RHI Magnesita N.V.

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

Resilient performance in tough market conditions

RHI Magnesita, the leading global supplier of high-grade refractory products, systems and solutions, today announces its unaudited results for the six months ended 30 June 2020 ("H1 2020" or the "Period").

Highlights

(€m unless stated otherwise)	H1 2020 Adjusted[1]	H1 2019 Adjusted[2]	Change
Revenue	1,171	1,515	(22.7)%
Adjusted EBITA	133	244	(45.4)%
Adjusted EBITA margin	11.4%	16.1%	(470)bps
Adjusted EPS	€1.77	€3.20	(44.5)%
Net debt	666	669	
Net debt to adjusted LTM EBITDA	1.5x	1.1x	

	H1 2020 Reported	H1 2019 Reported
Revenue	1,171	1,541
EBITA	112	228
Profit before tax	70	165
EPS	€1.03	€2.31

[1] Adjusted figures are alternative performance measures which reflect the way in which Management assesses the underlying performance of the business. Full details of the APMs can be found on page 15

[2] H1 2019 Adjusted for constant currency at H1 2020 average FX rates

Operational Highlights

- Responded swiftly to a very challenging environment; safe working conditions established, and liquidity, production and supply chains maintained
- Prudent measures quickly taken to preserve cash, including reduced capex and dividend suspension
- Short term cost savings measures successfully executed, reducing fixed costs by €25m Q2 2020, with a similar level of savings expected in H2 2020
- Strategy remains on track; key initiatives extended to further improve cost effectiveness
  - Production Optimisation Plan on track, and opportunities to expand the scope identified
  - Additional selling and administration run-rate savings identified of €10 million in 2020 and €30 million in 2021
  - Review of internal raw material sourcing to maximise quality and cost advantage

Financial Highlights

- Revenue decreased by 22.7% at constant currency, reflecting impact of COVID-19 on customer demand
  - Steel revenue decreased by 22.4%
  - Industrial revenue decreased by 23.5%
- Robust adjusted EBITA margin performance of 11.4%
  - Refractory margin of 9.1% in H1 2020 (H1 2019 9.5%)
  - 2.3% margin contribution from backward integration, despite further falls in raw material prices

- Positive operating free cash flow of €93 million (H1 2019 €129 million)
- Stable net debt of €666 million (H1 2019: €669 million and FY 2019: €650 million) and strong financial position with liquidity of €1.1 billion

Outlook

- Conditions through Q2 have been consistent with the Group's COVID-19 planning assumptions and activity levels expected to remain subdued into Q3, with limited visibility thereafter
- Strategy unchanged with appropriate actions implemented to ensure that the business can manage effectively through an extended period of subdued demand
- Efficiency initiatives will support profitability in H2 and beyond
- Strong financial position ensures the Group is well equipped to take advantage of growth opportunities when markets improve

Commenting on the results, Chief Executive Officer, Stefan Borgas, said:

"The response of colleagues across the business to the COVID-19 crisis has been outstanding. As a result of everyone's efforts, RHI Magnesita has been able to establish safe working conditions, and maintain its production capabilities and supply chains to serve our customers throughout this challenging period. Conditions in our key markets have been consistent with the assumptions made for our Covid-19 scenario planning work and we have reacted quickly to reduced demand by taking prudent measures to preserve cash and manage costs. Whilst revenues and profits are down materially in H1, the Group has maintained double digit operating margins and positive operating cash flow.

"Activity levels are likely to remain subdued in Q3, with limited visibility into Q4. However, our strategy remains on track and we have extended a number of our key initiatives to further improve, for the longer term, our overall cost effectiveness. These initiatives, reducing SG&A and further consolidating our production network, will support the profitability in both H2 2020 and beyond.

"The long-term economic impact of COVID-19 remains uncertain. However, the business is taking appropriate actions to ensure it is able to manage effectively through an extended period of subdued demand. With significant financial strength, RHI Magnesita is well equipped to take advantage of growth opportunities when markets improve and will exit this period of disruption with positive strategic momentum."

A presentation for investors and analysts will be held today starting at 8.00am. The presentation will be webcast live and details can be found on: https://ir.rhimagnesita.com/. A dial-in facility is also available on +44 20 3936 2999 with participant pin code 781294.

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About RHI Magnesita

RHI Magnesita is the leading global supplier of high-grade refractory products, systems and solutions which are critical for high-temperature processes exceeding 1,200°C in a wide range of industries, including steel, cement, non-ferrous metals and glass. With a vertically integrated value chain, from raw materials to refractory products and full performance-based solutions, RHI Magnesita serves customers around the world, with around 13,000 employees in 35 main production sites and more than 70 sales offices. RHI Magnesita intends to leverage its leadership in terms of revenue, scale, product portfolio and diversified geographic presence to target strategically 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

The response of colleagues across the business to the COVID-19 crisis has been outstanding. As a result of everyone's efforts, RHI Magnesita has been able to safely maintain its production capabilities and supply chains to serve our customers throughout this challenging period. We have reacted quickly to reduced demand by taking prudent measures to preserve cash and manage costs. Whilst revenues and profits are down materially in H1, the Group has maintained double digit operating margins and positive operating cash flow.

Revenue for the six months to June 2020 was €1,171 million, a decrease of 22.7% compared to the same period last year on an adjusted constant currency basis. This performance broadly mirrors the declines experienced by our customers' and is consistent with the scenario planning originally set out at the 2019 Full Year Results in April. The unprecedented challenges of the COVID-19 pandemic have impacted customer activity heavily with a resultant sharp reduction in volumes across both the Steel and the Industrial Divisions. Although there has been some variability between geographies and end market segments, most of the business units experienced a material drop in volumes in the second quarter.

Adjusted EBITA of €133 million, was down 45.4% on the prior year. The Group has taken swift and effective actions to protect ongoing profitability by implementing a broad range of measures to preserve cash and reduce fixed costs. These include, the temporary closure of three plants in Europe and one in Mexico, the introduction of short time working arrangements in some plants, the deferral of €45 million of capital expenditure from 2020 and other fixed cost reduction actions. These short-term initiatives achieved a saving of €25 million in the second quarter of 2020 and have helped to maintain a double-digit Adjusted EBITA margin of 11.4%, down 470bps on the prior year. Beyond these short-term measures, management has identified additional sales and administration savings of €10 million in 2020 and €30 million in 2021. These measures will further enhance the Group's competitive position on costs.

Despite raw material prices continuing to fall in H1 2020, the Group's backward integration contributed 2.3% points towards the Adjusted EBITA margin, equivalent to €27 million of EBITA. This further demonstrates the value of the Group's integrated business model.

The Group's financial position remains strong, with stable net debt of €666m (H1 2019: €669m), available liquidity of approximately €1.1 billion and net debt to adjusted EBITDA significantly below covenant levels. The Group continues to have a strong focus on working capital management, especially inventories and accounts receivable, and expects to make further progress in the second half.

Underpinning the Group's operational performance is its continued focus on Health and Safety, beyond COVID-19, where a further improvement has been made in the lost time injury frequency rate, to achieve 0.1 lost time injury frequency rate per 200,000 hours worked, down from 0.3 in 2019. The Group continues to benefit from the preventative KPI's that have been implemented in order to reach our goal of zero-accidents.

There has been a number of isolated incidents of employees testing positive for COVID-19, most notably in Brazil and India, and alongside strict precautions on site, the Group has worked to ensure adequate healthcare provision in both our plants and the communities in which they operate.

Notwithstanding the short-term pressures of COVID-19, the Company continues to progress its Sustainability agenda and remains committed to reaching its 2025 target to reduce CO_2 emissions per tonne by 15%. The Group continues to explore new technologies to reduce our Scope 1, 2 and 3 CO_2 emissions. As an example, we have launched the new low-carbon ANKRAL LC series, with a 13% lower carbon footprint, which has been well received by customers. CO_2 emissions reduction is also one of the benefits offered in the "Cost-Per-Saving" model, set out in more detail below. In the first half 2020 the Group is very pleased to be have been awarded a 'Silver' rating by Eco Vadis.

BUSINESS IMPROVEMENT PROGRAMMES

Further progress has been made to address the operational issues experienced at four European plants and the challenges in the supply chain, as originally outlined in the 2018 full year results. Whilst current production levels are at lower levels, the Company has now fully resolved these issues and recouped a further €9 million in H1 2020 and is on-track to deliver the targeted €15 million for the full-year.

The Group has taken swift and effective actions to protect ongoing profitability by implementing a broad range of measures to preserve cash and reduce fixed costs. These short-term initiatives achieved a saving of €25 million in the second quarter of 2020 and will generate a similar level of cost savings in the second half.

Alongside the successful execution of short-term cost saving and cash preservation initiatives in Q2 2020, management is also conducting a detailed and ambitious review of the Group's cost base on a long-term basis, to make sure the business is right-sized and prepared for the challenges and opportunities ahead.

As previously announced, these plans have included sales and administration cost savings, including reducing the scale of the first three levels of management by 20%. The new structure was implemented on August 1st. The more efficient organisational structure creates a better platform to accelerate the long-term strategy and ensure that costs are aligned to current market conditions. In total this reduction in headcount, will generate run-rate sales and administration savings of €10 million in 2020 and €30 million in 2021. Severance costs of €30 million will be incurred, of which €4.8 million was recognised during H1 2020.

The Production Optimisation Plan, set out at the Capital Markets Day in November 2019, remains on track to achieve the planned €40 million of EBITA benefit by 2022, delivering initial benefits in H1 2020 of €3 million. Actions in the first half included the closure of our facilities at Hagen and Trieben. Management now believes there is significant scope to increase the anticipated benefits of this programme, by also embedding the learnings from COVID-19. Further details will be announced later in 2020.

RAW MATERIALS

Raw material prices fell over the first six months of the year, due to continued over-supply from China. DBM 97 has continued to fall in the first half of this year, overall from a high of around USD 1,200 per tonne in the fourth quarter of 2018, to USD 320 at the end of June. Fused Magnesia has also continued to fall in the first half and is now at around USD 475 per tonne.

Despite raw material prices continuing to fall in H1 2020, the Group's backward integration contributed 2.3% points towards the Adjusted EBITA margin, equivalent to €27 million of EBITA. This further demonstrates the value of the Group's integrated business model.

