25%, Chestnut Beteiligungsgesellschaft mbH with more than 5% and Silver Beteiligungsgesellschaft mbH with more than 5%. Regarding MSP Foundation, Liechtenstein, a limitation of voting rights of 26% applies pursuant to the stipulations of the Austrian Takeover Act. 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 May 8, 2015, in accordance with § 169 of the Stock Corporation Act (AktG), to increase share capital with the consent of the Supervisory Board until May 7, 2020 by up to another € 57,875,236.75 by issuing up to 7,963,807 new ordinary bearer shares (no par shares) for a cash contribution– also in several tranches – and to determine the issue price, the issue conditions and further details regarding the execution of the capital increase in agreement with the Supervisory Board.

Employee stock ownership plan "4 plus 1"

With a resolution of the 36th Annual General Meeting of RHI AG on May 8, 2015, 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 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 continuation of the employee stock ownership plan "4 plus 1". The authorization to acquire shares is valid for 30 months, while the related authorization to sell in accordance with § 65 para. 1b AktG is valid for five years 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 € 407 million.

A compensation agreement has been concluded between the company and 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 its outlook published in January 2016, the International Monetary Fund forecasts global economic growth of 3.4% in the current year after 3.1% in the year 2015. Three key factors influence this outlook: slower economic growth in China as a result of the reorientation of the economy – with the objective of strengthening domestic consumption and reducing dependence on foreign investments and exports –, lower energy and raw material prices as well as a gradual tightening of the monetary policy in the U.S. According to a study of early December 2015, the research institute CRU expects a decline in steel production in China by roughly 1% for the year 2016 and an increase in steel production by roughly 2% outside China.

Based on these assumptions, RHI expects revenue (2015: € 1,752.5 million) below and an operating EBIT (2015: € 124.1 million) at the level of the past financial year, with the first half of 2016 slightly weaker than the second half of the year. The expected decline in revenue in the Steel Division is related especially to an expected slowdown of the business development in South America and a highly competitive environment. In the Industrial Division, weaker nonferrous metals business could cause a decrease in revenue.

Due to the development in the customer industries, RHI is currently working on further optimizing the plant structure, which could lead to an adjustment of production capacities in Europe in the current financial year. In addition, different cost measures have been defined in the sales and general administrative departments.

The planned continuation of the reduction of working capital should support the generation of free cash flow and lead to a further reduction of net debt.

The Management Board of RHI AG intends to propose a dividend of € 0.75 per share to the Annual General Meeting on May 4, 2016.

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, 2016

The Management Board

Franz Struzl
CEO

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO
CTO R&D

Thomas Jakowiak
CSO Industrial Division

Reinhold Steiner
CSO Steel Division

Consolidated financial statements 2015

Consolidated statement of financial position

as of 12/31/2015

in € million	Notes	12/31/2015	12/31/2014
ASSETS			
Non-current assets			
Property, plant and equipment	(10)	532.2	544.2
Goodwill	(11)	37.5	36.1
Other intangible assets	(12)	74.2	74.0
Investments in joint ventures	(13)	19.3	18.3
Other non-current financial assets	(14)	23.7	39.6
Other non-current assets	(15)	18.0	19.6
Deferred tax assets	(16)	146.1	130.1
		851.0	**861.9**
Current assets			
Inventories	(17)	403.9	429.0
Trade and other current receivables	(18)	390.0	408.4
Income tax receivables	(19)	5.9	6.9
Other current financial assets	(20)	4.0	3.2
Cash and cash equivalents	(21)	149.7	151.1
		953.5	**998.6**
		1,804.5	**1,860.5**

EQUITY AND LIABILITIES			
Equity			
Share capital	(22)	289.4	289.4
Group reserves	(23)	188.2	192.3
Equity attributable to shareholders of RHI AG		477.6	481.7
Non-controlling interests	(24)	13.8	12.2
		491.4	**493.9**
Non-current liabilities			
Non-current financial liabilities	(25)	438.0	417.0
Other non-current financial liabilities	(26)	51.3	1.3
Deferred tax liabilities	(16)	15.3	16.5
Personnel provisions	(27)	326.3	355.1
Other non-current provisions	(28)	4.3	6.1
Other non-current liabilities	(29)	7.9	8.8
		843.1	**804.8**
Current liabilities			
Current financial liabilities	(25)	109.6	201.0
Other current financial liabilities	(26)	8.5	0.4
Trade payables and other current liabilities	(30)	293.6	296.4
Income tax liabilities	(31)	25.3	24.1
Current provisions	(32)	33.0	39.9
		470.0	**561.8**
		1,804.5	**1,860.5**

Consolidated statement of profit or loss

from 01/01/2015 to 12/31/2015

in € million	Notes	2015	2014
Revenue	(33)	1,752.5	1,721.2
Cost of sales	(34)	(1,389.1)	(1,350.3)
Gross profit		**363.4**	**370.9**
Selling and marketing expenses	(35)	(112.1)	(114.7)
General and administrative expenses	(36)	(122.3)	(114.9)
Other income	(37)	76.0	50.9
Other expenses	(38)	(80.9)	(50.3)
Operating EBIT		**124.1**	**141.9**
Losses from derivatives from supply contracts	(56)	(58.0)	0.0
Impairment losses	(39)	(31.2)	(19.8)
Income from restructuring	(40)	5.9	0.0
Restructuring costs	(40)	(3.3)	(13.6)
Net income from US Chapter 11 proceedings		0.0	0.8
EBIT		**37.5**	**109.3**
Interest income	(41)	5.8	2.6
Interest expenses	(42)	(20.5)	(22.2)
Other net financial expenses	(43)	(4.6)	(13.1)
Net finance costs		**(19.3)**	**(32.7)**
Share of profit of joint ventures	(13)	9.2	8.2
Profit before income tax		**27.4**	**84.8**
Income tax	(44)	(9.8)	(32.3)
Profit after income tax		**17.6**	**52.5**
attributable to shareholders of RHI AG		16.0	51.0
attributable to non-controlling interests	(24)	1.6	1.5

in €			
Earnings per share (basic and diluted)	(53)	0.40	1.28

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

Consolidated statement of comprehensive income

from 01/01/2015 to 12/31/2015

in € million	Notes	2015	2014
Profit after income tax		**17.6**	**52.5**
Currency translation differences			
Unrealized results from currency translation	(6)	5.0	22.1
Deferred taxes thereon	(16)	(0.5)	0.0
Current taxes thereon		2.6	0.0
Reclassification reserves to profit or loss		(1.2)	0.0
Deferred taxes thereon	(16)	0.3	0.0
Market valuation of cash flow hedges			
Unrealized results from fair value change	(56)	0.1	(1.9)
Deferred taxes thereon	(16)	0.0	0.5
Reclassification reserves to profit or loss		0.0	(0.1)
Market valuation of available-for-sale financial instruments			
Unrealized results from fair value change	(55)	(1.0)	3.1
Deferred taxes thereon	(16)	0.4	(0.6)
Reclassification reserves to profit or loss	(55)	(4.2)	0.0
Deferred taxes thereon	(16)	0.3	0.0
Items that will be reclassified subsequently to profit or loss, if necessary		**1.8**	**23.1**
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans	(27)	13.1	(49.0)
Deferred taxes thereon	(16)	(4.4)	13.4
Share of other comprehensive income of joint ventures	(13)	0.0	(0.2)
Items that will not be reclassified to profit or loss		**8.7**	**(35.8)**
Other comprehensive income after income tax		**10.5**	**(12.7)**
Total comprehensive income		**28.1**	**39.8**
attributable to shareholders of RHI AG		25.8	37.2
attributable to non-controlling interests	(24)	2.3	2.6

Consolidated statement of cash flows

from 01/01/2015 to 12/31/2015

in € million	Notes	2015	2014
Profit after income tax		17.6	52.5
Adjustments for			
income tax		9.8	32.3
depreciation and amortization charges		69.3	67.8
impairment losses of property, plant and equipment and intangible assets		34.1	23.0
income from the reversal of investment subsidies		(0.9)	(0.7)
impairment losses on securities		0.6	0.0
(gains)/losses from the disposal of property, plant and equipment		(3.4)	1.5
net income from US Chapter 11 proceedings		0.0	(0.8)
interest result		14.7	19.6
gains from the disposal of securities and shares		(4.6)	0.0
share of profit of joint ventures		(9.2)	(8.2)
other non-cash changes		63.7	17.5
Changes in			
inventories		24.5	(31.0)
trade receivables		21.1	(39.6)
other receivables and assets		0.0	(4.2)
provisions		(24.4)	(29.7)
trade payables		0.2	6.6
other liabilities		(9.3)	(3.2)
Cash flow from operating activities		**203.8**	**103.4**
Income tax paid less refunds		(28.4)	(31.0)
Net cash flow from operating activities	(47)	**175.4**	**72.4**
Investments in property, plant and equipment and intangible assets		(80.8)	(76.2)
Cash inflows from the sale of property, plant and equipment		4.8	2.6
Cash inflows from/investments in non-current receivables		0.0	0.6
Cash inflows from the sale of securities and shares		14.1	0.0
Dividend payments and repayment of capital from joint ventures		8.2	7.6
Investment subsidies received		0.7	1.9
Interest received		5.8	2.4
Net cash flow from investing activities	(48)	**(47.2)**	**(61.1)**
Investments in non-controlling interests		0.0	(1.2)
Dividend payments to shareholders of RHI AG		(29.9)	(29.9)
Dividend payments to non-controlling interests		(0.6)	(0.6)
Proceeds from non-current borrowings and loans		48.4	172.2
Repayments of non-current borrowings and loans		(118.6)	(43.7)
Changes in current borrowings		(3.4)	(52.4)
Interest payments		(20.3)	(19.8)
Net cash flow from financing activities	(49)	**(124.4)**	**24.6**
Total cash flow		**3.8**	**35.9**
Change in cash and cash equivalents		**3.8**	**35.9**
Cash and cash equivalents at beginning of year		151.1	112.4
Changes due to currency translation		(5.2)	2.8
Cash and cash equivalents at year-end	(51)	149.7	151.1
Total interest paid	(50)	20.8	20.9
Total interest received	(50)	5.8	2.6

Consolidated statement of changes in equity

from 01/01/2015 to 12/31/2015

in € million	Share capital	Additional paid-in capital	Retained earnings
Notes	(22)	(23)	(23)
12/31/2014	**289.4**	**38.3**	**307.9**
Profit after income tax	**-**	**-**	**16.0**
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	**-**	**-**	**16.0**
Dividends	-	-	(29.9)
Transactions with shareholders	**-**	**-**	**(29.9)**
Settlement of defined benefit plans after income tax	-	-	(5.5)
Income taxes on currency translation differences from net investments in foreign operations	-	-	(4.0)
Reclassifications	**-**	**-**	**(9.5)**
12/31/2015	**289.4**	**38.3**	**284.5**

in € million	Share capital	Additional paid-in capital	Retained earnings
Notes	(22)	(23)	(23)
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**

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
(23)	(23)	(23)	(23)		(24)	
(1.0)	**4.5**	**(106.1)**	**(51.3)**	**481.7**	**12.2**	**493.9**
-	**-**	**-**	**-**	**16.0**	**1.6**	**17.6**
-	-	-	5.5	**5.5**	**0.7**	**6.2**
0.1	-	-	-	**0.1**	**-**	**0.1**
-	(4.5)	-	-	**(4.5)**	**-**	**(4.5)**
-	-	8.7	-	**8.7**	**-**	**8.7**
0.1	**(4.5)**	**8.7**	**5.5**	**9.8**	**0.7**	**10.5**
0.1	**(4.5)**	**8.7**	**5.5**	**25.8**	**2.3**	**28.1**
-	-	-	-	**(29.9)**	**(0.7)**	**(30.6)**
-	**-**	**-**	**-**	**(29.9)**	**(0.7)**	**(30.6)**
-	-	5.5	-	**0.0**	**-**	**0.0**
-	-	-	4.0	**0.0**	**-**	**0.0**
-	**-**	**5.5**	**4.0**	**0.0**	**-**	**0.0**
(0.9)	**0.0**	**(91.9)**	**(41.8)**	**477.6**	**13.8**	**491.4**

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
(23)	(23)	(23)	(23)		(24)	
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**

Notes

to the consolidated financial statements 2015

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 Private Limited and RHI India Private Limited is March 31.

The consolidated financial statements for the period from January 1 to December 31, 2015 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 the measurement of individual long-term contractual obligations, effects from impairment tests at the level of cash-generating units or from restructuring due to massive capacity adjustments, significantly changed market strategies or comprehensive reorganization in administration. The presentation chosen is to convey a true view of the earnings situation, which is comparable over time, to the users of the RHI 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, 2016 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 2015, 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 interpretation				
IFRIC 21	Levies	05/20/2013 (06/13/2014)	01/01/2015	No effect
Amendments of standards				
Various	Annual Improvements to IFRSs 2011-2013 Cycle	12/12/2013 (12/18/2014)	01/01/2015	No effect

(3) New financial standards not yet applied

The IASB issued further standards, amendments to standards and interpretations, whose application is, however, not yet mandatory for the year 2015. 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
Amendments to standards				
IAS 1	Disclosure Initiative	12/18/2014 (12/18/2015)	01/01/2016	No effect
IAS 16, IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	05/12/2014 (12/02/2015)	01/01/2016	No effect
IAS 16, IAS 41	Bearer Plants	06/30/2014 (11/23/2015)	01/01/2016	Not relevant
IAS 27	Equity Method in Separate Financial Statements	08/12/2014 (12/18/2015)	01/01/2016	Not relevant
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	05/06/2014 (11/24/2015)	01/01/2016	No effect
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 2012-2014 Cycle	09/25/2014 (12/15/2015)	01/01/2016	No effect

1) according to EU Endorsement Status Report of 02/16/2016

The changes to these standards were not early adopted on a voluntary basis.

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 (no EU endorsement)	-	Not relevant
IFRS 15	Revenue from Contracts with Customers	05/28/2014 09/11/2015	01/01/2018	A reliable assessment of the effects is not possible at the moment.
IFRS 16	Leases	01/13/2016	01/01/2019	A reliable assessment of the effects is not possible at the moment.
Amendments of standards				
IAS 7	Disclosure Initiative	01/29/2016	01/01/2017	Additional notes disclosures
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	01/19/2016	01/01/2017	No effect
IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	09/11/2014 (postponed by EU)	Deferred indefinitely	No effect
IFRS 10, IFRS 12, IAS 28	Investment Entities: Applying the Consolidation Exception	12/18/2014	01/01/2016	Not relevant

1) according to EU Endorsement Status Report of 02/16/2016

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 for financial assets, 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.

