RHI Magnesita N.V.

("RHI Magnesita" or the "Company" or "Group")

UNAUDITED HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Delivering Strong Operating Profits and Synergy Upgrades

	Reported		Adjustments[1]		
			Adjusted	Pro forma at constant currency	
Financial Summary	H1 2018	H1 2017	H1 2018	H1 2017	
	€m	€m	€m	€m	Change %
Revenue	1,508	855	1,508	1,210	24.6%
EBITA	229	64	218	116	88.2%
EBITA margin	15.2%	7.5%	14.5%	9.6%	+490 bps
Profit before tax	97				
Earnings per share	1.60				
Net debt	741				

[1] Further detail on the adjustments can be found in Alternative Performance Measures section

Highlights

- Revenue of €1,508 million, up 24.6% on an organic basis, driven by price increases and volume growth in both Steel and Industrial divisions offsetting higher input costs
- Adjusted EBITA of €218 million, up 88.2%
- Adjusted EBITA margin of 14.5%, up 490bps from the previous year, driven by margin expansion from both raw material integration and synergies from the merger
- Working capital to revenue ratio at 21.8% versus 22.2% at the end of H2 2017, despite the significant raw material inflation
- Integration progressing well with increased synergy guidance: at least €60 million in 2018 (from previous guidance of €40 million) and €110 million on an annualised recurring basis by 2020 (from previous guidance of €70 million)
- Strategic investment of more than €20 million in our dolomite-based refractory plant and dolomite mine in China
- Consolidation of RHI Magnesita's three subsidiaries in India to capture local growth opportunities more effectively and efficiently
- Net debt reduced from 1.9x adjusted pro forma EBITDA on 31 December 2017 to 1.6x adjusted EBITDA on 30 June 2018

Commenting on the results, Chief Executive Officer, Stefan Borgas, said:
"We are delighted to report strong growth of 25% in the first half and profit growth of 88%. We have seen a continuation of the positive trends we saw in the second half of 2017, the benefits of our high level of vertical integration and the synergies from the merger of RHI and Magnesita in Q4 2017. Continued strong demand from our end markets and price increases drove revenue growth, more than offsetting higher raw material input costs. Our integration plans developed ahead of our plan both in terms of speed of capture and total amount."

"Whilst geopolitical challenges could impact the second half and beyond, we believe our geographically diversified production bases and broad customer profile will insulate the Group to a large extent. Today, we continue to anticipate that full year operating results will accrue the benefits from strong pricing, additional merger synergies and network optimisation."

"Overall, we have achieved strong first half results and management expectations for the full year operating results remain unchanged. We thank our customers for their support and collaboration in times of tight availability, and our employees for all their ideas, efforts and contributions."

There will be an analyst presentation at 8.00am in the Minories Room at the Andaz Hotel, 40 Liverpool St, London, EC2M 7QN. For those unable to attend in person, a conference call will be available. Please visit the RHI Magnesita's website https://ir.rhimagnesita.com/conference-call/.

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About RHI Magnesita

RHI Magnesita is the global leading supplier of high-grade refractory products, systems and services which are indispensable for industrial high-temperature processes exceeding 1,200°C in a wide range of industries, including steel, cement, non-ferrous metals, and glass, among others. With a vertically integrated value chain, from raw materials to refractory products and full performance-based solutions, RHI Magnesita serves more than 10,000 customers in nearly all countries around the world.

The Company has unmatched geographic diversification with more than 14,000 employees in 35 main production sites and more than 70 sales offices. RHI Magnesita intends to use its global leadership position in terms of revenue, greater scale, complementary product portfolio and diversified geographic presence around the world to target opportunistically those countries and regions benefitting from more dynamic economic growth prospects.

Its shares have a premium listing on the London Stock Exchange (symbol: RHIM) and are a constituent of the FTSE 250 index.

For more information please visit: www.rhimagnesita.com

OVERVIEW

RHI Magnesita's first half results continue to reflect the positive trends seen in the H217, the benefits of our high level of vertical integration and synergies from the combination. Price increases drove revenue development, more than offsetting higher raw material input costs. Revenue for the six months to June 2018 was €1,508 million, 24.6% higher than the comparative period on a constant currency basis[1] (76.4% higher on a reported basis). Adjusted EBITA increased by almost 90% on a constant currency basis, to €218 million, with a 14.5% adjusted EBITA margin.

INTEGRATION AND SYNERGIES

Our integration plan has progressed ahead of our original expectations. The company's SAP roll-out is advancing as planned and all former Magnesita European production plants have already been converted to the new platform, a sales and supply chain hub has been operational since 1 August in Rotterdam, and Global Business Services, our shared service centre project, goes live at European sites at the end of 2018.

Not only our planned integration actions have materialized faster, but also additional opportunities have been identified which are fully supported by detailed implementation plans. We expect now to deliver savings of at least €60 million in 2018 (from previous guidance of €40 million) and €110 million in 2020 (from previous guidance of €70 million). Approximately, €27 million in synergies were reflected in H1 2018 results.

Total one-time costs to implement the synergy opportunities above are expected to amount to between €110 million and €130 million (from previous guidance of €70 million), as costs to achieve the additional synergies are expected to be higher than 1:1. €53 million of the synergy costs were expensed in 2017 and €5 million in H1 2018. We expect to expense an additional €25 to €30 million in restructuring costs in the H2 2018 and the balance in 2019. Total cash disbursements are expected to be €75 million in 2018, of which €28 million have been paid out in H1 2018.

STEEL DIVISION

	Adjustments[1]		
	Adjusted	Pro forma at constant currency	
Divisional Performance	H1 2018	H1 2017	
Steel	€m	€m	Change %
Revenue	1,094	846	29.3%
Gross profit	283	192	47.4%
Gross margin	25.9%	22.7%	+320 bps

[1] Further detail on the adjustments can be found in Alternative Performance Measures section

Steel production growth year-over-year was robust, at a 4.6%, most notably in Asia and MEA. RHI Magnesita's deliveries for steel clients have outperformed the respective trends in North America, South America and Europe. Our businesses in India, Central America and Europe were also strong, with deliveries increasing above 10% in the period, and revenue growth of over 30%.

Altogether, revenue for the Steel division was €1,094 million during H1 2018, 29.3% higher than the prior year, reflecting the significant outperformance of our deliveries on top of a very strong underlying market as well as the price increases to compensate for raw material inflation. Sales growth has also been supported by the increasing cross-selling initiatives across both products and geographies.

Gross profit for the Steel division amounted to €283 million, 47.4% higher than the prior year. Gross margin stood at 25.9% in the H1 2018, 320bps higher than the previous year, as the segment benefitted from both RHI Magnesita's raw material integration and increased sales volumes.

It still remains too early to gauge the effects of the imposition of trade tariffs, yet the Group believes its diversified production base (in 16 countries across 4 continents) and client base (10,000 customer plants in more than 180 countries) will insulate any significant impact from these developments, as long as industrial output on a global basis remains unaffected.

INDUSTRIAL DIVISION

	Adjustments[1]		
	Adjusted	Pro forma at constant currency	
Divisional Performance	H1 2018	H1 2017	
Industrial	€m	€m	Change %
Revenue	413	362	14.3%
Gross profit	98	81	21.0%
Gross margin	23.7%	22.3%	+140 bps

[1] Further detail on the adjustments can be found in Alternative Performance Measures section

In the Industrial division, our Glass segment had strong performance, with demand developing for projects in the US and Poland. The Nonferrous metals segment is performing in line with management expectations, new projects are yet to pick-up, despite good progress in new copper projects in Africa and Asia. In EEC (Environment, Energy & Chemicals) we see increasing demand in China, Europe and CIS, with the installation business picking up. The Cement/Lime segment is flat, as result of still low capacity utilization in China and Brazil and some market share losses due to pricing. The Minerals segment has benefitted from raw material price increases and supply shortage caused by the stricter environmental enforcement in China. Revenue growth has flattened out as increased refractory demand has caused the Group to use more minerals internally, and consequently have less raw materials available for external sales.

Revenue for the Industrial division was €413 million during H1 2018, 14.3% higher than the prior year, as lower deliveries to Cement/Lime and sales of Minerals were more than compensated by higher deliveries to Glass clients and price increases across all segments.

Gross profit for the Industrial division amounted to €98 million, 21.0% higher than the prior year. Gross margin stood at 23.7% in the H1 2018, 140bps higher than the previous year. Whilst margin developed positively, further improvement was held back by lower sales of high margin raw materials and lower sizeable project business, especially in EEC and Nonferrous metals.