In H1 2020, RHI Magnesita conducted an extensive review of the Group's raw material and mining costs relative to its competitors and other suppliers. The primary conclusion of this review was that the majority of the Group's facilities produce raw materials at very competitive rates. The review also confirmed that our internal costs to produce grades of fused magnesia are too high, relative to Chinese sourced equivalent materials. This has informed the decision in early 2020 to suspend fused magnesia production facilities in Posgrunn, Norway and Contagem, Brazil and to enter into long term alternative supply arrangements.

UPDATE ON SERVICES, SOLUTIONS & INNOVATION

The development of the solutions business model continues to progress. The Group secured a strategic digital partnership with a European customer based on inventory management and the newly launched APO (Automatic Process Optimisation) tool to improve maintenance forecasting at our customers' plants.

Whilst customer site access has been restricted by COVID-19 precautions, the Group has continued to take an active approach in its sales strategies, especially its sustainability offering. Specifically, one European customer entered into a "Cost-per-saving" contract where the savings the Group delivers in CO_2 emissions per tonne increase the value of the contract.

Digitalisation remains a key element of the Company's growth strategy, particularly underpinning the development of our Solutions model. We are very pleased to have signed a strategic partnership with Microsoft. This partnership will accelerate our digital offering and support new ways of working with our customers.

Current digitalisation initiatives the Group is working on include: Augmented Reality solutions to assist employees onsite service and sales activities and customers increasing self-service; Digital Supply Chain to track raw material through to products at customer site, to better control manufacturing quality and on-site performance; IoT Edge solutions to connect machinery at customers' sites to enable predictive maintenance; and Digital Twins modelling to improve energy efficiency and reduce maintenance costs.

CAPITAL ALLOCATION POLICY AND SHAREHOLDER RETURNS

The Board's capital allocation policy remains to support the long-term Group strategy, providing flexibility for both organic and inorganic investment opportunities and delivering attractive shareholder returns over the mid-term. These opportunities will be considered against a framework of strategic fit, risk profile, rates of return, synergy potential and balance sheet strength. Dividends and share buybacks, when appropriate, are an integral part of the Company's capital allocation policy and approach to shareholder returns.

In April, the Board has decided not to recommend the payment of a final dividend for 2019 because of the uncertainty relating to COVID-19 and to prudently preserve cash. The economic uncertainty remains, particularly in respect of further outbreaks and consequential economic weakness. The Board, therefore, is not declaring an interim dividend for H1 2020 at this time.

The Board appreciates the importance of dividends, and shareholder returns more broadly, and will continue to review this, intending to resume dividend payments at the earliest opportunity.

OUTLOOK

We continue to expect that our markets will remain challenging in the short term, with activity levels likely to remain subdued into Q3 and limited visibility into Q4. However, the strategy remains on track and the Group has extended a number of key initiatives to further improve, for the longer term, its overall cost effectiveness. These initiatives, reducing SG&A and further consolidating our production network, will support the profitability in both H2 2020 and beyond.

The long-term economic impact of COVID-19 remains uncertain. However, the business is taking appropriate actions to manage effectively through an extended period of subdued demand. With significant financial strength, RHI Magnesita is well positioned to take advantage of growth opportunities when markets improve and will exit this period of disruption with positive strategic momentum.

STEEL DIVISION

Steel	Q2 2020	Q1 2020	Change[1]	H1 2020	H1 2019	Change[2]
Revenue (€m)	372	448	(16.8)%	820	1,057	(22.4)%
Gross Profit (€m)	79	105	(25.0)%	184	270	(31.9) %
Gross margin	21.2%	23.4%	(220)bps	22.4%	25.5%	(310)bps
Adj EBITA (€m)				83	157	(47.3)%
Adj EBITA margin				10.1%	14.8%	(470)bps

[1] Change Q1 2020 on a constant currency basis versus Q2 2020
[2] Change H1 2019 on a constant currency basis versus H1 2020

World Steel Association data showed that over the Period, Steel production globally contracted by 6.0% compared to the same period last year. The first quarter contracted by 1.0% and the second by 9.7%. Excluding China, Steel production globally contracted by 14.3%, with a contraction of 3.6% in the first quarter and 24.8% in the second quarter, driving weaker demand from the Group's steel customers across all regions.

These significant falls in customer production caused Steel Division revenues to decline by 22.4% in H1 2020 to €820 million compared to the same period last year at constant currency (H1 2019 €1,057 million). Gross margin declined over the same period by 310bps to 22.4%, which was predominantly due to lower sales volumes causing poorer fixed cost absorption and lower raw material prices.

Europe

The European steel market, which was already subdued by reductions in demand in 2019 especially from weakness in the automotive sector, was impacted further by the challenges of COVID-19, prompting further steel production reductions and plant shutdowns. Including the Commonwealth of Independent States (CIS), European steel production declined by 12.3% against the same period last year according to the World Steel Association. Q1 contracted by 4.9%, whilst Q2 contracted by 19.7% against the same periods last year. Steel Division revenues in Europe (including CIS) declined by 31.7% on a constant currency basis, to €222 million (H1 2019 €325 million) with customer activity in Southern Europe and Western Europe most heavily impacted. Without a local source of dolomite, the Group has struggled to maintain competitive product pricing on dolomite-based products in Europe and has lost some market share. The investment in dolomite production at Holchfilzen, as part of the production optimisation plan, aims to address this.

North America

In North America, Steel revenue declined 13.9%, to €233 million (H1 2019 €271 million). The regional performance outperformed World Steel Association data, where North America has declined by 17.6% over the same period. North America had a very strong performance in the first quarter, versus the first quarter of 2019, as the business regained market share. However, the second quarter financial performance was heavily impacted by COVID-19 as volumes declined in line with the reduced levels of steel output. Though market share remained stable into the second quarter, progress in sales strategies were delayed due to locally enforced restrictions, especially on customer sites.

North American steel capacity utlisation declined from around 80% to near 50% in the first six months of 2020. This was primarily driven by the stoppage of automobile production for a large proportion of the second quarter, an end-market that heavily influences local steel production. Automotive production restarted at the end of the second quarter, and so a moderate increase in steel production is expected in the third quarter, with improved capacity utilisation. The business anticipates some restarting of idled blast furnaces in the third quarter, in response to improved end-markets.

South America

With South America being a significant exporter of steel, the decline in global demand heavily impacted local production. The effects of the pandemic in the region were felt from April, leading to a sharp drop in production throughout the second quarter of 2020. In addition, the currency fluctuations of the Brazilian Real have brought further challenges to the industry in the pricing of industrial goods and exports. In South America, Steel Division revenue in H1 2020 declined by 23.5%, to €129 million, compared to the same period last year on a constant currency basis (H1 2019 €169 million). This decline in revenue was worse than steel production activity in the region, which according to World Steel Association data declined by 19.9% over the same period. This difference was a function of product mix between Electric Arc Furnace (EAF) and integrated steel plants customers, some market share losses as customers diversified suppliers, and currency effects.

China

COVID-19 impacted the Chinese economy in the first quarter of 2020, with the automotive sector the hardest hit. However, by the end of April the steel market was nearly fully recovered. In China, Steel revenue increased by 60.7% in H1 2020 compared to H1 2019 on a constant currency basis, to €31 million and volume shipments were almost double the same period of 2019. According to World Steel Association data, China Steel grew by 1.4% over the Period, compared to 2019. The acceleration of growth in the Steel Division in China is primarily driven by the annualisation effects of contracts won in 2019.

India

The Indian economy started to slow-down in 2019, with the subsequent impact of COVID-19 and the enforcement of a strict nationwide lock down in late March 2020 further weakening the economy. This exacerbated an already over-supplied steel market, as global demand fell sharply. The strict lockdown measures also severely disrupted the workforce and supply chains of the steel industry, including the transportation of raw materials and finished goods. In India, revenue declined by 25.9% to €81 million in H1 2020, compared to the same period of 2019 on a constant currency basis. The revenue decline is broadly in line with regional crude steel production, which according to WSA has contracted by 24.2% over the comparative period.

APAC ex-China and India

Outside of India and China, APAC revenue declined by 31.2% to €55 million in H1 2020 compared to the same period last year, on a constant currency basis, impacted by lower raw material prices. This compared to World Steel Association data, which indicated a contraction of 11.4% against the same Period. Taiwan and South Korea were particularly weak. In Vietnam, the Group has continued to win solutions contracts, although overall revenues were down.

Middle East and Africa

Excluding the contribution from Iran in 2019, revenue in MEA increased by 14.6% a constant currency basis in H1 2020 to €40.3 million, outperforming steel production in this region, which contracted by 19.9% in the same period, excluding Iran. The business performed resiliently in Saudi Arabia and in Oman, the Group won a second solutions contract, with annualized revenue of USD 50 million.

Steel division outlook

The impact of COVID-19 on the steel industry has been severe and economic conditions globally remain fragile. Steel production was down significantly in Q2 2020 and significant production capacity remains offline. Customer demand for our products is therefore weak and uncertain. With only limited visibility in the order book, the Group anticipates Q3 2020 volumes to be similar to Q2. Whilst some uptick in trading might be expected in Q4, the performance of the business globally in H2 could also be adversely affected by any deterioration in the COVID-19 situation or further industrial slow-downs. The Group is mindful of these risks and will continue to manage its cost and production base carefully.

INDUSTRIAL DIVISION

Industrial	Q2 2020	Q1 2020	Change[1]	H1 2020	H1 2019	Change[2]
Revenue (€m)	160	191	(16.2)%	351	458	(23.5)%
Gross profit (€m)	39	56	(30.6)%	96	136	(29.9)%
Gross margin	24.5%	29.6%	(510)bps	27.2%	29.7%	(250)bps
Adjusted EBITA (€m)				50	86	(41.3)%
Adjusted EBITA margin				14.4%	18.8%	(440)bps

[1] Change Q1 2020 on a constant currency basis versus Q2 2020
[2] Change H1 2019 on a constant currency basis versus H1 2020

Revenue in the first six months of 2020 amounted to €351 million (H1 2019 €458 million), down by 23.5% at constant currency. The Industrial Division maintained a relatively resilient gross margin of 27.2%, down by 250bps, against weaker revenues.