The effects of the initial application of IFRS 15 on the RHI consolidated financial statements are currently evaluated in the RHI Group as part of a project. So far, the analysis phase has shown that supply contracts with customers may include additional separate performance obligations. If contracts with customers regarding the supply of goods contain only one single performance obligation, the Group expects the realization of revenue to take place at the time the power over the asset is transferred; this would not have any material effect on the consolidated financial statements. In addition to delivering goods, the RHI Group also provides different services. If these services represent separate performance obligations within a supply contract, a corresponding transaction price must be allocated to them, which has an influence on the timing of the realization of revenue.

Furthermore, the implementation of IFRS 15 will require adjustments of the IT landscape. At this point, no reliable estimate of the effects of the application of IFRS 15 on the RHI consolidated financial statements can be made yet. The evaluation process is continued on an ongoing basis.

IFRS 16 "Leases", which was issued in January 2016, stipulates new rules regarding the accounting of leases. IFRS 16 supersedes IAS 17 "Leases" and the related interpretations. In the future, most leases will have to be recognized as assets and liabilities in the statement of financial position, regardless of whether they were considered operating or financing leases under the previous criteria of IAS 17. For lessors the changes in comparison with accounting pursuant to IAS 17 will only be minor.

A reliable estimate of the effects of the application of IFRS 9, IFRS 15 and IFRS 16 on the RHI consolidated financial statements can only be made when a detailed analysis has been conducted. Currently, no early adoption of the new or changed standards and interpretations is planned.

(4) Group of consolidated companies

In addition to RHI AG as the parent company, the RHI consolidated financial statements include the financial statements of 77 subsidiaries (12/31/2014: 79).

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

As in the previous year, four subsidiaries and four other investments, which are considered to be immaterial for the financial position and performance of the RHI Group due to their suspended or minimal business activities, were not included in the consolidated financial statements.

The group of consolidated companies developed as follows:

	2015		2014	
Number of consolidated companies	Full consolidation	Equity method	Full consolidation	Equity method
Balance at beginning of year	**80**	**1**	**80**	**2**
Additions	0	0	1	0
Retirements and disposals	(2)	0	(1)	(1)
Balance at year-end	**78**	**1**	**80**	**1**

Changes in the group of consolidated companies in the reporting year 2015
With effect from January 1, 2015, the fully consolidated subsidiary Veitsch-Radex America Inc., Burlington, Canada, was merged with RHI Canada Inc., Burlington, Canada.

With effect from December 17, 2015, the subsidiary Magnesitwerk Aken Vertriebsgesellschaft mbH, Aken, Germany, was deconsolidated as a result of liquidation.

Changes in the group of consolidated companies in the previous year
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.

Since December 31, 2014, Società Dolomite Italiana SDI S.R.L., a company based in Brescia and previously consolidated at equity, has been carried at cost as its liquidation is largely completed in economic terms. In the year 2014 a cash inflow from a capital decrease of € 0.1 million was recorded.

Acquisition of additional shares where control already existed in the previous year
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 was 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 GLAS GmbH, Germany	International	Sales
RHI-Refmex, S.A. de C.V., Mexico	Latin America	Sales
RHI Refractories (Dalian) Co., Ltd., PR China	PR China	Production
RHI US Ltd., USA	USA	Production, sales
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%:

		12/31/2015		12/31/2014	
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	27.,72.	100.0	27.,72.	100.0
4.	Didier Belgium N.V., Evergem, Belgium	37.,68.	100.0	37.,68.	100.0
5.	Didier Vertriebsgesellschaft mbH, Wiesbaden, Germany	6.	100.0	6.	100.0
6.	Didier-Werke AG, Wiesbaden, Germany	1.,27.	100.0	1.,27.	100.0
7.	Dolomite Franchi S.p.A., Brescia, Italy	27.	100.0	27.	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	72.	100.0	72.	100.0
10.	Dutch MAS B.V., Arnhem, Netherlands	6.	100.0	6.	100.0
11.	Dutch US Holding B.V., Arnhem, Netherlands	72.	100.0	72.	100.0
12.	Full Line Supply Africa (Pty) Limited, Sandton, South Africa	27.	100.0	27.	100.0
13.	GIX International Limited, Wakefield, United Kingdom	79.	100.0	79.	100.0
14.	INDRESCO U.K. Ltd., Wakefield, United Kingdom	13.	100.0	13.	100.0
15.	INTERSTOP (Shanghai) Co., Ltd., Shanghai, PR China	71.	100.0	71.	100.0
16.	Latino America Refractories ApS, Hellerup, Denmark	79.	100.0	79.	100.0
17.	Liaoning RHI Jinding Magnesia Co., Ltd., Dashiqiao City, PR China[1)]	27.	83.3	27.	83.3
18.	LLC "RHI Wostok", Moscow, Russia	1.,27.	100.0	1.,27.	100.0
19.	LLC "RHI Wostok Service", Moscow, Russia	1.,27.	100.0	1.,27.	100.0
20.	Lokalbahn Mixnitz-St. Erhard AG, Vienna, Austria	60.	100.0	60.	100.0
21.	Magnesit Anonim Sirketi, Eskisehir, Turkey[2)]	27.	100.0	27.	100.0
22.	Magnesitwerk Aken Vertriebsgesellschaft mbH i.L., Aken, Germany	-	-	6.	100.0
23.	Mezubag AG, Pfäffikon, Switzerland	71.	100.0	71.	100.0
24.	Orient Refractories Ltd., New Delhi, India	11.	69.6	11.	69.6
25.	Premier Periclase Ltd., Drogheda, Ireland	11.	100.0	11.	100.0
26.	Producción RHI México, S. de R.L. de C.V., Ramos Arizpe, Mexico	52.,79.	100.0	52.,79.	100.0
27.	Radex Vertriebsgesellschaft mbH, Leoben, Austria	76.	100.0	76.	100.0
28.	REFEL S.p.A., San Vito al Tagliamento, Italy	6.	100.0	6.	100.0
29.	Refractory Intellectual Property GmbH, Vienna, Austria	1.	100.0	1.	100.0
30.	Refractory Intellectual Property GmbH & Co KG, Vienna, Austria	1.,29.	100.0	1.,29.	100.0
31.	RHI Argentina S.R.L., San Nicolás, Argentina	16.,79.	100.0	16.,79.	100.0
32.	RHI Canada Inc., Burlington, Canada	79.	100.0	79.	100.0
33.	RHI Chile S.A., Santiago, Chile	13.,79.	100.0	13.,79.	100.0
34.	RHI Clasil Private Limited, Hyderabad, India[1) 3)]	79.	53.7	79.	53.7
35.	RHI Dinaris GmbH, Wiesbaden, Germany	68.	100.0	68.	100.0
36.	RHI Finance A/S, Hellerup, Denmark	1.	100.0	1.	100.0
37.	RHI GLAS GmbH, Wiesbaden, Germany	68.	100.0	68.	100.0
38.	RHI India Private Limited, Navi Mumbai, India	9.,79.	100.0	9.,79.	100.0
39.	RHI ITALIA S.R.L., Brescia, Italy	1.	100.0	1.	100.0
40.	RHI Marvo Feuerungs- und Industriebau GmbH, Gerbstedt, Germany	41.	100.0	41.	100.0
41.	RHI MARVO Feuerungs- und Industriebau GmbH, Kerpen, Germany	6.	100.0	6.	100.0
42.	RHI MARVO SRL, Ploiesti, Romania	27.,72.	100.0	27.,72.	100.0

Ser. no.	Name and registered office of the company	12/31/2015 Share-holder	12/31/2015 Share in %	12/31/2014 Share-holder	12/31/2014 Share in %
43.	RHI Monofrax, LLC, Wilmington, USA	69.	100.0	69.	100.0
44.	RHI Normag AS, Porsgrunn, Norway	27.	100.0	27.	100.0
45.	RHI-Refmex, S.A. de C.V., Ramos Arizpe, Mexico	52.,79.	100.0	52.,79.	100.0
46.	RHI Refractories Africa (Pty) Ltd., Sandton, South Africa	6.	100.0	6.	100.0
47.	RHI Refractories Andino C.A., Puerto Ordaz, Venezuela	79.	100.0	79.	100.0
48.	RHI Refractories Asia Ltd., Hongkong, PR China	70.	100.0	70.	100.0
49.	RHI Refractories Asia Pacific Pte. Ltd., Singapore	1.	100.0	1.	100.0
50.	RHI Refractories (Dalian) Co., Ltd., Dalian, PR China	27.	100.0	27.	100.0
51.	RHI Refractories Egypt LLC., Cairo, Egypt	27.,72.	100.0	27.,72.	100.0
52.	RHI Refractories España, S.L., Lugones, Spain	6.,10.	100.0	6.,10.	100.0
53.	RHI Refractories France S.A., Breuillet, France[4)]	70.	100.0	70.	100.0
54.	RHI Refractories Holding Company, Wilmington, USA	79.	100.0	79.	100.0
55.	RHI Refractories Ibérica, S.L., Lugones, Spain	70.	100.0	70.	100.0
56.	RHI Refractories Italiana s.r.l., Brescia, Italy	70.	100.0	70.	100.0
57.	RHI Refractories Liaoning Co., Ltd., Bayuquan, PR China[1)]	27.	66.0	27.	66.0
58.	RHI Refractories Mercosul Ltda, Sao Paulo, Brazil	72.,79.	100.0	72.,79.	100.0
59.	RHI Refractories Nord AB, Stockholm, Sweden	70.	100.0	70.	100.0
60.	RHI Refractories Raw Material GmbH, Vienna, Austria	1.,27.	100.0	1.,27.	100.0
61.	RHI Refractories Site Services GmbH, Wiesbaden, Germany	6.	100.0	6.	100.0
62.	RHI Refractories (Site Services) Ltd., Newark, United Kingdom	14.	100.0	14.	100.0
63.	RHI Refractories UK Limited, Clydebank, United Kingdom	6.	100.0	6.	100.0
64.	RHI Refratários Brasil Ltda, Belo Horizonte, Brazil	9.,79.	100.0	9.,79.	100.0
65.	RHI Rückversicherungs AG, Vaduz, Liechtenstein	27.	100.0	27.	100.0
66.	RHI Sales Europe West GmbH, Mülheim-Kärlich, Germany	6.,70.	100.0	6.,70.	100.0
67.	RHI Trading (Dalian) Co., Ltd., Dalian, PR China	27.	100.0	27.	100.0
68.	RHI Urmitz AG & Co KG, Mülheim-Kärlich, Germany	5.,6.	100.0	5.,6.	100.0
69.	RHI US Ltd., Wilmington, USA	11.	100.0	11.	100.0
70.	SAPREF AG für feuerfestes Material, Basel, Switzerland	79.	100.0	79.	100.0
71.	Stopinc AG, Hünenberg, Switzerland	6.,27.	100.0	6.,27.	100.0
72.	Veitscher Vertriebsgesellschaft mbH, Vienna, Austria	1.	100.0	1.	100.0
73.	Veitsch-Radex America Inc., Burlington, Canada	-	-	32.	100.0
74.	Veitsch-Radex America LLC., Wilmington, USA	69.	100.0	69.	100.0
75.	Veitsch-Radex GmbH, Vienna, Austria	1.	100.0	1.	100.0
76.	Veitsch-Radex GmbH & Co OG, Vienna, Austria	1.,75.	100.0	1.,75.	100.0
77.	Veitsch-Radex Vertriebsgesellschaft mbH, Vienna, Austria	1.	100.0	1.	100.0
78.	VERA FE, Dnepropetrovsk, Ukraine	27.	100.0	27.	100.0
79.	VRD Americas B.V., Arnhem, Netherlands	1.,27.	100.0	1.,27.	100.0
80.	Zimmermann & Jansen GmbH, Düren, Germany	6.	100.0	6.	100.0
	Subsidiaries not consolidated due to minor significance				
81.	Dr.-Ing. Petri & Co. Unterstützungs-Gesellschaft mbH, Duisburg, Germany	6.	100.0	6.	100.0
82.	INTERSTOP do Brasil i.L., Barueri, Brazil	71.	100.0	71.	100.0
83.	INTERSTOP Licensing LLC, Dover, USA	71.	100.0	71.	100.0
84.	RHI Réfractaires Algérie E.U.R.L., Sidi Amar, Algeria	53.	100.0	53.	100.0
	Equity-accounted joint ventures				
85.	MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria	72.,88.	50.0	72.,88.	50.0

Ser. no.	Name and registered office of the company	12/31/2015 Shareholder	Share in %	12/31/2014 Shareholder	Share in %
	Other immaterial investments, measured at cost				
86.	LLC "NSK Refractory Holding", Moscow, Russia	27.	49.0	27.	49.0
87.	LLC "NSK Refractory", Novokuznetsk, Russia	27.	49.0	27.	49.0
88.	MAGNIFIN Magnesiaprodukte GmbH, St. Jakob, Austria	72.	50.0	72.	50.0
89.	Società Dolomite Italiana SDI S.R.L. i.L., Brescia, Italy	7.	50.0	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: RHI Clasil Limited

4) Further shareholders are Didier-Werke AG, RHI Dinaris GmbH and RHI GLAS GmbH.

i.L. In liquidation

(5) Methods of consolidation

Subsidiaries

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

The acquisition method is used to account for all business combinations. Under this method, the purchase price for the shares in a consolidated subsidiary is offset against the proportional share of net assets based on the fair value of the acquired assets and liabilities at the date of acquisition or when control is obtained. Intangible assets which were previously not recognized in the separate financial statements of the company acquired are also measured at fair value. Intangible assets identified when a company is acquired, including for example patents, brand names and customer relations, are only measured separately at the time of acquisition if 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 shareholders' equity. Gains and losses from the sale of shares are also recorded in equity unless they lead to a loss of the controlling influence.

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

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

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

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

Subsidiaries are deconsolidated on the day control ends.

Joint ventures

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

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

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

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 with the exception of goodwill.

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

(6) Foreign currency translation

Functional currency and presentation currency
The consolidated 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).