CASH FLOW AND WORKING CAPITAL

Operating cash flow amounted to €136 million which was driven by the substantial increase in adjusted EBITA. Cash conversion was held back by the €85 million demand in working capital caused by the 24.6% increase in revenues over pro forma H1 2017 numbers. Nonetheless, working capital intensity improved from 22.2% in December 2017 to 21.4% in June 2018, as strict control on accounts receivables and progress in our payables strategy more than compensated for the inflationary effect in raw material and finished goods inventories.

As anticipated, cash outlays for the merger and restructuring expenses provisioned in 2017 amounted to €49 million in the first half (including €6 million of capital expenses for the issue of shares, which was accounted for in equity in 2017). Net interest payments on net debt and refinancing costs amounted to €35 million in the period and should decrease considerably moving forward after the previously announced planned Perpetual Bond redemption on 20 August 2018. Income tax paid amounted to €35 million for the period, with a cash tax rate of 36%. However, the effective tax rate (ETR) was 27% with prepaid income tax and other timing mismatches accounting for the difference between cash flow and the income statement. The full-year cash tax rate and ETR are expected to be between 25% - 30%.

Cash Flow	H1 2018 €m
Adjusted EBITA	218
Working capital	-85
Changes in other assets/liabilities	-15
Capital expenditures	-35
Depreciation	53
Operating cash flow	**136**
Income tax	-35
Net interest expenses	-35
Restructuring/transaction costs	-49
Free cash flow[1]	**17**

[1] Further detail on the adjustments can be found in Alternative Performance Measures section

FINANCIAL CONDITION

Our financial position continues to strengthen, and our deleveraging profile is reinforced by the improving profit, synergies and interest expense reduction.

Net debt reduced from 1.9x adjusted pro forma EBITDA on 31 December 2017 to 1.6x adjusted EBITDA on 30 June 2018, mostly due to the improvement in LTM EBITDA, but also due to the decrease in net debt in the period. Net debt continues to reduce as planned driven by increasing profitability and cash flows, despite the one-off demand on working capital and the mark to market effect on our US dollar liabilities.

In line with the Company's plan to reposition its capital structure to reflect its improved financial position, on 3 August 2018 the Company successfully raised a new unsecured US$600 million 5-year term loan and multi-currency revolving credit facility with a syndicate of 10 international banks.

The proceeds of the new facility will be used to redeem the entire amount of the outstanding Magnesita Perpetual Bonds and prepay other short-term facilities, which will generate significant interest expense savings. The new Term Loan allows the Company flexibility and liquidity to pursue its long-term strategy.

Capitalisation Table	H1 2018
	€m
Schuldscheindarlehen	221
OeKB term loan	306
Perpetual bond	128
Other loans and facilities	496
Total gross indebtedness	**1,151**
Cash, equivalents and marketable securities	409
Net debt	**741**

DIVIDENDS

The Board of Directors believes that a clear and consistent dividend policy is important to shareholders and intends to implement a policy consistent with its status as a U.K. premium-listed, industrial company. This will be communicated later in the year following completion of the Integrated Tender Offer. Consistent with prior years, RHI Magnesita is this year not declaring an interim dividend.

STRATEGIC DEVELOPMENTS

On 26 June 2018, RHI Magnesita announced a strategically important investment in the Chinese market of more than €20 million in its site in Chizhou, Anhui Province in China. The Chizhou site includes an extensive dolomite mine and raw material production as well as facilities for the production of high-quality dolomite-based finished products. Successful trials are already underway in the brick plant in Chizhou where it is planned to start production by the beginning of 2019. The raw dolomite mine is planned to resume operation by the end of 2019. Captive supply of raw materials and local production sites grant a significant logistical competitive advantage for the development of regional markets and the securing of growth opportunities in China and the Asia/Pacific region.

On 1 August 2018, RHI Magnesita announced the proposed merger of its three Indian subsidiaries. The merger is designed to optimally position RHI Magnesita's operations in the strategically important Indian market to capture growth opportunities more effectively and efficiently, by combining the strengths and competencies of each company. This merger is part of RHI Magnesita's strategic pillar "markets" which focuses on building a global presence with strong local organizations and solid market positions. India became the third largest steel producer in the world after a decade of solid growth and an ambitious government program aims to reach 300m tons of steel production by 2030, triple the output of 2016. With one strong and integrated local organization, the industry's most comprehensive product portfolio and proven supply and sales capabilities RHI Magnesita India will be optimally positioned to leverage the positive local market developments.

The Integrated Tender Offer for the remaining shares in Magnesita is expected to be completed during H2 2018. As set out in Note 5 of the Financial Statements below, the Group expects substantially all of Magnesita's minority shareholders to tender their shares and opt for the cash plus shares consideration. If 100% of Magnesita's minority shareholders tender their shares and elect for the cash plus shares consideration option, the Group will disburse R$455.6 million, adjusted by SELIC (the Brazilian benchmark interest rate) from 26 October 2017 until the date of the settlement of the auction of the Integrated Tender Offer, and issue an additional 5,000,000 shares.

OUTLOOK

The strong trading performance reported in our Q1 2018 update has continued and our business developed positively in H1 2018, supported by continued strong demand from our end markets, raw material integrations and the accrual of synergies.

Currency headwinds have reduced slightly since the first quarter, with the US dollar strengthening against the Euro and the Chinese Yuan. The Group's revenue and profit growth rates achieved in H1 2018 were higher than we anticipate for the full year, as the H2 2017 results already reflected improved market conditions and some effect on revenues and margins from the pass-through of raw material input inflation. Management believes raw material prices will remain at current elevated levels during the second half.

Overall, management expectations for full year operating results remain unchanged.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has an established risk management process based on a formally approved framework and regular risk surveys among functional and operational managers aiming at systematically identifying, assessing and mitigating risks and uncertainties in the Group. Material and major risks with potential high impacts on the Group, its results or its ability to achieve its strategic objectives are reviewed regularly by the Board.

The risks considered by the Board to be the principal ones are presented in the 2017 Annual Report which is available on the Group's website at www.rhimagnesita.com. Those risks were reviewed in the course of the regular risk survey and were found to be still relevant for the second half of the financial year: Macroeconomic environment and condition of customer industries, fluctuations in exchange rates and energy prices, volatility of raw material prices, business interruption and supply chain, regulatory and compliance risks, environment, health & safety, risks related to the merger. The board believes that the level of uncertainty regarding the future development of the macroeconomic environment has increased since we presented the 2017 Annual Report due to recent geopolitical events and the adoption of new trade barriers and tariffs by several countries.

The risks may occur independently from each other or in combination. In case they occur in combination their impact may be reinforced. Also, the Group is facing other risks than the one mentioned here, some of them being currently unknown or not considered to be material.

GOING CONCERN

The Group has considerable financial resources together with long-standing relationships with a number of customers, suppliers and funding providers across different geographic areas and industries. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current bank facilities without needing to renew facilities expiring in the next 12 months. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the uncertainties inherent in the current economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim Financial Report.

ALTERNATIVE PERFORMANCE MEASURES (APMs)

APMs used by the Group are reviewed below to provide a definition and reconciliation from each non-IFRS APM to its IFRS equivalent, and to explain the purpose and usefulness of each APM.

In general, APMs are presented externally to meet investors' requirements for further clarity and transparency of the Group's underlying financial performance. The APMs are also used internally in the management of our business performance, budgeting and forecasting.

APMs are non-IFRS measures. As a result, APMs allow investors and other readers to review different kinds of revenue, profits and costs and should not be used in isolation. Other commentary within the preliminary announcement, including the other sections of this Finance Review, as well as the Condensed Consolidated Financial Statements and the accompanying notes, should be referred to in order to fully appreciate all the factors that affect our business. We strongly encourage readers not to rely on any single financial measure, but to carefully review our reporting in its entirety.

Adjusted Pro-forma Results at a Constant Currency (unaudited)

Adjusted pro-forma results were prepared as if the combined Group had existed since 1 January 2016 and before the impact of Items such as: divestments, restructuring expenses, merger-related adjustments and other non-merger related other income and expenses, which are generally non-recurring. Pro forma results have also been adjusted to reflect the preliminary purchase price allocation (PPA) related to the acquisition of Magnesita.

Given the changes in capital structure arising from the acquisition of Magnesita, the historical interest, tax and dividend charges are not deemed to be meaningful. As a result, adjusted pro-forma results have only been provided down to EBITA.

Adjusted EBITDA and EBITA

To provide further transparency and clarity to the ongoing, underlying financial performance of the Group, adjusted EBITDA and EBITA are used. Both measures exclude other income and expenses, which contains divestments, restructuring expenses, merger-related adjustments and other non-merger related other income and expenses, which are generally non-recurring.