Cement/Lime

Cement/Lime segment revenue was €160 million, a decline of 12.1% against the first six months of 2019 (H1 2019 €182 million). The Cement/Lime segment performed well in the first quarter, broadly in line with the strong first quarter of 2019 and reflective of the high seasonal demand, during the annual repair cycle. Whilst a weaker Q2 performance is a characteristic of the Cement industry, it was affected by COVID-19 in the second quarter, with a sharp contraction in demand in its key end-markets, leading to reduced production and some temporary closures of cement plants in certain regions.

Industrial projects

The Industrial Projects segment (Non-ferrous metals, Glass and Energy, Environment and Chemicals) achieved revenue of €191 million in H1 2020, a decline of 31% compared to the same period last year. The weaker revenue performance was largely due to a decline in demand in the Non-ferrous metal sector. Demand in the NFM sector was affected by weaker metal production levels globally, resulting in some temporary plant closures. The Glass segment was more resilient, however still experienced some project postponements in Q2. The segment benefitted from increased demand in the pharmaceutical sector, off-set by weaker demand in construction and automotive glass.

Industrial Division outlook

Whilst the factors affecting the performance of the Industrial Division are broader than the Steel Division, the macro-economic uncertainty and commodity and oil price volatility has resulted in a challenging environment, in which customer capital expenditure has reduced and project decisions have been delayed. The Group anticipates that Cement/Lime segment out-turn will broadly follow the performance in Q2 2020, although the recovery of the Cement industry may be accelerated by potential governmental stimulus programmes especially in infrastructure projects. The Industrials Projects segment is likely to be more volatile depending on the award and phasing of new projects.

FINANCE REVIEW

Revenue for the Period amounted to €1,171 million (H1 2019 €1,515 million), down by 22.7%. The reduction in revenue was driven by weakness in both the Steel Division, where revenue declined by 22.4% to €820 million (H1 2019 €1,057 million) and the Industrial Division, where revenue was down 23.5% to €351 million (H1 2019 €458 million).

The Group delivered gross margin of 23.8%, a reduction of 290bps against the same period last year. Gross margin over the period for the Steel Division decreased by 310bps to 22.4% (H1 2019 25.5%). The Industrial Division gross margin was more resilient at 27.2%, decreasing by 250bps (H1 2019 29.7%).

Adjusted EBITDA margin for the last six months was 16.6%, compared to 19.8% over the same period last year, decreasing by 320 bps and reflective of the weaker market backdrop. The depreciation for the Full Year 2020 is likely to be lower, at around €120 million, largely due to currency effects.

Adjusted EBITA declined by 45.4% on a constant currency basis, to €133 million (H1 2019 €244 million), predominantly due to COVID-19 driving weaker volumes and lower fixed cost absorption in our production. Additionally, operating profit was affected by the falls in raw material prices. This has been partially offset by the measures the Group has introduced in response to the challenging market backdrop. The Group has also started to derive benefits from the Production Optimisation Plan, announced at the Capital Markets Day in November 2019, of €3 million, and will benefit from the acceleration of this programme in H2.

The Group recorded an EBITA margin of 11.4% down by 470bps compared to 16.1% for the same period last year. The Refractory margin contributed 9.1% of Group EBITA margin (H1 2019 9.5%) and the backward integration contributed 2.3% (H1 2019 5.7%).

Net financial expenses in H1 2020 amounted to €37.1 million (H1 2019 €45.3 million), as the Group continues to benefit from lower net bank interest expenses following the refinancing completed in H2 2018 and H1 2019. Interest expenses on borrowing were €9.3 million (H1 2019 €19.4 million) and €14.8 million (H1 2019 €19.9 million) was recognised in other net financial expenses. Total foreign exchange and derivative variances amounted to €15.5 million (H1 2019 €9.5 million).

Total tax for H1 2020 in the income statement amounted to €19.0 million (H1 2019 €43.5 million), representing a 27.1% effective tax rate (FY 2019: 25.5%). This tax rate is higher than recent years as a consequence of lower volumes and restructuring charges not benefitting from tax deductibility. Adjusted profit before tax amounts to €112.4 million, and the respective adjusted effective tax rate is 22.0% (FY 2019: 20.6%).

On a reported basis, the Group has recorded a profit after tax of €51.2 million (H1 2019 €121.2 million) and earnings per share of €1.03 in H1 2020 (H1 2019 €2.31). Adjusted earnings per share for H1 2020 were €1.77, which is stated after excluding other income and expenses and restructuring charges (€21.4 million), the impact of amortisation (€10.0 million), other financial income and expenses (€3.5 million), foreign exchange variances on Intercompany dividends (€7.4 million) and a higher implied tax charge of (€5.8 million).

(€m)	H1 2020 Reported	Items excluded from adjusted performance	H1 2020 Adjusted
EBITA	**111.8**	**21.4**	**133.2**
Amortisation	(10.0)	10.0	-
Net financial expenses	(37.1)	10.9	(26.2)
Result of profit in joint ventures	5.4	-	5.4
Profit before tax	**70.2**	**42.3**	**112.4**
Income tax	(19.0)	(5.8)	(24.8)
Profit after tax	**51.2**		**87.7**
Non-controlling interest	(0.8)		(0.8)
Profit attributable to shareholders	50.4		86.9
Shares outstanding[1]	49.1		49.1
Earnings per share	**1.03**		**1.77**

[1] Weighted average number of shares outstanding at 30 June 2020

CASH FLOW AND WORKING CAPITAL

Operating free cash flow, which is presented to reflect net cash inflow from operating activities before tax and net finance expenses, was €93 million for H1 2020 (H1 2019 €129 million), representing an improved cash conversion of 70% (H1 2019 55%). Operating free cash flow was down due to the significantly lower revenues and weaker operational performance in the first six months of 2020.

Working capital, overall, reduced to €497 million compared to the same period last year (H1 2019 €642 million, FY 2019 €523 million), reflecting the success of the Group's working capital initiatives, such as the introduction of the Total Network Optimisation tool, part of the Group's supply chain transformation programme.

Working Capital led to a cash outflow of €10 million. The overall improvement in working capital (€25 million), was offset by the adverse impact from currency (€37 million). The acquisition of Missouri Refractories Co Inc in January 2020 contributed an additional cash inflow of €2 million. Over the Period, Inventories reduced by 4% to €578 million (FY 2019 €603 million), Accounts Receivable reduced by 33% to €183 million (FY 2019 €274 million), and Accounts Payable reduced by 26% to €263 million (FY 2019 €354 million) primarily as a result of lower business activity.

Working capital intensity, measured as a percentage of the last three months annualised revenue, increased in H1 2020 to 23.4% compared to 21.0% in the same period last year. Working capital intensity also increased against the 18.3% achieved for the FY 2019. Additional measures have been implemented in the period to mitigate increased inventory intensity levels. The Group continues to manage its working capital levels closely and we expect to see an improvement in working capital intensity second half of 2020.

There has been no increase in bad debts to date and the Group's overdues as a percentage of sales reduced to the lowest level since the merger, through a strong focus on customer accounts receivable management. However, this area continues to require focus from the Group, especially in India.

In the first six months, the Group reduced its expenditure on maintenance projects in line with lower production volumes. However, it continues to prioritise capital expenditure on strategic projects, which remain on track despite COVID-19. Of the €57 million spent on capital expenditure in the first six months of 2020 (H1 2019 €50 million), €25 million was spent on maintenance and €32 million spent on strategic projects. In H2, the Group currently plans to spend around €93 million, although this figure is likely to increase with the extension of the production optimisation plan.

Net interest payments on net debt and further refinancing costs amounted to €17 million in the Period (H1 2019 €33 million).

Cash Flow

	H1 2020 €m	H1 2019 €m
Adjusted EBITA	133	234
Working Capital	-10	-118
Changes in Other Assets/Liabilities	-34	-9
Capital Expenditure (including pre-payments)	-57	-50
Depreciation	61	71
Operating Free Cash Flow[1]	**93**	**129**
Cash tax	-21	-28
Net financial expenses	-17	-33
Restructuring/Transaction Costs	-10	-3
Dividend payments	-25	0
Magnesita minority acquisition	0	-45
Free Cash Flow[1]	**20**	21

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

FINANCIAL POSITION

The Group continues to have a strong financial position with a resilient balance sheet and no material debt maturity before 2023.

The Group's net debt as at 30 June 2020 was €666 million, comprising total debt of €1,199 million, cash and cash equivalents and marketable securities of €533 million. As at 30 June 2020, total operating and financial leases amounted to €59 million (H1 2019 €58 million), which is included in the Company's net debt position following the introduction of IFRS 16 Leases.

At 1.5x net debt to EBITDA at H1 2020, the Group is significantly beneath its net debt to EBITDA covenant, which with the support of our banking group has been prudently increased from 3.5x to 5.0x until December 2021 and thereafter will revert to 3.5x. However, it is at the upper end of the Company target range of 0.5-1.5x, due to EBITDA falling during the period and the Group intends to prioritise returning to below range in the short term. The group will have debt maturities of €16 million in the second half of 2020 and €41 million in 2021.

Capitalisation Table	30 June 2020 (€m)
OeKB Term Loan	466
US$ Term Loan + RCF	178
Schuldschein	400
Other Loans and Facilities[1]	154
Total Gross Indebtedness	**1,199**
Cash, Equivalents and Marketable Securities	533
Net Debt	**666**

[1] Including IFRS 16 lease liabilities of €59 million

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 2019 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 first half of the financial year:

1. Macroeconomic environment and condition of customer industries leading to significant sales volume reductions;
2. Inability to execute key strategic initiatives;
3. Lack of competitiveness of internally sourced raw materials (principally Fused Magnesia), fluctuations in exchange rates and energy prices;
4. Significant changes in the competitive environment or speed of disruptive innovation;
5. Business interruption and supply chain disruption;
6. Sustainability – environment risks;
7. Sustainability – health & safety risks;
8. Regulatory and compliance risks;
9. Cyber information security risk; and
10. Product quality failure.

The level of uncertainty regarding the future development of the macroeconomic environment has increased since we presented the 2019 Annual Report due to COVID-19 pandemic, alongside pre-existing geopolitical pressures and the potential 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 ones mentioned here, some of them being currently unknown or not considered to be material.

The risk likelihood and potential impact of some of the principal risks have increased during H1 2020 primarily due to COVID-19. As a consequence, these principal risks increased their potential to exceed the risk appetite and are being subject to enhanced monitoring and mitigation.