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 items which form part of a net investment in a foreign business are recognized in other comprehensive income in equity. Non-monetary items in foreign currency are carried at historical rates.

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

		Closing rate		Average monthly rate	
Currencies	1 € =	12/31/2015	12/31/2014	2015	2014
Brazilian real	BRL	4.33	3.23	3.64	3.10
Pound sterling	GBP	0.74	0.78	0.73	0.81
Chilean peso	CLP	773.96	738.25	724.89	754.40
Chinese renminbi yuan	CNY	7.09	7.53	6.98	8.22
Indian rupee	INR	72.35	76.87	71.33	81.30
Canadian dollar	CAD	1.52	1.41	1.41	1.47
Mexican peso	MXN	19.00	17.91	17.56	17.63
Norwegian krone	NOK	9.62	9.03	8.94	8.33
Swiss franc	CHF	1.08	1.20	1.07	1.22
South African rand	ZAR	17.00	14.07	14.02	14.33
US dollar	USD	1.09	1.22	1.11	1.33

(7) Principles of accounting and measurement

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

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

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

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

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

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

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

Other intangible assets
Research costs are expensed in the year incurred and included under general and administrative 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 cover not only 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 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 industry segment (cement/lime, nonferrous metals and environment, energy, chemicals) with the exception of glass forms a separate CGU. The glass segment and the related plants were previously also considered to be one CGU. In the year 2015, the Management Board of the RHI Group decided to initiate a structured selling process for the plant of the US subsidiary RHI Monofrax, LLC in Falconer. In this context, the related cash flows were assessed for this plant, which allows viewing it separately. Therefore, the plant Falconer, Monofrax, is shown as a separate CGU in the impairment test 2015, detached from the CGU Industrial/Glass.

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	Industrial	Raw Materials
CGU	Linings	Glass	Raw Materials Production
	Flow Control	Cement/Lime	Norway
		Nonferrous Metals	
		Environment, Energy, Chemical	
		Monofrax	

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 2015, 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 6.3% and 9.7% in the year 2015. In the previous year, the interest rates determined on the same basis ranged between 5.4% and 9.2%.

<u>Composition of the estimated future cash flows</u>
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 is made 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.

<u>Basis for planning</u>
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. As in the previous year, RHI assumed a more conservative development of the global steel market for strategic business planning in the year 2015. This results in moderate annual average volume growth of 2.0% in the detailed planning period, with the price level remaining stable. 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 18.4% and 18.9% in the planning period. As in 2014, the planning does not take into account expansion investments in 2015. As in the previous year, goodwill of € 9.4 million is allocated to the CGU Steel/Linings as of December 31, 2015. The relevant capital costs before tax amount to 9.5% (12/31/2014: 8.9%) and the assumed growth for the terminal value is 0.3% as in the previous year. An increase in the interest rate by 20%, combined with a 15% reduction of profitability and an unchanged growth rate in the terminal value (growth rate 0.3%) would have the effect that the recoverable amount corresponds exactly to the carrying amount of this unit.

CGU Steel/Flow Control
The strategic market planning of the CGU Steel/Flow Control is also based on the forecast of world steel production. The CGU Steel/Flow Control is based on the same strategic market planning of the world steel production as the CGU Steel/Linings. In this unit, RHI assumes increasing revenue growth with an annual growth rate of 4.3% in the detailed planning period, with growth being primarily driven by the development in India. Cost planning is carried out in the same way as in the CGU Steel/Linings. The gross operating margin, which results from revenue and cost planning, ranges between 22.7% and 23.0% in the detailed planning period. This year's planning also does not include any expansion investments. Goodwill amounting to € 26.7 million (12/31/2014: € 25.7 million) as well as an intangible asset of indefinite useful life of € 1.8 million, unchanged value compared with the previous year, is allocated to the CGU Steel/Flow Control as of December 31, 2015. This asset is related to a brand name that has been acquired. The Group plans to continue using this brand name without a change. A weighted average cost of capital before tax of 9.7% (12/31/2014: 9.2%) was applied. The growth assumed for the terminal value amounts to 0.3% as in the previous year. In this unit, an increase in the interest rate by 7%, combined with a 10% reduction of profitability, as well as an unchanged growth rate of the terminal value (growth rate 0.3%) 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. The internal use considered in strategic planning is at the same level as in the planning of the previous year, while expected external sales have been reduced due to declining market prospects in planning. The measurement of external and internal sales volume is based on market prices. However, as there is no fused magnesia of comparable quality and availability 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. Due to a massive drop in raw material prices, the reference value of the basket of commodities continued to decline in 2015. 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. In the CGU Raw Materials/Norway, a weighted average cost of capital before tax of 7.3% (12/31/2014: 5.4%) was applied. The growth assumed for the terminal value is also unchanged in this CGU and amounts to 0.3% as in the previous year.

CGU Industrial/Glass
As in the previous year, the market of the CGU Industrial/Glass is characterized by global excess capacities. Nevertheless, RHI assumes in the planning period that investments in the glass industry will now increase after the subdued investment activities of the past years and that an increasing number of projects will consequently be won in the medium term, especially in the flat glass segment. The strategy to increasingly act as a full-range supplier in the market, which was started in the previous year, will be pursued further. All of this will lead to an annual volume growth of 2.0% 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 the subsequent years in accordance with existing estimates. Consequently, average gross margins between 17.1% and 19.1% are realized in the long term. A weighted average cost of capital before tax of 8.9% (12/31/2014: 8.1%) was applied. The growth assumed for the terminal value amounts to 0.3% (12/31/2014: 0.3%).

CGU Industrial/Monofrax
The plant Falconer, Monofrax, based in the US, has been shown as a separate CGU since 2015 and has thus been removed from the CGU Industrial/Glass. The CGU Industrial/Monofrax comprises the activities of the plant Falconer, Monofrax. This plant manufactures fused cast products that are used in the production of both flat glass and special glass. RHI expects to generate proceeds on the sale that correspond to the planning in the impairment test. The weighted average cost of capital before tax amounts to 6.3%. The growth assumed for the terminal value amounts to 0.3%.

<u>Result of impairment test</u>
Based on the impairment test conducted in the year 2015, the recoverability of the assets was demonstrated in all CGUs with the exception of the CGU Raw Materials/Norway and the CGU Industrial/Monofrax.

For the CGU Raw Materials/Norway, an impairment loss of € 23.2 million (2014: € 7.5 million) was recognized, of which € 10.4 million (2014: € 3.7 million) is related to buildings, € 7.7 million (2014: € 2.1 million) to technical plant and machinery and € 5.1 million (2014: € 1.7 million) to other plant, furniture and fixtures. The recoverable amount of the CGU Raw Materials/Norway was determined on the basis of a value in use and is negative as of December 31, 2015 (12/31/2014: € 24.1 million).

The amount recognized in the item impairment losses in the statement of profit or loss for the CGU Industrial/Monofrax amounts to € 8.0 million, of which land and buildings account for € 1.5 million, technical plant and machinery for € 5.3 million, other plant, furniture and fixtures for € 0.8 million, plant under construction to € 0.2 million and intangible assets for € 0.2 million. The recoverable amount of this CGU was determined on the basis of the value in use and is negative as of December 31, 2015. In the previous year, the CGU Industrial/Monofrax was included in the CGU Industrial/Glass.

In 2014, impairment losses of € 12.3 million were recognized for the CGU Industrial/Glass, 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 € 72.9 million as of December 31, 2015. At December 31, 2014, the recoverable amount of the CGU Industrial/Glass and the CGU Industrial/Monofrax added up to € 99.4 million.

As in the previous year, no reversals of impairments were made in the financial year 2015.

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 the 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 derivatives related to purchase obligations, forward exchange contracts as well as embedded derivatives in open orders that are denominated in currencies other than the functional currency.

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

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

For derivative financial instruments, which are incorporated in an effective hedging relationship in accordance with IAS 39, the hedge is recognized as such (hedge accounting). RHI applies the stipulations regarding hedge accounting to hedge 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 an unrealized gain or loss. Only at the time of the realization of the underlying transaction, the contribution of the hedging instrument is shown in the statement of profit or loss. Ineffective parts of the fair value changes of cash flow hedges are recognized immediately in the statement of profit or loss.

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.

However, deferred tax assets on temporary differences are only accounted for to the extent that it is probable that a taxable income will be available against which the deductible temporary differences can be used.

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

The calculation of deferred taxes is based on the tax rate expected in the individual countries at the time of realization and generally reflects the enacted or substantively enacted tax rate on the 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 37.6% (12/31/2014: 9.0% to 37.2%) were applied to 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 incurred plus an appropriate mark-up for profit based on the stage of completion are recognized under receivables from construction contracts and under revenue. The stage of completion is based on the expenses incurred as a percentage of the expected total expenses for the contract. Any expected losses on a contract are covered by provisions, which also reflect identifiable risks. Prepayments received from customers are deducted from contract receivables. Any resulting negative balance on a construction contract is recorded as a liability from construction contracts.

Trade and other current receivables

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

Receivables denominated in foreign currencies are translated using the mean rate of exchange at 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 recognized equivalent to the fair value of the lacking emission certificates.

Emission certificates allocated free of charge are not accounted for. Proceeds from the sale of these rights are recognized 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 recognized when the Group incurs a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to meet this obligation, and the amount of the obligation can be reliably estimated.

Non-current provisions are measured at their discounted settlement value as of the 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.

The pension obligation is calculated according to the projected unit credit method and is reduced by the fair value of the plan assets for pension plans financed through external funds. 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 net of deferred taxes under other comprehensive income in the period incurred.

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

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

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

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

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

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

For cash-settled share-based payments a provision is recorded for the services received and measured at fair value on the date of receipt. Until the debt is settled, its fair value is recalculated at each reporting date and on the settlement date. All changes in fair value are recognized to profit or loss.

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

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

Provisions for restructuring
Provisions for restructuring are created insofar as a detailed formal restructuring plan has been developed and announced prior to the 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.

Liabilities denominated in foreign currencies are translated at the mean rate of exchange in effect at 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 accounted for using the equity method are recognized to profit and loss at the time the legal claim arises.

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

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.

(8) Segment reporting

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

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

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

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

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

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

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

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

(9) Discretionary decisions, assumptions and estimates

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

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

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

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

When making discretionary decisions in the context of purchase price allocations on major company acquisitions, 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 € 604.6 million at December 31, 2015 (12/31/2014: € 616.4 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 main parameters is changed as follows: 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 impaired CGUs Raw Materials/Norway, Industrial/Monofrax and Industrial/Glass these simulations do not result in impairments. For the carrying amount of the impaired CGUs the sensitivity analysis shows the following results:

				12/31/2015		12/31/2014
in € million	Change in assumption	CGU Raw Materials/ Norway	CGU Industrial/ Glass	CGU Industrial/ Monofrax	CGU Raw Materials/ Norway	CGU Industrial/ Glass
Discount rate	+10%	0.0	(7.8)	0.0	(4.7)	(10.3)
Profitability	(10)%	0.0	(8.6)	0.0	(2.4)	(10.9)
Growth rate	(50)%	0.0	(1.4)	0.0	(1.0)	(2.0)

The positive sensitivity analysis shows the following results for the carrying amount of the impaired CGUs:

				12/31/2015		12/31/2014
in € million	Change in assumption	CGU Raw Materials/ Norway	CGU Industrial/ Glass	CGU Industrial/ Monofrax	CGU Raw Materials/ Norway	CGU Industrial/ Glass
Discount rate	(10)%	0.0	3.9	0.0	5.8	12.1
Profitability	+10%	0.0	3.9	0.0	2.4	10.9
Growth rate	+50%	0.0	1.8	0.0	1.1	2.1

In the CGUs Raw Materials/Norway and Industrial/Monofrax, no change in the above-mentioned parameters leads to a reversal of impairment.

Impairment of goodwill
The effect of an adverse change by plus 10% in the estimated interest rates as of December 31, 2015 or by minus 10% in the contribution margin would not result in an impairment charge to the goodwill recognized (carrying amount 12/31/2015: € 37.5 million, 12/31/2014: € 36.1 million).

Impairment of other intangible assets with indefinite useful life
The effect of an adverse change by plus 10% in the estimated interest rate as of December 31, 2015 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 12/31/2015 and 12/31/2014: € 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).

		12/31/2015		12/31/2014	
in € million	Change of assumption in percentage points or years	Pension plans	Termination benefits	Pension plans	Termination benefits
Present value of the obligations	-	304.9	60.1	353.1	66.0
Interest rate	+0.25	(8.0)	(1.6)	(9.5)	(1.8)
	(0.25)	8.4	1.6	9.8	1.8
Salary increase	+0.25	0.6	1.5	0.6	1.7
	(0.25)	(0.6)	(1.4)	(0.8)	(1.6)
Pension increase	+0.25	5.0	-	5.8	-
	(0.25)	(4.8)	-	(5.8)	-
Life expectancy	+1 year	10.8	-	10.5	-
	(1) year	(10.7)	-	(10.3)	-

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 € 37.3 million (12/31/2014: € 46.0 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 € 130.8 million (12/31/2014: € 113.6 million) would have to be increased by € 1.0 million (12/31/2014: € 0.5 million) or reduced by € 0.6 million (12/31/2014: € 1.0 million).

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(10) Property, plant and equipment

Property, plant and equipment developed as follows in the year 2015 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 12/31/2014	441.1	31.8	863.1	280.7	43.2	1,659.9
Currency translation	0.0	0.0	6.8	1.1	0.1	8.0
Additions	4.0	0.0	14.9	9.6	48.3	76.8
Retirements and disposals	(3.4)	0.0	(33.8)	(13.9)	(0.1)	(51.2)
Reclassifications	6.3	0.0	26.0	8.8	(42.3)	(1.2)
Cost at 12/31/2015	**448.0**	**31.8**	**877.0**	**286.3**	**49.2**	**1,692.3**
Accumulated depreciation 12/31/2014	263.8	23.9	615.0	212.9	0.1	1,115.7
Currency translation	(1.2)	0.0	2.2	(0.1)	0.0	0.9
Depreciation charges	9.4	0.3	34.2	15.0	0.0	58.9
Impairment losses	13.3	0.0	14.5	5.9	0.2	33.9
Retirements and disposals	(3.2)	0.0	(32.6)	(13.5)	0.0	(49.3)
Reclassifications	0.0	0.0	0.2	(0.1)	(0.1)	0.0
Accumulated depreciation 12/31/2015	**282.1**	**24.2**	**633.5**	**220.1**	**0.2**	**1,160.1**
Carrying amounts at 12/31/2015	**165.9**	**7.6**	**243.5**	**66.2**	**49.0**	**532.2**

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 12/31/2013[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**

1) Values adjusted

In the previous year necessary adjustments to the statement of property, plant and equipment were identified. In the year 2013, 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 and office equipment in accordance with the Group standard. Consequently, depreciation charges 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 € 0.3 million (2014: € 0.1 million). The average capitalization rate amounted to 1.5% in the financial year 2015 (2014: 2.3%).