Operating Cash Flow and Free Cash Flow

We present alternative measures for cash flow to reflect net cash inflow from operating activities before exceptional items. Free cash flow is considered relevant to reflect the cash performance of business operations after meeting usual obligations of financing and tax. It is therefore a measure that is before all other remaining cash flows, being those related to exceptional items, acquisitions and disposals, other equity-related and debt-related funding movements, and foreign exchange impacts on financing and investing activities.

Net Debt

We present an alternative measure to bring together the various funding sources that are included on the Group's Condensed Consolidated Balance Sheet and the accompanying notes. Net debt is a measure to reflect the net indebtedness of the Group and includes all cash, cash equivalents and marketable securities; and any debt or debt-like items, including any derivatives entered into in order to manage risk exposures on these items.

DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors of the Company, which are listed in the Governance section of the 2017 Annual Report, hereby declare that, to the best of their knowledge:

- This condensed set of interim financial statements for the six-month period ended 30 June 2018, which have been prepared in accordance with IAS 34 “Interim Financial Reporting”, as issued by the International Accounting Standard Board and adopted by the European Union gives a true and fair view (“*getrouw beeld*”) of the assets, liabilities, financial position and profit or loss of RHI Magnesita and the joint enterprises included in the consolidation; and
- the interim management report gives a fair review of the information required pursuant to regulations 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules (DTR) issued by the UK Financial Conduct Authority and section 5:25d paragraphs 8 and 9 of the Dutch Act on Financial Supervision.

Consolidated Statement of Financial Position

as of 30.06.2018

in € million	30.06.2018	31.12.2017[1)]
ASSETS		
Non-current assets		
Property, plant and equipment	925.4	987.9
Goodwill	121.8	125.1
Other intangible assets	464.7	507.0
Investments in joint ventures and associates	16.2	21.4
Other non-current financial assets	24.8	25.1
Other non-current assets	19.1	24.2
Deferred tax assets	156.1	179.1
	1,728.1	**1,869.8**
Current assets		
Inventories	742.4	654.5
Trade and other current receivables	520.7	522.6
Income tax receivables	15.1	13.5
Other current financial assets	13.7	34.1
Cash and cash equivalents	396.6	442.4
	1,688.5	**1,667.1**
	3,416.6	**3,536.9**
EQUITY AND LIABILITIES		
Equity		
Share capital	44.8	44.8
Group reserves	594.5	572.2
Equity attributable to the shareholders	639.3	617.0
Non-controlling interests	207.0	220.0
	846.3	**837.0**
Non-current liabilities		
Non-current financial liabilities	902.2	983.8
Other non-current financial liabilities	49.5	55.5
Deferred tax liabilities	68.4	97.5
Provisions for pensions	296.0	308.7
Other personnel provisions	81.7	82.5
Other non-current provisions	106.5	115.7
Other non-current liabilities	8.3	9.0
	1,512.6	**1,652.7**
Current liabilities		
Current financial liabilities	248.8	241.8
Other current financial liabilities	22.4	17.4
Trade payables and other current liabilities	710.6	678.2
Income tax liabilities	19.6	16.1
Current provisions	56.3	93.7
	1,057.7	**1,047.2**
	3,416.6	**3,536.9**

1) adjusted to reflect the effects of the updated preliminary purchase price allocation of Magnesita

Consolidated Statement of Profit or Loss

from 01.01.2018 to 30.06.2018

in € million for the six months ended 30 June	2018	2017[1]
Revenue	1,507.6	855.9
Cost of sales	(1,126.9)	(669.1)
Gross profit	**380.7**	**186.8**
Selling and marketing expenses	(75.7)	(42.4)
General and administrative expenses	(104.8)	(64.2)
Other income	23.2	1.6
Other expenses	(12.7)	(22.9)
EBIT	**210.7**	**58.9**
Interest income	2.5	1.1
Interest expenses on borrowings	(27.4)	(6.4)
Net expense on foreign exchange effects and related derivatives	(72.2)	(9.2)
Other net financial expenses	(21.8)	(4.9)
Net finance costs	**(118.9)**	**(19.4)**
Share of profit of joint ventures and associates	5.3	6.4
Profit before income tax	**97.1**	**45.9**
Income tax	(26.3)	(20.2)
Profit after income tax	**70.8**	**25.7**
attributable to the shareholders	71.6	24.5
attributable to non-controlling interests	(0.8)	1.2

in €		
Earnings per share (basic and diluted)	1.60	0.62

1) adjusted to reflect the changes in presentation

Consolidated Statement of Comprehensive Income

from 01.01.2018 to 30.06.2018

in € million for the six months ended 30 June	2018	2017
Profit after income tax	**70.8**	**25.7**
Currency translation differences		
Unrealised results from currency translation	(27.3)	(17.0)
Deferred taxes thereon	0.0	1.7
Current taxes thereon	0.0	(0.7)
Cash flow hedges		
Unrealised results from fair value change	0.4	0.4
Deferred taxes thereon	0.0	(0.1)
Reclassification reserves to profit or loss	0.0	0.3
Deferred taxes thereon	0.0	(0.1)
Items that will be reclassified subsequently to profit or loss, if necessary	**(26.9)**	**(15.5)**
Remeasurement of defined benefit plans		
Remeasurement of defined benefit plans	5.1	(2.6)
Deferred taxes thereon	(1.3)	0.7
Items that will not be reclassified to profit or loss	**3.8**	**(1.9)**
Other comprehensive income after income tax	**(23.1)**	**(17.4)**
Total comprehensive income	**47.7**	**8.3**
attributable to the shareholders	60.1	7.7
attributable to non-controlling interests	(12.4)	0.6

Consolidated Statement of Cash Flows

from 01.01.2018 to 30.06.2018

in € million for the six months ended 30 June	2018	2017
Profit after income tax	70.8	25.7
Adjustments for		
income tax	26.3	20.2
depreciation charges	52.7	27.2
amortisation charges	17.8	5.1
impairment losses of property, plant and equipment and intangible assets	0.0	7.7
income from the reversal of investment subsidies	(0.3)	(0.4)
(reversals of impairment losses)/impairment losses on securities	0.1	(0.1)
losses/(gains) from the disposal of property, plant and equipment	1.5	(0.1)
interest result	41.3	7.6
share of profit of joint ventures and associates	(5.3)	(6.4)
other non-cash changes	50.7	7.0
Changes in		
inventories	(82.2)	(35.5)
trade receivables	(28.1)	(0.3)
other receivables and assets	(6.2)	0.7
provisions	(40.3)	(12.4)
trade payables	10.4	4.1
prepayments received on orders	14.6	2.7
other liabilities	(11.1)	4.4
Cash flow from operating activities	**112.7**	**57.2**
Income tax paid less refunds	(35.1)	(17.4)
Net cash flow from operating activities	**77.6**	**39.8**
Investments in property, plant and equipment and intangible assets	(34.8)	(17.2)
Cash inflows from the sale of property, plant and equipment	1.7	1.1
Investments in/ cash inflows from non-current receivables	0.3	0.0
Investments in securities	(6.8)	0.0
Cash inflows from the sale of securities and shares	25.2	0.0
Dividends received from joint ventures and associates	10.5	10.2
Interest received	2.0	1.1
Net cash flow from investing activities	**(1.9)**	**(4.8)**
Capital expenses for the issue of shares	(6.2)	(0.9)
Payments to non-controlling interests	0.0	(0.6)
Dividend payments to shareholders of the Group	0.0	(29.9)
Proceeds from non-current borrowings and loans	318.1	0.0
Repayments of non-current borrowings and loans	(457.2)	(18.0)
Proceeds from current borrowings and loans	150.8	0.0
Repayments of current borrowings and loans	(63.0)	0.0
Changes in current borrowings	(3.3)	(4.2)
Interest payments	(37.0)	(5.5)
Cash flows from derivatives	(14.9)	0.0
Net cash flow from financing activities	**(112.7)**	**(59.1)**
Total cash flow	**(37.0)**	**(24.1)**
Change in cash and cash equivalents	**(37.0)**	**(24.1)**
Cash and cash equivalents at beginning of year	442.4	182.9
Changes due to currency translation	(8.8)	(4.9)
Cash and cash equivalents at year-end	396.6	153.9
Total interest paid	36.7	5.5
Total interest received	2.0	1.1

