RHI Magnesita N.V.

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

Positive revenue momentum offset by margin headwinds in supply chain

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 2021 ("H1 2021" or the "Period").

Financial results

(€m unless stated otherwise)	H1 2021 Adjusted[1]	H1 2020 Adjusted	Change	H1 2020 Constant Currency Adjusted[2]	Change[2]
Revenue	1,200	1,171	2.5%	1,099	9.3%
Adjusted EBITA	128	133	(4.0)%	126	1.1%
Adjusted EBITA margin	10.7%	11.4%	(70)bps	11.5%	(80)bps
Adjusted EPS	€2.05	€1.77	16%		
Net debt	812	666			
Net debt to adjusted LTM EBITDA	2.2x	1.5x			

	H1 2021 Reported	H1 2020 Reported
Revenue	1,200	1,171
EBITA	136[3]	112
Profit before tax	125	70
EPS	€2.01	€1.03
Dividend	€0.50	€0.50[4]

[1] Adjusted figures are APMs which reflect the way in which Management assesses the underlying performance of the business. Full details of the APMs, together with definitions and a technical glossary are set out below

[2] H1 2020 adjusted for constant currency for H1 2021 average FX rates

[3] Adjustments of €8 million to reported EBITA include €4m of asset sale proceeds and €5m relating to power purchase agreement commitments

[4] An interim dividend of €0.50 was declared on 22 October 2020

Operational highlights

- Demand recovery continues with order book visibility into 2022 and sales volumes tracking ahead of management expectations
- Material global supply chain challenges in H1 2021 resulted in significant delays and higher freight costs
- Pricing pressure arising from additional supply chain costs and higher prices for externally purchased raw materials, to be passed on to customers through price increases in second half of the year

Financial highlights

- Revenue growth of 9.3% at constant currency to €1,200 million (H1 2020: €1,099 million)
- Adjusted EBITA of €128 million, 1.1% higher in constant currency terms (H1 2020: €126 million)
- Net debt temporarily higher at €812 million (31 December 2020: €582 million) as inventories are replenished ahead of strong contracted demand in H2 and due to peak capex on strategic projects
- Shareholder returns increased to €108 million (H1 2020: €25 million), comprising payment of 2020 final dividend (€35 million) and €73 million of €100 million share buyback programme completed in the Period

- Interim dividend of €0.50 per share declared

Outlook

- On track to achieve 2021 guidance of €310 million Adjusted EBITA with earnings weighted towards second half, as expected
- Strategic initiatives remain on track to deliver €140-€160 million of run rate EBITA contribution from 2022
- Working capital to remain within the targeted range of 15-18%
- Net debt expected to reduce and gearing to move back towards upper end of targeted 0.5-1.5x range in H2, due to higher operating cash flow and receipt of €96 million post-tax proceeds from Magnifin disposal

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

"RHI Magnesita has successfully navigated significant challenges in the first half of the year caused by a sharp rebound in customer demand against a background of delays and cost increases in the global supply chain. Throughout, we have prioritized the sourcing and delivery of products for our customers. We have re-established our inventory levels and are now able to benefit from stronger market conditions and price increases contracted for the second half of the year. We are continuing to progress our cost saving initiatives and are also seeing real benefits from our sales strategies."

A presentation for investors and analysts will be held today starting at 8.30am. 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 778205.

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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 12,000 employees in 28 main production sites and more than 70 sales offices. RHI Magnesita intends to build on its leadership in revenue, scale, product portfolio and diversified geographic presence to expand further in high growth markets.

The Group maintains a premium listing on the Official list of the London Stock Exchange (symbol: RHIM) and is a constituent of the FTSE 250 index, with a secondary listing on the Vienna Stock Exchange (Wiener Börse). For more information please visit: www.rhimagnesita.com

Forward looking statements

This announcement contains (or may contain) certain forward-looking statements with respect to certain of the Company's current expectations and projections about future events. These statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect" and words of similar meaning, reflect the directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions which could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement. Statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this announcement is subject to change without notice and, except as required by applicable law, the Company does not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained in it and nor does it intend to. You should not place undue reliance on forward-looking statements, which apply only as of the date of this announcement. No statement in this announcement is or is intended to be a profit forecast or profit estimate or to imply that the earnings of the Company for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company. As a result of these risks, uncertainties and assumptions, the recipient should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise.

The Company has no obligation or undertaking to update or revise the forward-looking statements contained in this announcement to reflect any change in its expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable regulations.

OVERVIEW

COVID-19 remained a health and safety challenge in certain geographies where the Group operates during the first half of 2021. In India, where the impact of the pandemic was most acute during the Period, the Group assisted its employees and their families by issuing medical supplies and covering the cost of vaccination, when available. More widely, improvements in occupational safety across the Group's operations were achieved, however the total recordable injury frequency rate slightly increased to 0.6 per 200,000 hours worked (H1 2020: 0.5). RHI Magnesita follows a preventative approach to workplace safety and consistently achieves low injury rates.

Revenue for the six months to June 2021 was €1,200 million, an increase of 2.5% compared to the first half of 2020 on a reported basis and an increase of 9.3% on a constant currency basis. The Group has navigated the significant challenges resulting from the COVID-19 pandemic and ensuing supply chain disruption and has progressed its longer term strategic initiatives to build a stronger business as end markets recover.

RHI Magnesita faced new challenges in the first half of 2021 in its supply chain, which were a consequence of a faster than expected recovery in late 2020 across the Group's end markets, especially global steel production. The Group's ability to respond to the marked uptick in demand was hindered by industry-wide sea freight challenges. These included significantly reduced reliability of freight and elevated freight costs, and contributed to reduced raw material supplies, logistical difficulties and long lead times. Mitigating actions have been implemented in order to meet strong contracted customer demand in H2, including increased inventory levels of both finished goods and raw materials, and the implementation of refractory price increases, including pass through of freight surcharges.

The Group's adjusted EBITA margin of 10.7% was 70bps lower than H1 2020, impacted by higher cost of goods sold largely due to supply chain issues. The Group also purchased €269 million of raw materials externally (H1 2020: €179 million) to supplement its own production. The cost of externally bought material is approximately 40% higher than the cost of production of internally sourced material and as a result the Group's refractory margin reduced by 1.5 percentage point.

Raw material prices increased and held higher levels during H1 2021 compared to Q4 2020 and were 27% higher on average compared to H1 2020. Raw material prices generally take up to six months to pass through to higher refractory product prices, and the Group expects to benefit from high raw material price pass-through in the second half of 2021.

The Group's internal raw material assets benefited from higher raw material prices, contributing 3.1 percentage points (H1 2020: 2.3%) towards the overall Adjusted EBITA margin of 10.7% (H1 2020: 11.4%) and €37 million of EBITA (H1 2020: €27 million).

Net debt increased to €812 million (H1 2020: €666 million), with available liquidity of €0.9 billion and a ratio of net debt to adjusted EBITDA of 2.2x, temporarily higher than the targeted range of 0.5-1.5x. Operating cash flow of €(55) million (H1 2020: €93 million) was impacted by a working capital outflow of €75 million (H1 2020: €10 million), higher project capital expenditure of €70 million as planned (H1 2020: €32 million) and shareholder distributions paid out during the Period of €108 million (H1 2020: €25 million).

Working capital intensity of 18.5% is 490bps lower than the 23.4% recorded at H1 2020, and slightly above the targeted range of 15-18%. In H1 2021, the Group deliberately sought to increase stocks of both raw materials and finished goods to meet higher contracted customer demand in the second half of 2021. A temporary tightening of environmental regulation in China in the months leading up to the 2022 Beijing Winter Olympics is expected to restrict the global supply of raw material and costs of raw materials are expected to increase in Q4 2021. To mitigate this, the Group is increasing its raw material inventory by c.€40 million.

Sustainability is fundamental to the RHI Magnesita long term strategy. As a technology leader we are strongly positioned to address sustainability issues in the refractory industry. We also partner with our customers in the development of new technologies as they seek to decarbonise their own operations, such as the continuing transition to EAF furnaces, and as customers focus on reducing emissions in their supply chains.

RHI Magnesita progressed its R&D investment of €50 million towards CO_2 reduction technologies during the first half and on 4 July 2021 signed a memorandum of understanding with Australia based technology company, Calix Limited, to develop a Calix Flash Calciner at an RHI Magnesita site for the capture and storage of CO_2. This technology is one of a number of different routes that the Group is evaluating to capture geogenic CO_2 emissions that are generated during the production of Magnesium Oxide which account for more than half of the Group's CO_2 emissions.

Good progress has been made towards achieving our use of secondary raw material target of 10% by 2025, with use of secondary raw material increasing to 6.1% in H1 2021 from 5.0% in FY 2020. Engagement with customers on this topic is improving and an internal mechanism to incentivise sales of recycled material has been established.

RHI Magnesita was awarded with a 'Gold' ESG rating by EcoVadis in July 2021, an improvement from the previous 'Silver' rating, reflecting improved performance and disclosure.

UPDATE ON STRATEGIC INITIATIVES

The Group has started to experience material benefits from its strategic initiatives in 2021 with an EBITA improvement of €23 million from its ongoing cost saving initiatives, comprising €9 million from the Production Optimisation Plan and €15 million from SG&A savings.

At Hochfilzen, Austria, dolomite raw material production is on schedule to commence in Q4 2021, and the kiln installation is ongoing. At Radenthein, Austria, additional automated presses and unmanned vehicles have been installed, with further investments towards capacity expansion on track for completion in H2 2022. In Brumado, Brazil, earthworks and foundations are on track to complete by H1 2022, ahead of the new rotary kiln installation. In Contagem, Brazil, new presses are in commissioning and have started to deliver benefits. Civil works for new construction areas at the site are on schedule for completion by end of 2021. Capacity is being increased at Urmitz, Germany, with the installation of a new tunnel kiln, which commenced in H1 2021.

One-off short-term measures such as temporary plant closures taken during the pandemic in 2020 delivered EBITA savings of €50 million in 2020. Of these short-term cost reductions, €40 million were temporary in nature and the related costs will be incurred in 2021 as plants are brought back into operation. However, the Group will benefit going forwards from a recurring €10 million per annum permanent saving.

The Group continued to progress its sales strategies in H1 2021, developing the solutions model, increasing sales of flow control products and targeting new markets. Digital products, services and heat management solutions are supporting sales growth or retention in each of these areas. Overall, sales strategies contributed €7 million towards EBITA in H1 2021 compared to H1 2020. The sales initiatives are planned to contribute €40 - €60 million of adjusted EBITA by 2022, with roughly equal contributions from Solutions, Flow Control and New Markets. The sales strategies are supported by digitalisation tools, such as APO and EMLI sensors which contribute towards customer retention and new business development.