The item prepayments made and plant under construction includes plant under construction with a carrying amount of € 48.4 million (12/31/2014: € 41.3 million), of which the construction of a second mixes plant for the purpose of capacity expansion at the site in Turkey represented the largest investment of the financial year 2015.

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

(11) Goodwill

Goodwill developed as follows:

in € million	2015	2014
Cost at beginning of year	38.6	36.7
Currency translation	1.5	1.9
Cost at year-end	**40.1**	**38.6**
Accumulated impairment at beginning of year	(2.5)	(2.2)
Currency translation	(0.1)	0.1
Impairment losses	0.0	(0.4)
Accumulated impairment at year-end	**(2.6)**	**(2.5)**
Carrying amount at year-end	**37.5**	**36.1**

(12) Other intangible assets

Other intangible assets changed as follows in the financial year 2015 :

in € million	Internally generated intangible assets	Other intangible assets	Total
Cost 12/31/2014	37.7	130.5	168.2
Currency translation	0.1	4.9	5.0
Additions	4.7	1.1	5.8
Retirements and disposals	(0.3)	(7.2)	(7.5)
Reclassifications	0.0	1.2	1.2
Cost at 12/31/2015	**42.2**	**130.5**	**172.7**
Accumulated amortization 12/31/2014	22.3	71.9	94.2
Currency translation	0.1	1.1	1.2
Amortization charges	3.2	7.2	10.4
Impairment losses	0.2	0.0	0.2
Retirements and disposals	(0.3)	(7.2)	(7.5)
Accumulated amortization 12/31/2015	**25.5**	**73.0**	**98.5**
Carrying amounts at 12/31/2015	**16.7**	**57.5**	**74.2**

Other intangible assets changed as follows 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**

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, 2015 and December 31, 2014 there are no restrictions on the sale of intangible assets.

(13) Investments in joint ventures

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

MAGNIFIN is set up as an independent vehicle. 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 accounted for using the equity method in the RHI consolidated financial statements.

MAGNIFIN generated revenue amounting to € 37.8 million in the financial year 2015 (2014: € 34.7 million). Profit before income tax amounts to € 18.1 million (2014: € 15.5 million) and includes depreciation charges on property, plant and equipment and amortization charges on intangible assets of € 2.0 million (2014: € 2.2 million), interest income of € 0.1 million (2014: € 0.1 million) and interest expenses of € 0.3 million (2014: € 0.3 million).

Total comprehensive income including other comprehensive income before income tax of € 0.0 million (2014: € (0.4) million) amounts to € 18.1 million (2014: € 15.1 million).

Income taxes on the share of profit of MAGNIFIN amounting to € 2.4 million (2014: € 2.1 million) are recognized by RHI AG, head of the tax group, due to the legal form of the joint venture.

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

in € million	12/31/2015	12/31/2014
Non-current assets	8.0	9.2
Current assets (without cash and cash equivalents)	11.7	10.7
Cash and cash equivalents	17.2	14.3
Non-current personnel provisions	(3.9)	(4.1)
Current provisions	(1.1)	(1.0)
Trade payables and other current liabilities	(3.2)	(2.3)
Net assets	**28.7**	**26.8**

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

in € million	2015	2014
Proportional share of net assets at beginning of year	**13.4**	**13.1**
Share of profit	9.2	8.2
Share of other comprehensive income (remeasurement losses)	0.0	(0.2)
Dividends received	(8.2)	(7.5)
Other changes in value	0.0	(0.2)
Proportional share of net assets at year-end	**14.4**	**13.4**
Goodwill	4.9	4.9
Carrying amount of investments in joint ventures	**19.3**	**18.3**

(14) Other non-current financial assets and liabilities

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

in € million	12/31/2015	12/31/2014
Available-for-sale investments	0.5	0.5
Available-for-sale securities and shares	20.9	37.0
Other non-current financial receivables	2.3	2.1
Other non-current financial assets	**23.7**	**39.6**

At December 31, 2015 accumulated impairments on investments, securities and shares of € 2.5 million (12/31/2014: € 2.0 million) are recognized.

(15) Other non-current assets

Other non-current assets include the following items:

in € million	12/31/2015	12/31/2014
Stripping costs	10.1	10.0
Receivables from other taxes	5.3	7.2
Plan assets from overfunded pension plans	2.1	1.9
Prepaid expenses	0.5	0.5
Other non-current assets	**18.0**	**19.6**

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.

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

(16) 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	12/31/2015	12/31/2014
Deferred tax assets	146.1	130.1
Deferred tax liabilities	(15.3)	(16.5)
Net position	**130.8**	**113.6**

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

in € million	2015	2014
Net position at beginning of year	**113.6**	**104.0**
Currency translation	(1.5)	(1.1)
Changes recognized in profit or loss	23.6	(2.9)
Tax rate changes recognized in profit or loss	(1.0)	0.3
Changes recognized in other comprehensive income	(3.9)	13.3
Net position at year-end	**130.8**	**113.6**

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

in € million	Tax loss carryforwards	Non-current assets	Personnel provisions	Other provisions	Inventories, other	Total
12/31/2014	**68.0**	**(24.1)**	**58.3**	**4.0**	**7.4**	**113.6**
Currency translation	(0.3)	(1.9)	(0.1)	0.0	0.8	(1.5)
Changes recognized in profit or loss	2.8	11.1	(1.9)	(0.9)	12.5	23.6
Tax rate changes recognized in profit or loss	0.2	(1.4)	0.0	0.0	0.2	(1.0)
Changes recognized in other comprehensive income	0.9	0.0	(4.4)	0.0	(0.4)	(3.9)
12/31/2015	**71.6**	**(16.3)**	**51.9**	**3.1**	**20.5**	**130.8**

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)
Tax rate changes recognized in profit or loss	0.1	0.0	0.1	0.0	0.1	0.3
Changes recognized in other comprehensive income	0.0	0.0	13.4	0.0	(0.1)	13.3
12/31/2014	**68.0**	**(24.1)**	**58.3**	**4.0**	**7.4**	**113.6**

As of December 31, 2015, subsidiaries which generated tax losses in the past year or the previous year recognized net deferred tax assets on temporary differences and on tax loss carryforwards of € 21.4 million (12/31/2014: € 9.3 million). These assets are considered to be unimpaired because the companies concerned are expected to generate taxable income in the future. This assessment is based on measures which are already being implemented and will lead to an increase in taxable income. The measures include structural tax measures, the intended sale of a subsidiary and optimizing the financing of the subsidiaries concerned.

Tax loss carryforwards totaled € 420.4 million in the RHI Group as of December 31, 2015 (12/31/2014): € 433.6 million. A significant portion of the tax loss carryforwards originates in Austria and can be carried forward indefinitely. The annual offset of the Austrian tax loss carryforwards is limited to 75% of the respective tax result.

No deferred taxes were recognized for tax loss carryforwards of € 144.1 million (12/31/2014: € 167.7 million). The main part of the non-capitalized tax losses can be carried forward indefinitely. € 10.7 million (12/31/2014: € 30.6 million) will lapse at the earliest in the year 2022 if not used by then.

In addition, no deferred tax assets were recognized for temporary differences totaling € 3.7 million (12/31/2014: € 16.1 million) as it is not sufficiently probable that they can be used. The deductible temporary differences can be carried forward indefinitely.

Taxable temporary differences of € 100.4 million (12/31/2014: € 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:

	12/31/2015			12/31/2014		
in € million	Current	Non-current	**Total**	Current	Non-current	**Total**
Deferred tax assets	27.7	118.4	**146.1**	25.4	104.7	**130.1**
Deferred tax liabilities	0.1	15.2	**15.3**	0.3	16.2	**16.5**

(17) Inventories

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

in € million	12/31/2015	12/31/2014
Raw materials and supplies	78.3	88.2
Unfinished products and unfinished services	120.3	119.5
Finished products and goods	197.2	213.0
Prepayments made	8.1	8.3
Inventories	**403.9**	**429.0**

The inventories recognized as of December 31, 2015 totaled € 403.9 million (12/31/2014: € 429.0 million), of which € 4.0 million (12/31/2014: € 3.0 million) were carried at net realizable value.

The reversals of impairment losses in the financial year 2015, netted out against impairment losses, amount to € 2.6 million and are attributable to the higher turnover rates compared with 2014 and to the commissioning of a plant for the recovery of magnesite fine tailings and the related utilization of existing raw materials. In the previous year, impairment losses netted out against reversals of impairment losses amounting to € 4.1 million were recognized.

There are no restrictions on the disposal of inventories.

(18) Trade and other current receivables

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

in € million	12/31/2015	12/31/2014
Trade receivables	304.4	331.0
Receivables from long-term construction contracts	15.7	7.1
Receivables from joint ventures	1.6	0.6
Receivables from personnel welfare foundation	0.8	0.8
Taxes other than income tax	49.7	49.3
Receivables employees	1.0	1.0
Prepaid expenses	2.6	3.1
Other current receivables	14.2	15.5
Trade and other current receivables	**390.0**	**408.4**
thereof financial assets	308.4	334.0
thereof non-financial assets	81.6	74.4

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

in € million	12/31/2015	12/31/2014
Contract costs incurred up to the reporting date	24.1	9.1
Profits recognized by the reporting date	1.1	0.8
Prepayments received	(9.5)	(2.8)
Receivables from long-term construction contracts	**15.7**	**7.1**

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, 2015.

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

in € million	2015	2014
Accumulated valuation allowance at beginning of year	**25.8**	**20.5**
Currency translation	0.4	(0.2)
Addition	8.6	8.4
Use	(0.5)	(0.6)
Reversal	(4.2)	(2.3)
Accumulated valuation allowance at year-end	**30.1**	**25.8**

(19) Income tax receivables

Income tax receivables amounting to € 5.9 million (12/31/2014: € 6.9 million) are mainly related to tax prepayments and deductible withholding taxes.

(20) Other current financial assets and liabilities

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

in € million	12/31/2015	12/31/2014
Financial assets held for trading	2.3	1.6
Other current financial receivables	1.7	1.6
Other current financial assets	**4.0**	**3.2**

(21) Cash and cash equivalents

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

in € million	12/31/2015	12/31/2014
Cash at banks	149.3	148.2
Money market funds	0.0	2.4
Checks	0.3	0.4
Cash on hand	0.1	0.1
Cash and cash equivalents	**149.7**	**151.1**

(22) Share capital

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

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

At March 4, 2016, the following investors with significant shareholdings were known to RHI: MSP Foundation, a foundation under Liechtenstein law, directly holds and its founder, Martin Schlaff, indirectly holds more than 25% via MSP Foundation of the voting rights of RHI AG. Pursuant to the stipulations of the Austrian Takeover Act, a limitation of voting rights of 26% applies. These voting rights were sold and transferred based on a share purchasing contract of December 28, 2015 by MS Private Foundation, a foundation under Austrian law, to MSP Foundation, Liechtenstein. In addition, Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH each hold more than 5% of the voting rights. The voting rights of Chestnut Beteiligungsgesellschaft mbH and Silver Beteiligungsgesellschaft mbH are jointly exercised; consequently, the joint share in voting rights held by the two companies exceed 10%.

With a resolution of the Annual General Meeting of RHI AG of May 8, 2015, 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 continuation of the employee stock ownership plan "4 plus 1". The authorization is valid for 30 months starting on the day of the resolution. In the year 2015, 7,294 (2014: 6,472) shares were acquired over the stock exchange for the employee stock ownership plan and issued to employees. As of December 31, 2015 and December 31, 2014 no treasury shares were held by RHI AG.

Authorized capital 2015
The Management Board was authorized by resolution of the Annual General Meeting of RHI AG on May 8, 2015, in accordance with § 169 AktG (Stock Corporation Act), to increase share capital with the consent of the Supervisory Board until May 7, 2020 by up to another € 57,875,236.75 by issuing up to 7,963,807 new ordinary bearer shares (no par shares) for a cash contribution– also in several tranches – and to determine the issue price, the issue conditions and further details regarding the execution of the capital increase in agreement with the Supervisory Board, to offer the new shares to shareholders by means of indirect subscription rights in accordance with §153 para. 6 AktG if need be. By December 31, 2015 no capital increase of share capital out of the authorized capital was carried out.

Authorized capital 2010
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. The authorized capital 2010 was not used.

(23) 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, 2014. The difference to the additional paid-in capital as shown the financial statements of RHI AG is attributable to deviating regulations in the Austrian Commercial Code with respect to the accounting of convertible bonds. Due to legal regulations, additional paid-in capital cannot be distributed and can only be reversed to cover losses.

Retained earnings
The item retained earnings includes the result of the 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 transaction 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 operation, net of related income taxes. If foreign companies are deconsolidated, the currency translation differences are recognized in the statement of profit or loss as part of the gain or loss from the sale of shares in subsidiaries. In addition, when monetary items which are part of a net investment in a foreign operation are paid back, the currency translation differences of these monetary items previously recognized in other comprehensive income are reclassified to profit or loss.