A description of RHI Magnesita's risk management practices, principal risks and how they impact. The updated integrated comprehensive analysis of the principal risks faced by RHI Magnesita will be included in the 2020 Annual Report.

RELATED PARTY TRANSACTIONS

RHI Magnesita enters into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and RHI Magnesita considers these arrangements to be related party transactions. Furthermore, RHI Magnesita considers transactions with key management personnel to be related party transactions. As of the balance sheet date, 30 June 2020, there have been no significant changes in the related party transactions from those described in RHI Magnesita's 2019 Annual Report.

GOING CONCERN

The global economic downturn due to the COVID-19 pandemic during the first half of 2020 resulted in a reduction of revenue for RHI Magnesita Group as the economic activities in the Steel and Industrial Segments are closely linked to the developments of the global markets. Given the ongoing uncertainties in scope and length of this development, the market environment may remain volatile and challenging. Therefore, the Group cannot give a reliable estimate on potential future quantitative impacts. However, it is not expected that the COVID-19 pandemic will have a material negative impact on the ability of the Group to operate as a going concern. As already disclosed in the Consolidated Financial Statements 2019, as part of assessing the ability to continue as a going concern, RHI Magnesita conducted three scenario analyses (Scenario A, B and C) considering different levels of revenue reduction, working capital implications and mitigation actions. In each scenario, sufficient liquidity and headroom on the Group's covenants were demonstrated. Based on the available information for the first six months of 2020, our most recent full year forecast is midway between Scenarios A and B. The Group has still no information available that Scenario C is likely to occur. The Group remains compliant with its financing covenant and will have sufficient liquidity to meet obligations when they fall due for a period of at least 12 months after release of the Condensed Interim Financial Statements 2020. As of 30 June 2020, the Group continues to benefit from a strong financial position, with low leverage and significant liquidity. As at 30 June 2020 the Group has liquid resources of €532.5 million comprising cash and cash equivalents, as well as since January 2020 a committed and unutilised credit facility amounting to €600.0 million. Furthermore, no material repayments of borrowings to financial institutions until 2023 have to be made. Therefore, it is very likely that liquidity security is ensured for a period of at least 12 months after the date of release of the Condensed Interim Financial Statements 2020.

ALTERNATIVE PERFORMANCE MEASURE (“APM”)

APMs used by the Group are reviewed below to provide a definition 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. Commentary within the Year-End Results, including the Financial Review, as well as the 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
Adjusted and Adjusted results at constant currency The H1 2018 Adjusted results are, where appropriate, adjusted to reflect the purchase price allocation ("PPA") related to the acquisition of Magnesita and other adjustments. This measure provides an estimation of the historical financial performance of the current Group structure. H1 2018 figures presented at constant currency represent H1 2018 reported figures translated at average H1 2019 exchange rates.

EBITA
EBIT, as presented in Consolidated Statement of Profit and Loss, excluding amortisation and impairments.

EBITDA
EBIT, as presented in Consolidated Statement of Profit and Loss, excluding depreciation, amortisation and impairments.

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 as presented in Consolidated Statement of Profit and Loss.

Adjusted earnings per share (“Adjusted EPS”)
Adjusted EPS is used to assess the Company's operational performance per ordinary share outstanding. It is calculated using adjusted EBITA (as described above) and removes the impact of certain foreign exchange effects, amortisation, one-off restructuring expenses and impairments, other non-cash financial income and expenses, that are not directly related to operational performance. Effective tax rate for adjusted EPS is calculated by applying the effective tax rate normalised for restructuring expenses and impairments.

Operating cash flow and free cash flow
Alternative measures for cash flow are presented to reflect net cash inflow from operating activities before certain items. Free cash flow is considered relevant to reflect the cash performance of business operations after meeting the usual obligations of financing and tax. It is therefore measured before all other remaining cash flows, being those related to acquisitions and disposals, other equity-related and debt-related funding movements, and foreign exchange impacts on financing and investing activities.

Working capital

Working capital and intensity provides a measure how efficient the Company is in managing operating cash conversion cycles. Working capital is the sum of manageable working capital, composed of inventories, trade receivables and trade payables and other receivables and payables. Working capital intensity is measured as a percentage of last three months annualised revenue.

Net debt

We present an alternative measure to bring together the various funding sources that are included in the Consolidated Balance Sheet and the accompanying notes. Net debt is a measure defined in the Group’s principal financing arrangements and reflects the net indebtedness of the Group and includes all cash, cash equivalents and marketable securities; and any debt or debt-like items.

Condensed Consolidated Interim Financial Statements as of 30.06.2020

Condensed Consolidated Statement of Financial Position

as of 30.06.2020

in € million	Notes	30.06.2020	31.12.2019
ASSETS			
Non-current assets			
Goodwill		114.7	117.5
Other intangible assets		276.9	319.0
Property, plant and equipment	(10)	997.2	1,106.8
Investments in joint ventures and associates	(6)	15.2	19.5
Other non-current financial assets		14.8	15.4
Other non-current assets		36.5	39.5
Deferred tax assets		186.8	181.9
		1,642.1	**1,799.6**
Current assets			
Inventories	(11)	578.2	602.7
Trade and other current receivables	(12)	338.1	432.7
Income tax receivables		20.8	17.3
Other current financial assets		1.1	0.1
Cash and cash equivalents		532.5	467.2
		1,470.7	**1,520.0**
		3,112.8	**3,319.6**

in € million	Notes	30.06.2020	31.12.2019
EQUITY AND LIABILITIES			
Equity			
Share capital		49.5	49.5
Group reserves		677.7	774.4
Equity attributable to shareholders of RHI Magnesita N.V.		727.2	823.9
Non-controlling interests		20.4	20.8
		747.6	**844.7**
Non-current liabilities			
Borrowings	(13)	1,023.2	983.5
Other non-current financial liabilities		97.5	105.1
Deferred tax liabilities		50.6	54.0
Provisions for pensions	(14)	319.1	328.1
Other personnel provisions	(15)	74.5	75.8
Other non-current provisions		75.8	98.5
Other non-current liabilities		6.3	7.3
		1,647.0	**1,652.3**
Current liabilities			
Borrowings	(13)	116.7	71.5
Other current financial liabilities	(20)	49.2	31.9
Trade payables and other current liabilities	(16)	464.3	614.0
Income tax liabilities		38.7	35.4
Current provisions	(17)	49.3	69.8
		718.2	**822.6**
		3,112.8	**3,319.6**

Condensed Consolidated Statement of Profit or Loss

from 01.01.2020 to 30.06.2020

in € million for the six months ended 30 June	Notes	2020	2019
Revenue	(25)	1,170.8	1,541.5
Cost of sales		(891.7)	(1,141.8)
Gross profit		**279.1**	**399.7**
Selling and marketing expenses		(60.6)	(66.5)
General and administrative expenses		(95.2)	(113.1)
Restructuring and write-down expenses	(18)	(13.8)	(6.1)
Other income	(19)	7.7	15.3
Other expenses	(20)	(15.3)	(15.5)
EBIT		**101.9**	**213.8**
Interest income		2.5	3.5
Interest expenses on borrowings		(9.3)	(19.4)
Net expense on foreign exchange effects and related derivatives	(21)	(15.5)	(9.5)
Other net financial expenses	(22)	(14.8)	(19.9)
Net finance costs		**(37.1)**	**(45.3)**
Share of profit/ (loss) of joint ventures and associates	(6)	5.4	(3.8)
Profit before income tax		**70.2**	**164.7**
Income tax	(23)	(19.0)	(43.5)
Profit after income tax		**51.2**	**121.2**
attributable to shareholders of RHI Magnesita N.V.		50.4	113.5
attributable to non-controlling interests		0.8	7.7

in €			
Earnings per share – basic		1.03	2.31
Earnings per share – diluted		1.01	2.31

Condensed Consolidated Statement of Comprehensive Income

from 01.01.2020 to 30.06.2020

in € million for the six months ended 30 June	Notes	2020	2019
Profit after income tax		**51.2**	**121.2**
Currency translation differences			
Unrealised results from currency translation	(7)	(169.0)	14.1
Deferred taxes thereon		27.4	(0.4)
Current taxes thereon		1.2	(0.3)
Unrealised results from net investment hedge		0.1	0.0
Reclassification to profit or loss		0.3	0.0
Cash flow hedges			
Unrealised fair value changes		(7.9)	(10.0)
Deferred taxes thereon		2.0	2.5
Reclassification to profit or loss		0.0	(0.7)
Items that will be reclassified subsequently to profit or loss, if necessary		**(145.9)**	**5.2**
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans	(14/15)	(6.9)	(40.7)
Deferred taxes thereon		1.8	12.0
Items that will not be reclassified to profit or loss		**(5.1)**	**(28.7)**
Other comprehensive loss after income tax		**(151.0)**	**(23.5)**
Total comprehensive (expense)/ income		**(99.8)**	**97.7**
attributable to shareholders of RHI Magnesita N.V.		(99.4)	88.2
attributable to non-controlling interests		(0.4)	9.5

Condensed Consolidated Statement of Cash Flows

from 01.01.2020 to 30.06.2020

in € million	Notes	2020	2019
Cash generated from operations	**(24)**	**124.1**	**176.3**
Income tax paid less refunds		(21.1)	(27.8)
Net cash inflow from operating activities		**103.0**	**148.5**
Investments in property, plant and equipment and intangible assets		(57.7)	(50.3)
Investments in subsidiaries net of cash acquired		(8.5)	(0.5)
Cash inflows from the sale of property, plant and equipment		2.3	1.4
Cash inflows from the sale of securities and shares		0.0	38.1
Dividends received from joint ventures and associates		9.8	12.6
Interest received		2.9	3.9
Investments in/ cash inflows from non-current receivables		0.1	0.0
Net cash (outflow)/ inflow from investing activities		**(51.1)**	**5.2**
Acquisition of non-controlling interests		0.0	(44.6)
Dividend payments to shareholders of the Group		(24.5)	0.0
Proceeds from borrowings and loans		96.5	225.3
Repayments of borrowings and loans		(3.6)	(254.0)
Changes in current borrowings		(7.2)	(3.2)
Interest payments		(13.4)	(29.0)
Repayment of lease obligations		(8.1)	(6.4)
Interest payments from lease obligations		(0.6)	(0.4)
Cash flows from derivatives		0.0	(7.3)
Net cash inflow/ (outflow) from financing activities		**39.1**	**(119.6)**
Total cash flow		**91.0**	**34.1**
Change in cash and cash equivalents		**91.0**	**34.1**
Cash and cash equivalents at beginning of year		467.2	491.2
Foreign exchange impact		(25.7)	0.7
Cash and cash equivalents at half year-end		532.5	526.0