RAW MATERIALS

Raw material prices increased between the end of Q4 2020 and the start of Q1 2021, due to tight supply in China given higher winter electricity tariffs and strict enforcement of environmental legislation. Raw material prices stabilised at elevated levels in mid-February 2021, when production of raw material increased to normalised levels after the Chinese New Year.

Supported by higher raw material prices in H1 2021, the Group's vertical integration contributed 3.1 percentage points towards the Adjusted EBITA margin (H1 2020: 2.3 percentage points), equivalent to €37 million of EBITA (H1 2020: €27 million). The return on invested capital for the Group's raw material assets was 14.2% in H1 2021 (H1 2020: 8.6%), with invested capital of € 430 million (H1 2020: €429 million) and NOPAT of €30 million (H1 2020: €18 million).

CAPITAL ALLOCATION 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. 2021 is the peak capital expenditure year for spending on strategic initiatives, including the substantial completion of the Production Optimisation Plan. In H1 2021 the Group spent €91 million of capital expenditure, of which €21 million was maintenance capital expenditure and €70 million related to project investments. Full year capital expenditure guidance is unchanged at €260 million including €80 million of maintenance capital expenditure.

Consistent with the Company's dividend policy to pay an interim dividend equal to one third of the prior year full dividend, and given the improving outlook and confidence in the second half outlook, the Board has declared an interim dividend of €0.50 per share. This represents €24 million in aggregate, which will be paid to shareholders on the register on 14 September 2021. In December 2020, the Group commenced a share buyback programme of €50 million which was completed in April 2021, with €46 million of expenditure falling in FY 2021. The buyback programme was extended by up to a further €50 million in May 2021. As at 30 June 2021, the Company had purchased €28 million of shares in the second tranche, bringing total spending on share buybacks in H1 2021 to €73 million.

The Group entered into a sale and purchase agreement in H1 2021 to sell its 50% stake in the Magnifin joint venture for a cash consideration of €100 million, which will complete in the second half of 2021.

OUTLOOK

Sales momentum has continued to build for the second half of the year, with a strong order book reflecting increased contracted demand from customers in the steel, cement, glass and non-ferrous metals industries. Refractory margins are expected to improve in the remainder of 2021 as price increases are implemented against a backdrop of higher raw materials prices, strong demand for refractory products and as adjustments for additional freight costs are passed on to customers. Working capital intensity is forecast to remain within the targeted range of 15-18%. Supported by higher profitability and the receipt of c.€96 million of post-tax proceeds following the sale of the Magnifin joint venture, net debt is expected to reduce, with gearing to move back towards the upper end of the targeted 0.5-1.5x range. The Group remains on track to achieve 2021 guidance of €310 million Adjusted EBITA, with earnings weighted towards the second half.

STEEL DIVISION

Steel	H1 2021	H1 2020 (Reported)	H1 2020 (Constant currency)	Change (Reported)	Change (Constant currency)
Revenue (€m)	855	814	758	5.1%	12.8%
Gross Profit (€m)	184	182	170	1.3%	8.5%
Gross margin	21.5%	22.3%	22.4%	(80)bps	(90)bps
Adj EBITA (€m)	86	82	74	4.8%	16.3%
Adj EBITA margin	10.1%	10.1%	9.8%	0bps	30bps

Steel regions by revenue (€m)	H1 2021	H1 2020 (Reported)	H1 2020 (Constant currency)	Change (Reported)	Change (Constant currency)
Europe, CIS, Turkey	233	222	220	4.7%	5.7%
Americas	368	356	315	3.4%	16.6%
China and East Asia	93	85	82	9.3%	14.5%
India, Africa, West Asia	161	150	141	7.2%	14.3%

Global steel production volumes are the main driver for refractory sales in the Steel division, which contributed over 70% of Group revenue in H1 2021. The Group is a global leader in the manufacturing of advanced refractory materials for the steel industry and offers heat management services to its customers which can significantly improve steel plant performance. RHI Magnesita produces refractory products for applications within a steel plant including the basic oxygen furnace (BOF), the electric arc furnace (EAF), argon oxygen decarburization (AOD), ladles and flow control products.

During the first half of 2021, steel division revenue increased by 5.1% on a reported basis to €855 million (H1 2020: €814 million). On a constant currency basis, revenue increased by 12.8%. World Steel Association data showed that H1 Steel production volumes globally increased by 17.9% compared to the same period last year excluding China, and 14.4% including China. RHIM Steel volumes over the Period increased by 15.4%.

Gross profit for the division was €184 million (H1 2020: €182 million) as revenues increased but gross margins reduced by 80bps to 21.5% (H1 2020: 22.3%). Gross margin declined as the cost of goods sold increased over the period, mainly due to higher freight costs for the transport of both finished products and raw materials, as well higher raw material prices which have not yet been reflected in the market price for finished refractory products.

Europe, CIS and Turkey

Total revenue in Europe, CIS and Turkey was €233 million, up by 4.7% on H1 2020 (H1 2020: €222 million). On a constant currency basis, revenue increased by 5.7%. European, CIS and Turkey steel production according to World Steel Association data increased by 15% in the period.

The Group experienced difficulty in overseas supply chain reliability for the Europe region, mainly for finished goods sourced from China given higher transportation costs and production capacity constraints. Increased raw material prices at the beginning of the year are translating into higher market prices for finished goods, with the full benefit expected in H2 2021.

The Group is making good progress in the execution of its investment projects in Europe, including a dolomite centre at Hochfilzen, Austria and a modernisation and capacity expansion at Radenthein, Austria. The Group has also commenced a project in Urmitz, Germany to create a non-basic refractory hub in Europe by expanding capacity, improving product quality, and increasing energy efficiency by 10%.

As part of our digitalisation initiatives, Radio Frequency Identification (RFID) technology is now being rolled out to customers across Europe after a successful pilot in Northern Europe. Adoption of this technology strengthens the digital supply chain partner model and is highly valued by customers, in particular during periods of supply chain volatility.

The Group secured extensions of two major solutions contracts in Southern Europe and Eastern Europe in H1 2021, expanding the RHIM offering to these clients with its digital offering and machinery. A major recycling contract was agreed with a large customer in Western Europe under which RHI Magnesita will manage recycling operations at the customer site.

Americas

Total revenue in the period in North and South America amounted to €368 million, representing a 3.4% increase on H1 2020 (H1 2020: €356 million). On a constant currency basis, revenue increased by 17%. Americas steel volumes according to World Steel Association data increased by 19% in the Period.

Steel production returned to pre-COVID levels in South America. North America capacity utilisation remained lower than pre-COVID levels throughout most of H1 2021. Given the increased demand and low inventory level, steel prices reached historically high levels across the region. However, increased demand for refractory products was impacted by supply chain delays and production capacity constraints.

Several plants in the Americas experienced raw material supply constraints in a range of raw materials, for example in Fused Magnesia in Q1 2021. This was partly remedied by temporarily re-starting production of Fused Magnesia at the Refratec plant, Brazil, however long lead times persist due to raw material shortages and transport delays. The investment in a new rotary kiln in Brumado, Brazil, as part of the Production Optimisation Plan, will increase raw material availability in the region and production is scheduled to commence in 2022.

The Group implemented freight surcharges on all products to mitigate elevated freight costs in H1 2021 and expects to benefit from these contractual changes in H2 2021. High sea freight prices directly impact delivery costs for finished goods sourced from the Group's global production network, and the delivered price of externally purchased raw materials sourced from China.

The new primary crushing system at York, United States was commissioned in H1 2021, after a multi-year €7 million investment. The York site is a primary source of dolomite for the North American market and the new crusher will sustainably increase efficiency of production, reduce waste and extend the mine life.

In H1 2021 the Group successfully completed trials in several customer sites for its flow control products including ladles, tundish liners and slide gates. The Group has secured a 100% conversion of slide gates to RHI Magnesita products at a number of customer sites. Flow control revenues in the Americas increased by 4.8% to €61 million (H1 2020: €56 million).

The solutions model is well advanced in the Americas, and during H1 2021 the Group succeeded in converting a refractory only contract to a services contract at a key customer site in North America. The Group also secured a contract to monitor and predict refractory product service life in several steel applications at a major customer site in Brazil, using RHI Magnesita's APO product.

The Group has successfully implemented recycling initiatives in H1 2021. The focus is predominantly on new refractory formulations developed using recycled raw materials, and the Group has initiated a project at Contagem, Brazil, to increase the level of secondary raw materials to 25% on the most frequently purchased brands, to be made available across the Americas.

China and East Asia

Revenue in China and East Asia increased by 9.3% in H1 2021 to €93 million compared to €85 million in the prior year period. On a constant currency basis, revenue increased by 15%. The Group is investing in organic growth in China and increased Steel division revenue by 14% in China, to €35 million (H1 2020: €31 million). East Asia revenue increased by 6.7% to €58 million, driven mostly by Vietnam and Taiwan. World Steel Association data show that China and East Asia steel production grew by 12% over the Period, mainly driven by China production where production was 12% higher.

Production volumes were increased in Dalian and Chizhou to offset capacity constraints or delays to deliveries elsewhere in the global network, such as in Europe or India, caused by COVID-19 or supply chain related issues. The Dalian plant production line for magnesia shaped bricks was restarted in March 2021, to fulfil this increased demand.

The Group has grown sales of flow control products in the region, developing new products to increase market share with a major customer from 10% in 2018 to 30%. The production capacity of flow control products will be increased by 20% by the end of 2021.

The China business continues to grow its solutions offering with a new €18 million contract secured with a China based customer in Q1. In East Asia, the Group extended two contracts in Vietnam by two and three years respectively, with total revenue of over €50 million.

The digitalisation strategy was progressed through the implementation of a new RFID-enabled warehouse in Chongqing, RFID technology allows customers to achieve real time, virtual inventory management of consignment stock.

The Group advanced its sustainability initiatives in China and East Asia by increasing use of renewable energy at its plants in Dalian, Bayuquan and Dashiqiao. In H1 2021 the Group's mine in Chizhou, China, was awarded a "Green Mining" certificate by the Anhui provincial government, recognising that the mine operates in coordination with the development and utilisation of mineral resources and protection of the surrounding ecological environment.

India, West Asia and Africa

First half revenue from India, West Asia and Africa increased by 7.2% to €161 million (H1 2020: €150 million). On a constant currency basis, revenue increased by 14%. By comparison, India, West Asia and Africa steel production according to World Steel Association data increased by 25% in the Period. India performed well considering strict lockdown conditions in H1 2021 in response to an increase in COVID-19 infections. India revenue grew by 26% in the Period, compared to the 31% growth in steel production recorded by World Steel Association.