(24) Non-controlling interests

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

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

in € million	12/31/2015	12/31/2014
Non-current assets	30.6	30.3
Current assets	33.4	28.5
Non-current liabilities	(9.1)	(9.1)
Current liabilities	(9.4)	(9.6)
Net assets	**45.5**	**40.1**
Percentage of non-controlling interests	30.4%	30.4%
Carrying amount of non-controlling interests	**13.8**	**12.2**

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

in € million	2015	2014
Revenue	62.0	55.1
Operating expenses, net finance costs and income tax	(56.7)	(50.4)
Profit after income tax	**5.3**	**4.7**
thereof attributable to non-controlling interests of ORL	1.6	1.5

in € million	2015	2014
Profit after income tax	5.3	4.7
Other comprehensive income	2.3	3.8
Total comprehensive income	**7.6**	**8.5**
thereof attributable to non-controlling interests of ORL	2.3	2.6

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

in € million	2015	2014
Net cash flow from operating activities	10.4	2.5
Net cash flow from investing activities	(1.6)	(0.9)
Net cash flow from financing activities	(2.9)	(1.7)
Total cash flow	**5.9**	**(0.1)**

Net cash flow from financing activities includes dividend payments to non-controlling interests amounting to € 0.6 million (2014: € 0.6 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	2015	2014
Accumulated other comprehensive income at beginning of year	**(0.9)**	**(2.0)**
Unrealized results from currency translation	0.7	1.1
Accumulated other comprehensive income at year-end	**(0.2)**	**(0.9)**

(25) Financial liabilities

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

The financial liabilities have the following contractual remaining terms:

	Total	Remaining term		
in € million	12/31/2015	up to 1 year	2 to 5 years	over 5 years
"Schuldscheindarlehen"	253.5	0.0	156.5	97.0
Export credits and one-time financing	183.5	29.0	145.0	9.5
Utilized other credit lines	71.6	71.6	0.0	0.0
Accrued interest	1.6	1.6	0.0	0.0
Liabilities to financial institutions	510.2	102.2	301.5	106.5
Liabilities to fixed-term or puttable non-controlling interests	31.3	7.4	1.7	22.2
Other financial liabilities	6.1	0.0	6.0	0.1
Financial liabilities	**547.6**	**109.6**	**309.2**	**128.8**

	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**

Of the liabilities to financial institutions recognized at December 31, 2015 € 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 (58) 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 € 407.0 million (12/31/2014: € 421.9 million), lenders have a termination option in the case of a change of control. In the event that certain reasons for termination exist, the lenders may declare the loan due with immediate effect and demand immediate repayment of the principal including interest, as well as the payment of other amounts payable that may have been incurred.

Taking into account existing interest rate swaps, 62% (12/31/2014: 53.0%) of the liabilities to financial institutions carry fixed interest and 38% (12/31/2014: 47.0%) 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	12/31/2015 Carrying amount in € million	Interest terms fixed until	Effective annual interest rate	Currency	12/31/2014 Carrying amount in € million
2016	EURIBOR + margin	EUR	123.2	2015	EURIBOR + margin	EUR	205.1
	Variable interest rate + margin	EUR	34.0		Variable interest rate + margin	EUR	34.0
	Floating interest rate + margin	EUR	6.8		Floating interest rate + margin	EUR	10.1
	LIBOR + margin	USD	9.1		LIBOR + margin	USD	1.9
	Interbank rate + margin	Var.	20.3		Interbank rate + margin	Var.	21.3
					3.45%	EUR	12.0
					0.75% + margin	EUR	5.0
2017	0.69%	EUR	50.0	2017	0.69%	EUR	50.0
2018	1.13%	EUR	30.0				
2019	0.68%	EUR	20.0	2019	0.68%	EUR	25.0
	3.25%	EUR	20.0		3.25%	EUR	24.0
	3.15%	EUR	16.0		3.15%	EUR	16.0
	1.49%	EUR	16.0		1.49%	EUR	16.0
	0.72%	EUR	14.3		0.72%	EUR	17.9
	1.46% + margin	EUR	10.0		1.46% + margin	EUR	10.0
	1.42% + margin	EUR	3.0		1.42% + margin	EUR	3.0
2020	3.15% + margin	EUR	32.5	2020	3.15% + margin	EUR	38.8
	3.90%	EUR	13.6		3.90%	EUR	13.6
2021	1.97%	EUR	17.0	2021	1.97%	EUR	17.0
2022	4.50%	EUR	6.0	2022	4.50%	EUR	6.0
2023	0.35% + margin	EUR	13.8				
2024	3.00%	EUR	53.0	2024	3.00%	EUR	53.0
			508.6				**579.7**

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

(26) Other financial liabilities

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

	12/31/2015			12/31/2014		
in € million	Current	Non-current	Total	Current	Non-current	Total
Liabilities from derivatives from supply contracts	8.0	50.0	58.0	0.0	0.0	0.0
Liabilities from interest rate swaps	0.0	1.3	1.3	0.0	1.3	1.3
Liabilities from forward exchange contracts	0.5	0.0	0.5	0.4	0.0	0.4
Other financial liabilities	**8.5**	**51.3**	**59.8**	**0.4**	**1.3**	**1.7**

Additional explanations on derivative financial instruments are provided under note (56).

(27) Personnel provisions

Personnel provisions include the following provisions:

in € million	12/31/2015	12/31/2014
Pensions	246.1	268.7
Termination benefits	60.1	66.0
Other personnel provisions	20.1	20.4
Personnel provisions	**326.3**	**355.1**

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

in € million	12/31/2015	12/31/2014
Present value of pension obligations	304.9	353.1
Fair value of plan assets	(63.8)	(87.9)
Funded status	**241.1**	**265.2**
Asset ceiling	2.8	1.6
Net debt from pension obligations	**243.9**	**266.8**
thereof assets from overfunded pension plans	2.1	1.9
thereof provisions for pensions	246.1	268.7

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

in € million	12/31/2015	12/31/2014
Active beneficiaries	76.6	76.5
Terminated beneficiaries	21.7	39.0
Retirees	206.6	237.6
Present value of pension obligations	**304.9**	**353.1**

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

in %	12/31/2015	12/31/2014
Interest rate	2.5%	2.4%
Future salary increase	2.0%	2.0%
Future pension increase	1.5%	1.4%

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 € 128.5 million (12/31/2014: € 136.0 million) of the present value of pension obligations and for € 26.1 million (12/31/2014: € 25.7 million) of the plan assets. The agreed benefits include pensions, invalidity benefits and benefits for surviving dependents. Commitments in the form of company or individual agreements depend on the length of service and the salary at the time of retirement. For the majority of commitments the amount of the company pension subsidy is limited to 75% of the final remuneration including a pension pursuant to the General Social Insurance Act (ASVG). 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 € 120.2 million (12/31/2014: € 128.6 million) of the present value of pension obligations and for € 0.7 million (12/31/2014: € 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, with major part of them being retired beneficiaries.

The defined benefit plan in the United Kingdom was terminated in the financial year 2015. The pension benefits were settled by the acquisition of individual policies of an external insurance company. For the complete settlement of the benefits, additional contributions amounting to € 3.0 million were paid. The expenses resulting from settlement amount to € 0.1 million.

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

in € million	2015	2014
Net debt from pension obligations at beginning of year	**266.8**	**236.5**
Currency translation	(0.2)	0.6
Pension cost	9.3	12.2
Remeasurement losses/(gains)	(8.2)	38.9
Benefits paid	(17.5)	(17.9)
Employers' contributions to external funds	(6.3)	(3.5)
Net debt from pension obligations at year-end	**243.9**	**266.8**

The present value of pension obligations developed as follows:

in € million	2015	2014
Present value of pension obligations at beginning of year	**353.1**	**319.0**
Currency translation	5.9	3.6
Current service cost	4.0	3.7
Past service cost	(1.0)	0.1
Losses on settlement	0.1	0.0
Interest cost	8.1	11.5
Remeasurement losses/(gains)		
from changes in demographic assumptions	0.0	0.2
from changes in financial assumptions	(8.7)	39.1
due to experience adjustments	(0.3)	3.4
Benefits paid	(23.8)	(27.9)
Employee contributions to external funds	0.4	0.4
Disposal due to settlement	(32.9)	0.0
Present value of pension obligations at year-end	**304.9**	**353.1**

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

in € million	2015	2014
Fair value of plan assets at beginning of year	**87.9**	**86.5**
Currency translation	6.3	3.0
Interest income	2.0	3.2
Administrative costs (paid from plan assets)	(0.1)	0.0
Income on plan assets less interest income	0.2	1.3
Benefits paid	(6.3)	(10.0)
Employers' contributions to external funds	6.3	3.5
Employee contributions to external funds	0.4	0.4
Disposal due to settlement	(32.9)	0.0
Fair value of plan assets at year-end	**63.8**	**87.9**

The changes in the asset ceiling are shown below:

in € million	2015	2014
Asset ceiling at beginning of year	**1.6**	**4.0**
Currency translation	0.2	0.0
Interest	0.0	0.1
(Gains)/losses from changes in asset ceiling less interest	1.0	(2.5)
Asset ceiling at year-end	**2.8**	**1.6**

At December 31, 2015 the weighted average duration of pension obligations amounts to 11 years (12/31/2014: 11 years).

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

in € million	2015	2014
Current service cost	4.0	3.7
Past service cost	(1.0)	0.1
Losses on settlement	0.1	0.0
Interest cost	8.1	11.5
Interest income	(2.0)	(3.2)
Interest from asset ceiling	0.0	0.1
Administrative costs (paid from plan assets)	0.1	0.0
Pension expense recognized in profit or loss	**9.3**	**12.2**

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

in € million	2015	2014
Accumulated remeasurement losses at beginning of year	**116.7**	**77.7**
Reclassification due to settlement of defined benefit plans	(6.1)	0.0
Remeasurement losses/(gains) on present value of pension obligations[1)]	(9.0)	42.8
Income on plan assets less interest income	(0.2)	(1.3)
(Gains)/losses from changes in asset ceiling less interest	1.0	(2.5)
Accumulated remeasurement losses at year-end	**102.4**	**116.7**

1) Including € 0.0 million (2014: € 0.1 million) from a joint venture accounted for using the equity method

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

	12/31/2015			12/31/2014		
in € million	Active market	No active market	Total	Active market	No active market	Total
Insurances	0.0	39.0	39.0	0.0	64.7	64.7
Equity instruments	9.6	0.0	9.6	8.3	0.0	8.3
Debt instruments	1.5	9.2	10.7	1.9	8.9	10.8
Cash and cash equivalents	0.2	0.2	0.4	0.3	0.1	0.4
Other assets	0.3	3.8	4.1	0.5	3.2	3.7
Fair value of plan assets	**11.6**	**52.2**	**63.8**	**11.0**	**76.9**	**87.9**

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. In the financial year 2016 RHI expects employer contributions to external plan assets to amount to € 3.2 million and direct payments to entitled beneficiaries to amount to € 18.9 million.

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

in %	12/31/2015	12/31/2014
Interest rate	2.3%	2.1%
Future salary increase	2.8%	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	2015	2014
Provisions for termination benefits at beginning of year	**66.0**	**55.7**
Currency translation	(0.1)	0.1
Current service cost	1.7	1.6
Interest cost	1.4	1.9
Remeasurement losses/(gains)		
from changes in financial assumptions	(3.7)	10.3
due to experience adjustments	(1.2)	(0.2)
Benefits paid	(4.0)	(3.4)
Provisions for termination benefits at year-end	**60.1**	**66.0**

Payments for termination benefits are expected to amount to € 2.5 million in the year 2016.

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

in € million	2015	2014
Accumulated remeasurement losses at beginning of year	**27.2**	**17.0**
Remeasurement losses/(gains)1)	(4.9)	10.2
Accumulated remeasurement losses at year-end	**22.3**	**27.2**

1) Including € 0.0 million (2014: € 0,1 million) from a joint venture accounted for using the equity method

At December 31, 2015 the weighted average duration of termination benefit obligations amounts to 11 years (12/31/2014: 11 years).

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

in € million	12/31/2015	12/31/2014
Service anniversary bonuses	18.1	18.9
Semi-retirements	1.5	1.0
Share-based payments, lump-sum settlements	0.5	0.5
Other personnel provisions	**20.1**	**20.4**

The measurement of provisions for service anniversary bonuses is based on an average weighted interest rate of 2.1% (12/31/2014: 1.9%) and takes into account salary increases of 4.1% (12/31/2014: 4.4%).

The discount rate of provisions for semi-retirement amounts to 0.1% as of December 31, 2015 (12/31/2014: 0.2%).

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

in € million	12/31/2015	12/31/2014
Present value of semi-retirement obligations	4.6	3.8
Fair value of plan assets	(3.1)	(2.8)
Provisions for semi-retirement obligations	**1.5**	**1.0**

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

(28) Other non-current provisions

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

in € million	2015
Provisions at beginning of year	**6.1**
Currency translation	0.1
Use	(0.1)
Reversal	(0.9)
Reclassifications	(0.9)
Provisions at year-end	**4.3**

The provisions of € 4.3 million recognized at December 31, 2015 are primarily due to provisions for obligations related to a lease contract. Currently, these provisions are expected to be used in a period from two to five years.

(29) Other non-current liabilities

Other non-current liabilities of € 7.9 million (12/31/2014: € 8.8 million) include deferred income for subsidies received from third parties amounting to € 5.3 million (12/31/2014: € 5.5 million) and liabilities to employees.

(30) 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	12/31/2015	12/31/2014
Trade payables	177.4	175.7
Prepayments received on orders	14.0	20.5
Liabilities to subsidiaries	0.1	0.1
Liabilities to joint ventures	0.0	0.1
Taxes other than income tax	17.1	17.2
Liabilities employees	53.7	53.1
Payables from commissions	7.8	8.9
Customers with credit balances	3.8	5.2
Other current liabilities	19.7	15.6
Trade payables and other current liabilities	**293.6**	**296.4**
thereof financial liabilities	196.9	195.8
thereof non-financial liabilities	96.7	100.6

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

(31) Income tax liabilities

Income tax liabilities amounting to € 25.3 million (12/31/2014: € 24.1 million) primarily include income taxes for the current year and previous years which have not yet been definitively audited by domestic and foreign tax authorities. Taking into account a multitude of factors, including the interpretation, commenting and case law regarding the respective tax laws as well as past experiences, adequate liabilities have been recognized as far as apparent.

(32) Current provisions

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

in € million	Demolition/disposal costs, environmental damages	Warranties	Guarantees provided	Restructuring costs, other	Total
12/31/2014	**16.1**	**9.2**	**6.6**	**8.0**	**39.9**
Currency translation	0.0	(0.6)	0.0	(0.1)	(0.7)
Use	(0.3)	(2.8)	0.0	(2.7)	(5.8)
Reversal	(5.5)	(1.5)	0.0	(1.8)	(8.8)
Addition	0.3	6.4	0.8	1.3	8.8
Reclassifications	0.0	(0.1)	0.0	1.0	0.9
Reclassifications to current liabilities	(1.3)	0.0	0.0	0.0	(1.3)
12/31/2015	**9.3**	**10.6**	**7.4**	**5.7**	**33.0**

The item demolition and disposal costs, environmental damages includes provisions for the estimated demolition and disposal costs of plant and buildings of the former site in Duisburg, Germany amounting to € 3.4 million. It is assumed that these provisions will be used up within in the next twelve months. At December 31 of the previous year, provisions for the closure of the German sites in Duisburg and Kretz totaling € 10.1 million were recorded. Furthermore, provisions for recultivation and expected refurbishment costs resulting from environmental damage at other locations exist at the two reporting dates.