Condensed Consolidated Statement of Changes in Equity

from 01.01.2020 to 30.06.2020

		Group reserves									
						Accumulated other comprehensive income					
in € million	Share capital	Treasury shares	Additional paid-in capital	Mandatory reserve	Retained earnings	Cash flow hedges	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI Magnesita N.V.	Non-controlling interests	Total equity
Notes							(14/15)				
01.01.2020	**49.5**	**(18.8)**	**361.3**	**288.7**	**379.6**	**(11.0)**	**(145.6)**	**(79.8)**	**823.9**	**20.8**	**844.7**
Profit after income tax	**-**	**-**	**-**	**-**	**50.4**	**-**	**-**	**-**	**50.4**	**0.8**	**51.2**
Currency translation differences	-	-	-	-	-	-	-	(138.8)	(138.8)	(1.2)	(140.0)
Market valuation of cash flow hedges	-	-	-	-	-	(5.9)	-	-	(5.9)	-	(5.9)
Remeasurement of defined benefit plans	-	-	-	-	-	-	(5.1)	-	(5.1)	-	(5.1)
Other comprehensive expense after income tax	**-**	**-**	**-**	**-**	**-**	**(5.9)**	**(5.1)**	**(138.8)**	**(149.8)**	**(1.2)**	**(151.0)**
Total comprehensive expense	**-**	**-**	**-**	**-**	**50.4**	**(5.9)**	**(5.1)**	**(138.8)**	**(99.4)**	**(0.4)**	**(99.8)**
Share-based expenses	-	-	-	-	2.7	-	-	-	2.7	-	2.7
Transactions with shareholders	**-**	**-**	**-**	**-**	**2.7**	**-**	**-**	**-**	**2.7**	**-**	**2.7**
30.06.2020	**49.5**	**(18.8)**	**361.3**	**288.7**	**432.7**	**(16.9)**	**(150.7)**	**(218.6)**	**727.2**	**20.4**	**747.6**

in € million	Share capital	Additional paid-in capital	Mandatory reserve	Retained earnings	Cash flow hedges	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI Magnesita N.V.	Non-controlling interests	Total equity
		Group reserves								
					Accumulated other comprehensive income					
Notes						(14/15)				
01.01.2019	**48.3**	**305.5**	**288.7**	**351.0**	**(5.0)**	**(114.2)**	**(73.8)**	**800.5**	**84.8**	**885.3**
Profit after income tax	**–**	**–**	**–**	**113.5**	**–**	**–**	**–**	**113.5**	**7.7**	**121.2**
Currency translation differences	–	–	–	–	–	–	11.5	11.5	1.9	13.4
Market valuation of cash flow hedges	–	–	–	–	(8.1)	–	–	(8.1)	(0.1)	(8.2)
Remeasurement of defined benefit plans	–	–	–	–	–	(28.7)	–	(28.7)	–	(28.7)
Other comprehensive income after income tax	**–**	**–**	**–**	**–**	**(8.1)**	**(28.7)**	**11.5**	**(25.3)**	**1.8**	**(23.5)**
Total comprehensive income	**–**	**–**	**–**	**113.5**	**(8.1)**	**(28.7)**	**11.5**	**88.2**	**9.5**	**97.7**
Dividends	–	–	–	(74.2)	–	–	–	(74.2)	–	(74.2)
Issue of ordinary shares related to the mandatory tender offer of Magnesita	1.2	55.8	–	–	–	–	–	57.0	–	57.0
Acquisition in non-controlling interests without change of control	–	–	–	(16.9)	0.1	(2.1)	(4.6)	(23.5)	(74.0)	(97.5)
Share-based expenses	–	–	–	1.3	–	–	–	1.3	–	1.3
Transactions with shareholders	**1.2**	**55.8**	**–**	**(89.8)**	**0.1**	**(2.1)**	**(4.6)**	**(39.4)**	**(74.0)**	**(113.4)**
30.06.2019	**49.5**	**361.3**	**288.7**	**374.7**	**(13.0)**	**(145.0)**	**(66.9)**	**849.3**	**20.3**	**869.6**

Explanatory Notes

to the Condensed Consolidated Interim Financial Statements as of 30.06.2020

PRINCIPLES AND METHODS

1. General

RHI Magnesita N.V. (the "Company"), a public company with limited liability under Dutch law is registered with the Dutch Trade Register of the Chamber of Commerce under the number 68991665 and has its corporate seat in Arnhem, Netherlands. The administrative seat and registered office is located at Kranichberggasse 6, 1120 Vienna, Austria.

The Condensed Consolidated Interim Financial Statements as of 30 June 2020 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 Condensed Consolidated Interim Financial Statements do not include all information and disclosures required in the Annual Financial Statements and should therefore be read in conjunction with RHI Magnesita's Consolidated Financial Statements as of 31 December 2019. All amounts in the explanatory notes and tables are shown in € million, unless indicated otherwise. For computational reasons, rounding differences may occur.

The Condensed Consolidated Interim Financial Statements as of 30 June 2020 were not audited but reviewed by PricewaterhouseCoopers Accountants N.V.

Update of disclosures related to significant uncertainties and going concern linked to COVID-19

The global economic downturn due to the COVID-19 pandemic during the first half of 2020 resulted in a reduction of revenue for the Group as the economic activities in the Steel and Industrial Segments are closely linked to the global economy. Given the ongoing uncertainties, the market environment may remain volatile and challenging. Therefore, the Group cannot give a reliable estimate on future quantitative impacts. However, it is not expected that the COVID-19 pandemic will have a material negative impact on the ability of the Group to operate as going concern. As already disclosed in the Consolidated Financial Statements 2019, as part of assessing the ability to continue as a going concern, RHI Magnesita conducted three scenario analyses (Scenario A, B and C) considering different levels of revenue reduction, working capital implications and mitigating actions. In each scenario, sufficient liquidity and headroom on the Group's covenants were demonstrated. Based on the available information for the first six months 2020, our most recent forecast is midway between Scenarios A and B. The Group has still no expectation that Scenario C is likely to occur. The Group remains compliant with its financing covenant and will have sufficient liquidity to meet obligations when they fall due for a period of at least 12 months after release of the Condensed Consolidated Interim Financial Statements 2020. As of 30 June 2020, the Group continues to benefit from a strong financial position, with low leverage and significant liquidity. As at 30 June 2020 the Group has liquid resources of €532.5 million comprising cash and cash equivalents as well as since January 2020 a committed and unutilised credit facility amounting to €600.0 million. Furthermore, no material repayments of borrowings to financial institutions until 2023 have to be made. Therefore, it is highly likely that liquidity security is maintained for a period of at least 12 months after the date of release of the Condensed Consolidated Interim Financial Statements 2020.

2. Initial application of new financial reporting standards

Except for 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
Amendments of standards			
IAS 1, IAS 8	Definition of Material	31.10.2018 (29.11.2019)	No material effect
IFRS 3	Business Combinations	22.10.2018 (21.04.2020)	No effect
Various	Amendments to References to the Conceptual Framework in IFRS Standards	29.03.2018 (29.11.2019)	No effect
IFRS 16	Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions	28.05.2020 (28.05.2020)	No effect

1) According to EU Endorsement Status Report of 06.07.2020.

IFRS 16 "Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions"

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if the following conditions are met cumulatively:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

RHI Magnesita has evaluated the effect of applying the amendment to IFRS 16 Leases "COVID-19-Related Rent Concessions" with the conclusion that there is no effect to be expected to the Group.

3. New financial reporting standards not yet applied

The IASB issued further standards, amendments to standards and interpretations, whose application is, however, not yet mandatory as at 30 June 2020. The following financial reporting standards had not yet been adopted by the EU and were not applied early on a voluntary basis. They are not expected to have a significant impact on the RHI Magnesita Condensed Consolidated Interim Financial Statements.

Standard	Title	Publication[1]	Mandatory application for RHI Magnesita	Expected effects on RHI Magnesita Consolidated Financial Statements
New standards and interpretations				
IFRS 14	Regulatory Deferral Accounts	30.01.2014	No EU endorsement	Not relevant
IFRS 17	Insurance Contracts	18.05.2017	01.01.2021	Not relevant
Amendments of standards				
IAS 1	Classification of Liabilities as Current or Non-current	23.01.2020	01.01.2023	No material effects expected
IFRS 3, IAS 16, IAS 37	Amendments to IFRS 3 Business Combinations; IAS 16 Property Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020	14.05.2020	01.01.2022	No material effects expected
IFRS 4	Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	25.06.2020	01.01.2021	Not relevant

1) According to EU Endorsement Status Report of 06.07.2020.

4. Changes in comparative information

Consolidated Statement of Profit or Loss

In 2019 RHI Magnesita initiated its Production Optimisation Plan which led to a recognition of restructuring expenses and asset write-downs. In line with the materiality principle this effect has been disclosed separately on the face of the Statement of Profit or Loss, therefore the comparative figures for the first six months 2019 have been adjusted accordingly.

Segment reporting

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. The assets that contribute to the raw material production for internal use are now allocated to the segment based on its relative revenue contribution. This results in a more transparent reporting of the revenue generated through its assets. The comparative figures for segment assets as well the segmentation for depreciation and amortisation charges have been adjusted accordingly.

5. Group of consolidated companies

Acquisition of MORCO

On 29 January 2020 the Group acquired 100% of shares in Missouri Refractories Co. Inc. (MORCO) in order to strengthen its position in the North American refractory market. The purchase price amounted to €8.8 million and was paid in cash. The site is strategically located in the Midsouth of the United States, a region that is growing in importance for RHI Magnesita. It produces over 400 high-quality monolithic mixes, which serve a multitude of industries, including steel, cement, lime and glass.