As part of the Production Optimisation Plan, the region has begun a programme to expand capacity in non-basic shaped products at the Vizag plant, India. This is due to complete in October 2021, following a delay of six months due to the restrictions imposed from the pandemic. This expansion will alleviate current worldwide supply chain constraints of non-basic shaped products. The Cuttack plant, India, will also undergo capacity expansion, to be completed by 2022, increasing its production of magnesia shaped products by up to a third. Magnesia shape products are used by major steel customers, as well as alloy steel makers.

The region has made important progress in increasing market share in several flow control product lines, for example slide gates and purge plugs. The region anticipates further strengthening of its market share through adding new specialist flow control product lines in H2 2021 at the Bhiwadi plant, India, as well as converting specific product lines to newer generation models ('Interstop' range).

India, West Asia and Africa has leveraged its digitalisation offering to support market share growth across Steel customers, including for its flow control product range. The Group has completed feasibility studies for the APO tool for its largest customer in India and is at the implementation stage of the APO tool for its largest customer in the UAE. Additionally, the region has gained good traction in rolling out its EMLI technology, which measures metal slag levels, at several of its key customer accounts over the Period.

Steel division outlook

Customer order books for steel remain full for at least the next six months, with no opportunity to rebuild inventory levels due to high demand. Order books for refractory products are strong, reflecting the expected continuation of high steel production volumes globally. The Group is therefore confident of strong demand for its products extending into 2022. The Group has completed a negotiation round of price increases to reflect higher raw material, production and shipping costs.

INDUSTRIAL DIVISION

Industrial	H1 2021	H1 2020 Reported	H1 2020 (Constant currency)	Change (reported)	Change (constant currency)
Revenue (€m)	346	357	341	-3.2%	1.4%
Gross Profit (€m)	87	97	97	-10.3%	-10.0%
Gross margin	25.3%	27.3%	28.5%	(200)bps	(320)bps
Adj EBITA (€m)	42	51	52	-18.2%	-(20.5)%
Adj EBITA margin	12.0%	14.2%	15.4%	(220)bps	(320)bps

Industrial by segment by revenue (€m)	H1 2021	H1 2020 Reported	H1 2020 (Constant currency)	Change (reported)	Change (constant currency)
Cement/Lime	163	160	152	1.8%	6.9%
Industrial Projects	183	197	189	-7.2%	-3.0%

The Industrial division serves customers across the cement, lime, glass, non-ferrous metals, foundries, aluminum and environment, energy and chemical industries. Revenue in the first six months of 2021 reduced by 3.2% to €346 million (H1 2020: €357 million). On a constant currency basis, revenue increased by 1.4%. The Industrial division recorded a gross margin of 25.3%, (H1 2020: 27.3%), impacted by supply chain related costs and delays.

Against a positive market backdrop with strong demand driven by government stimulus packages and economies reopening, the order book for the second half continued to improve. Although strong macroeconomic drivers support higher demand from industrial customers, margins were impacted by high logistical costs and poor transportation availability, affecting both deliveries of raw materials and finished goods, as well as higher raw material and CO_2 costs.

Cement/Lime

Cement/Lime segment revenue was €163 million, in line with the first six months of 2020, increasing by 1.8% (H1 2020: €160 million). On a constant currency basis, revenue increased by 6.9%. The Cement/Lime segment performed well in the first quarter reflecting high seasonal demand during the annual repair cycle. Volumes increased materially by 18% in Q1 2021 against Q1 2020, however revenue in Q1 2021 decreased by 3.8% against Q1 2020 due to lower finished goods prices. Volumes grew in South America and India, West Asia & Africa and were stable across Europe and China & East Asia.

The Group has started to benefit from the commercialisation of its new rotary kiln lining technology, ‘Ankral X’ series, an R&D project initiated in 2019 which uses ‘spinosphere’ technology to improve flexibility and strength of refractories at high temperatures. In H1 2021, the Group achieved a significant increase in market penetration of this new product, supplying over 8,000 tonnes (H1 2020: 1,400 tonnes) to more than 100 customers in 45 countries.

Industrial Projects

The Industrial Projects segment serves customers in the Non-ferrous metals and Foundries, Glass and Energy, Environment and Chemicals industries, and recorded revenue of €183 million in H1 2021, a decline of 7.2% compared to the prior year period (H1 2020: €197 million). On a constant currency basis, revenue decreased by 3.0%.

Demand in the Non-ferrous metals sector strengthened in H1 2021, as commodity prices rallied in the first five months of 2021. RHI Magnesita expects to benefit from the increased contracted demand in Q3 2021. In H1 2021, it recorded lower revenue of 2.3% against the previous year given the supply chain issues and logistical challenges which more than offset the increased demand.

Process industries revenue declined by 6.6% with certain projects delayed into H2 2021, following disruption caused by the second wave of COVID-19 in India. Europe was impacted by poor supply chain reliability causing production issues, also leading to projects being postponed into Q3 in this region.

In NFM, digitalisation is gaining traction and revenue contribution from electro-magnetic level indication technology has increased by 99%. The Group has developed specialist electro-magnetic and visual and infrared technologies to take measurements in a wide range of metallurgical vessels to monitor the performance and remaining life of refractory products.

Industrial Division outlook

The outlook for trading in the Industrial Division is positive, supported by strong customer demand across end markets. Projects deferred in 2020 and in H1 2021 are being scheduled for H2 2021 and 2022, with strong order book momentum in all project driven industries such as NFM, Glass, Aluminium and EEC. Cement demand in the upcoming maintenance season (Q4 2021 and Q1 2022) is expected to be solid based on the recovery in volumes in the construction sector. The Group sees the continued need to pass through the significant input cost increases based on raw material and transport volatility to its customers.

FINANCE REVIEW

Reporting approach

The Company uses a number of alternative performance measures ("APMs"), in addition to those reported in accordance with IFRS, which reflect the way in which the Board and the Executive Management Team assesses the underlying performance of the business. The Group's results are presented on an "adjusted" basis, using APMs which are not defined or specified under the requirements of IFRS, but are derived from the IFRS financial statements. The APMs are used to improve the comparability of information between reporting periods and to address investors' requirements for clarity and transparency of the Group's underlying financial performance. The APMs are used internally in the management of our business performance, budgeting and forecasting. A reconciliation of key metrics to the reported financials is presented in the section titled APMs.

In January 2021, the Foundry division was reclassified into the Industrial division from the Steel division. In H1 2021, the Foundry division contributed €6 million to Group revenue. H1 2020 divisional revenues have been restated accordingly.

All references to comparative H1 2020 figures in this review are on a reported basis, unless stated otherwise. Figures presented at constant currency represent H1 2020 translated to average H1 2021 exchange rates of 1 Euro to 1.21 USD, 1 Euro to 7.83 CNY, 1 Euro to 6.55 BRL, 1 Euro to 88.5 INR, 1 Euro to 9.52 TRY.

Group performance

Revenue for the Period amounted to €1,200 million (H1 2020: €1,171 million), up by 2.5%. On a constant currency basis, revenue increased by 9.3% over the Period. The increase in revenue was driven by a stronger steel division, where revenue increased by 5.1% to €855 million (H1 2020: €814 million), partly offset by the Industrial Division, where revenue was down 3.2% to €346 million (H1 2020: €357 million).

The Group cost of goods sold over the Period amounted to €929 million, an increase of 4.2% compared to the same period last year. Higher freight costs were partially offset by favourable currency movements, and on a constant currency basis cost of goods sold was 11.7% higher than in H1 2020. Inbound and outbound freight costs accounted for 12.4% of COGS in H1 2021, compared to 8.2% in H1 2020. The Shanghai Containerized Freight Index increased by 280% compared to H1 2020 and spot rates for China to Europe exceeded $8,300 per container, compared to $1,300 in June 2020. The Group spent €269 million on externally sourced raw material in H1 2021, compared to €179 million in H1 2020, given the elevated raw material prices and the restocking of internal raw material inventory ahead of tight supply in China in Q4 2021 ahead of the 2022 Beijing Winter Olympics.

The Group delivered gross margin of 22.6%, a reduction of 120bps against the same period last year. Gross margin over the period for the Steel Division decreased by 80bps to 21.5% (H1 2020: 22.3%). The Industrial Division gross margin was weaker at 25.3%, decreasing by 200bps (H1 2020: 27.3%).

Adjusted EBITDA margin was 14.9%, compared to 16.6% over the same period last year, decreasing by 170 bps, mainly due to increased freight costs and higher purchased raw material costs.

Adjusted EBITA declined by 4.0% on a reported basis, to €128 million (H1 2020: €133 million), mainly due to higher freight costs and limited freight availability affecting the supply of both raw materials and finished goods.

(€m)	H1 2020 Reported	H1 2020 at constant currency	H1 2021	% Change Reported	% Change at constant currency
Revenue	**1,171**	**1,099**	**1,200**	**2.5%**	**9.2%**
Cost of Sales	-892	-832	-929	4.2%	11.7%
Gross Profit	**279**	**267**	**272**	**-2.7%**	**1.8%**
SG&A	-139	-134	-140	0.7%	4.5%
R&D expenses	-17	-16	-14	-13.8%	-9.6%
OIE	-21	-22	8	138%	138%
EBIT	**102**	**95**	**126**	**23.5%**	**32.6%**
Amortization	-10	-9	-10	0.0%	11.1%
EBITA	**112**	**105**	**136**	**21.4%**	**29.5%**
Adjusted items	21	22	-8	-138%	-138%
Adjusted EBITA	**133**	**126**	**128**	**-4.0%**	**1.1%**

The Group recorded an Adjusted EBITA margin of 10.7%, down by 70bps compared to 11.4% for the same period last year. The Refractory margin contributed 7.6% of Group EBITA margin (H1 2020: 9.1%) and the backward integration contributed 3.1% (H1 2020: 2.3%).

Net financial expenses in H1 2021 amounted to €(6.5) million (H1 2020: €(37) million), with net interest expenses on borrowing of €(9.5) million (H1 2020: €(9.3) million) and other net financial expenses of €(4.7) million (H1 2020: €(14) million). Total foreign exchange and derivative variances amounted to a €6.8 million positive contribution (H1 2020: €(15.5) million).

Total tax for H1 2021 in the income statement amounted to €26 million (H1 2020: €19 million), representing a 21% effective tax rate (H1 2020: 27%). Adjusted profit before tax amounts to €130 million, and the respective adjusted effective tax rate is 22% (H1 2020: 22%).