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

Provisions for guarantees provided include obligations from sureties and guarantees to banks and insurance companies in the country and abroad. In early 2016, guarantees amounting to € 3.7 million were drawn by a foreign insurance company. The exact due date of the cash outflow of the remaining sureties and guarantees is uncertain at present.

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 € 2.0 million as of December 31, 2015 (12/31/2014: € 3.6 million) and primarily consist of benefit obligations to employees due to termination of employment, and costs of lease obligations of the former site in Kretz. A large part of these costs is expected to be paid within twelve months.

In the context of the legal proceedings to review the cash compensation of the former minority shareholders of Didier-Werke AG, Wiesbaden, Germany, a provision in the amount of the settlement proposed by the Frankfurt Higher Regional Court is recorded, unchanged in comparison with the previous year. This amount was offset against equity in the previous year. The related estimated interest expense is recognized through profit or loss. The Frankfurt Higher Regional Court commissioned an expert opinion, which was completed in early 2016. The court decision is still pending. RHI assumes that the amount of the provisions formed is sufficient. 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

(33) Revenue

Revenue is essentially generated by product deliveries. The distribution of revenue by product group, division and country is given in the explanations to segment reporting under note (52).

Revenue includes revenues from long-term construction contracts amounting to € 83.7 million (2014: € 71.7 million).

(34) Cost of sales

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

At the plant in Porsgrunn, Norway, progress was made again in the year 2015 in the further 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 € 17.7 million in the year 2015 compared with external purchases. In the previous year, these additional costs had amounted to € 27.1 million. They include both expenses and income from insurance of € 0.8 million (2014: € 1.6 million) related to fires in the plant.

(35) Selling and marketing expenses

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

(36) General and administrative expenses

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

Research and development expenses totaled € 23.4 million (2014: € 22.6 million), of which development costs amounting to € 4.6 million (2014: € 3.8 million) were capitalized. Income from research grants amounted to € 3.2 million in the reporting year 2015 (2014: € 4.3 million). Amortization and impairment of development costs amounting to € 3.0 million (2014: € 3.0 million) are recognized under cost of sales.

(37) Other income

The individual components of other income are:

in € million	2015	2014
Foreign exchange gains	67.7	44.9
Gains from derivative financial instruments	2.3	1.8
Income from the disposal of non-current assets	3.9	1.3
Miscellaneous income	2.1	2.9
Other income	**76.0**	**50.9**

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.

(38) Other expenses

Other expenses include:

in € million	2015	2014
Foreign exchange losses	(64.3)	(34.7)
Losses from derivative financial instruments	(14.6)	(11.4)
Losses from the disposal of non-current assets	(0.8)	(1.2)
Impairment losses of investment project Brazil	0.0	(0.4)
Other expenses of investment project Brazil	(0.3)	(1.2)
Miscellaneous expenses	(0.9)	(1.4)
Other expenses	**(80.9)**	**(50.3)**

The net foreign currency effects amount to € 3.4 million (2014: € 10.2 million). The net amount of gains and losses from derivative financial instruments in the operating EBIT amounts to € (12.3) million (2014: € (9.6) million). This amount includes realized effects from forward exchange contracts of € (13.3) million (2014: € (11.3) million).

In the previous year, 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. However, against the backdrop of the expected further market development, it was decided not to implement this plan. Therefore, acquired property, plant and equipment of € 0.4 million had to be fully written down at the end of the year 2014, of which € 0.3 million were allocated to the Steel Division and € 0.1 million to the Industrial Division.

(39) Impairment losses

CGU Raw Materials/Norway

At the plant in Porsgrunn, Norway, progress was made in the year 2015 in the optimization of the production process at the fusion plant built by RHI through continued implementation of the long-term plan. As raw material prices for fused magnesia continued to decline in comparison with the previous year and incidents occurred repeatedly, the production volume was reassessed and adapted accordingly in the planning. Therefore, the consolidated statement of profit or loss includes a full impairment of property, plant and equipment of € 23.2 million in the year 2015. In the previous year, impairment losses of € 7.5 million were recognized.

CGU Industrial/Monofrax
The market for fused cast products is characterized by massive price pressure, which continues to grow due to the aggressive pricing on the part of Asian manufacturers. The production of these fused cast products is associated with high fixed costs, which in combination with low capacity utilization additionally burden achievable margins. As no significant recovery is expected for this market segment in the coming years, several future concepts were prepared for the US plant Falconer, Monofrax. The Management Board of RHI AG subsequently decided to initiate a structured selling process at the end of the year 2015. However, an impairment on the existing property, plant and equipment and on intangible assets amounting to € 8.0 million has to be recognized for the year 2015.

CGU Industrial/Glass
In 2015, the recoverable amount of the previous year was confirmed for the CGU Industrial/Glass. In the year 2014, an impairment of € 12.3 million was recognized on property, plant and equipment and intangible assets in the statement of profit or loss in the CGU Industrial/Glass.

(40) Income from restructuring and restructuring costs

Duisburg plant, Germany
The former production site in Duisburg, Germany, was sold in early 2016. The provisions recognized at December 31, 2015 in the context of the property were remeasured taking into account the considerations that were contractually agreed as part of the sale. The income resulting from the remeasurement, which are recognized under income from restructuring, amount to € 4.3 million, of which € 2.4 million are allocated to the Steel Division and € 1.9 million to the Industrial Division. The transfer of ownership is subject to the buyer of the property paying the consideration in full.

In the previous year, restructuring costs totaled € 3.9 million and included impairment losses of € 1.0 million for machinery and other plant. € 0.6 million were allocated to the Steel Division and € 0.4 million to the Industrial Division.

The recoverable amount (fair value less cost of disposal, level 3 pursuant to IFRS 13) amounts to € 1.9 million at December 31, 2015 (12/31/2014: € 1.9 million).

Kretz site, Germany
At the site in Kretz, Germany, magnesite raw materials were treated at a leased plant until 2014. As part of the optimization of the raw material treatment throughout the Group, 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. The lease was terminated with effect from December 31, 2015. Provisions were formed for all payments still due and shown under liabilities. The employees of this site were transferred to other sites of the RHI Group or given notice in the year 2015.

In the reporting year, income from restructuring amounting to € 1.6 million was recognized in the item income from restructuring and was fully allocated to the Raw Materials Division. In the previous year, expenses totaling € 9.7 million were recorded and fully allocated to the Raw Materials Division; of this total, € 8.1 million were related to provisions for lease payments to be effected and measures required for the restoration to the original state of the leased object as well as personnel costs; € 1.6 million were related to impairments on property, plant and equipment and intangible assets. The impairment losses were made up of the following components: € 0.1 million conversions, € 0.4 million technical equipment and machinery, € 0.2 million other plant and € 0.9 million other intangible assets. The recoverable amount (fair value less cost of disposal, level 3 pursuant to IFRS 13) amounted to nil at December 31, 2014.

Clydebank plant, United Kingdom
As part of the plant concept, the Management Board of RHI AG decided to concentrate the activities of the two Scottish plants for isostatically pressed products at the site in Bonnybridge. It is planned to close the Clydebank plant by the end of 2016. The total expected restructuring costs of € 3.3 million comprise personnel costs amounting to € 0.4 million and impairment losses on property, plant and equipment of € 2.9 million, of which € 1.4 million are related to buildings and € 1.5 million to technical plant and machinery. The costs are allocated to the Steel Division in their entirety. The recoverable amount (fair value less cost of disposal, level 3 pursuant to IFRS 13) amounts to € 1.3 million at December 31, 2015.

(41) Interest income

This item includes interest on cash at banks and similar income amounting to € 1.4 million (2014: € 1.4 million), interest income on financial receivables amounting to € 0.2 million (2014: € 0.2 million) and interest income on available-for-sale securities and shares amounting to € 4.2 million (2014: € 1.0 million), of which € 4.0 million (2014: € 0.0 million) is accounted for by impaired securities.

(42) 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 € 3.3 million (2014: € 2.7 million) and other interest and similar expenses.

(43) Other net financial expenses

Other net financial expenses consist of the following items:

in € million	2015	2014
Interest income on plan assets	2.0	3.2
Interest expense on provisions for pensions	(8.1)	(11.6)
Interest expense on provisions for termination benefits	(1.4)	(1.9)
Interest expense on other personnel provisions	(0.5)	(0.7)
Net interest expense personnel provisions	(8.0)	(11.0)
Gains from the disposal of securities and shares	4.6	0.0
Impairment losses on securities	(0.6)	0.0
Expenses from the valuation of put options	(0.6)	(2.1)
Other net financial expenses	**(4.6)**	**(13.1)**

(44) Income tax

Income tax consists of the following items:

in € million	2015	2014
Current tax expense	32.4	29.7
Deferred tax (income)/expense relating to		
temporary differences	(19.6)	(7.3)
tax loss carryforwards	(3.0)	9.9
	(22.6)	2.6
Income tax	**9.8**	**32.3**

The current tax expense of the year 2015 includes income from income tax relating to other periods of € 0.9 million (2014: € 3.6 million) and income tax expenses for previous periods of € 4.0 million (2014: € 3.3 million).

In addition to the income taxes recognized in the statement of profit or loss, tax expenses totaling € 1.9 million (2014: tax income of € 13.3 million), which are attributable to other comprehensive income were also recognized in other comprehensive income. Tax expenses amounting to € 0.6 million (2014: € 0.0 million) were reclassified from other comprehensive income to the statement of profit or loss.

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

in € million	2015	2014
Profit before income tax	**27.4**	**84.8**
Arithmetic tax expense with tax rate of 25% (2014: 25%)	**6.9**	**21.2**
Different foreign tax rates	(0.6)	(0.5)
Expenses not deductible for tax purposes, non-creditable taxes	8.4	8.5
Income not subject to tax and tax advantages	(3.9)	(6.0)
Non-capitalized tax losses and temporary differences of the financial year	5.8	6.7
Utilization of previously unrecognized loss carryforwards and temporary differences	(3.3)	(3.0)
Capitalization of previously unrecognized loss carryforwards and temporary differences	(6.2)	(0.1)
Change in valuation allowance on deferred tax assets	0.9	2.6
Deferred tax expense/(income) due to changes in tax rates	1.0	(0.3)
Deferred income tax relating to prior periods	(2.1)	0.5
Current income tax relating to prior periods	3.1	(0.3)
Other	(0.2)	3.0
Recognized tax expense	**9.8**	**32.3**
Effective tax rate (in %)	**35.8%**	**38.1%**

Deferred tax expense due to changes in tax rates of € 1.0 million is primarily attributable to a reduction of the tax rate in Norway. In the previous year, 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.

(45) 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 2015 and the previous year:

in € million	Cost of sales	Selling and marketing expenses	General and administrative expenses	Other income/ expenses	Losses derivatives/ impairment losses	Income/ costs from restructuring	Total 2015
Changes in inventories, own work capitalized	8.7	0.0	(4.6)	0.0	0.0	0.0	4.1
Cost of materials	857.9	0.5	2.5	0.0	0.0	0.0	860.9
Personnel costs	267.1	59.5	81.5	0.0	0.0	0.4	408.5
Depreciation charges	64.4	0.7	4.2	0.0	31.2	2.9	103.4
Other income	(10.9)	0.0	(7.2)	(76.0)	0.0	0.0	(94.1)
Other expenses	201.9	51.4	45.9	80.9	58.0	(5.9)	432.2
Total	**1,389.1**	**112.1**	**122.3**	**4.9**	**89.2**	**(2.6)**	**1,715.0**

in € million	Cost of sales	Selling and marketing expenses	General and administrative expenses	Other income/ expenses	Impairment losses	Re-structuring 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 charges	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**

Cost of materials includes expenses for raw materials and supplies, and purchased goods of € 669.2 million (2014: € 682.3 million) as well as expenses for services received, especially energy, amounting to € 191.7 million (2014: € 194.7 million).

Amortization charges of intangible assets are largely recognized in cost of sales and general administrative expenses within functional costs.

(46) Personnel costs

The individual components of personnel costs are listed below:

in € million	2015	2014
Wages and salaries	312.5	305.6
Pensions		
Defined benefit plans	3.2	3.8
Defined contribution plans	3.1	3.0
Termination benefits		
Defined benefit plans	1.7	1.6
Defined contribution plans	1.9	1.9
Other expenses	3.0	1.5
Fringe benefits	83.1	80.6
Personnel expenses (without interest expenses)	**408.5**	**398.0**

Personnel costs include restructuring costs amounting to € 0.4 million (2014: € 3.0 million), lump-sum settlements of € 2.6 million (2014: € 1.5 million) and remeasurement gains from the measurement of other benefits to employees of € 0.8 million (2014: losses € 2.1 million). Personnel costs do not include amounts resulting from the interest accrued on personnel provisions. They amount to € 8.0 million (2014: € 11.0 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 year 2015. 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 as in the previous year 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 at the reporting date. The effects of changes in exchange rates on cash and cash equivalents are shown separately.

(47) 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 € 8.0 million (2014: € 11.0 million), net remeasurement losses of monetary foreign currency positions and derivative financial instruments of € 61.3 million (2014: net remeasurement gains of € 3.3 million) and non-cash reversals of provisions for restructuring amounting to € 2.0 million (2014: funding of € 10.3 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.

(48) Net cash flow from investing activities

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

Cash effects from business combinations or the sale of companies (net change in cash and cash equivalents from initial consolidations and deconsolidations) are shown separately. In the reporting year 2015, no acquisitions of companies or divestments were carried out.

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

(49) 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 € 1.6 million (2014: € 2.3 million). In the previous year non-cash interest expenses from discounting non-current assets amounting to € 1.7 million were recorded, which were 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.

(50) Total interest paid and total interest received

Total interest paid amounts to € 20.8 million in the reporting period (2014: € 20.9 million), of which € 0.2 million (2014: € 1.0 million) are included in cash flow from operating activities, € 0.3 million (2014: € 0.1 million) in cash flow from investing activities and € 20.3 million (2014: € 19.8 million) in cash flow from financing activities.