Consolidated Statement of Changes in Equity

from 01.01.2018 to 30.06.2018

in € million	Share capital	Additional paid-in capital	Mandatory reserves	Retained earnings
31.12.2017[1)]	**44.8**	**165.7**	**288.7**	**280.5**
Effects of initial application of IFRS 15 (net of tax)	-	-	-	(6.0)
Effects of initial application of IFRS 9 (net of tax)	-	-	-	1.8
01.01.2018	**44.8**	**165.7**	**288.7**	**276.3**
Profit after income tax	**-**	**-**	**-**	**71.6**
Currency translation differences	-	-	-	-
Market valuation of cash flow hedges	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-
Other comprehensive income after income tax	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**71.6**
Dividends	-	-	-	(33.6)
Transactions with shareholders	**-**	**-**	**-**	**(33.6)**
30.06.2018	**44.8**	**165.7**	**288.7**	**314.3**

1) adjusted to reflect the effects of the updated preliminary purchase price allocation of Magnesita

in € million	Share capital	Additional paid-in capital	Mandatory reserves	Retained earnings
31.12.2016	**289.4**	**38.3**	**0.0**	**331.0**
Profit after income tax	**-**	**-**	**-**	**24.5**
Currency translation differences	-	-	-	-
Cash flow hedges	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-
Reclassification disposal group classified as held for sale	-	-	-	-
Other comprehensive income after income tax	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**24.5**
Dividends	-	-	-	(29.9)
Transactions with shareholders	**-**	**-**	**-**	**(29.9)**
30.06.2017	**289.4**	**38.3**	**0.0**	**325.6**

Group reserves						
Accumulated other comprehensive income						
Cash flow hedges	Defined benefit plans	Currency translation	Disposal group classified as held for sale	Equity attributable to the shareholders	Non-controlling interests	Total equity
0.1	**(107.7)**	**(55.1)**	**0.0**	**617.0**	**220.0**	**837.0**
-	-	-	-	**(6.0)**	**(0.6)**	**(6.6)**
-	-	-	-	**1.8**	**-**	**1.8**
0.1	**(107.7)**	**(55.1)**	**-**	**612.8**	**219.4**	**832.2**
-	**-**	**-**	**-**	**71.6**	**(0.8)**	**70.8**
-	-	(13.6)	-	**(13.6)**	**(13.7)**	**(27.3)**
0.2	-	-	-	**0.2**	**0.2**	**0.4**
-	1.9	-	-	**1.9**	**1.9**	**3.8**
0.2	**1.9**	**(13.6)**	**-**	**(11.5)**	**(11.6)**	**(23.1)**
0.2	**1.9**	**(13.6)**	**-**	**60.1**	**(12.4)**	**47.7**
-	-	-	-	**(33.6)**	**-**	**(33.6)**
-	**-**	**-**	**-**	**(33.6)**	**-**	**(33.6)**
0.3	**(105.8)**	**(68.7)**	**0.0**	**639.3**	**207.0**	**846.3**

Group reserves						
Accumulated other comprehensive income						
Cash flow hedges	Defined benefit plans	Currency translation	Disposal group classified as held for sale	Equity attributable to the shareholders	Non-controlling interests	Total equity
(0.7)	**(100.3)**	**(49.0)**	**0.0**	**508.7**	**15.3**	**524.0**
-	**-**	**-**	**-**	**24.5**	**1.2**	**25.7**
-	-	(15.4)	-	**(15.4)**	**(0.6)**	**(16.0)**
0.5	-	-	-	**0.5**	**-**	**0.5**
-	(1.9)	-	-	**(1.9)**	**-**	**(1.9)**
-	1.0	1.7	(2.7)	**0.0**	**-**	**0.0**
0.5	**(0.9)**	**(13.7)**	**(2.7)**	**(16.8)**	**(0.6)**	**(17.4)**
0.5	**(0.9)**	**(13.7)**	**(2.7)**	**7.7**	**0.6**	**8.3**
-	-	-	-	**(29.9)**	**-**	**(29.9)**
-	**-**	**-**	**-**	**(29.9)**	**-**	**(29.9)**
(0.2)	**(101.2)**	**(62.7)**	**(2.7)**	**486.5**	**15.9**	**502.4**

Selected explanatory Notes

(1) Principles and methods

The Interim Consolidated Financial Statements as of 30.06.2018 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

The Interim Consolidated Financial Statements do not include all information and disclosures required in the Annual Financial Statements and should therefore be read in conjunction with the RHI Magnesita Consolidated Financial Statements as of 31.12.2017. All amounts in the explanatory notes and tables are shown in € million, unless indicated otherwise. For computational reasons, rounding differences may occur.

Audit and review by an auditor

The Interim Consolidated Financial Statements as of 30 June 2018 were neither audited nor reviewed by an auditor.

(2) Initial application of new financial reporting standards

With the exception of the changes described below, the same accounting and measurement principles were used as in the previous year:

Standard	Title	Publication (EU endorsement)[1]	Effects on RHI Magnesita Consolidated Financial Statements
New standards and interpretations			
IFRS 9	Financial Instruments	24.07.2014 (22.11.2016)	No material effects
IFRS 15	Revenue from Contracts with Customers	28.05.2014/ 11.09.2015 (22.09.2016)	Timing differences in revenue recognition
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	12.04.2016 (31.10.2017)	Timing differences in revenue recognition
IFRIC 22	Foreign Currency Transactions and Advance Consideration	08.12.2016 (28.03.2018)	No effect
Various	Annual improvements to IFRS Standards 2014-2016 Cycle	08.12.2016 (07.02.2018)	No effect
Amendments of standards			
IAS 40	Transfers of Investment Property	08.12.2016 (14.03.2018)	No effect
IFRS 2	Classification and Measurement of Share-based Payment Transactions	20.06.2016 (26.02.2018)	No effect
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	12.09.2016 (03.11.2017)	Not relevant

1) according to EU Endorsement Status Report of 06.07.2018

IFRS 9 "Financial Instruments"

IFRS 9 was published in July 2014 and endorsed by the European Union on 22 November 2016. It is to be applied per 1 January 2018. IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. The standard replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. RHI Magnesita implemented IFRS 9 per 1 January 2018 using the modified retrospective approach, meaning that the 2017 comparative numbers in the 2018 Interim Consolidated Financial Statements are not restated. The impact of IFRS 9 as of 1 January 2018 amounting to €1.8 million was recognised in equity - additional information on that effect is disclosed in the table at the end of Note (2) summarising the effects of the initial application of IFRS 9 and IFRS 15. No reclassifications between different components of equity were required due to the initial application of IFRS 9.

With regard to the revised classification and measurement principles, IFRS 9 contains three classification categories: "measured at amortised cost", "fair value through other comprehensive income" and "fair value through profit or loss". The standard eliminates the existing IAS 39 categories: "loans and receivables", "held to maturity" and "available-for-sale". The resulting effect of the reclassification of the financial assets due to adoption of IFRS 9 was immaterial for RHI Magnesita Group.

Subsequent accounting differences may arise due to the new classification according to IFRS 9. Shares in investment funds that were previously classified as "available-for-sale", with respective changes in fair value accounted for through other comprehensive income, are now classified as "fair value through profit or loss" as the payments made in connection with the funds do not solely constitute payments of principal and interest. Changes in fair value are therefore recognised in profit or loss. In addition, equity instruments from the "at amortised cost" and "available-for-sale" categories were classified as "fair value through profit or loss". No material effect is expected for future periods, although minor volatility may arise due to this new classification.

For the category "measured at amortised cost", IFRS 9 replaces the previously applied incurred loss model under IAS 39 with the expected loss model. The expected loss model implies a 3-stage model for financial assets. Stage 1 is applied when the credit risk has not risen significantly and an investment grade rating exists. Consequently, a risk provision for credit losses expected from possible default events within the next twelve months has to be recognised. Stage 2 is applied when the credit risk of receivables has risen significantly, in which case a risk provision amounting to the expected credit losses that result from all default events over the remaining term of the instrument has to be recognised. Stage 3 is equivalent to default. Concerning receivables with a significant financing component, comprising trade receivables, lease receivables and contractual assets, IFRS 9 permits a simplified impairment approach. When opting for this simplified approach, the risk provision is to be recognised according to Stage 2. Therefore, the expected credit losses are recognised over the remaining term of the instrument. RHI Magnesita Group exercised this option. The initial application effect in equity resulting from the impairment of trade receivables after deduction of deferred taxes amounted to €1.8 million, which is shown in retained earnings.

The cash flow hedges recognised as at 31 December 2017 were carried forward starting 1 January 2018 in compliance with the transition provisions.