On a reported basis, the Group recorded a profit after tax of €99 million (H1 2020: €51 million) and earnings per share of €2.01 in H1 2021 (H1 2020: €1.03). Adjusted earnings per share for H1 2021 were €2.05, which is stated after excluding other income and expenses and restructuring charges (€8.1 million), the impact of amortisation (€10 million), other financial income and expenses (€2.7 million) and a higher implied tax charge of (€3.1 million).

(€m unless otherwise stated)	H1 2021 Reported	Items excluded from adjusted performance	H1 2021 Adjusted
EBITA	**136**	**(8.1)**	**128**
Amortisation	(10)	10	-
Net financial expenses	(6.5)	2.7	(3.8)
Result of profit in joint ventures	5.4	-	5.4
Profit before tax	**125**	**4.6**	**130**
Income tax	(26)	(3.1)	(29)
Profit after tax	**99**	**(1.5)**	**101**
Non-controlling interest	(1.5)		(1.5)
Profit attributable to shareholders	97		99
Shares outstanding[1] (shares, m)	48.2		48.2
Earnings per share	**€2.01**		**€2.05**

[1] Weighted average number of shares outstanding at 30 June 2021

Cash flow and working capital

Operating cash flow, which is presented to reflect net cash inflow from operating activities before tax and net finance expenses, was €(55) million for H1 2021 (H1 2020: €93 million), representing a net outflow given the increase in working capital since 31 December 2020 ahead of higher contracted customer demand in H2 and increased capital expenditure on the Group's strategic initiatives, as guided.

Working capital, including working capital financing, of €457 million reduced compared to 30 June 2020 (€497 million) but has increased since the 2020 year-end (€369 million), reflecting increased inventory levels of both raw materials and finished goods and goods in transit due to freight delays. An increase in working capital of €88 million since FY 2020 and a positive currency impact of €13 million resulted in a net cash outflow of €75 million. The 2022 Beijing Winter Olympics are expected to reduce raw material availability as a temporary tightening of environmental regulation in China in the preceding months will likely restrict raw material production. The prices of raw materials are therefore expected to increase in Q4 2021. To mitigate this, the Group is increasing its raw material inventory by c.€40 million.

Inventories increased by 22% to €703 million (H1 2020: €578 million), Accounts Receivable increased by 37% to €251 million (H1 2020: €183 million), and Accounts Payable increased by 89% to €497 million (H1 2020: €263 million).

Working capital intensity, measured as a percentage of the last three months' annualised revenue, decreased by 4.9 percentage points to 18.5% compared to 23.4% at 30 June 2020. Working capital intensity at H1 2021 was higher than the 15.9% recorded at the year-end, in line with the Group working capital cycle, which peaks in the middle of the year. The Group expects working capital intensity to decrease to within the target range of 15-18% by year-end 2021.

Working capital financing, used to provide low cost liquidity and support the Group's commercial offering to customers, stood at €287 million at 30 June 2021 (30 June 2020: €223 million). This comprised €186 million of accounts receivable financing (factoring) and €101 million of accounts payable financing (forfeiting). Working capital financing levels vary according to business activity, and the Group targets a medium-term level below €320 million.

In the first six months, the Group increased its capital expenditure on organic projects, as previously guided. Of the €91 million of capital expenditure in the first six months of 2021 (H1 2020: €57 million), €21 million was maintenance related and €70 million was deployed in strategic projects. Full year guidance for project related capital expenditure of €180 million and maintenance capital expenditure of €80 million is unchanged.

€(68) million of other assets and liabilities includes €11 million in pension contributions, €6 million from a change in bonus provision relative to 2020, €6 million reduction in warranty provision and €2 million of prepayments. €34 million relates to indirect and other tax and temporary timing differences including Brazil taxes, VAT, energy taxes and research incentives. The Group has recognised €10 million of other revenue and €5 million of interest income following a Brazilian Supreme Court ruling resulting in a refund of revenue based taxes previously overpaid in the period 2005-2020.

Net interest payments on net debt and further refinancing costs amounted to €11 million in the Period (H1 2020: €11 million).

Cash Flow €m	H1 2021	H1 2020
Adjusted EBITA	128	133
Working Capital	-75	-10
Changes in Other Assets/Liabilities	-68	-34
Capital Expenditure	-91	-57
Depreciation	51	61
Operating Cash Flow[1]	**-55**	**93**
Cash tax	-24	-21
Net financial expenses[2]	-11	-11
Restructuring/Transaction Costs	-33	-10
Dividend payments	-35	-25
Share buyback	-73	-
Right of use assets	-1	-
Free Cash Flow[1]	**-232**	**26**

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

[2] H1 2020 restated from €17 million, excluding non-cash adjustment for leasing, non-controlling interests and the discounting provision Oberhausen

Financial position

The Group continues to benefit from a strong financial position with a resilient balance sheet and no material debt maturities until 2023.

The Group's net debt at 30 June 2021 was €812 million, comprising total debt of €1,144 million and cash and cash equivalents and marketable securities of €332 million. As at 30 June 2021, total leases amounted to €51 million (H1 2020: €59 million), which is included in the Company's net debt position following the introduction of IFRS 16 Leases in 2019.

At 2.2x net debt to EBITDA at H1 2021, the Group is temporarily above the upper end of its targeted gearing range of 0.5-1.5x. This is mainly due to a deliberate increase in working capital ahead of expected customer demand in H2 and to mitigate against freight delays, and €108 million of shareholder distributions in H1 2021.

The Group expects to return towards its target gearing range by year end given stronger trading expected in the second half and the receipt of Magnifin disposal funds of €96 million after tax.

Total liquidity for the Group at 30 June 2021 was €932 million, including undrawn committed facilities of €600 million.

The Group will have debt maturities of €67 million in the second half of 2021 and €226 million in 2022, of which €33 million is payable in 2021 and €192 million in 2022.

Sustainability linked financing

The introduction of ESG-related pricing mechanics into the Group's financing facilities highlights RHI Magnesita's commitment to sustainability. The margin under the term loan ($200 million) and revolving credit facility (€600 million) will be adjusted based on the Group's EcoVadis rating performance. RHI Magnesita is currently rated 'Gold' by EcoVadis and will seek to further improve its ESG performance and ratings through the execution of its sustainability strategy. The amended revolving credit facility also includes an option to extend the facility out to 2028.

Return on invested capital

Return on invested capital (ROIC) is used to assess the Group's efficiency in executing its capital allocation strategy, which is aimed at enabling organic growth, disciplined M&A and shareholder returns. Group ROIC in H1 2021 was 10.0% (H1 2020: 10.4%), from a total of €1,975 million of invested capital (H1 2020: €1,963 million) and €99 million recorded net operating profit after tax (NOPAT) (H1 2020: €108 million). ROIC for raw materials assets was 14.2% (H1 2020: 8.6%), from a total of €430 million of invested capital (H1 2020: €429 million) and €30 million NOPAT (H1 2020: €18 million). ROIC for refractory assets was 8.8% (H1 2020: 11.6%), from a total of €1,545 million of invested capital (H1 2020: €1,532 million) and €68 million NOPAT (H1 2020: €89 million).

Returns to shareholders

RHI Magnesita's capital allocation strategy has been to prioritise strategic investment to improve its competitive position and shareholder returns.

The Board's dividend policy remains to target a dividend cover of below 3.0x adjusted earnings over the medium term. Dividends will be paid on a semi-annual basis with one third of the prior year's full year dividend being paid at the interim. Consistent with its dividend policy, and against a background of an improving outlook and confidence in the second half, the Board has declared an interim dividend of €0.50 per share, or €24 million in aggregate. The interim dividend will be payable on 14 September 2021 to shareholders on the register at the close of trading on 27 August. The ex-dividend date is 26 August 2021.

On 16 December 2020 the Group commenced a share buyback programme of up to €50 million, purchasing €3 million of shares in 2020 and €46 million in H1 2021, completing the initial programme on 13 April 2021. The Group later extended the buyback programme by up to a further €50 million on 5 May 2021. On 30 June 2021 the Group had purchased a further €28 million of shares under the second tranche, which is ongoing. On completion of the €100 million share buyback programme, the Group will continue to consider share buybacks as part of its capital allocation policy over the medium term. The average price of shares repurchased in the first tranche of the buyback was 4071 pence. The average price of shares repurchased in the second tranche of the buyback up to 30 June 2021, was 4391 pence.

The Group announced in May 2021 the intended disposal of its stake in the Magnifin joint venture, a non-core asset producing high grade magnesium hydroxide for use in in flame retardancy. The Board has determined that this asset is not core to the Group's growth strategy and has signed a sale and purchase agreement to sell the Group's interest in Magnifin to its joint venture partner, J.M. Huber Corporation, for a cash consideration of €100 million. The disposal is subject to Foreign Investment Control approval in Austria and is expected to complete in the second half of 2021. The asset is held as a financial investment and is not consolidated into the Group's reported EBITA. In the year to 31 December 2020, the Group's share of profit before tax from the Magnifin joint venture was €7.3 million (2019: €10.0 million) and the Magnifin joint venture recorded EBITDA of €16.2 million (2019: €21.6 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 potentially 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 risks were presented in the 2020 Annual Report, which is available on the Group's website at www.rhimagnesita.com. The Board has reconsidered the principal risks and uncertainties of the Group and assessed the broader macro and external risk environment and have determined that those risks reported in the 2020 Annual Report remain relevant for the remaining half of the financial year.

The risk likelihood and/or potential impact of six out of the twelve principal risks have changed during H1 2021, as highlighted in the summary table below.

The impact of increased global logistics challenges in relation to RHI Magnesita's operating model and the continuing consequences of managing health risks related to the current COVID-19 pandemic were the main triggers of the increased risk levels. Further impacts have been experienced in the execution of Capex projects through inflation in construction materials and related services costs and the delivery challenges in a continuing COVID-19 impacted environment. Consequently, the principal risks impacted by such challenges increased their potential to exceed the risk appetite and are being subjected to enhanced monitoring and mitigation.

The improving macro-economic environment and condition of customer industries and increasing raw material prices in the first half of the year had a positive effect on the risk level associated with the corresponding principal risks (i.e. "macro-economic environment and condition of customer industries", and "lack of competitiveness of internally sourced raw materials"). The remaining six principal risks are largely unchanged compared to the 2020 Annual Report – these are listed below. Whilst the residual risk of cybersecurity has been assessed as unchanged, this is based on an enhanced internal control framework to match the increasing level of inherent risk.

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

The updated comprehensive analysis of the principal risks faced by RHI Magnesita will be included in the 2021 Annual Report.