The fair values of the assets and liabilities recognised as a result of the acquisition are presented as follows:

in € million	29.01.2020
Property, plant and equipment	2.4
Inventories	1.4
Trade and other current receivables	1.8
Cash and cash equivalents	0.3
Deferred tax liabilities	(0.1)
Trade payables and other current liabilities	(0.8)
Net assets acquired	**5.0**
Goodwill	3.8
Purchase price	**8.8**

The goodwill created in the course of the acquisition reflects the expected strategic advantage for the Group in the North American refractory market and is allocated to the Cash Generating Unit Linings. The goodwill cannot be deducted for tax purposes.

The external costs related to the acquisition amounted to €0.1 million and are recognised in other expenses.

The fair value of trade and other current receivables acquired amounts to €1.8 million and corresponds to the gross contractual amount for trade and other current receivables.

In the period from February to June 2020, MORCO generated revenue of €3.3 million and profit after income tax of €0.2 million. If the acquisition had been carried out at 1 January 2020, consolidated revenue would have amounted to €4.2 million and profit after income tax to €0.3 million.

6. Investments in joint ventures and associates

For the first six months of 2020 the profit share of joint venture MAGNIFIN Magnesiaprodukte GmbH & Co KG., St.Jakob, Austria amounted to €5.5 million (1-6 2019: €5.3 million).

7. Foreign currency translation

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

		Closing rate		Average rate[1]	
Currencies	1 € =	30.06.2020	31.12.2019	1-6/2020	1-6/2019
Argentine Peso	ARS	78.94	67.09	70.23	46.43
Brazilian Real	BRL	6.06	4.51	5.28	4.36
Canadian Dollar	CAD	1.53	1.46	1.50	1.51
Chilean Peso	CLP	917.28	842.57	893.25	769.83
Chinese Renminbi Yuan	CNY	7.93	7.81	7.76	7.66
Indian Rupee	INR	84.70	79.90	81.08	79.36
Mexican Peso	MXN	25.91	21.19	23.39	21.87
Norwegian Krone	NOK	10.91	9.88	10.68	9.75
Pound Sterling	GBP	0.91	0.85	0.87	0.87
Swiss Franc	CHF	1.07	1.09	1.07	1.13
South African Rand	ZAR	19.39	15.78	18.04	16.11
US Dollar	USD	1.12	1.12	1.10	1.13

1) Arithmetic mean of the monthly closing rates.

8. Impairment testing

Impairment of property, plant and equipment, goodwill and other intangible assets

Property, plant and equipment, including right-of-use assets, intangible assets and goodwill, are tested for impairment if there is any indication that the value of these items may be impaired. The ongoing economic uncertainty in connection with the COVID-19 crisis and the reduction of customer production in the Steel and Industrial Division is an indication that RHI Magnesita's assets may be impaired. As a result, management performed an impairment test as of 30 June 2020.

Basis for planning

The key assumptions used to calculate the recoverable amount and to determine the Cash Generating Units to be tested were those disclosed in the Annual Consolidated Financial Statements as of 31 December 2019 and updated considering the latest developments of the COVID-19 pandemic. Consequently, a U-shape recovery was considered as a base scenario for the planning period. This scenario is based on external market indicators as well as on the current status of the internal demand plan. It considers the different speed of recovery for the relevant CGUs. The effects from the fix costs reduction measures have been considered to the extent to which the Group has already implemented this plan.

			2020			2019
	Discount rate before Tax	Perpetual annuity growth rate	Goodwill in € million	Discount rate before Tax	Perpetual annuity growth rate	Goodwill in € million
Steel Division – Linings	9.1%	0.9%	86.6	7.9%	0.9%	88.6
Steel Division – Flow Control	8.9%	0.9%	27.2	7.7%	0.9%	27.2

The remaining goodwill of € 0.9 million (31.12.2019: €1.7 million) is spread among the remaining CGU's, all of them having sufficient headroom.

Result of impairment test

Based on the impairment test conducted at 30 June 2020, the recoverability of the assets was demonstrated in all CGUs.

Sensitivity to changes in assumptions

The growth rate assumptions have been updated for the current economic outlook. It is however possible that due to the economic uncertainty there may be a need to reduce the growth rate in the future. The discount rate has been adjusted to reflect the risks which are specific to the respective CGUs and was estimated based on the weighted average cost of capital. In the future it may be required to adapt the discount rate based on the changing risks for the industry.

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 25%, reduction in the form of the contribution margin by 10% and reduction of the growth rate in terminal value by 50%. In all CGUs, these simulations do not result in impairments. Likewise, in all CGUs a reduction of the discount rate by 25%, an increase in profitability in the form of the contribution margin by 10% and an increase in the growth rate in terminal value by 50% do not result in reversals of impairments.

9. Principles of accounting and measurement

RHIM Group reviewed its estimates regarding usage and physical wear and tear of property, plant and equipment on plants and productions sites. This reassessment resulted in a decrease of depreciation expenses by €5.1 million in the current reporting period and by €10.2 million on a full year basis. A detailed breakdown of the effects for future periods is impracticable as of now.

10. Property, plant and equipment

In the first half of 2020 additions to property, plant and equipment amount to €51.1 million (01–06/2019: €44.4 million) and mainly refer to an expansion of a dolomite plant in Austria.

11. Inventories

Inventories as presented in the Consolidated Statement of Financial Position consist of the following items:

in € million	30.06.2020	31.12.2019
Raw materials and supplies	128.3	134.5
Work in progress	120.4	123.9
Finished products and goods	318.1	334.0
Prepayments made	11.4	10.3
Inventories	**578.2**	**602.7**

12. Trade and other current receivables

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

in € million	30.06.2020	31.12.2019
Trade receivables	227.7	317.5
Contract assets	1.9	1.9
Other taxes receivable	68.9	84.9
Receivables from joint ventures and associates	0.9	2.1
Prepaid expenses	4.4	2.3
Receivables from property transactions	2.3	2.7
Emission rights	1.7	1.7
Receivables from employees	8.2	3.4
Prepaid transaction costs related to financial liabilities	2.0	0.0
Receivables from non-consolidated subsidiaries	0.2	0.2
Other current receivables	19.9	16.0
Trade and other current receivables	**338.1**	**432.7**
thereof financial assets	233.0	324.2
thereof non-financial assets	105.1	108.5

RHI Magnesita entered into factoring agreements and sold trade receivables to financial institutions. The balance sold totalled € 193.5 million as of 30 June 2020 (31.12.2019: € 223.0 million). The trade receivables have been derecognised as substantially all risks and rewards as well as control have been transferred. Payments received from customers in the period between the last sale of receivables and the reporting date are recognised in current borrowings.

Other taxes receivable include VAT credits and receivables from energy tax refunds, research, education and apprentice subsidies.

13. Borrowings

Borrowings include all interest-bearing liabilities due to financial institutions and other lenders.

In January 2020 RHI Magnesita has refinanced its USD 400.0 million revolving credit facility in order to further strengthen the capital structure and extend the debt maturity. The new revolving credit facility has been converted to EUR, increased to €600.0 million and the maturity has been extended to 2025.

RHI Magnesita strengthened its financial structure by signing a new €60.0 million 2-year term loan guaranteed by the Austrian export credit agency (OeKB) in April 2020. RHI Magnesita took out this revolving credit facility under the program of “COVID-19-Help” in order to ensure location security and business continuity. The interest rate is the OeKB refinancing rate plus a margin between 0.5% and 0.7%, according to Group Leverage. RHI Magnesita borrows currently at the lowest margin of 0.5%. The final maturity of the loan is March 2022. Cash inflows from the new term loan in the amount of €60.0 million are shown in the Consolidated Statement of Cash Flows in proceeds from borrowings and loans.

Net debt excluding lease liabilities/adjusted EBITDA is the main financial covenant of the loan agreements. Compliance with the covenants is measured on a semi-annual basis. Covenant ratio is limited at 3.5. Breach of covenants leads to an anticipated maturity of loans. The covenant ratio was renegotiated in the course of COVID-19 and will be limited at 5.0 as at 31 December 2020 and at 30 June 2021. During 2020 and 2019, the Group met all covenant requirements. The key performance indicator for net debt in the RHI Magnesita Group is the Group leverage, which reflects the ratio of net debt to adjusted EBITDA, including lease liabilities. Adjusted EBITDA is calculated on a yearly basis, considering the last six months of 2019 and the first six months of 2020.

Calculation of the two ratios is as follows:

in € million	30.06.2020	30.06.2019
EBIT	161.4	408.9
Amortisation	22.1	27.2
Restructuring and write-down expenses	119.8	20.1
Other operating income and expenses	3.8	(2.3)
Adjusted EBITA	**307.1**	**453.9**
Depreciation	136.0	134.0
Adjusted EBITDA	**443.1**	**587.9**
Total debt	1,139.9	1,137.1
Lease liabilities	58.8	58.2
Cash and cash equivalents	532.5	526.0
Net debt	**666.2**	**669.3**
Net debt excluding IFRS 16 lease liabilities	**607.4**	**611.1**
Net debt to adjusted EBITDA	**1.50x**	**1.14x**
Net debt to adjusted EBITDA excluding IFRS 16 lease liabilities (being financial covenant)	**1.37x**	**1.04x**

14. Provisions for pensions

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

As of 30 June 2020, the decrease in the actuarial interest rate to 6.4% (31.12.2019: 6.8%) in Brazil and to 2.8% (31.12.2019: 3.2%) in the US led to an increase in pension obligations of €6.9 million and to a decrease in Other Comprehensive Income of €5.1 million (after deferred taxes). As of 30 June 2019, the decrease in the actuarial interest rate in the euro area to 1.0% (31.12.2018: 1.7%), to 7.4% (31.12.2018: 8.7%) in Brazil and to 3.6% (31.12.2018: 4.3%) in the US led to an increase in pension obligations of €36.6 million and to a decrease in Other Comprehensive Income of €25.6 million (after deferred taxes).

15. Other personnel provisions

As of 30 June 2020, the actuarial interest rate in the euro area stayed on the same level as at year-end 2019.

As of 30 June 2019, the decrease in the actuarial interest rate in the euro area to 1.0% (31.12.2018: 1.7%) led to an increase in severance pay obligations of €4.1 million and to a decrease in Other Comprehensive Income of €3.1 million (after deferred taxes).