Total interest received amounts to € 5.8 million in the financial year 2015 (2014: € 2.6 million), of which € 0.0 million (2014: € 0.2 million) are included in cash flow from operating activities and € 5.8 million (2014: € 2.4 million) in cash flow from investing activities.

(51) Cash and cash equivalents

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

They include restricted cash totaling € 21.9 million at December 31, 2015 (12/31/2014: € 7.0 million). Restricted cash is on the one hand related to cash and cash equivalents at subsidiaries (mainly in China, India and South Africa) to which the company only has limited access due to foreign exchange and capital transfer controls. € 8.4 million (12/31/2014: € 2.6 million) are accounted for by a subsidiary with non-controlling interests. On the other hand, the RHI Group is not authorized to use cash amounting to € 2.0 million on the reporting date (12/31/2014: € 0.0 million) due to a pending lawsuit.

OTHER DISCLOSURES

(52) Segment reporting

Segment reporting by operating company division
The following tables show the financial data for the operating segments for the year 2015 and the previous year:

in € million	Steel	Industrial	Raw Materials	Reconcil-iation	Group 2015
External revenue	1,099.9	614.6	38.0	0.0	1,752.5
Internal revenue	0.0	0.0	234.6	(234.6)	0.0
Segment revenue	**1,099.9**	**614.6**	**272.6**	**(234.6)**	**1,752.5**
Operating EBIT	**64.3**	**65.0**	**(5.2)**	**0.0**	**124.1**
Losses from derivatives from supply contracts	0.0	0.0	(58.0)	0.0	(58.0)
Impairment losses	0.0	(8.0)	(23.2)	0.0	(31.2)
Income from restructuring	2.4	1.9	1.6	0.0	5.9
Restructuring costs	(3.3)	0.0	0.0	0.0	(3.3)
EBIT	**63.4**	**58.9**	**(84.8)**	**0.0**	**37.5**
Net finance costs	0.0	0.0	0.0	(19.3)	(19.3)
Share of profit of joint ventures	0.0	0.0	9.2	0.0	9.2
Profit before income tax					**27.4**
Depreciation and amortization charges	(31.5)	(18.2)	(19.6)	0.0	(69.3)
Segment assets 12/31/2015	647.0	291.3	429.6	417.3	1,785.2
Investments in joint ventures 12/31/2015	0.0	0.0	19.3	0.0	19.3
					1,804.5
Investments in property, plant and equipment and intangible assets (according to non-current assets statement)	44.5	21.7	16.4	0.0	82.6

in € million	Steel	Industrial	Raw Materials	Reconcil-iation	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[1)]	(28.9)	(19.1)	(19.8)	0.0	(67.8)
Segment assets 12/31/2014[1)]	675.4	297.1	448.9	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)[1)]	32.4	20.0	20.3	0.0	72.7

1) Values adjusted. The allocation was changed from allocation according to utilization of the plants to an allocation in accordance with the capacity provided by the plants.

Revenue amounting to € 197.1 million (2014: € 209.1 million) was realized with one customer in 2015, which is included in the Steel segment. No other single customer contributed 10% or more to consolidated revenue in 2015 or 2014. Companies which are known to be part of a group are treated as one customer.

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

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

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

in € million	Steel	Industrial	Raw Materials	Group
Shaped products	695.6	462.3	0.0	1,157.9
Unshaped products	304.6	58.3	37.8	400.7
Other	99.7	94.0	0.2	193.9
Revenue	**1,099.9**	**614.6**	**38.0**	**1,752.5**

In 2014, revenue was 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**

Segment reporting by country

Revenue is classified by customer sites as follows:

in € million	2015	2014
Austria	37.0	38.4
All other countries		
India	186.2	153.1
USA	164.9	157.2
Germany	142.0	141.1
Mexico	106.7	111.7
PR China	103.3	90.0
Canada	93.2	75.3
Italy	92.2	94.3
Russia	57.5	64.9
Saudi Arabia	47.2	45.1
Brazil	45.3	38.8
France	38.9	47.2
Other countries (each below € 43.0 million)	638.1	664.1
Revenue	**1,752.5**	**1,721.2**

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

in € million	12/31/2015	12/31/2014
Austria	195.8	188.0
All other countries		
PR China	142.1	142.8
Germany	86.9	83.3
India	64.7	58.7
Turkey	34.8	25.4
Mexico	30.8	32.5
Norway	0.0	24.7
Other countries (each below € 22.0 million)	88.8	98.9
Property, plant and equipment and intangible assets	**643.9**	**654.3**

(53) 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.

	2015	2014
Share of shareholders of RHI AG in profit after income tax (in € million)	16.0	51.0
Weighted average number of shares	39,819,039	39,819,039
Earnings per share (in €)	**0.40**	**1.28**

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

(54) 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 2015:

in € million	2015
Accumulated profit carried forward	602.9
Dividend payments	(29.9)
Profit for the year	40.6
Accumulated profit 12/31/2015	**613.6**
Proposed dividend	(29.9)
Profit carryforward	**583.7**

Based on a resolution adopted by the 36th Annual General Meeting on May 8, 2015, dividends totaling € 29.9 million were paid out in the financial year 2015 for the year 2014, which corresponded to a dividend of € 0.75 per share.

At the 37th Annual General Meeting on May 4, 2016, the Management Board will propose a dividend of € 0.75 per share for the financial year 2015, 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 2015.

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

(55) 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	12/31/2015[2)] Carrying amount	12/31/2015[2)] Fair value
Assets							
Available-for-sale investments	FAAC	-	0.5	-	-	0.5	-
Available-for-sale securities	AfS	1	-	-	20.4	20.4	20.4
Available-for-sale shares	FAAC	-	0.5	-	-	0.5	-
Other non-current financial receivables	LaR	-	2.3	-	-	2.3	-
Trade and other current receivables	LaR	-	308.4	-	-	308.4	-
Other current financial receivables	LaR	-	1.7	-	-	1.7	-
Financial assets held for trading	FAHfT	2	-	2.3	-	2.3	2.3
Cash and cash equivalents	LaR	-	149.7	-	-	149.7	-
Liabilities							
Non-current financial liabilities	FLAAC	2	438.0	-	-	438.0	461.3
Interest derivatives designated as cash flow hedges	-	2	-	-	1.3	1.3	1.3
Current financial liabilities	FLAAC	2	109.6	-	-	109.6	110.1
Financial liabilities held for trading	FLHfT	2	-	58.5	-	58.5	58.5
Trade payables and other current liabilities	FLAAC	-	196.9	-	-	196.9	-
Aggregated according to measurement category							
Loans and receivables	LaR		462.1	-	-	462.1	
Available for sale financial instruments	AfS		-	-	20.4	20.4	
Financial assets at cost	FAAC		1.0	-	-	1.0	
Financial assets held for trading	FAHfT		-	2.3	-	2.3	
Financial liabilities measured at amortized cost	FLAAC		744.5	-	-	744.5	
Financial liabilities held for trading	FLHfT		-	58.5	-	58.5	

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	-
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	

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

2) The items trade and other non-current receivables and payables also include non-financial assets and liabilities; they are therefore not considered in the table of financial instruments. The reconciliation to the respective items of the statement of financial position is provided in notes (18) and (30).

In the RHI Group especially securities, derivative financial instruments and shares in a residential property company until its sale in the financial year 2015 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 based on non-observable market data.

The fair value of available-for-sale securities is based on price quotations at the reporting date (Level 1). Due to the sale of securities in the reporting period, income of € 1.3 million, which was previously recognized in other comprehensive income, had to be reclassified to the statement of profit or loss.

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 the embedded derivatives in open orders denominated in a currency other than the functional currency, as well as the market value of a long-term power supply contract, which had to be classified as a derivative financial instrument for the first time in the financial year 2015. These financial assets and liabilities held for trading are measured based on quoted forward rates (Level 2).

The fair value of available-for-sale shares in a residential property company which are not listed was determined by discounting the expected cash flow taking into account the country-specific weighted average of cost of capital in the RHI Group at December 31 of the previous year (Level 3). In the second quarter of 2015, these shares were sold completely; the measurement performed in the current reporting period was already based on the selling price. The development of Level 3 fair values is presented below:

in € million	2015	2014
Fair values at beginning of year	**2.2**	**1.6**
Unrealized results from fair value change recognized in other comprehensive income	0.7	0.6
Reclassification to statement of profit or loss due to disposal	(2.9)	0.0
Fair values at year-end	**0.0**	**2.2**

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 at 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 (12/31/2014: € 0.5 million) and available-for-sale shares of € 0.5 million (12/31/2014: € 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.

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

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

At the two reporting dates, no contractual netting agreement 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 2015 and 2014 is shown in the following table, classified according to the measurement categories defined in IAS 39:

in € million	2015	2014
Net gain on available-for-sale financial assets		
recognized in the statement of profit or loss	8.2	1.0
recognized in other comprehensive income	(1.0)	3.1
reclassified from other comprehensive income to the statement of profit or loss	(4.2)	0.0
	3.0	4.1
Net loss from loans and receivables as well as financial liabilities at amortized cost	(19.7)	(16.3)
Net loss on financial assets and financial liabilities classified as held for trading	(70.3)	(9.6)

The net gain on available-for-sale financial assets recognized in the statement of profit or loss includes income from securities, income from the disposal of securities and shares, income realized from changes in market value originally recognized in other comprehensive income, and impairment losses.

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 loss on financial assets held for trading and financial liabilities includes unrealized results from the measurement of a long-term commodity future as well as 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 € 5.8 million (2014: € 2.4 million) and interest expenses of € 19.4 million (2014: € 19.8 million). They result from financial assets and liabilities which are not carried at fair value through profit or loss.

(56) Derivative financial instruments

Commodity futures
The RHI Group concluded a commodity futures contract for electricity for the fusion plant in Porsgrunn, Norway, based on the business plan in November 2011. Incidents at this site led to a more conservative estimate of future production volumes. In addition, the grade concept for finished products provides for increased use of external raw materials as a result of the plummeting raw material prices. This has the following effect on the consolidated financial statements 2015: as the so-called own-use exemption (exemption for own use in accordance with IAS 39) no longer applies, the long-term energy supply contract has to be qualified as a financial instrument in accordance with IAS 39.

The measurement of the entire term of the contract until the end of the year 2023 at market price level leads to a non-cash financial liability of € 58.0 million at the end of the year 2015, which is shown in the statement of financial position in a current item and a non-current item in accordance with the respective terms. The corresponding present value of the cash flows for the agreed electricity supply totals € 103.2 million at December 31, 2015; the present value of the cash flow at market price amounts to € 45.2 million.

Interest rate swaps

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

The term of two hedging relationships with a nominal volume of € 34.3 million at the reporting date (12/31/2014: € 42.9 million) ends in the financial year 2019. The interest payments from the underlying transaction and the compensation payments from the two interest rate swaps are made quarterly at the end of the quarter.

A hedging relationship with a nominal value of € 50.0 million (12/31/2014: € 50.0 million) runs until the 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 underlying transaction. 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 (12/31/2014: € (1.3) million). As in the previous year, unrealized losses of € 1.9 million from the value change of hedges were recognized in other comprehensive income, net of deferred tax assets amounting to € 0.5 million.

Forward exchange contracts

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

		12/31/2015			12/31/2014		
Purchase	Sale	Nominal value in million		Fair value in € million	Nominal value in million		Fair value in € million
EUR	USD	USD	24.0	0.0	USD	84.6	(0.2)
EUR	CNY	EUR	25.7	(0.2)	EUR	24.2	(0.1)
NOK	EUR	EUR	11.5	(0.1)		-	-
EUR	CAD	CAD	10.0	0.0	CAD	5.4	0.0
EUR	INR	EUR	6.3	(0.1)	EUR	6.0	(0.1)
MXN	USD	USD	5.0	(0.1)	USD	10.0	0.0
INR	USD	USD	0.2	0.0	USD	0.5	0.0
INR	EUR		-	-	EUR	0.5	0.0
Forward exchange contracts				**(0.5)**			**(0.4)**

(57) 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 have a significant influence on the going concern of the RHI Group.

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

In the following, 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	12/31/2015	12/31/2014
Segment Steel	203.4	219.3
Segment Industrial	96.0	106.8
Segment Raw Materials	5.0	4.9
Trade receivables	304.4	331.0
Credit insurance and bank guarantees	(184.4)	(206.4)
Net credit exposure	**120.0**	**124.6**

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	12/31/2015	12/31/2014
US dollar	48.2	67.7
Pound sterling	4.3	4.8
Other currencies	7.9	4.5
Other functional currencies	244.0	254.0
Trade receivables	**304.4**	**331.0**

The classification of receivables by days outstanding is shown below:

in € million	12/31/2015	12/31/2014
Neither impaired nor past due at reporting date	197.7	225.3
Not impaired at reporting date and past due in the following time frames		
Less than 30 days	25.7	25.8
Between 30 and 59 days	7.8	7.4
Between 60 and 89 days	3.4	7.1
More than 90 days	14.2	12.4
Impaired at reporting date	84.6	77.5
Valuation allowances	(29.0)	(24.5)
Trade receivables	**304.4**	**331.0**

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 € 51.1 million at the reporting date (12/31/2014: € 52.7 million) and impaired receivables of € 55.6 million (12/31/2014: € 53.0 million) because the risk of default is essentially covered by credit insurance, bank guarantees and letters of credit.

Liquidity risk

Liquidity risk refers to the risk that financial obligations cannot be met when due. The Group's financial policy is based on long-term financial planning and is centrally controlled and monitored continuously at RHI. The liquidity requirements resulting from budget and medium-term planning are secured by concluding appropriate financing agreements. As of December 31, 2015, the RHI Group has a credit facility of € 339.1 million (12/31/2014: € 427.1 million) at its disposal, which is unused and available immediately, as well as unused credit lines from the sale of receivables amounting to € 7.2 million (12/31/2014: € 8.1 million). These lines of credit were concluded with different Austrian and international banks in order to ensure independence of banks. The companies of the RHI Group are integrated into a clearing process managed by Central Treasury and provided with financing limits in order to minimize the need of borrowings for the Group as a whole.