Principal Risk	Change in Risk Level	Change description and mitigating actions
1. Macroeconomic environment and condition of customer industries leading to significant sales volume reductions	Decrease	The improvement of the global macro-economic environment and condition of RHIM's customer industries had a positive mitigating effect on this risk.
2. Lack of competitiveness of internally sourced raw materials	Decrease	The likelihood of the risk decreased due to the strengthening of the raw material prices in the first half of the year. The sale of high-cost Norway electro fused magnesia plant, advancement of strategic projects at Hochfilzen and Brumado to further improve their already low cost position, and consistent control of costs, have a positive impact on the competitiveness of RHI Magnesita internally sourced raw materials.
3. Inability to execute key strategic initiatives	Increase	The risk has increased due to the global inflation increases in capex-based construction material costs and related services. This is compounded by the complexity of executing major projects in the challenging COVID-19 impacted environment.
4. Significant changes in the competitive environment or speed of disruptive innovation	Unchanged	
5. Ineffective execution of core operating model (e.g. business interruption and supply chain disruption)	Increase	The risk level increased because of the enhanced challenge in effectively managing global logistic disruptions, including the risk associated with single source suppliers. The challenges faced in H1 2021 have caused a cost burden to RHI Magnesita (e.g. increase costs of purchasing raw materials, and the ability to pass on additional product costs to customers) and increased lead times to customers. A range of measure to address this have been implemented and further measures are under consideration.
6. Sustainability - Environmental and climate risks	Increase	This risk has slightly risen due to the growing attention to the environmental and climate area and decreasing allocations of carbon credits in Europe. To match the increasing level of risk, a major four-year R&D program designed to expand the Group's leading sustainability position within the refractories industry was launched in the first half of the year. Over the course of the four years, RHI Magnesita will invest €50 million towards technology research and pilot plant constructions, including new technology for the capture of CO_2.
7. Sustainability - Health & Safety risks	Increase	The risk level slightly increased due to the continuous threat of the ongoing pandemic to the health of our employees and contractors, particularly in India and Brazil. Several measures to protect the health of our staff have been implemented to address local risks posed by COVID-19. Protecting the health of our staff continues to be a priority.
8. Regulatory and compliance risks	Unchanged	
9. Cyber and information security risk	Unchanged	

10. Product Quality Failure	Unchanged	
11. Inconsistent demonstration of RHIM culture, values and related behaviours	Unchanged	
12. Fluctuations in exchange rates and energy prices	Unchanged	

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 treat these arrangements as related party transactions. Furthermore, RHI Magnesita includes transactions with key management personnel as related party transactions. As of the balance sheet date, 30 June 2021, there have been no significant changes in the related party transactions from those described in RHI Magnesita's 2020 Annual Report. More information can be found in note 31 of the Condensed consolidated interim financial statements.

GOING CONCERN

The Group has considerable financial resources together with long-standing relationships with a number of customers, suppliers and funding providers across different geographic areas and industries. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current bank facilities without needing to renew facilities expiring in the next 12 months. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the uncertainties inherent in the current economic outlook. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim Financial Report.

ALTERNATIVE PERFORMANCE 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 results at a constant currency
HY 2020 figures presented at constant currency represent FY 2020 reported figures translated at average H1 2021 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, contract assets and contract liabilities. 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.

Return on invested capital

ROIC is calculated as adjusted net operating profit after tax (NOPAT), divided by total invested capital for the year. Invested capital is a sum of non-current assets including deferred tax assets, trade and other current receivables, inventories and income tax receivables less other non-current financial assets, deferred tax liabilities, trade and other current liabilities, income tax liabilities and current provisions. Adjusted net operating profit after tax (NOPAT) is calculated as sum of Adjusted EBITA, Amortisation expense and result from joint ventures less income taxes paid.

Liquidity

Liquidity comprises cash and cash equivalents and unutilised credit facilities of €600 million.

DEFINITIONS

RHI Magnesita or the Company or the Group	RHI Magnesita N.V. or RHI Magnesita N.V. and its subsidiary undertakings, as appropriate
H1 2021 or the Period	Six months ended 30 June 2021
H1 2021	Six months ended 30 June 2020
FY 2020	Twelve months ended 31 December 2021
APMs	Alternative performance measures
EU	European Union
UAE	United Arab Emirates

TECHNICAL GLOSSARY

COVID-19	Coronavirus disease 2019
CO_2	Carbon dioxide
EAF	Electric arc furnace
R&D	Research and development
ESG	Environmental Social Governance
APO	Automated Process Optimisation
EMLI	Electromagnetic level indicator
BOF	Basic oxygen furnace
EAF	Electric arc furnace
AOD	Argon oxygen decarburization
RFID	Radio Frequency Identification
NFM	Non ferrous metals
EEC	Environment, energy and chemicals
ANKRAL X	RHI Magnesita product series, which combines clinker melt resistance with flexibility
DBM	Dead burned magnesia
M&A	Mergers and acquisitions
SG&A	Selling, general and administrative expenses
COGS	Cost of goods sold
OIE	Other income and expenses

Condensed Consolidated Interim Financial Statements as of 30.06.2021

Condensed Consolidated Statement of Financial Position

as of 30.06.2021

in € million	Note	30.06.2021	31.12.2020
ASSETS			
Non-current assets			
Goodwill		112.9	110.8
Other intangible assets		275.1	265.7
Property, plant and equipment	(10)	1,023.1	958.6
Investments in joint ventures and associates[1]	(6)	21.2	16.3
Other non-current financial assets		14.6	14.5
Other non-current assets		36.0	26.6
Deferred tax assets		179.5	199.2
		1,662.4	**1,591.7**
Current assets			
Inventories	(11)	703.4	477.4
Trade and other current receivables	(12)	427.7	351.8
Income tax receivables		40.4	27.7
Other current financial assets		0.9	0.3
Cash and cash equivalents		332.1	587.2
Assets disposal groups		0.0	16.6
		1,504.5	**1,461.0**
		3,166.9	**3,052.7**
EQUITY AND LIABILITIES			
Equity			
Share capital		49.5	49.5
Group reserves		636.7	596.6
Equity attributable to shareholders of RHI Magnesita N.V.		686.2	646.1
Non-controlling interests		30.6	20.0
		716.8	**666.1**
Non-current liabilities			
Borrowings	(13)	893.7	983.0
Other non-current financial liabilities		82.8	88.8
Deferred tax liabilities		48.6	45.0
Provisions for pensions	(14)	276.1	303.6
Other personnel provisions	(15)	65.8	70.5
Other non-current provisions		65.1	62.6
Other non-current liabilities		6.5	4.8
		1,438.6	**1,558.3**
Current liabilities			
Borrowings	(13)	199.6	131.5
Other current financial liabilities		16.8	44.0
Trade payables and other current liabilities	(16)	698.1	522.7
Income tax liabilities		23.6	25.8
Current provisions	(17)	73.4	86.4
Liabilities disposal groups		0.0	17.9
		1,011.5	**828.3**
		3,166.9	**3,052.7**

1) thereof held for disposal €20.7 million joint venture Magnifin, see Note (6)

Condensed Consolidated Statement of Profit or Loss

from 01.01.2021 to 30.06.2021

in € million for the six months ended 30 June	Note	2021	2020
Revenue	(25)	1,200.3	1,170.8
Cost of sales		(928.7)	(891.7)
Gross profit		**271.6**	**279.1**
Selling and marketing expenses		(52.2)	(60.6)
General and administrative expenses		(102.0)	(95.2)
Restructuring	(18)	(3.0)	(13.8)
Other income	(19)	16.3	7.7
Other expenses	(20)	(5.1)	(15.3)
EBIT		**125.6**	**101.9**
Interest income		6.8	2.5
Interest expenses on borrowings		(9.5)	(9.3)
Net income/ (expense) on foreign exchange effects and related derivatives	(21)	6.8	(15.5)
Other net financial expenses	(22)	(10.6)	(14.8)
Net finance costs		**(6.5)**	**(37.1)**
Share of profit of joint ventures and associates	(6)	5.4	5.4
Profit before income tax		**124.5**	**70.2**
Income tax	(23)	(25.9)	(19.0)
Profit after income tax		**98.6**	**51.2**
attributable to shareholders of RHI Magnesita N.V.		97.1	50.4
attributable to non-controlling interests		1.5	0.8

in €		
Earnings per share – basic	2.01	1.03
Earnings per share – diluted	1.99	1.01

Condensed Consolidated Statement of Comprehensive Income

from 01.01.2021 to 30.06.2021

in € million for the six months ended 30 June	Note	2021	2020
Profit after income tax		**98.6**	**51.2**
Currency translation differences			
Unrealised results from currency translation	(7)	57.4	(169.0)
Deferred taxes thereon		(5.7)	27.4
Current taxes thereon		0.3	1.2
Unrealised results from net investment hedge		(5.4)	0.1
Deferred taxes thereon		1.3	0.0
Reclassification to profit or loss		0.0	0.3
Reclassification to profit or loss – Disposal subsidiary		(8.6)	0.0
Cash flow hedges			
Unrealised fair value changes		4.0	(7.9)
Deferred taxes thereon		(1.0)	2.0
Items that will be reclassified subsequently to profit or loss, if necessary		**42.3**	**(145.9)**
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans	(14/15)	27.0	(6.9)
Deferred taxes thereon		(7.9)	1.8
Items that will not be reclassified to profit or loss		**19.1**	**(5.1)**
Other comprehensive income after income tax		**61.4**	**(151.0)**
Total comprehensive income		**160.0**	**(99.8)**
attributable to shareholders of RHI Magnesita N.V.		158.2	(99.4)
attributable to non-controlling interests		1.8	(0.4)

Condensed Consolidated Statement of Cash Flows

from 01.01.2021 to 30.06.2021

in € million for the six months ended 30 June	Note	2021	2020
Cash (used in)/ generated from operations	**(24)**	**(4.1)**	**124.1**
Income tax paid less refunds		(24.3)	(21.1)
Net cashflow from operating activities		**(28.4)**	**103.0**
Investments in property, plant and equipment and intangible assets		(90.9)	(57.7)
Investments in subsidiaries net of cash acquired		0.0	(8.5)
Cash flows from sale of subsidiaries net of cash disposed of		(4.8)	0.0
Cash inflows from the sale of property, plant and equipment		6.1	2.3
Dividends received from joint ventures and associates		0.4	9.8
Investment subsidies received		2.4	0.0
Interest received		1.7	2.9
Cash inflows from non-current receivables		0.1	0.1
Net cashflow from investing activities		**(85.0)**	**(51.1)**
Acquisition of treasury shares		(73.5)	0.0
Dividend payments to shareholders of the Group		(35.0)	(24.5)
Proceeds from borrowings and loans		65.0	96.5
Repayments of borrowings and loans		(82.6)	(3.6)
Changes in current borrowings		(12.3)	(7.2)
Interest payments		(11.7)	(13.4)
Repayment of lease obligations		(7.1)	(8.1)
Interest payments from lease obligations		(0.5)	(0.6)
Cash flows from derivatives		(2.2)	0.0
Net cashflow from financing activities		**(159.9)**	**39.1**
Total cash flow		**(273.3)**	**91.0**
Change in cash and cash equivalents		**(273.3)**	**91.0**
Cash and cash equivalents at beginning of year		589.2	467.2
Foreign exchange impact		16.2	(25.7)
Cash and cash equivalents at half year-end		332.1	532.5