16. Trade payables and other current liabilities

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

in € million	30.06.2020	31.12.2019
Trade payables	263.2	354.1
Contract liabilities	46.9	45.5
Liabilities to employees	87.2	87.5
Taxes other than income tax	29.7	49.7
Payables from commissions	7.6	8.2
Customers with credit balances	5.0	6.6
Payables from property transactions	3.1	17.0
Liabilities to non-consolidated subsidiaries	0.7	0.7
Dividend liabilities	0.4	25.0
Liabilities to joint ventures and associates	0.4	0.7
Other current liabilities	20.1	19.0
Trade payables and other current liabilities	**464.3**	**614.0**
thereof financial liabilities	280.5	412.3
thereof non-financial liabilities	183.8	201.7

Trade payables include an amount of €30.4 million (31.12.2019: €67.4 million) for raw material purchases subject to supply chain finance arrangements.

Other current liabilities include €1.5 million (31.12.2019: €1.3 million) investment reimbursement obligation to the former subsidiary Dolomite Franchi S.p.A., and other accrued expenses.

17. Current provisions

Provisions for restructuring costs amount to €21.4 million as of 30 June 2020 (31.12.2019: €31.8 million) and primarily consist of benefit obligations to employees due to termination of employment resulting from corporate reorganisation of RHI Magnesita. Thereof, €5.4 million (31.12.2019: €12.1 million) relate to the plant closure in Hagen, Germany, and €1.7 million (31.12.2019: €4.0 million) to the partial shut-down of the plant in Trieben, Austria.

RHI Magnesita initiated a project to review the Group's cost base on a long-term basis with the objective to streamline its organisation to preserve liquidity and restore profitability. As a result, provisions for restructuring costs amounting to €4.8 million were recognised in the current reporting period.

In the first half of 2020 €0.9 million of provisions for restructuring costs were reversed.

Provisions for contract obligations include the current portion of the Oberhausen contract obligation amounting to €7.3 million as of 30 June 2020 (31.12.2019: €10.4 million).

18. Restructuring and write-down expenses

Plant rationalisation

In the current reporting period additional restructuring expenses for the plant closure in Hagen, Germany, amounting to €6.6 million have been recognised. These expenses refer to redundancy payments, scrapping of inventories and other costs incurred in the course of the closure of the plant. For the partial shut-down of the plant in Trieben, Austria, restructuring expenses in the amount of €0.9 million have been recognised in the first six months of 2020 and are related to scrapping of inventories. The plant rationalisation program has been initiated in the second half of 2019 and it is expected to be completed in 2020. Further information is provided under Note (17).

Organisational restructuring

Management is conducting a detailed and far-reaching review of the Group's cost base on a long-term basis, to make sure the business is right-sized and prepared for the challenges and opportunities ahead. Until 30 June 2020 these plans included reduction in the first three levels of management by 20% and the new structure will be implemented on 1 August 2020. As a result, restructuring expenses in the amount of €4.8 million have been recognised and are related to redundancy payments. As this project is still ongoing, further restructuring expenses are to be expected in the second half of 2020.

Restructuring costs for the first half of 2019 amounting to €6.1 million were primarily related to costs for termination of employment incurred in connection with the corporate reorganisation of RHI Magnesita.

In the current and in the comparative reporting period no impairment expenses according to IAS 36 were recognised.

19. Other income

The individual components of other income are:

in € million for the six months ended 30 June	2020	2019
Amortisation of Oberhausen provision	3.8	9.7
Income from the disposal of non-current assets	1.2	1.7
Income from the reversal of provisions	0.3	0.0
Miscellaneous income	2.4	3.9
Other income	**7.7**	**15.3**

20. Other expenses

Other expenses include:

in € million for the six months ended 30 June	2020	2019[1]
Result from derivatives from supply contracts	(10.9)	(2.9)
Expenses for strategic projects	(1.8)	(4.5)
Losses from the disposal of non-current assets	(0.7)	(0.5)
Result from deconsolidation	(0.3)	0.0
Miscellaneous expenses	(1.6)	(7.6)
Other expenses	**(15.3)**	**(15.5)**

1 Adjusted to reflect the changes in presentation.

RHI Magnesita Group terminated its energy supply contract following the closure of the fused magnesia plant in Porsgrunn, Norway. The original contract term was December 2023 and the settlement payment amounts to €24.0 million. Payment will be made in two installments in July 2020 (€8.5 million) and January 2021 (€15.5 million). Since 2015 this energy supply contract has been accounted for as a derivative financial instrument in accordance with IFRS 9, as the "own-use-exemption" was no longer applicable as the majority of the contracted electricity was sold on the market. As of 30 June 2020, measurement of this financial instrument is based on the settlement payment and recognised as other financial liability.

21. Foreign exchange effects and related derivatives

The net expense on foreign exchange effects and related derivatives consists of the following items:

in € million for the six months ended 30 June	2020	2019
Foreign exchange gains	105.0	37.8
Gains from related derivative financial instruments	1.5	14.3
Foreign exchange losses	(122.0)	(37.7)
Losses from related derivative financial instruments	0.0	(23.9)
Net expense on foreign exchange effects and related derivatives	**(15.5)**	**(9.5)**

The net expense on foreign exchange effects in the current reporting period resulted mainly from the devaluation of the Brazilian Real against the US Dollar.

22. Other net financial expenses

Other net financial expenses consist of the following items:

in € million for the six months ended 30 June	2020	2019
Interest income on plan assets	1.3	1.8
Interest expense on provisions for pensions	(4.0)	(6.0)
Interest expense on provisions for termination benefits	(0.3)	(0.6)
Interest expense on other personnel provisions	(0.1)	(0.2)
Net interest expense personnel provisions	**(3.1)**	**(5.0)**
Unwinding of discount of provisions and payables	(3.5)	(8.8)
Interest expense on non-controlling interests	(1.9)	(3.2)
Interest expense on lease liabilities	(0.6)	(0.4)
Gains from the disposal of securities and shares	0.0	0.4
Reversal of impairment losses on securities	0.0	0.5
Impairment losses on securities	(0.4)	0.0
Expenses from the valuation of put options	(0.9)	0.0
Other interest and similar expenses	(4.4)	(3.4)
Other net financial expenses	**(14.8)**	**(19.9)**

23. Income tax

The tax rate of the first half of 2020 amounts to 27.0% (1-6/2019: 26.4%).

Total tax for the first half of 2020 in the Consolidated Statement of Profit or Loss amounted to €19.0 million (1-6/ 2019:€43.5 million), which includes tax income for prior years of €1.5 million (1-6/2019: tax expense for prior years of €5.7 million). An effective tax rate between 30% and 32% is anticipated for the full year 2020.

Regarding the recognition of tax expenses, deferred tax assets, and deferred tax liabilities, RHI Magnesita has evaluated the impacts of the economic scenario arising, mainly, out of COVID-19's implications to a global downturn. In this context, the relevant uncertainties and potential negative effects of the downturn for the Group's financial results were taken into consideration when evaluating the recoverability of the tax assets. Special focus was given to working with the latest forecasts and assumptions to minimise the effects of economic uncertainty to reach an assessment that reflects the best analysis possible, considering the circumstances and information available. Based on this analysis we concluded that there is no need for an impairment of deferred tax assets.

As a result from the growing impact of COVID-19 on the global economy, several tax measures were proposed and implemented by tax authorities across the globe. RHI Magnesita started monitoring these measures and where applicable, proceeds with applications for special deferral or reduction of tax payments.

24. Net cash flow from operating activities

in € million for the six months ended 30 June	2020	2019
Profit after income tax	51.2	121.2
Adjustments for		
income tax	19.0	43.5
depreciation	61.1	71.3
amortisation	9.9	14.2
write-down of property, plant and equipment and intangible assets	0.1	0.0
income from the reversal of investment subsidies	(0.3)	(0.2)
write-ups / impairment losses on securities	0.4	9.1
gains from the disposal of property, plant and equipment	(0.6)	(1.2)
losses/ gains from the disposal of securities and shares	0.0	(0.4)
losses from the disposal of subsidiaries	0.3	0.0
net interest expense and derivatives	17.1	32.8
share of profit of joint ventures and associates	(5.4)	(5.8)
other non-cash changes	25.2	21.2
Changes in working capital		
inventories	(12.8)	(21.1)
trade receivables	70.5	(28.6)
contract assets	(0.1)	0.0
trade payables	(70.2)	(45.3)
contract liabilities	2.8	(22.7)
Changes in other assets and liabilities		
other receivables and assets	(5.7)	12.2
provisions	(24.5)	(24.0)
other liabilities	(13.9)	0.1
Cash generated from operations	**124.1**	**176.3**

25. Segment reporting
Segment reporting by operating company division

The following tables show the key financial information for the operating segments for the first half of 2020 and the first half of 2019:

in € million for the six months ended 30 June 2020	Steel	Industrial	Group 2020
Revenue	**820.1**	**350.7**	**1,170.8**
Gross profit	**183.6**	**95.5**	**279.1**
EBIT			**101.9**
Net finance costs			(37.1)
Share of profit of joint ventures and associates			5.4
Profit before income tax			**70.2**
Depreciation and amortisation charges	(50.1)	(20.9)	(71.0)
Segment assets 30.06.2020	1,605.4	591.2	2,196.6
Investments in joint ventures and associates 30.06.2020			15.2
Reconciliation to total assets			901.0
			3,112.8

in € million for the six months ended 30 June 2019	Steel	Industrial	Group 2019
Revenue	**1,077.1**	**464.4**	**1,541.5**
Gross profit	**269.5**	**130.2**	**399.7**
EBIT			**213.8**
Net finance costs			(45.3)
Share of profit of joint ventures and associates			(3.8)
Profit before income tax			**164.7**
Depreciation and amortisation charges[1]	(62.9)	(22.6)	(85.5)
Segment assets 31.12.2019[1]	1,759.1	706.3	2,465.4
Investments in joint ventures and associates 31.12.2019			19.5
Reconciliation to total assets			834.7
			3,319.6

1 Adjusted to reflect the changes in presentation.

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), refractory management 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 2020	Steel	Industrial	Group 2020
Shaped products	378.1	245.5	623.6
Unshaped products	140.1	72.0	212.1
Management refractory services	262.1	0.0	262.1
Other	39.8	33.2	73.0
Revenue	**820.1**	**350.7**	**1,170.8**

In the comparing period, revenue was classified by product group as follows:

in € million for the six months ended 30 June 2019	Steel	Industrial	Group 2019
Shaped products	508.7	319.7	828.4
Unshaped products	165.8	88.4	254.2
Management refractory services	340.7	0.0	340.7
Other	61.9	56.3	118.2
Revenue	**1,077.1**	**464.4**	**1,541.5**

Revenue from shaped and unshaped products is transferred to the customers at a point in time, whereas revenue from management refractory services is transferred over time. Other revenue amounting to €32.9 million (1-6/2019: €48.1 million) is transferred over time and an amount of €40.1 million (1-6/2019: €70.1 million) is transferred at a point of time.