The following table provides information about the impact of the new IFRS 9 standard only. It states each class of financial assets and financial liabilities as well as the respective carrying amounts under the original category IAS 39 compared to the new IFRS 9 category.

in € million	Original measurement category IAS 39[1)]	Measurement category IFRS 9[2)]	Carrying amount as per IAS 39 31.12.2017[3)]	Carrying amount as per IFRS 9 01.01.2018
Interests in subsidiaries not consolidated	FAAC	FVPL	0.8	0.8
Available-for-sale investments	FAAC	FVPL	0.4	0.4
Available-for-sale securities	AfS	FVPL	12.6	12.6
Available-for-sale shares	FAAC	FVPL	2.4	2.4
Securities designated as fair value through profit or loss	FAFVTPL	FVPL	2.3	2.3
Interest derivatives designated as cash flow hedges	-	-	1.5	1.5
Non-current receivables from disposal of subsidiaries	LaR	AC	2.6	2.6
Other non-current financial receivables	LaR	AC	2.5	2.5
Trade and other current receivables[4)]	LaR	AC	412.5	410.7
Other current financial receivables	LaR	AC	0.1	0.1
Financial assets held for trading - securities	FAHfT	FVPL	32.3	32.3
Financial assets held for trading - derivatives	FAHfT	FVPL	1.7	1.7
Cash and cash equivalents	LaR	AC	442.4	442.4
Financial assets			**914.1**	**912.3**
Liabilities to financial institutions	FLAAC	AC	953.0	953.0
Perpetual bonds	FLAAC	AC	215.3	215.3
Senior notes	FLAAC	AC	55.6	55.6
Other financial liabilities	FLAAC	AC	1.7	1.7
Financial liabilities held for trading - derivatives	FLHfT	FVPL	40.9	40.9
Liabilities to fixed-term or puttable non-controlling interests	FLAAC	AC	32.0	32.0
Contingent consideration for acquired subsidiaries	FLFVTPL	FVPL	0.6	0.6
Trade payables and other current liabilities[5)]	FLAAC	AC	507.0	507.0
Financial liabilities			**1,806.1**	**1,806.1**

1) FAAC: Financial assets at cost
AfS: Available for sale financial instruments
LaR: Loans and receivables
FAHfT: Financial assets held for trading
FLAAC: Financial liabilities measured at amortised cost
FLHfT: Financial liabilities held for trading
FLFVTPL: Financial liabilities measured at fair value through profit or loss
2) FVPL: Financial assets/financial liabilities measured at fair value through profit or loss
AC: Financial assets/financial liabilities measured at amortised cost
3) adjusted to reflect the effects of the updated preliminary purchase price allocation of Magnesita
4) thereof non-financial receivables per 31.12.2017 and 01.01.2018: €110.1 million
5) thereof non-financial liabilities per 31.12.2017 and 01.01.2018: €171.2 million

In addition to this table, a change took place for receivables from long-term construction contracts previously accounted for using the percentage of completion method according to IAS 11. These receivables were reclassified from non-financial receivables to financial receivables and are now included in trade and other current receivables in accordance with IFRS 15.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" as well as the corresponding interpretations. RHI Magnesita Group applied the regulations of IFRS 15 by selecting the modified retrospective approach with effect as at 1 January 2018. The cumulative effect of initial application was therefore recognised as an adjustment to the opening balance of group reserves under retained earnings as of 1 January 2018 without restating the comparable period. Changes from the initial application of IFRS 15 arose in the following areas:

Revenue from the delivery of products is recognised at the point in time when control over the products is passed to the customer. Time of transfer of control over the products is determined based on the individual Incoterms rules agreed in the customer contract. The Incoterms rules describe mainly the responsibilities, costs and risks involved in delivery of goods from the seller to the buyer. For the Incoterms rules CPT (Carriage paid to), CIP (Carriage and Insurance paid to) as well as for CFR (Cost and Freight) and CIF (Cost, Insurance and Freight) it was determined, that the time of passing control deviates from the time of transfer of significant risks and rewards. As a result, revenue will be recognised at a later point in time than previously under IAS 18. Therefore, the effect from the initial application of IFRS 15 resulted in a reduction of trade and other current receivables in the amount of €28.4 million and in an increase of inventories in the amount of €19.9 million. The negative equity effect from the reversal of revenue from the delivery of products, after deduction of deferred taxes, amounted to €6.6 million as of 1 January 2018. Additionally, having applied IFRS 15, changes in presentation were necessary for RHI Magnesita Group. Expected penalty fees were previously recognised as provisions, whereas according to IFRS 15 they are considered as variable consideration and therefore shown as either a contract liability or refund liability. Consequently, a total amount of €4.3 million was reclassified from current provisions to trade payables and other current liabilities as of 1 January 2018 in the Consolidated Statement of Financial Position. Furthermore, due to the implementation of IFRS 15, receivables from long-term construction contracts in the amount of €11.7 million were reclassified to trade receivables within the same item of the Consolidated Statement of Financial Position trade and other current receivables as of 1 January 2018 because RHI Magnesita's right to consideration is unconditional.

The summary of the effects on the individual positions of the Statement of Financial Position from the initial application of IFRS 15 as of 1 January 2018 is shown in the table at the end of this Note.

The following tables show the effects of IFRS 15 for the Consolidated Statement of Financial Position as of 30 June 2018 and the Consolidated Statement of Profit or Loss for the first six months of 2018.

in € million	30.06.2018 as reported	Adjustments IFRS 15	30.06.2018 without application of IFRS 15
Inventories	742.4	(17.8)	724.6
Trade and other current receivables	520.7	27.7	548.4
Current assets	1,688.5	9.9	1,698.4
ASSETS	3,416.6	9.9	3,426.5
Group reserves	594.5	7.6	602.1
Equity attributable to the shareholders	639.3	7.6	646.9
Equity	846.3	7.6	853.9
Trade payables and other current liabilities	710.6	(4.8)	705.8
Income tax liabilities	19.6	2.3	21.9
Current provisions	56.3	4.8	61.1
Current liabilities	1,057.7	2.3	1,060.0
EQUITY AND LIABILITIES	3,416.6	9.9	3,426.5

in € million for the six months ended 30 June 2018	as reported	Adjustments IFRS 15	without application of IFRS 15
Revenue	1,507.6	27.7	1,535.3
Cost of sales	(1,126.9)	(17.8)	(1,144.7)
Gross profit	380.7	9.9	390.6
EBIT	210.7	9.9	220.6
Profit before income tax	97.1	9.9	107.0
Income tax	(26.3)	(2.3)	(28.6)
Profit after income tax	70.8	7.6	78.4
attributable to the shareholders	71.6	7.3	78.9
attributable to non-controlling interests	(0.8)	0.3	(0.5)

Summary of the effects of the initial application of IFRS 9 and IFRS 15

in € million	31.12.2017[1)]	Effects of the initial application of IFRS 9	Effects of the initial application of IFRS 15	01.01.2018
Deferred tax assets	179.1	(0.6)	1.7	180.2
Non-current assets	1,869.8	(0.6)	1.7	1,870.9
Inventories	654.5	0.0	19.9	674.4
Trade and other current receivables	522.6	2.4	(28.4)	496.6
Current assets	1,667.1	2.4	(8.5)	1,661.0
ASSETS	3,536.9	1.8	(6.8)	3,531.9
Group reserves	572.2	1.8	(6.0)	568.0
Equity attributable to the shareholders	617.0	1.8	(6.0)	612.8
Non-controlling interests	220.0	0.0	(0.6)	219.4
Equity	837.0	1.8	(6.6)	832.2
Deferred tax liabilities	97.5	0.0	(0.2)	97.3
Non-current liabilities	1,652.7	0.0	(0.2)	1,652.5
Trade payables and other current liabilities	678.2	0.0	4.3	682.5
Current provisions	93.7	0.0	(4.3)	89.4
EQUITY AND LIABILITIES	3,536.9	1.8	(6.8)	3,531.9

1) adjusted to reflect the effects of the updated preliminary purchase price allocation of Magnesita

(3) Changes in comparative information

Statement of Financial Position

The Statement of Financial Position per 31 December 2017 was adjusted for the preliminary fair values of the acquired assets and liabilities of Magnesita. The details of the effects are shown in Note (5) Group of consolidated companies under Acquisition of Magnesita in 2017.

Statement of Profit or Loss

In order to improve comparability with other FTSE 350 companies and ensure better understanding of the entity's financial performance, certain items in the Statement of Profit or Loss were reclassified. As of 30 June 2017, the effect on revenue amounted to €0.1 million, on gross profit to €(11.8) million, on EBIT to €9.2 million and on net finance costs to €(9.2) million. Commissions in the amount of €(11.9) million as of 30 June 2017 were reclassified from selling and marketing expenses to cost of sales and the expenses for strategic and merger related projects (30.06.2017: €12.6 million) are now presented in other expenses, instead of general and administrative expenses. This reclassification should ensure better interpretation of these costs. Foreign exchange gains and losses as well as the effects from derivatives were reclassified from other income and expenses to a separate line item in net finance costs which is called "Net expense on foreign exchange effects and related derivatives". This reclassification was done because the majority of foreign exchange effects are incurred due to financing activities, and the effects from derivatives are related to foreign exchange effects.