Condensed Consolidated Statement of Changes in Equity

from 01.01.2021 to 30.06.2021

in € million	Share capital	Treasury shares	Additional paid-in capital	Mandatory reserve	Retained earnings	Cash flow hedges	Defined benefit plans	Currency translation	Accumulated other comprehensive income/ expenses relating to disposal groups	Equity attributable to shareholders of RHI Magnesita N.V.	Non-controlling interests	Total equity
		Group reserves										
						Accumulated other comprehensive income						
Note							(14/15)		(5)			
31.12.2020	**49.5**	**(21.5)**	**361.3**	**288.7**	**376.8**	**(13.7)**	**(145.7)**	**(257.1)**	**7.8**	**646.1**	**20.0**	**666.1**
Profit after income tax	**-**	**-**	**-**	**-**	**97.1**	**-**	**-**	**-**	**-**	**97.1**	**1.5**	**98.6**
Currency translation differences	-	-	-	-	-	-	-	46.9	(7.9)	39.0	0.3	39.3
Market valuation of cash flow hedges	-	-	-	-	-	3.0	-	-	-	3.0	-	3.0
Remeasurement of defined benefit plans	-	-	-	-	-	-	19.0	-	0.1	19.1	-	19.1
Other comprehensive income after income tax	**-**	**-**	**-**	**-**	**-**	**3.0**	**19.0**	**46.9**	**(7.8)**	**61.1**	**0.3**	**61.4**
Total comprehensive income	**-**	**-**	**-**	**-**	**97.1**	**3.0**	**19.0**	**46.9**	**(7.8)**	**158.2**	**1.8**	**160.0**
Dividends	-	-	-	-	(47.7)	-	-	-	-	(47.7)	-	(47.7)
Shares repurchased [1]	-	(73.5)	-	-	-	-	-	-	-	(73.5)	-	(73.5)
Reclassification of puttable non-controlling interests without change of control[2]	-	-	-	-	-	-	-	-	-	-	8.8	8.8
Share-based payment expenses	-	-	-	-	3.1	-	-	-	-	3.1	-	3.1
Transactions with shareholders	**-**	**(73.5)**	**-**	**-**	**(44.6)**	**-**	**-**	**-**	**-**	**(118.1)**	**8.8**	**(109.3)**
30.06.2021	**49.5**	**(95.0)**	**361.3**	**288.7**	**429.3**	**(10.7)**	**(126.7)**	**(210.2)**	**0.0**	**686.2**	**30.6**	**716.8**

1) The share buyback programme initiated in December 2020 has been completed in April 2021. The share buyback program was extended in May 2021.
2) Further information is provided under Note (5) and Note (26).

		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
Note							(14/15)				
31.12.2019	**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 payment 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**

Explanatory Notes

to the Condensed Consolidated Interim Financial Statements as of 30.06.2021

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 2021 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 2020. 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 2021 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 Group has considerable financial resources together with long-standing relationships with a number of customers, suppliers and funding providers across different geographic areas and industries ensuring operational existence.

2. Initial application of new financial reporting standards

The following amendments of standards have become effective during the reporting period. None of these amendments will have an effect on the Group's accounting and measurement principles.

Standard	Title	Publication (EU endorsement)[1]	Effects on RHI Magnesita Consolidated Financial Statements
Amendments of standards			
IFRS 16	Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions	28.05.2020 (29.10.2020)	No effect
IFRS 4	Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9	25.06.2020 (01.01.2021)	Not relevant
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	27.08.2020 (01.01.2021)	No effect

1) According to EU Endorsement Status Report of 16.07.2021.

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 2021. The following financial reporting standards have 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 RHI Magnesita.

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; including amendments to IFRS 17	18.05.2017 (25.06.2020)	01.01.2023	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
IAS 1	Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	12.02.2021	01.01.2023	No material effects expected
IAS 8	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	12.02.2021	01.01.2023	No material effects expected
IAS 12	Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single transaction	07.05.2021	01.01.2023	No material effects expected

1) According to EU Endorsement Status Report of 16.07.2021.

The following financial reporting standards have been adopted by the EU and were not applied early on a voluntary basis. They are not expected to have a significant impact on RHI Magnesita.

Standard	Title	Publication (EU endorsement)[1]	Mandatory application for RHI Magnesita	Expected effects on RHI Magnesita Consolidated Financial Statements
New standards				
Amendments of standards				
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

1) According to EU Endorsement Status Report of 16.07.2021.

4. Changes in comparative information

Segment reporting

As foundry is a very fragmented small customer industry and Segment Industrial is used to serve many more customers than only Segment Steel, given the multitude of different customer industries RHI Magnesita delivers to, the responsibility of the foundry business has been moved from the Segment Steel to Segment Industrial in 2021. The information for the previous year was adjusted accordingly, impacting segment revenue by €6.6 million, segment gross profit by €1.9 million and segment assets by €11.3 million.

5. Group of consolidated companies

Disposal of RHI Normag AS and Premier Periclase Limited

In line with the Group's raw material strategy, the Group completed the disposal of RHI Normag AS, Porsgrunn, Norway and Premier Periclase Limited, Drogheda, Ireland on 1 February 2021, being classified as held for sale as at 31 December 2020. The fair value less cost of disposal of the disposal group was determined with reference to the compensation payable to the purchaser. The total gain on loss of control of €6.0m recognised in the Consolidated Statement of Profit or Loss predominantly relates to the recycling of certain components of Other Comprehensive Income of the entities within the disposal group.

The gain on loss of control is presented as follows:

in € million	01.02.2021
Loss on derecognition of net assets	(1.2)
Recycling of OCI components to P&L	8.0
Result from deconsolidation	**6.8**
Cash consideration payable to the purchaser	(0.8)
Gain from loss of control	**6.0**

As of 30 June 2021, further provisions for restructuring costs amounting to €8.0 million have been recognised for the exposure to environmental risks, unfavourable contracts and dismantling costs, see Note (18).

The following assets and liabilities were disposed of as at 1 February 2021:

in € million	01.02.2021
Non-current assets	5.3
Inventories	7.2
Trade receivables and other current assets	2.0
Cash and cash equivalents	4.0
Assets	**18.5**
Non-current liabilities	1.4
Current liabilities	15.9
Liabilities	**17.3**

Merger of Indian entities
In June 2021 the two Indian subsidiaries RHI CLASIL Private Limited and RHI India Private Limited were merged into RHI Orient Refractories Limited (ORL), leaving RHI Magnesita with a share of 70.28% in ORL. As a result of this transaction, put options held by the minority shareholders were waived and consequently the current financial liability of €8.8 million was reclassified to non-controlling interest within equity. Further information is provided under Note (26).

6. Investments in joint ventures and associates

For the first six months of 2021 RHI Magnesita's profit share on the joint venture Magnesiaprodukte GmbH & Co KG., St.Jakob, Austria, ("Magnifin") amounted to €5.4 million (1-6/2020: €5.5 million). Magnifin produces high purity grade magnesium hydroxide for applications in flame retardancy.

As Magnifin is not core to RHI Magnesita's growth strategy, the 50% stake in Magnifin is held for disposal as of 30 June 2021 and will be sold for a cash consideration of €100.0 million to the joint venture partner J.M. Huber Corporation. The book value as of 30 June 2021 of the interest in the joint venture amounts to €20.7 million. Most of its profits are distributed and RHI Magnesita is entitled to receive the share of the dividend accordingly until closing.

The disposal is subject to Foreign Investment Control approval in Austria and is expected to be completed in the second half of 2021.

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 € =	30.06.2021	31.12.2020	1-6/2021	1-6/2020
Argentine Peso	ARS	113.93	103.47	109.06	70.23
Brazilian Real	BRL	5.90	6.38	6.55	5.28
Canadian Dollar	CAD	1.47	1.57	1.52	1.50
Chilean Peso	CLP	866.33	875.28	871.52	893.25
Chinese Renminbi Yuan	CNY	7.68	8.03	7.83	7.76
Indian Rupee	INR	88.51	89.83	88.52	81.08
Mexican Peso	MXN	23.56	24.45	24.52	23.39
Norwegian Krone	NOK	10.19	10.50	10.25	10.68
Pound Sterling	GBP	0.86	0.90	0.87	0.87
Swiss Franc	CHF	1.10	1.08	1.09	1.07
South African Rand	ZAR	16.98	17.97	17.68	18.04
US Dollar	USD	1.19	1.23	1.21	1.10

1) Arithmetic mean of the monthly closing rates.

8. Impairment testing

Impairment of property, plant and equipment, goodwill and other intangible assets
No triggers for an impairment review as of 30 June 2021 were identified.

9. Principles of accounting and measurement

There were no changes regarding principles of accounting and measurement compared to the Consolidated Financial Statements as of 31 December 2020., see Note (2).

10. Property, plant and equipment

In the first half of 2021 additions to property, plant and equipment amount to €90.8 million (1-6/2020: €51.1 million) and mainly refer to an expansion of a dolomite plant in Austria and a magnesite plant in Brazil as well as to digitalisation and optimisation projects.

11. Inventories

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

in € million	30.06.2021	31.12.2020
Raw materials and supplies	207.6	92.7
Work in progress	111.9	102.5
Finished products and goods	372.4	272.2
Prepayments made	11.5	10.0
Inventories	**703.4**	**477.4**

The Group has significantly increased its stock of raw materials and finished goods with a view to an expected ramp-up in demand in the second half of 2021, based on current order books.