Segment reporting by country
Revenue in the first half of 2020 and in the first half of 2019 is classified by customer sites as follows:

in € million for the six months ended 30 June 2020	Steel	Industrial	Group
Netherlands	3.8	3.4	7.2
All other countries			
USA	166.6	35.9	202.5
Brazil	93.9	30.7	124.6
India	80.6	14.9	95.5
PR China	30.7	38.7	69.4
Mexico	45.2	17.1	62.3
Germany	35.3	22.2	57.5
Italy	32.3	10.0	42.3
Canada	21.0	20.2	41.2
Russia	28.6	9.6	38.2
Other countries, each below €30.3 million	282.1	148.0	430.1
Revenue	**820.1**	**350.7**	**1,170.8**

in € million for the six months ended 30 June 2019	Steel	Industrial	Group
Netherlands	7.0	2.8	9.8
All other countries			
USA	183.3	32.5	215.8
Brazil	146.7	33.6	180.3
India	108.8	21.7	130.5
Germany	53.5	38.0	91.5
PR China	19.1	65.1	84.2
Mexico	57.4	22.9	80.3
Italy	47.6	11.6	59.2
Canada	25.0	26.2	51.2
Russia	36.5	3.7	40.2
Other countries, each below €28.0 million	392.2	206.3	598.5
Revenue	**1,077.1**	**464.4**	**1,541.5**

26. 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.

			30.06.2020		31.12.2019	
in € million	Measurement category IFRS 9[1]	Level	Carrying amount	Fair value	Carrying amount	Fair value
Other non-current financial assets						
Interests in subsidiaries not consolidated	FVPL	3	0.6	0.6	0.7	0.7
Marketable securities	FVPL	1	12.9	12.9	13.3	13.3
Shares	FVPL	3	0.5	0.5	0.5	0.5
Other non-current financial receivables	AC	–	0.8	–	0.9	–
Trade and other current receivables	AC	–	233.0	–	324.2	–
Other current financial assets						
Derivatives	FVPL	2	1.1	1.1	0.1	0.1
Cash and cash equivalents	AC	–	532.5	–	467.2	–
Financial assets			**781.4**		**806.9**	
Non-current and current borrowings						
Liabilities to financial institutions	AC	2	1,131.4	1,146.5	1,043.1	1,056.6
Other financial liabilities and capitalised transaction costs	AC	2	8.5	–	11.9	–
Non-current and current other financial liabilities						
Lease liabilities	AC	2	58.8	–	61.9	–
Derivatives	FVPL	2	3.0	3.0	24.5	24.5
Settlement of energy supply contract	AC	–	24.0	–	0.0	–
Interest derivatives designated as cash flow hedges	–	2	22.7	22.7	14.8	14.8
Liabilities to fixed-term or puttable non-controlling interests	AC	2	38.2	–	35.8	–
Other non-current liabilities		–	–	–	–	–
Trade payables and other current liabilities	AC	–	280.5	–	412.3	–
Financial liabilities			**1,567.1**		**1,604.3**	
Aggregated according to measurement category						
Financial assets measured at FVPL			15.1		14.6	
Financial assets measured at amortised cost			766.3		792.3	
Financial liabilities measured at amortised cost			1,541.4		1,565.0	
Financial liabilities measured at FVPL			3.0		24.5	

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

In the RHI Magnesita Group marketable securities, derivative financial instruments, shares, and interests in subsidiaries not consolidated are measured at fair value.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between market participants in an arm's length transaction on the day of measurement. When the fair value is determined it is assumed that the transaction in which the asset is sold or the liability is transferred takes place either in the main market for the asset or liability, or in the most 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 at least one significant parameter is based on non-observable market data.

The fair value of securities, shares, and interests in subsidiaries not consolidated is based on price quotations at the reporting date (Level 1), where such quotations exist. In other cases a valuation model (Level 3) would be used for such instruments with the exception that such instruments are immaterial to the Group, in which case amortised cost serves as an approximation of fair value.

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 other derivative contracts 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 was classified as a derivative financial instrument since 2015. These derivatives are measured using quoted forward rates that are currently observable (Level 2).

A detailed analysis on COVID-19 and its impact on the Group is provided under Note (1). The effect on the fair value of financial assets and liabilities as at 30 June 2020 is considered to be immaterial to the Group.

RHI Magnesita takes into account reclassifications in the measurement hierarchy at the end of the reporting period in which the changes occur. Apart from the initial application of IFRS 9, there were no shifts between the different measurement levels in the two reporting periods.

Liabilities to financial institutions, other financial liabilities and capitalised transaction costs, lease liabilities and liabilities to fixed-term or puttable non-controlling interests are carried at amortised cost in the Consolidated Statement of Financial Position. The fair values of the liabilities to financial institutions are only shown in the notes and calculated at the present value of the discounted future cash flows using yield curves that are currently observable (Level 2).

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

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

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

27. Dividend payments and proposed dividend

On 23 July 2019 the Board of Directors of RHI Magnesita N.V. approved the 2019 interim dividend of €0.50 per share amounting to € 24.5 million. The 2019 interim dividend was paid on 9 January 2020.

In April, the Board has decided not to recommend the payment of a final dividend for 2019 because of the uncertainty relating to COVID-19 and to prudently preserve cash. The economic uncertainty remains, particularly in respect of further outbreaks and consequential economic weakness. The Board, therefore, is not declaring an interim dividend for the first half of 2020.

The Board appreciates the importance of dividends, and shareholder returns more broadly, and will continue review, intending to resume dividend payments at the earliest opportunity.

Dividend payments to the shareholders of RHI Magnesita N.V. have no income tax consequences for RHI Magnesita N.V.

28. Contingent liabilities

As of 30 June 2020, contingent liabilities amount to €49.6 million (31.12.2019: €44.3 million). Of this total, warranties, performance guarantees and other guarantees account for €49.3 million (31.12.2019: €44.0 million) and sureties for €0.3 million (31.12.2019: €0.3 million).

RHI Magnesita is party to tax proceedings in Brazil with the estimated amount of €177.8 million as of 30 June 2020 (31.12.2019: €233.5 million), translated from Brazilian Real into Euro using the closing rate on the reporting date. For these proceedings, 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 had no significant development in local currency up to 30 June 2020 and are described in the Notes to the Consolidated Financial Statements of 31 December 2019.

Furthermore, Magnesita Refratários S.A., Contagem, Brazil, is party to a public civil action for damages caused by overloaded trucks in contravention with the Brazilian traffic legislation. The potential loss from this proceeding amounts to €9.9 million as at 30 June 2020 (31.12.2019: €13.3 million).

There were no other significant changes in contingent liabilities as of 30 June 2020. Further information on contingent liabilities is provided in the Consolidated Financial Statements as of 31 December 2019.

RHI Magnesita is continually adapting its global presence to better serve its customers and maintain its competitive advantage. As a result, in this way the Group maintains discussions with tax authorities about functions transferred between related parties and their exit value. However due to its nature, they do not impact the Group's accounts.

29. Other financial commitments

As of 30 June 2020, the RHI Magnesita Group has commitments for the purchase of property, plant and equipment in the amount of 80.7 million (31.12.2019: € 5.0million).

30. Employees

In the first half of 2020 the average number of employees of the RHI Magnesita Group based on full time equivalents amounts to 12.999 (1-6/2019: 14,701). 135 (1-6/2019: 75) full time equivalents of salaried employees work in the Netherlands.

31. Disclosures on related parties

The nature of related party transactions as of 30 June 2020 are in line with the transactions disclosed in Note (62) of the 2019 Group Financial Statements. All transactions with related parties are conducted on an arm's length basis and in accordance with normal business terms.

Related companies
In the first half of 2020 the RHI Magnesita Group received a dividend payment from MAGNIFIN Magnesiaprodukte GmbH & Co KG., St. Jakob, Austria which amounted to €9.8 million (1-6/2019: €10.1 million) and purchased raw materials from Sinterco S.A., Namêche, Belgium which amounted to €8.1 million (1-6/2019: €11.3 million). No other material transactions took place between the Group and related companies and persons.

Related 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.

Equity-settled share option plan (LTIP)
On 8 April 2020 RHI Magnesita Group granted a new equity settled share option plan (LTIP 2020) with a fair value of €6.7 million as per 30 June 2020 for 370.014 shares with a share price of €22.7 at grant date. The vesting date will be 7 April 2023.

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

33. Material events after the reporting date 30.06.2020
After the reporting date on 30 June 2020, 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.

Statement of the Board of Directors

Statement ex Article 5:25d Paragraph 2 sub c Financial Markets Supervision Act ("Wet op het financieel toezicht").

To our knowledge:

1. The Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2020, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, give a true and fair view of the assets, liabilities, financial position, and profit of RHI Magnesita N.V. and the undertakings included in the consolidation as a whole;

2. The management report of the Executive Board for the six-month period ended 30 June 2020 as presented in the report on unaudited half year results includes a fair view of the information required pursuant to article 5:25d paragraphs 8 and 9 of the Dutch Financial Markets supervision Act ("Wet op het financieel toezicht").

Vienna, 4 August 2020

Executive Directors

Stefan Borgas	Ian Botha

Non-Executive Directors

Herbert Cordt	James Leng
Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg	David Schlaff
Celia Baxter	John Ramsay
Janet Ashdown	Wolfgang Ruttenstorfer
Andrew Hosty	Karl Sevelda
Fiona Paulus	

Employee Representative Directors

Franz Reiter	Michael Schwarz

Independent Auditor's Review Report

To: the board of directors of RHI Magnesita N.V.

Introduction
We have reviewed the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2020 of RHI Magnesita N.V., Arnhem, which comprises the condensed consolidated statement of financial position as of 30 June 2020, the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the period then ended and the selected explanatory notes. The board of directors is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope
We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam,4 August 2020
PricewaterhouseCoopers Accountants N.V.
Original has been signed by E.M.W.H. van der Vleuten RA MSc