Additionally, interest expenses on borrowings are now reported as a separate item due to its significance. Other net financial expenses include all remaining financial income and expenses. The information for the previous year was adjusted accordingly.

Consolidated Statement of Cash Flows

Cash flows from derivatives were reclassified from cash flow from operating activities to net cash flow from financing activities because they are related to foreign exchange effects of financing activities. For the first half of 2017 there was no effect from this matter.

Segment reporting

In 2018, RHI Magnesita reorganised its internal structure and reporting. The activities formerly concentrated in the Raw material segment are now split between the Steel and Industrial segment. Each segment serves different customers and generates exclusively external revenue. The gross profit serves the management of the RHI Magnesita Group for internal performance management. The profit of joint ventures and associates, net finance costs and income taxes are managed on a group basis and are not allocated. The information for the previous year was adjusted accordingly.

(4) New financial reporting standards not yet applied

The IASB issued further standards, amendments to standards and interpretations, whose application is, however, not yet mandatory for 30 June 2018. They were not applied early on a voluntary basis. RHI Magnesita's assessment of the impact of these new standards and interpretations is set out below. Other new or amended standards or interpretations are not expected to have a significant impact on the Consolidated Financial Statements.

IFRS 16 "Leases"

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

RHI Magnesita will apply the standard from 1 January 2019 onwards. From today's perspective, it is estimated that the application of this standard will have a moderate impact on RHI Magnesita's Consolidated Financial Statements in the form of increased total assets and total liabilities. The overall impact is currently analysed in a group-wide project for the implementation of IFRS 16.

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

As a lessee, RHI Magnesita can apply IFRS 16 based on the retrospective method or the modified retrospective method with optional simplification rules; the option chosen has to be applied consistently to all leases of the Group. RHI Magnesita currently intends to initially apply IFRS 16 as of 1 January 2019 by using the modified retrospective approach.

(5) Group of consolidated companies

Compared with the reporting date 31.12.2017, the number of companies included in the group of consolidated companies changed as follows:

Number of consolidated companies	Full consolidation	Equity method
Balance at 31.12.2017	**114**	**4**
Additions	2	0
Retirements and disposals	0	0
Balance at 30.06.2018	**116**	**4**

On 15 March 2018, the subsidiary RHI Ukraina LLC (100%), based in Kiev, Ukraine, was established and included in the Consolidated Financial Statements as of this date. The purpose of this company is the sale of refractory products and customer service in the Ukraine.

In addition, the subsidiary RHI Magnesita Trading B.V., Rotterdam, the Netherlands, was founded on 9 April 2018 and subsequently fully consolidated. The purpose of this company is the purchase and sale of refractory products.

Acquisition of Magnesita in 2017

On 26 October 2017 RHI Magnesita N.V. via its indirect, wholly-owned subsidiary Dutch Brasil Holding B.V. obtained control in Magnesita Refratários S.A. and its subsidiaries (Magnesita) after acquiring 50% plus one share and corresponding voting rights in Magnesita Refratários S.A..

The preliminary fair values of the acquired assets and liabilities at the acquisition date have been adjusted according to IFRS 3 compared to the previously published Financial Statements over the course of the measurement period. These are presented as follows:

in € million	Preliminary fair value as reported at 31 December 2017	Adjustments made	Updated preliminary fair value of net assets acquired
Property, plant and equipment	439.0	92.3	531.3
Other intangible assets	161.4	297.7	459.1
thereof customer relationships	122.0	96	218.0
thereof mining rights	0.0	190.2	190.2
Investments in joint ventures and associates	9.9	(9.1)	0.8
Other non-current financial assets	4.3	0.0	4.3
Other non-current assets	16.3	0.0	16.3
Deferred tax assets	49.9	(6.9)	43.0
Inventories	244.7	1.0	245.7
Trade and other current receivables	175.6	(7.4)	168.2
Income tax receivables	9.2	0.0	9.2
Other current financial assets	42.7	0.0	42.7
Cash and cash equivalents	166.2	0.0	166.2
Assets held for sale	33.6	0.0	33.6
Non-current financial liabilities	(550.8)	0.0	(550.8)
Deferred tax liabilities	(0.3)	(109.1)	(109.4)
Provisions for pensions	(81.0)	0.0	(81.0)
Other personnel provisions	(1.5)	0.0	(1.5)
Other non-current provisions	(51.7)	(62.9)	(114.6)
Other non-current liabilities	(2.0)	0.0	(2.0)
Current financial liabilities	(131.4)	0.0	(131.4)
Current derivative financial liabilities	(0.2)	0.0	(0.2)
Trade and other current liabilities	(238.4)	(6.8)	(245.2)
Income tax liabilities	(10.1)	0.0	(10.1)
Current provisions	(25.8)	(21.4)	(47.2)
Liabilities relating to assets held for sale	(9.4)	0.0	(9.4)
Net assets	**250.2**	**167.4**	**417.6**
Non-controlling interest	(125.1)	(83.7)	(208.8)
Proportional share of net assets acquired	**125.1**	**83.7**	**208.8**
Goodwill	171.7	(83.7)	88.0
Purchase price	**296.8**	**0.0**	**296.8**

The fair values are still provisional as of 30 June 2018 as the valuations of some assets acquired and liabilities assumed have not been completely finalised. The reason for this is the complexity of the acquisition, particularly in valuing property, plant and equipment and intangible assets, further work will be required to complete the valuation. The finalisation of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date, at the latest. The Group expects further fair value adjustments mainly to property, plant and equipment, intangible assets and deferred taxes, as the valuation of items is still on-going.

The remaining preliminary goodwill of €88.0 million essentially reflects expected synergies achieved by optimising production capacities and cost structure as well as new business of the enlarged Group. Goodwill is not deductible for tax purposes. No impairment to goodwill or other assets has been recognised since initial recognition.

The table below provides information on the carrying amount of goodwill:

in € million	
Preliminary goodwill recognised per acquisition date as at 31 December 2017	171.7
Adjustments relating to update of business combination fair values	(83.7)
Exchange rate differences	(3.8)
Preliminary goodwill recognised per acquisition date as at 30 June 2018	**84.2**

Non-controlling interests have been measured at their proportionate share of Magnesita's identifiable net assets.

Material adjustments to preliminary fair value estimates since 31 December 2017

Since the previous financial reporting date significant progress has been made in estimating the fair value of property, plant and equipment at a number of production sites in China, South America and Europe. The updated preliminary fair value of property, plant and equipment amounts to €531.3 million and was estimated by applying a replacement cost approach. This value is expected to increase over the remaining measurement period because a number of production sites have not yet been apprised, and have been recognised at book value per the acquisition date.

Intangible assets arising from non-patented technology and customer relationships have been recognised in the preliminary purchase price allocation as at 30 June 2018 to the amount of €11.5 million and €218.0 million respectively. Discounted cash flow models were applied to value these intangible assets. The reason for the adjustment to the fair value of customer relationships was that higher quality information was obtained over the course of the reporting period. The value of the customer relationship is expected to change as it depends on the valuation of contributory asset charges relating to property, plant and equipment. Since the valuation of these assets has not been completed as of 30 June 2018, the valuation of the intangible asset arising from customer relationships cannot yet be considered fully finalised. Any increases in the value of property, plant and equipment compared to the preliminary purchase price allocation will reduce the fair value of the customer relationships to a varying degree because of the associated higher contributory asset charges.

As part of the business combination, the Group has recognised intangible assets for mining rights arising from the mines in Brazil and the USA. The fair value of the mining rights is estimated to be €190.2 million. The intangible assets arising from mining rights were valued using discounted cash flow models, based on the life-of-mine plans as at the acquisition date. Expected cash flows are based on estimates of future production, margins, operating costs and forecast capital expenditure. This value is expected to change when the valuation exercise of property, plant and equipment is finalised. The value of PPE items that form part of the mines (but valued separately) shall be deducted from the value of the mining rights in order to avoid double counting.

The total amortisation of the acquired technology, mining rights and customer relationships amounts to €9.9 million.

A liability for an unfavourable contract was recognised as at the previous reporting date, the value of which has been adjusted as at 30 June 2018. The liability has an estimated fair value of €103.7 million. This value was calculated using a discounted cash flow model based on foregone profits compared to market conditions, the term of the contract, assumptions of future costs and an appropriate discount rate. The Group does not expect significant adjustments to this value, however, it may still not be considered finalised. The provision for an unfavourable contract has been amortised by €9.6 million in other income and €(5.1) million were accrued as interest expense in the current reporting period.