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	30.06.2021	31.12.2020
Trade receivables	291.8	254.3
Contract assets	9.8	1.8
Other taxes receivable	87.4	58.4
Receivables from joint ventures and associates	1.2	1.1
Prepaid expenses	4.6	4.2
Receivables from property transactions	1.7	1.6
Emission rights	0.9	2.0
Receivables from employees	4.3	8.9
Prepaid transaction costs related to financial liabilities	2.3	2.3
Receivables from non-consolidated subsidiaries	0.2	0.2
Other current receivables	23.5	17.0
Trade and other current receivables	**427.7**	**351.8**
thereof financial assets	294.0	255.6
thereof non-financial assets	133.7	96.2

RHI Magnesita entered into factoring agreements and sold trade receivables to financial institutions. The balance sold totalled € 186.1 million as of 30 June 2021 (31.12.2020: € 177.6 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. Further, this position contains a receivable of €15.2m that was recognised as a result of a successful judicial proceeding against tax authorities in Brazil relating to revenue based taxes.

13. Borrowings

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

In March 2021 RHI Magnesita took out a €65.0 million credit facility, maturing in March 2022. The interest rate amounts to 0.1%. With the proceeds of the loan the Group repaid a €60.0 million 2-year revolving credit facility guaranteed by the Austrian export credit agency (OeKB) in April 2020, which was part of the Austrian government's COVID-19 support program. The €60.0 million facility is not terminated and could theoretically be drawn again until March 2022.

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. The covenant ratio is limited at 3.5x. Breach of covenants leads to an anticipated maturity of loans. In order to provide additional flexibility during the COVID-19 pandemic, the covenant ratio was renegotiated in the course of the second quarter 2020 and was extended to 5.0x for the testing period of 31 December 2020 and 30 June 2021. During 2021 and 2020 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 2020 and the first six months of 2021.

Calculation of the two ratios is as follows:

in € million	30.06.2021	30.06.2020
EBIT	144.3	161.4
Amortisation	19.9	22.1
Restructuring	103.0	119.8
Other operating income and expenses	(12.3)	3.8
Adjusted EBITA	**254.9**	**307.1**
Depreciation	110.6	136.0
Adjusted EBITDA	**365.5**	**443.1**
Total debt	1,093.3	1,139.9
Lease liabilities	51.2	58.8
Cash and cash equivalents	332.1	532.5
Net debt	**812.4**	**666.2**
Net debt excluding IFRS 16 lease liabilities	**761.2**	**607.4**
Net debt to adjusted EBITDA	**2.22x**	**1.50x**
Net debt to adjusted EBITDA excluding IFRS 16 lease liabilities (being financial covenant)	**2.08x**	**1.37x**

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 2021, the increase in the actuarial interest rate to 7.4% (31.12.2020: 5.8%) in Brazil, to 2.9% (31.12.2020: 2.5%) in the US and to 0.9% (31.12.2020: 0.5%) in the Euro zone led to a decrease in pension obligations of €24.9 million and to an increase in Other Comprehensive Income of €17.4 million (net of deferred taxes).

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 (net of deferred taxes).

15. Other personnel provisions

As of 30 June 2021, the increase in the actuarial interest rate in the Euro zone to 0.9% (31.12.2020: 0.5%) led to a decrease in severance pay obligations of €2.1 million and to an increase in Other Comprehensive Income of €1.6 million (after deferred taxes).

No actuarial recalculation took place as of 30 June 2020, as the actuarial interest rate in the Euro zone had not changed significantly.

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	30.06.2021	31.12.2020
Trade payables	496.8	318.6
Contract liabilities	50.9	46.2
Liabilities to employees	79.6	88.8
Taxes other than income tax	20.8	27.0
Dividend liabilities	13.2	0.4
Payables from property transactions	13.7	9.9
Payables from commissions	6.1	5.6
Liabilities to joint ventures and associates	1.6	1.2
Liabilities to non-consolidated subsidiaries	0.7	0.7
Other current liabilities	14.7	24.3
Trade payables and other current liabilities	**698.1**	**522.7**
thereof financial liabilities	532.8	337.6
thereof non-financial liabilities	165.3	185.1

Trade payables increased in line with the Group's replenishment of raw material and finished goods stock, see Note (11).

Trade payables include an amount of €101.2 million (31.12.2020: €43.5 million) for raw material purchases subject to supply chain finance arrangements. These trade payables are not derecognised from the Balance Sheet.

Other current liabilities include €1.0 million (31.12.2020: €0.6 million) investment reimbursement obligation to the former subsidiary Dolomite Franchi S.p.A., and other accrued expenses.

17. Current provisions

Provisions for restructuring costs amounting to €44.1 million as of 30 June 2021 (31.12.2020: €53.4 million) primarily consist of benefit obligations to employees due to termination of employment and dismantling costs.

Thereof, €18.6 million (31.12.2020: €22.5 million) relate to the plant closure in Mainzlar, Germany, €6.1 million (31.12.2020:€9.2 million) to the plant closure in Kruft, Germany, and €1.2 million (31.12.2020: €0.5 million) to the plant closure in Evergem, Belgium. Further, € 6.8 million (31.12.2020: €15.4 million) relate to other cost saving initiatives.

In addition, provisions for restructuring costs amounting to €8.0 million relate to the sale of the plants Porsgrunn, Norway, and Drogheda, Ireland.

In the first half of 2021 €7.3 million (1-6/2020: €0.9 million) of provisions for restructuring costs were reversed as a consequence of a revision of the estimate of redundancy costs payable.

Provisions for contract obligations include the current portion of the Oberhausen contract obligation amounting to €8.1 million as of 30 June 2021 (31.12.2020: €7.6 million).

18. Restructuring

In the first half of 2021 restructuring income and expenses amount to €3.0 million (1-6/2020: €13.8 million), which mainly result from expenses related to plant closures in Porsgrunn, Norway, and Drogheda, Ireland, amounting to €8.6 million and income from the sale of the plant in Hagen, Germany, amounting to €3.1 million (1-6/2020: €6.6 million).

19. Other income

The individual components of other income are:

in € million for the six months ended 30 June	2021	2020
Result from deconsolidation incl. recycling currency translation differences	6.8	0.0
Amortisation of Oberhausen provision	4.9	3.8
Income from the disposal of non-current assets	1.7	1.2
Result from derivatives from supply contracts	0.8	0.0
Income from the reversal of provisions	0.4	0.3
Miscellaneous income	1.7	2.4
Other income	**16.3**	**7.7**

20. Other expenses

Other expenses include:

in € million for the six months ended 30 June	2021	2020
Expenses for strategic projects	(2.4)	(1.8)
Losses from the disposal of non-current assets	(0.1)	(0.7)
Result from derivatives from supply contracts	0.0	(10.9)
Result from deconsolidation incl. recycling currency translation differences	0.0	(0.3)
Miscellaneous expenses	(2.6)	(1.6)
Other expenses	**(5.1)**	**(15.3)**

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	2021	2020
Foreign exchange gains	8.3	105.0
Gains from related derivative financial instruments	3.8	1.5
Foreign exchange losses	(0.3)	(122.0)
Losses from related derivative financial instruments	(5.0)	0.0
Net income/ (expense) on foreign exchange effects and related derivatives	**6.8**	**(15.5)**

The net gain on foreign exchange effects in the current reporting period resulted mainly from the revaluation of the US Dollar and the Brazilian Real against the Euro.

22. Other net financial expenses

Other net financial expenses consist of the following items:

in € million for the six months ended 30 June	2021	2020
Interest income on plan assets	1.8	1.3
Interest expense on provisions for pensions	(4.1)	(4.0)
Interest expense on provisions for termination benefits	(0.2)	(0.3)
Interest expense on other personnel provisions	(0.1)	(0.1)
Net interest expense personnel provisions	**(2.6)**	**(3.1)**
Unwinding of discount of provisions and payables	(3.5)	(3.5)
Interest expense on non-controlling interests	(1.8)	(1.9)
Interest expense on lease liabilities	(0.5)	(0.6)
Reversal of impairment losses on securities	0.2	0.0
Impairment losses on securities	0.0	(0.4)
Income/Expenses from the valuation of put options	1.1	(0.9)
Other interest and similar expenses	(3.5)	(4.4)
Other net financial expenses	**(10.6)**	**(14.8)**

23. Income tax

The effective tax rate of the first half of 2021 amounts to 20.8% (1-6/2020: 27.0%).

Total tax for the first half of 2021 in the Consolidated Statement of Profit or Loss amounted to €25.9 million (1-6/ 2020:€19.0 million), which includes tax income for prior years of €1.9 million (1-6/2020: tax income for prior years of €1.5 million). An effective tax rate of 22.4% is anticipated for the full year 2021.

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 potentially delayed global recovery. 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. Information on tax contingencies is provided under Note (28).

24. Net cash flow from operating activities

in € million for the six months ended 30 June	2021	2020
Profit after income tax	98.6	51.2
Adjustments for		
income tax	25.9	19.0
depreciation	51.4	61.1
amortisation	10.4	9.9
write-down of property, plant and equipment and intangible assets	0.0	0.1
income from the reversal of investment subsidies	(0.3)	(0.3)
write-ups / impairment losses on securities	(0.2)	0.4
gains from the disposal of property, plant and equipment	(4.4)	(0.6)
gains/ losses from the disposal of subsidiaries	(6.8)	0.3
net interest expense and derivatives	12.0	17.1
share of profit of joint ventures and associates	(5.4)	(5.4)
other non-cash changes	(14.5)	25.2
Changes in working capital		
inventories	(209.4)	(12.8)
trade receivables	(29.1)	70.5
contract assets	(7.8)	(0.1)
trade payables	166.9	(70.2)
contract liabilities	4.4	2.8
Changes in other assets and liabilities		
other receivables and assets	(28.8)	(5.7)
provisions	(24.5)	(24.5)
other liabilities	(42.5)	(13.9)
Cash (used in)/ generated from operations	**(4.1)**	**124.1**

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 2021 and the first half of 2020:

in € million for the six months ended 30 June 2021	Steel	Industrial	Group
Revenue	**854.7**	**345.6**	**1,200.3**
Gross profit	**184.2**	**87.4**	**271.6**
EBIT			**125.6**
Net finance costs			(6.5)
Share of profit of joint ventures and associates			5.4
Profit before income tax			**124.5**
Depreciation and amortisation charges	(43.4)	(18.4)	(61.8)
Segment assets 30.06.2021	1,766.0	650.1	2,416.1
Investments in joint ventures and associates 30.06.2021			21.2
Reconciliation to total assets			729.6
			3,166.9

in € million for the six months ended 30 June 2020	Steel[1]	Industrial[1]	Group
Revenue	**813.5**	**357.3**	**1,170.8**
Gross profit	**181.7**	**97.4**	**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	(49.7)	(21.3)	(71.0)
Segment assets 31.12.2020	1,514.7	553.9	2,068.6
Investments in joint ventures and associates 31.12.2020			16.3
Reconciliation to total assets			967.8
			3,052.7

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 (e.g. full line service, contract business, cost per performance) as well as other revenue. The category "Other" mainly includes revenue from the sale of non-group refractory products.