<u>Non-derivative financial instruments</u>

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

in € million	Carrying amount 12/31/2015	Cash outflows	Remaining term up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions					
fixed interest	231.5	260.4	22.9	147.2	90.3
variable interest	278.7	289.7	89.0	176.8	23.9
Liabilities to fixed-term or puttable non-controlling interests	31.3	127.5	7.4	11.0	109.1
Other financial liabilities	6.1	6.2	0.1	6.0	0.1
Trade payables and other current liabilities	196.9	196.9	196.9	0.0	0.0
Non-derivative financial liabilities	**744.5**	**880.7**	**316.3**	**341.0**	**223.4**

in € million	Carrying amount 12/31/2014	Cash outflows	Remaining term 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**

Derivative financial instruments
The remaining terms of derivative financial instruments based on expected undiscounted cash flow as of December 31, 2015 and December 31, 2014 are shown in the table below:

in € million	Carrying amount 12/31/2015	Cash flows	Remaining term up to 1 year	2 to 5 years	over 5 years
Receivables from derivatives with net settlement					
Financial assets held for trading	2.3	2.3	2.3	0.0	0.0
Liabilities from derivatives with net settlement					
Interest derivatives designated as cash flow hedges	1.3	1.3	0.8	0.5	0.0
Financial liabilities held for trading	58.5	65.7	8.6	32.1	25.0

in € million	Carrying amount 12/31/2014	Cash flows	Remaining term up to 1 year	2 to 5 years	over 5 years
Receivables from derivatives with net settlement					
Financial assets held for trading	1.6	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

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

Foreign currency risks according to IFRS 7 are created through financial instruments which are denominated in a currency other than the functional currency (in the following: foreign currency) and are monetary in nature. Important primary monetary financial instruments include trade receivables and payables, cash and cash equivalents as well as financial liabilities as shown in the statement of financial position. 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 provisions denominated in foreign currencies are also included in the analysis of risk.

The following table shows the foreign currency positions in the major currencies as of December 31, 2015:

in € million	USD	EUR	CHF	Other	Total
Financial assets	261.7	39.7	0.7	25.9	328.0
Financial liabilities and provisions	(162.8)	(54.1)	(15.1)	(31.2)	(263.2)
Net foreign currency position	**98.9**	**(14.4)**	**(14.4)**	**(5.3)**	**64.8**

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	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 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, 2015 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	(9.0)	(13.1)	11.1	16.0
Euro	0.9	11.4	(1.9)	(14.7)
Swiss franc	1.3	1.3	(1.6)	(1.6)
Other currencies	0.4	(0.5)	(0.6)	0.7

The hypothetical effect on profit or loss as of December 31, 2014 can be summarized as follows:

	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

Interest rate risks

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. At December 31, 2015, interest rate hedges amounting to € 84.3 million (12/31/2014: € 92.9 million) existed; a variable interest rate was converted into a fixed interest rate through an interest rate swap, which affected loans with a maturity beyond 2016.

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

The RHI Group measures fixed-interest financial assets and financial liabilities at amortized cost, and did not use the fair value option. A hypothetical change in the market interest rates for these financial instruments at the 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, 2015 had been 25 basis points higher or lower, equity would have been € 0.3 million (12/31/2014: € 0.5 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, 2015 had been 25 basis points higher or lower, the interest result would have been € 0.1 million (12/31/2014: € 0.3 million) lower or higher.

Other market price risk
RHI holds certificates in an investment fund amounting to € 20.4 million (12/31/2014: € 33.7 million) to cover the legally required protection of personnel provisions of Austrian Group companies. The market value of these certificates is influenced by fluctuations of the worldwide volatile stock and bond markets.

In the financial year 2015, an energy supply contract with a term until the year 2023 had to be classified as a derivative financial instrument in accordance with IAS 39 for the first time and a financial liability amounting to the fair value of € 58.0 million had to be recognized. If the quoted forward prices at December 31, 2015 had been 20% higher or lower, the EBIT would have been € 9.0 million higher or lower. In contrast, if the borrowing cost relevant for discounting had been 25 basis points higher or lower at the reporting date, the EBIT would have been € 0.6 million higher or lower.

(58) 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 2014.

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

The capital structure key figures at the reporting date are shown below:

	12/31/2015	12/31/2014
Net debt (in € million)	397.9	466.9
Net debt factor	2.8	2.3
Net gearing ratio (in %)	81.0%	94.5%
Equity ratio (in %)	27.2%	26.5%

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

The key performance indicator for net debt in the RHI Group is the net debt factor, which reflects the ratio of net financial liabilities to EBITDA (earnings before interest, taxes, depreciation and amortization taking into account the reversal of investment subsidies). EBTITDA amounts to € 140.0 million (2014: € 199.4 million). The net debt factor is a measure of the ability of a company to repay its debt and amounts to 2.8 for the current financial year. At December 31 of the previous year, it was 2.3. RHI's target is to keep the debt factor below 3.0.

The net gearing ratio is the ratio of net financial debt to equity; it amounts to 81.0% for the current financial year. In the previous year, the net gearing ratio amounted to 94.5%. RHI's internal objective provides for a balanced capital structure with a minimum equity ratio of 30%. The target regarding the net gearing ratio is subsequently derived from the equity ratio.

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. Additionally, the comparison of this profitability key figure with the cost of capital of RHI enables statements with respect to changes in shareholder 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	12/31/2015	12/31/2014
∅ Working capital		
∅ Inventories	416.5	409.2
∅ Trade receivables	317.7	304.4
∅ Receivables from long-term construction contracts	11.4	9.1
∅ Trade payables	(176.6)	(174.8)
∅ Prepayments received on orders	(17.3)	(21.9)
	551.7	**526.0**
∅ Assets		
∅ Property, plant and equipment	538.2	544.0
∅ Goodwill and other intangible assets	110.9	112.1
	649.1	**656.1**
Average capital employed	**1,200.8**	**1,182.1**
EBIT	37.5	109.3
Taxes	(9.8)	(32.3)
Net operating profit after taxes	**27.7**	**77.0**
Return on average capital employed (in %)	**2.3%**	**6.5%**
∅ RHI WACC (in %)	6.7%	6.7%

The ROACE amounts to 2.3% in the reporting year and is lower than the profitability of 6.5% in the previous year. This decline is primarily due to special effects, which were higher in 2015 than in 2014. In the year 2015 these effects were related above all to expenses from derivatives of supply contracts and to impairments of the cash-generating units Raw Materials/Norway and Industrial/Monofrax.

In the reporting year 2015 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.

(59) Contingent liabilities

At December 31, 2015, warranties, performance guarantees and other guarantees amount to € 34.3 million (12/31/2014: € 28.5 million), and are exclusively accounted for by third parties. The terms of contingent liabilities range between 2 months and 3 years, depending on the type of liability. Based on experiences of the past, the probability that contingent liabilities are used is considered to be low.

In addition, contingent liabilities from sureties of € 0.9 million (12/31/2014: € 0.9 million) were recorded, of which € 0.3 million (12/31/2014: € 0.3 million) are related to contingent liabilities to creditors from joint ventures.

Individual proceedings and lawsuits which result from ordinary activities are pending as of December 31, 2015 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 financial position and performance of the RHI Group.

(60) Other financial obligations

Other financial obligations consist of the following items:

	Total	Remaining term		
in € million	12/31/2015	up to 1 year	2 to 5 years	over 5 years
Obligations from rental and leasing contracts	66.0	13.0	35.7	17.3
Capital commitments	1.6	1.6	0.0	0.0
Other financial obligations	**67.6**	**14.6**	**35.7**	**17.3**

	Total	Remaining term		
in € million	12/31/2014	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
Other financial obligations	**77.8**	**20.4**	**35.7**	**21.7**

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

Rental and leasing obligations for property, plant and equipment of € 23.8 million (2014: € 24.9 million) are recognized in the statement of profit or loss of the financial year 2015.

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 three 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 by 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 the nominal value of € 406.8 million at the reporting date (12/31/2014: € 388.9 million). The remaining terms of the contracts amount to up to eight years. Purchases from these arrangements is recognized in accordance with the usual course of business. Purchase contracts are regularly reviewed for imminent losses, which may occur, for example, when requirements fall below the agreed minimum purchase volume or when contractually agreed prices deviate from the current market price level. A power supply contract with a remaining term of eight years was accounted for in accordance with IAS 39 at December 31, 2015. As market prices on the reporting date were lower than the contractually agreed prices, this leads to a financial liability amounting to € 58.0 million. This power supply contract is included in the total value of € 406.8 million at December 31, 2015 with a nominal value of € 116.3 million.

(61) 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 2015 (2014: € 0.3 million). The fee included € 0.2 million (2014: € 0.2 million) for the audit of the consolidated financial statements and the annual financial statements of RHI AG, and € 0.1 million (2014: € 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.

(62) Annual average number of employees

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

	2015	2014
Salaried employees	3,739	3,675
Waged workers	4,296	4,361
Number of employees on annual average	**8,035**	**8,036**

(63) Notes on related party transactions

Related companies include subsidiaries that are not fully consolidated, joint ventures and MSP Foundation (until 12/28/2015: MS Private Foundation) as it exercises significant influence based on its share of more than 25% in RHI AG. In accordance with IAS 24, the personnel welfare foundation of Stopinc AG, Hünenberg, Switzerland, also has to be considered a related company.

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

Related companies
In the financial year 2015, the Group charged electricity and stock management costs amounting to € 3.4 million (2014: € 2.8 million) and interest of € 0.1 million (2014: € 0.1 million) to the joint venture MAGNIFIN Magnesia-produkte GmbH & Co KG, St. Jakob, Austria. In addition, the Group realized income from property sales of

€ 0.7 million in the reporting period. In the same period, the Group purchased raw materials in the amount of € 1.9 million (2014: € 2.1 million). Furthermore, the Group received dividend payments of € 8.2 million (2014: € 7.5 million). At December 31, 2015 receivables from MAGNIFIN amount to 1.6 million (12/31/2014: € 0.6 million); liabilities amount to less than € 0.1 million (12/31/2014: € 0.1 million). Neither in the reporting period nor in the previous financial year were valuation allowances recorded 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 surety for € 0.3 million (12/31/2014: € 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 2015 and 2014 no transactions were carried out between the RHI Group and MS Private Foundation, with the exception of the dividend paid. No transactions were carried out with MSP Foundation.

A service relationship with respect to the company pension scheme of the employees of Stopinc AG exists between the personnel welfare foundation of Stopinc AG and the fully consolidated subsidiary Stopinc AG. Stopinc AG makes contribution payments to the plan assets of the foundation to cover pension obligations. The pension plan is recognized as a defined benefit plan and is included in note (27). At December 31, 2015 current account receivables of € 0.8 million (12/31/2014: € 0.8 million) from the personnel welfare foundation exist, for which an interest of 2.5% (2014: 3.25%) is charged. In the past reporting period, employer contributions amounting to € 0.5 million (2014: € 0.4 million) were made to the personnel welfare foundation. The overfunding of the pension plan is recognized as a non-current asset of € 2.1 million (12/31/2014: € 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 2015 recognized in the statement of profit or loss totals € 4.1 million (2014: € 2.5 million). The expenses not including non-wage labor costs amount to € 3.8 million (2014: € 2.2 million), of which € 3.4 million (2014: € 2.2 million) were related to current benefits (fixed, variable and other earnings) and € 0.4 million (2014: € 0.0 million) to share-based remuneration.

At December 31, 2015, liabilities for performance-linked variable earnings and share-based payments for active members of the Management Board of € 1.2 million (12/31/2014: € 0.3 million) are recognized as liabilities. There are no obligations arising from post-employment benefits and legally required termination benefits towards active members of the Management Board.

In addition to the previous bonus agreement, the active members of the Management Board of RHI AG in 2015 are also entitled to share-based payments. This payment is based on a portion of the annual salary, which is translated into a number of virtual shares using a reference price. The relevant reference price corresponds to the average RHI share price from December 1, 2014 to January 31, 2015. Based on the target achievement which also applies to the variable remuneration of the year 2015, the number of shares is determined which represents the actual entitlement. Financial criteria (operating EBIT, ROACE) determine 70% and other criteria 30% of the underlying degree of target achievement. The equivalent value of the number of virtual shares determined in the year 2015 will be paid in cash in the three equal portions from 2016 to 2018. This equivalent value in cash is determined on the basis of the average share price of the respective period from December 1 of the reporting year to January 31 of the following year. The actually acquired entitlement to virtual shares in the financial year amounts to 9,850 shares for the CEO and 12,321 shares for the other Management Board members. The total expense related to the share-based remuneration program, which was recognized for the first time in the reporting period, amounts to € 0.4 million.

For members of the Supervisory Board (capital representatives), remuneration totaling € 0.3 million (2014: € 0.4 million) was recognized through profit or loss in the year 2015.

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 (2014: € 0.8 million) are recognized. This group of persons received 148 (2014: 116) 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 € 1.8 million in the case of a public takeover bid.

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 2015 of the RHI Group.

Earnings of former members of the Management Board amounted to € 1.1 million (2014: € 3.5 million).

(64) Corporate bodies of RHI AG

Members of the Management Board
Franz Struzl, Vienna, Chairman
Barbara Potisk-Eibensteiner, Hagenbrunn
Franz Buxbaum, Bad Vöslau
Thomas Jakowiak, Vienna (since January 1, 2016)
Reinhold Steiner, Trofaiach

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

(65) Material events after the reporting date

After the reporting date on December 31, 2015, there were no events of special significance which may have a material effect on the financial position and performance of the RHI Group.

Vienna, March 4, 2016

Management Board

Franz Struzl
CEO

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO
CTO R&D

Thomas Jakowiak
CSO Industrial Division

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, Austria comprising of the consolidated statement of financial position as of December 31, 2015 the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended, and the notes.

Management’s Responsibility for the Consolidated Financial Statements
The Company’s management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements under section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor’s Responsibility
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. These principles require the application of International Standards on Auditing. Those standards require that we comply with the ethical requirements and 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 reasonable basis for our audit opinion.

Opinion
Our audit did not give rise to any objections. In our opinion 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, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements under section 245a UGB.

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 Group'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 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 are appropriate.

Vienna, March 4, 2016

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, 2016

Management Board

Franz Struzl
CEO

Barbara Potisk-Eibensteiner
CFO

Franz Buxbaum
COO
CTO R&D

Thomas Jakowiak
CSO Industrial Division

Reinhold Steiner
CSO Steel Division