The Group is required – in accordance with the share purchase agreement (SPA) and Brazilian laws and regulations – to make a mandatory public offer in Brazil which must be addressed to all remaining Magnesita shareholders and must be made on the same terms and conditions as those made available to the Sellers under the SPA, including as to purchase price and form of consideration. The Group decided to combine the mandatory offer with a so-called "delisting tender offer" in an Integrated Tender Offer and has filed with the Brazilian Securities Commission the respective request.
According to the original and subsequent filings, shareholders of Magnesita will have the option of selling each Magnesita share in exchange of
(i) R$17.81, adjusted by SELIC (the Brazilian benchmark interest rate) from 26 October 2017 until the date of the settlement of the auction of the Integrated Tender Offer, plus 0.1998 RHI Magnesita shares or
(ii) a cash-only alternative consideration.

The consideration of the cash-only alternative offer will be the higher of:
(i) R$31.09, adjusted by SELIC from 26 October 2017 until the date of the settlement of the auction of the Integrated Tender Offer, and
(ii) R$35.56, not adjusted by SELIC.

Since the cash plus shares option was equivalent to R$66.58 on 31 July 2018, in light of the RHI Magnesita share price and the exchange rate prevailing on that date, the Group expects substantially all of Magnesita's minority shareholders to tender their shares and opt for the cash plus shares consideration. If 100% of Magnesita's minority shareholders tender their shares and opt for the cash plus shares consideration, the Group will disburse R$455.6 million, adjusted by SELIC from 26 October 2017 until the date of the settlement of the auction of the Integrated Tender Offer, and issue an additional 5,000,000 shares.

The Integrated Tender Offer is expected to be completed during 2018. The difference between the amount paid in the Integrated Tender Offer and the book value of non-controlling interest acquired will be recognised directly in equity.

(6) Foreign currency translation

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

		Closing rate		Average[1)]	
Currencies	1€ =	30.06.2018	31.12.2017	1-6/2018	1-6/2017
Argentine Peso	ARS	32.68	22.93	25.10	16.91
Brazilian Real	BRL	4.49	3.96	4.08	3.42
Canadian Dollar	CAD	1.54	1.50	1.54	1.44
Chilean Peso	CLP	756.01	735.00	737.60	710.87
Chinese Renminbi Yuan	CNY	7.70	7.78	7.70	7.41
Indian Rupee	INR	79.78	76.40	79.13	71.01
Mexican Peso	MXN	22.92	23.56	22.95	21.13
Norwegian Krone	NOK	9.48	9.85	9.66	9.13
Pound Sterling	GBP	0.89	0.89	0.88	0.86
Swiss Franc	CHF	1.16	1.17	1.17	1.07
South African Rand	ZAR	15.94	14.75	14.68	14.34
US Dollar	USD	1.16	1.20	1.21	1.08

1) arithmetic average of the monthly closing rates

(7) Trade and other current receivables

Trade and other current receivables as presented in the Consolidated Statement of Financial Position are classified as follows:

in € million	30.06.2018	31.12.2017[1)]
Trade receivables	401.5	406.6
Receivables from other taxes	76.8	77.0
Receivables from joint ventures and associates	10.3	12.0
Other current receivables	32.1	27.0
Trade and other current receivables	**520.7**	**522.6**

1) adjusted to reflect the effects of the updated preliminary purchase price allocation of Magnesita

(8) Financial liabilities

RHI Magnesita Group optimised its financial structure in the first quarter 2018 and refinanced the syndicated financial agreement, which was concluded in July 2017, with a new €305.6 million 5 year term loan of the Austrian export credit agency (OeKB). Interest rate is floating and is based on the EURIBOR plus 0.75% margin. The refinancing extends the final maturity of the term loan by one year, from June 2022 to June 2023, in order to ensure higher liquidity, including the outflow in connection with the Integrated Tender Offer for the minority shares of Magnesita Refratários S.A.. This new term loan replaces the existing €477.2 million syndicated financial agreement for which only €266.2 million had been drawn down. Cash inflows from the new term loan in the amount of €305.6 million are shown in the Consolidated Statement of Cash Flows in proceeds from non-current borrowings and loans, whereas cash outflows from the redemption of the syndicated loan in the amount of €266.2 million are included in repayments of non-current borrowings and loans.

Furthermore, RHI Magnesita redeemed US$100 million of its US$250 million 8.625% perpetual bond early as well as the entire principal amount outstanding (US$63.3 million) of its US$400 million 7.875% Senior Notes due March 2020. Both transactions are included in repayments of non-current borrowings and loans in the Consolidated Statement of Cash Flows.

(9) Provisions for pensions

For interim reports, provisions for pensions are determined on the basis of a forecast for the entire year prepared by an actuary. If there are significant changes in the actuarial assumptions in the course of the year, a remeasurement of the net liabilities from employee-related defined benefit obligations is recognised.

As of 30.06.2018, the increase in the actuarial interest rate in Brazil and in the USA compared with 31.12.2017 led to a decrease in pension obligations of €5.1 million and to an increase in equity of €3.8 million (after deferred taxes, including non-controlling interests). The actuarial assumptions of the euro area did not change significantly. As of 30.06.2017, pension obligations increased by €2.0 million in the first half of 2017 due to changes in actuarial assumptions. Taking into account income taxes, the Group's equity was reduced by €1.4 million.

(10) Trade payables and other current liabilities

Trade payables and other current liabilities included in the Consolidated Statement of Financial Position consist of the following:

in € million	30.06.2018	31.12.2017[1)]
Trade payables	463.2	467.7
Prepayments received on orders	38.7	24.1
Liabilities to employees	93.0	99.2
Taxes other than income tax	32.9	23.2
Other current liabilities	82.8	64.0
Trade payables and other current liabilities	**710.6**	**678.2**

1) adjusted to reflect the effects of the updated preliminary purchase price allocation of Magnesita

(11) Current provisions

Provisions for restructuring costs amount to €18.0 million as of 30 June 2018 (31.12.2017: €37.6 million) and primarily consist of benefit obligations to employees due to termination of employment. In the current reporting period, the Group utilised €18.3 million, recognised €3.1 million and reversed €3.0 million.

(12) Foreign exchange effects and related derivatives

Net expense on foreign exchange effects and related derivatives consist of the following items:

in € million for the six months ended 30 June	2018	2017
Foreign exchange gains	81.0	26.6
Gains from related derivative financial instruments	0.5	8.8
Foreign exchange losses	(123.6)	(42.3)
Losses from related derivative financial instruments	(30.1)	(2.3)
Net expense on foreign exchange effects and related derivatives	**(72.2)**	**(9.2)**

The net expense on foreign exchange effects and related derivatives results mainly from the devaluation of the Euro and Brazilian Real against the US Dollar, affecting both intercompany and third-party loans, accounts payable and accounts receivable.

(13) Income tax

The tax rate of the first half of 2018 amounts to 27.1% (1-6/2017: 44.0%).

(14) Segment reporting

The key figures of the operating segments for the first half of 2018 and the first half of 2017 are shown in the tables below:

in € million for the six months ended 30 June 2018	Steel	Industrial	Group
Revenue	**1,094.1**	**413.5**	**1,507.6**
Gross profit	**277.6**	**103.1**	**380.7**
EBIT			**210.7**
Net finance costs			(118.9)
Share of profit of joint ventures and associates			5.3
Profit before income tax			**97.1**
Depreciation and amortisation charges	(52.5)	(18.0)	(70.5)
Segment assets 30.06.2018	1,835.6	735.4	2,571.0
Investments in joint ventures and associates 30.06.2018	0.0	0.0	16.2
Reconciliation to total assets	0.0	0.0	829.4
			3,416.6
Investments in property, plant and equipment and intangible assets	26.5	8.3	34.8

in € million for the six months ended 30 June 2017	Steel	Industrial	Group
Segment revenue	**558.2**	**297.7**	**855.9**
Gross profit	**120.8**	**66.0**	**186.8**
EBIT			**58.9**
Net finance costs			(19.4)
Share of profit of joint ventures			6.4
Profit before income tax			**45.9**
Depreciation and amortisation charges	(47.1)	(25.6)	(72.7)
Segment assets 31.12.2017	1,843.6	751.6	2,595.2
Investments in joint ventures 31.12.2017	0.0	0.0	21.4
Reconciliation to total assets	0.0	0.0	920.3
			3,536.9
Investments in property, plant and equipment and intangible assets	53.6	16.8	70.4