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

in € million for the six months ended 30 June 2021	Steel	Industrial	Group
Shaped products	383.8	240.7	624.5
Unshaped products	160.2	72.4	232.6
Management refractory services	275.6	0.0	275.6
Other	35.1	32.5	67.6
Revenue	**854.7**	**345.6**	**1,200.3**

In the comparable period in 2020, revenue was classified by product group as follows:

in € million for the six months ended 30 June 2020	Steel[1]	Industrial[1]	Group
Shaped products	374.1	249.5	623.6
Unshaped products	137.8	74.3	212.1
Management refractory services	262.1	0.0	262.1
Other	39.5	33.5	73.0
Revenue	**813.5**	**357.3**	**1,170.8**

1) Adjusted to reflect the changes in presentation.

Total revenue includes revenue from Solutions Business amounting to €340.1 million (1-6/2020: €313.3 million). Thereof, €299.5 million (1-6/2020: €269.6 million) are attributable to Segment Steel and €40.6 million (1-6/2020: €43.7 million) are attributable to Segment Industrial. Solution Business is a customer classification, where RHI Magnesita sums up all customer relations and enables its customers to focus on their core competences. It's typically characterised by sales of end-to-end solutions covering large parts of the customer process chain. Examples of this would be full line service contracts such as CPP/FLS, but also customers where the focus is on technological development of bespoke products or where RHI Magnesita is a strategic partner.

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 €27.3 million (1-6/2020: €32.9 million) is transferred over time and an amount of €40.3 million (1-6/2020: €40.1 million) is transferred at a point of time.

Segment reporting by country

Revenue in the first half of 2021 and in the first half of 2020 is classified by customer sites as follows:

in € million for the six months ended 30 June 2021	Steel	Industrial	Group
Netherlands	2.8	0.2	3.0
All other countries			
USA	170.8	30.3	201.1
India	101.4	18.1	119.5
Brazil	85.2	28.9	114.1
PR China	35.0	45.6	80.6
Germany	40.2	23.0	63.2
Mexico	41.5	21.1	62.6
Canada	21.7	23.8	45.5
Italy	35.9	9.0	44.9
Russia	27.0	9.2	36.2
Other countries, each below €21.8 million	293.2	136.4	429.6
Revenue	**854.7**	**345.6**	**1,200.3**

in € million for the six months ended 30 June 2020	Steel[1]	Industrial[1]	Group
Netherlands	3.8	3.4	7.2
All other countries			
USA	165.0	37.5	202.5
Brazil	92.6	32.0	124.6
India	80.6	14.9	95.5
PR China	30.7	38.7	69.4
Mexico	45.1	17.2	62.3
Germany	34.4	23.1	57.5
Italy	31.7	10.6	42.3
Canada	20.8	20.4	41.2
Russia	28.6	9.6	38.2
Other countries, each below €30.3 million	280.2	149.9	430.1
Revenue	**813.5**	**357.3**	**1,170.8**

1) Adjusted to reflect the changes in presentation.

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.

in € million	Measurement category IFRS 9[1]	Level	30.06.2021 Carrying amount	30.06.2021 Fair value	31.12.2020 Carrying amount	31.12.2020 Fair value
Other non-current financial assets						
Interests in subsidiaries not consolidated	FVPL	3	0.7	0.7	0.6	0.6
Marketable securities	FVPL	1	13.1	13.1	13.0	13.0
Shares	FVPL	3	0.5	0.5	0.5	0.5
Other non-current financial receivables	AC	–	0.3	–	0.4	–
Trade and other current receivables	AC	–	294.0	–	255.6	–
Other current financial assets						
Derivatives	FVPL	2	0.6	0.6	0.3	0.3
Other current financial receivables	AC	–	0.3	–	–	–
Cash and cash equivalents	AC	–	332.1	–	587.2	–
Financial assets			**641.6**		**857.6**	
Non-current and current borrowings						
Liabilities to financial institutions	AC	2	1,084.0	1,095.5	1,105.6	1,118.3
Other financial liabilities and capitalised transaction costs	AC	2	9.3	–	8.9	–
Non-current and current other financial liabilities						
Lease liabilities	AC	2	51.2	–	56.8	–
Derivatives	FVPL	2	2.1	2.1	3.4	3.4
Interest derivatives designated as cash flow hedges	–	2	14.3	14.3	18.3	18.3
Liabilities to fixed-term or puttable non-controlling interests[2]	AC	2	32.0	32.0	38.8	38.8
Power supply contract Norway[3]	AC	2	0.0	–	15.5	15.5
Trade payables and other current liabilities	AC	–	532.8	–	337.6	–
Financial liabilities			**1,725.7**		**1,584.9**	
Aggregated according to measurement category						
Financial assets measured at FVPL			14.9		14.4	
Financial assets measured at amortised cost			626.7		843.2	
Financial liabilities measured at amortised cost			1,709.3		1,563.2	
Financial liabilities measured at FVPL			2.1		3.4	

1) FVPL: Financial assets/financial liabilities measured at fair value through profit or loss.
AC: Financial assets/financial liabilities measured at amortised cost.
2) Reclassification of puttable non-controlling interests amounting to €8.8m to non-controlling interest within equity upon completion of the merger of the Indian entities.
3) Relating to the termination of the power supply contract in the course of the sale of NORMAG; termination fee paid in January 2021.

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 principal 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 if 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. These derivatives are measured using quoted forward rates that are currently observable (Level 2).

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

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 disclosed 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 carrying amount of other financial liabilities approximate their fair value at the reporting date. The puttable non-controlling interests have been reclassified to non-controlling interest within equity upon completion of the merger of the Indian entities. Further information is provided under Note (5).

The carrying amounts of financial receivables approximately correspond to their 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.

Trade and other current receivables and liabilities as well as cash and cash equivalents are predominantly short-term. Therefore, the carrying amount of these items approximates their fair value at the reporting date.

No contractual netting agreement of financial assets and liabilities were in place as at 30 June 2021 and 30 June 2020.

27. Dividend payments and declared dividend

Based on a resolution adopted by the Annual General Meeting of RHI Magnesita N.V. on 10 June 2021 the final dividend amounts to €1.00 per share for the shareholders of RHI Magnesita N.V for 2020. Together with the already paid interim dividend of €0.50 per share in December, the final dividend for 2020 amounts to €1.50 per share.

Against a background of an improving market outlook the Board declared an interim dividend of €0.50 per share for the first half of 2021 amounting to € 24 million to be paid out in September 2021.

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 2021, contingent liabilities amount to €45.8 million (31.12.2020: €48.3 million). Of this total, warranties, performance guarantees and other guarantees account for €45.5 million (31.12.2020: €48.0 million) and sureties for €0.3 million (31.12.2020: €0.3 million).

RHI Magnesita is party to tax proceedings in Brazil with the estimated amount of €179.7 million as of 30 June 2021 (31.12.2020: €169.1 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 2021 and are described in the Notes to the Consolidated Financial Statements of 31 December 2020.

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 €12.4 million as at 30 June 2021 (31.12.2020: €10.6 million).

There were no other significant changes in contingent liabilities as of 30 June 2021. Further information on contingent liabilities is provided in the Consolidated Financial Statements as of 31 December 2020.

RHI Magnesita is in discussion with the tax authorities in the Netherlands and Austria regarding the tax effects arising from the transfer of certain Sales, Procurement and Supply Chain functions from Austria to the Netherlands. The outcome of these discussions is uncertain. No material negative impact on the annual financial statements is expected.

29. Other financial commitments

As of 30 June 2021, the RHI Magnesita Group has commitments for the purchase of property, plant and equipment in the amount of €107.7 million (31.12.2020: € 49.5million).

30. Employees

In the first half of 2021 the average number of employees of the RHI Magnesita Group based on full time equivalents amounts to 12,016 (1-6/2020: 12,999). Full time equivalents of salaried employees in the Netherlands amount to 106 (1-6/2020: 135).

31. Disclosures on related parties

The nature of related party transactions as of 30 June 2021 are in line with the transactions disclosed in Note (61) of the 2020 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 2021 the RHI Magnesita Group received a dividend payment from Magnesiaprodukte GmbH & Co KG., St. Jakob, Austria, ("Magnifin") which amounted to €0.4 million (1-6/2020: €9.8 million) and purchased raw materials from Sinterco S.A., Namêche, Belgium which amounted to €7.0 million (1-6/2020: €8.1 million). No other material transactions took place between the Group and related companies and persons.

Related persons

There is a non-remunerated consultancy agreement in place between RHI Magnesita and a close relative of a Non-Executive Director 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 15 March 2021 RHI Magnesita Group granted a new equity settled share option plan (LTIP 2021) with a fair value of €6.9 million as per 30 June 2021 for 167.037 shares with a share price of €48,28 at grant date. The vesting date will be 15 March 2024.

32. Seasonal and cyclical influence

Explanations regarding seasonal and cyclical influences on the operating activities of RHI Magnesita Group can be found in the operational review in the management commentary of the Annual Report 2020.

33. Material events after the reporting date 30.06.2021

The introduction of ESG-related pricing mechanics into the Group's financing facilities highlights RHI Magnesita's commitment to sustainability. The margin under the term loan (USD 200 million) and revolving credit facility (EUR 600 million) will be adjusted based on the Group's EcoVadis rating performance. RHI Magnesita is currently rated 'Gold' by EcoVadis and will seek to further improve its ESG performance and ratings through the execution of its sustainability strategy. The amended revolving credit facility also includes an option to extend the facility out to 2028.

The Group continued its share buyback programme by up to a further € 50 million in May 2021 and purchased from 1 July 2021 until 23 July 2021 additional 315.075 shares in treasury equalling €15.2 million under the second tranche.

After the reporting date on 30 June 2021, there were no other events of 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 2021, 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 for the six-month period ended 30 June 2021 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, 27 July 2021

Executive Directors

Stefan Borgas	Ian Botha

Non-Executive Directors

Herbert Cordt	John Ramsay
Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg	David Schlaff
Janet Ashdown	Wolfgang Ruttenstorfer
Karl Sevelda	Fiona Paulus
Janice Brown	Marie-Hélène Ametsreiter
Sigalia Heifetz	

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 2021 of RHI Magnesita N.V., Arnhem which comprises the condensed consolidated statement of financial position as of 30 June 2021, 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 2021 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam,27 July 2021
PricewaterhouseCoopers Accountants N.V.
Original has been signed by E.M.W.H. van der Vleuten RA MSc