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

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

in € million for the six months ended 30 June 2018	Steel	Industrial	Group
Shaped products	728.7	275.5	1,004.2
Unshaped products	251.3	97.6	348.9
Services	67.2	24.9	92.1
Other	46.9	15.5	62.4
Revenue	**1,094.1**	**413.5**	**1,507.6**

Segment reporting by country

Revenue is classified by customer sites as follows:

in € million for the six months ended 30 June 2018	Steel	Industrial	Group
Netherlands	7.8	3.1	10.9
All other countries			
USA	169.7	33.7	203.4
Brazil	143.4	32.2	175.6
India	100.8	19.9	120.7
Germany	58.5	31.5	90.0
Mexico	66.3	16.9	83.2
PR China	22.0	50.6	72.6
Italy	57.9	14.1	72.0
Canada	22.9	21.9	44.8
Russia	32.3	3.9	36.2
Other countries, each below €37.0 million	412.5	185.7	598.2
Revenue	**1,094.1**	**413.5**	**1,507.6**

(15) Disclosures on financial instruments

The following tables show the carrying amounts and fair values of the financial assets and liabilities by level and measurement category, and the allocation to the measurement levels in accordance with IFRS 13 and IFRS 9. In addition, the carrying amounts are shown aggregated according to measurement category.

in € million	Measurement category IFRS 9[1]	Level	30.06.2018 Carrying amount	30.06.2018 Fair value	01.01.2018 Carrying amount	01.01.2018 Fair value
Other non-current financial assets						
Interests in subsidiaries not consolidated	FVPL	3	0.7	0.7	0.8	0.8
Investments	FVPL	3	0.4	0.4	0.4	0.4
Securities	FVPL	1	15.0	15.0	14.9	14.9
Shares	FVPL	1	1.7	1.7	1.9	1.9
Shares	FVPL	3	0.5	0.5	0.5	0.5
Interest derivatives designated as cash flow hedges	-	2	1.9	1.9	1.5	1.9
Non-current receivables from disposal of subsidiaries	AC	-	2.6	-	2.6	-
Other non-current financial receivables	AC	-	2.0	-	2.5	-
Trade and other current receivables[2]	AC	-	416.9	-	422.4	-
Other current financial assets						
Securities	FVPL	1	12.7	12.7	32.3	32.3
Derivatives	FVPL	2	0.8	0.8	1.7	1.7
Other current financial receivables	AC	-	0.2	-	0.1	-
Cash and cash equivalents	AC	-	396.6	-	442.4	-
Financial assets			**852.0**		**924.0**	
Non-current and current financial liabilities						
Liabilities to financial institutions	AC	2	1,014.5	1,026.4	953.0	966.1
Perpetual bonds	AC	1	133.3	133.4	215.3	217.0
Senior notes	AC	2	0.0	0.0	55.6	55.6
Other financial liabilities	AC	2	3.2	3.2	1.7	1.7
Non-current and current other financial liabilities						
Derivatives	FVPL	2	37.7	37.7	40.9	40.9
Liabilities to fixed-term or puttable non-controlling interests	AC	2	34.2	34.2	32.0	32.0
Other non-current liabilities						
Contingent consideration for acquired subsidiaries	FVPL	3	0.6	0.6	0.6	0.6
Trade payables and other current liabilities[3]	AC	-	515.8	-	507.0	-
Financial liabilities			**1,739.3**		**1,806.1**	
Aggregated according to measurement category						
Financial assets measured at FVPL			31.8		52.5	
Financial assets measured at amortised cost			818.3		870.0	
Financial liabilities measured at amortised cost			1,701.0		1,764.6	
Financial liabilities measured at FVPL			38.3		41.5	

1) FVPL: Financial assets/financial liabilities measured at fair value through profit or loss
AC: Financial assets/financial liabilities measured at amortised cost

2) thereof non-financial receivables: €103.8 million (01.01.2018: €98.4 million)

3) thereof non-financial liabilities: €194.8 million (01.01.2018: €175.5 million)

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 at the measurement date. 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 favourable market if there is no main market. RHI Magnesita 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 Magnesita takes into account the availability of observable market prices in an active market and uses the following hierarchy to determine fair value:

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

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

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

The fair value of derivatives corresponds to the market value of the forward exchange contracts and derivatives in open orders denominated in a currency other than the functional currency and the market value of a long-term power supply contract. These securities and derivatives are measured based on quoted forward rates (Level 2).

Financial liabilities are carried at amortised cost in the Statement of Financial Position. The fair values of the financial liabilities are only shown in the Notes. They are calculated as the present value of the discounted future cash flows using yield curves that are currently observable (Level 2).

Investments of €0.4 million (31.12.2017: €0.4 million) and shares of €0.5 million (31.12.2017: €0.5 million) are equity instruments for which there are no quoted prices on an active market. It was not possible to derive a fair value based on comparable transactions. These investments and shares are immaterial in comparison with the total position of the Group.

The financial receivables approximately correspond to the fair value as no material deviation between the fair value and the carrying amount is assumed due to the amount of the receivables, and the credit default risk being 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 approximate fair value at the reporting date.

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

RHI Magnesita 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.

For information about the reconciliation of the opening and closing balances of the financial instruments classified under Level 3 refer to the Consolidated Financial Statements as of 31 December 2017 as no material changes were reported.

(16) Dividends

The Annual General Meeting on 7 June 2018 approved the pay-out of a dividend of €0.75 per share for the year 2017. Therefore, a dividend totalling €33.6 million was paid out to the shareholders of RHI Magnesita N.V. at the beginning of July 2018.

(17) Contingent liabilities

As of 30 June 2018 contingent liabilities amount to €51.2 million (31.12.2017: €40.3 million). Of this total, warranties, performance guarantees and other guarantees account for €50.9 million (31.12.2017: €39.8 million) and sureties for €0.3 million (31.12.2017: €0.5 million).

RHI Magnesita is party to tax proceedings in Brazil with the estimated amount of €157.8 million as of 30.06.2018 (31.12.2017: €178.3 million), for which no provision was set up according to IFRS, as management classified risks of loss (based on the evaluation of legal advisors) as possible but not probable. These tax proceedings are described in the Notes to the Consolidated Financial Statements of 31 December 2017.

(18) Other financial obligations

As of 30 June 2018, the RHI Magnesita Group has commitments for the purchase of property, plant and equipment in the amount of €23.3 million.

(19) Disclosures on related companies and persons

RHI Magnesita and a close relative of a non-executive director concluded a non-remunerated consultancy agreement to advise the Group on the economic and political framework in countries in which it does not yet have strong business links.

With the exception of the dividend payment received from MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria, which amounted to €10.4 million (1-6/2017: €10.2 million), no other material transactions took place between the RHI Magnesita Group and related companies and persons in the first half of 2018.

(20) Seasonal and cyclical influence

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

(21) Employees

In the first half of 2018 the average number of employees of the RHI Magnesita Group weighted by level of employment amounted to 14,098 (1-6/2017: 7,384).

(22) Events after the reporting date 30.06.2018

In line with the Group's plan to reposition its capital structure to reflect its improved financial position, on 3 August 2018 the Group successfully raised a new unsecured US$600 million 5-year term loan and revolving credit facility with a syndicate of 10 international banks. The proceeds of the new facility will be used to redeem the entire amount of the outstanding Magnesita Perpetual Bonds and prepay other short-term facilities, which will generate significant interest expense savings. The new Term Loan allows the Group flexibility and strength to pursue its long-term strategy.

On 1 August 2018, RHI Magnesita announced the merger of its three Indian subsidiaries. RHI Clasil Private Limited and RHI India Private Limited will be merged with Orient Refractories Limited, a listed company on the Mumbai stock exchange. On completion, RHI Magnesita will own approximately 70% in Orient Refractories which will be renamed to RHI Magnesita India. The transaction is expected to be completed within the next 12 months. The key objective of the merger is to combine the strengths and competences of all three companies to establish one consolidated listed company that is well positioned to seize future growth opportunities and enhance shareholder value.

After the reporting date on 30 June 2018, there were no other events of special significance which may have a material effect on the financial position and performance of the RHI Magnesita Group.

Vienna, 14 August 2018

Executive Directors

Stefan Borgas
CEO

Octavio Lopes
CFO

Non-independent Non-Executive Directors

Herbert Cordt, Chairman
Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg

David Schlaff
Fersen Lambranho

Independent Non-Executive Directors

Celia Baxter
Andrew Hosty
Jim Leng

John Ramsay
Wolfgang Ruttenstorfer
Karl Sevelda

Employee Representatives

Franz Reiter

Michael Schwarz