RHI Magnesita N.V.

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

Strong pricing, strategic sales initiatives and M&A contribution offset lower demand to deliver increase in EBITA and deleveraging

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 2023 ("H1 2023" or the "Period").

Financial results

(€m unless stated otherwise)	H1 2023	H1 2022	Change	H1 2022 Constant Currency Adjusted[1]	Change Constant Currency Adjusted
Revenue	1,734	1,594	9%	1,593	9%
Adjusted EBITDA	265	245	8%	258	2%
Adjusted EBITA[2]	200	188	7%	202	(1)%
Adjusted EBITA margin	11.6%	11.8%	(20)bps	12.7%	(110)bps
Adjusted EPS	2.53	2.58	(2)%		
Net debt	1,124	1,231	(9)%		
Pro forma Net debt to LTM Adjusted EBITDA[3]	2.1x	2.7x	(0.6)x		

	H1 2023	H1 2022 Reported
Revenue	1,734	1,594
Reported EBITA	184	177
Profit before tax	111	142
EPS	€1.71	€2.06
Dividend per share	€0.55	€0.50

[1] H1 2022 adjusted for constant currency for H1 2023 average FX rates.

[2] Adjustments of €16 million to reported EBITA include €11 million relating to non-recurring restructuring costs and €5 million was spent on M&A integration costs in the Period.

[3] Includes trailing 12 months EBITDA contribution from businesses acquired during the period, including prior to the date of acquisition.

Operational and strategic highlights

- Steel revenues 5% higher, reflecting an 8% volume reduction in line with subdued market demand globally, more than offset in the Period by strong pricing
- Industrial division performance benefited from strong pricing recovery and later cycle nature of project business, to deliver gross margin of 29.0% (H1 2022: 25.9%), highlighting benefits of sector diversification
- Low plant capacity utilisation of 76% (H1 2022: 83%) delivers planned inventory reduction excluding M&A. Associated fixed cost under-absorption results in flat gross margins for Steel, despite lower input costs

- Inventory now at or approaching target demand coverage ratios, through focus on stock management without impacting customer performance. Record high PIFOT ("produced in full and on time") and record low customer complaints
- Recycling rate increased to 13.0% (H1 2022: 9.3%). Over the period January 2018 to June 2023, approximately 1.1 million tonnes of CO_2 emissions has now been avoided through the use of secondary raw materials
- Five acquisitions completed during H1 2023 in India, China and Europe for a total cash consideration of €208 million, including working capital investments of €23 million. Significant synergies and earnings accretion expected as new businesses are integrated into the Group

Financial highlights

- Revenue increased 9% to €1,734 million (H1 2022: €1,594 million), as higher pricing and M&A contribution offset the negative impact of lower sales volumes
- Adjusted EBITA of €200 million (H1 2022: €188 million) and margin of 11.6% (H1 2022: 11.8%) as currency tailwind, higher pricing, M&A contribution and strategic sales initiatives offset lower volumes:
    - Price increases contributed €167 million to Adjusted EBITA versus H1 2022
    - Adjusted EBITDA from M&A in H1 2023 of €19 million (EBITA: €14 million) against previous full year guidance of €25-€30 million, with contribution weighted towards H2 2023 due to timing of completion. Guidance for 2023 increased to approximately €40 million
    - Strategic initiatives cumulative annual EBITA contribution since 2019 now at €131 million, achieving the FY 2023 guided range of €125-€145 million
- Adjusted EPS of €2.53 per share in line with H1 2022 (H1 2022: €2.58 per share) as higher EBITA was offset by higher debt interest charges, as guided, and currency movements
- Significant step up in free cash flow to €167 million (H1 2022: €146 million outflow) driven by working capital release in base business and strong operating cash flow conversion of 114%
- Net Debt reduced to €1,124 million (31 December 2022: €1,163 million) and pro forma Net Debt to Adjusted EBITDA reduced to 2.1x (31 December 2022 Net Debt to Adjusted EBITDA: 2.3x), strong cash flow and €100 million equity raise in India funded cash invested into M&A of €208 million during the Period, including €23 million of working capital investments
- Interim dividend of €0.55 per share declared

Outlook

- Outlook for key end markets remains uncertain, with order books suggesting continued weakness into the second half
- Pricing currently resilient but competitive pressure expected in the remainder of the year
- Benefit of lower input costs expected to be offset by reduced fixed-cost absorption due to low production volumes
- Following strong first half profitability, full year Adjusted EBITA margin is now expected to be between 10.5% and 11.5%, delivering full year Adjusted EBITA including M&A of at least €360 million
- Net debt to EBITDA expected to remain above 2.0x at the FY 2023 as the Group further executes on its M&A pipeline, in line with its guidance range

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

"In the first half of the year we continued to experience challenging conditions in the steel market as a result of low demand volumes in all geographies with the exception of India. However, I am pleased to report that the resilience of our business model and strategy has been demonstrated by strong pricing, sector diversification, the delivery of material benefits from our strategic sales initiatives and a growing contribution from acquisitions. We have generated free cash flow of €167 million compared to an outflow of €146 million in H1 2022 and we are now on course to deliver full year EBITA of at least €360 million with a margin of between 10.5% and 11.5%. This is higher than we expected at the beginning of this year, but with the benefits from lower input costs eroded by fixed cost under-absorption due to low production volumes. Five acquisitions completed in 2023 year to date have been funded through operating cash flows and an equity raise in India, enabling us to reduce gearing to 2.1x pro forma EBITDA, in line with our targeted range. We are continuing to progress the transformation of our business and the delivery of our strategy, despite the challenging overall demand conditions."

A presentation for investors and analysts will be held today starting at 8:15am UK time (9:15am CET). The presentation will be webcast live and details can be found on: https://ir.rhimagnesita.com/. Alternatively the webcast can be accessed here.

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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 15,000 employees in 47 production sites, 7 recycling facilities 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

HEALTH & SAFETY

A core value of the Group is to maintain a safe working environment for its employees and contractors. During H1 2023 the lost time injury frequency ("LTIF"), excluding recently acquired businesses, increased slightly to 0.25 per 200,000 hours worked (H1 2022: 0.22), whilst the total recordable injury frequency ("TRIF") reduced to 0.58 per 200,000 hours worked (H1 2022: 0.63). RHI Magnesita aims to reduce all accidents to zero over the long term.

During the Period, the main focus areas for improvement were protocols for workplace inductions and safety training for new hires. Further initiatives related to safety-awareness on specific topics such as prevention of finger and hand injuries were rolled out in response to an increase in incidents of this nature in Q1.

FINANCIAL OVERVIEW

Reported revenue increased by 9% to €1,734 million (H1 2022: €1,594 million) as the contribution from M&A, price increases and benefits from strategic sales initiatives in India and in Cement and Lime offset 9% lower volumes across Steel and Industrial, excluding recycling and minerals sales. Revenue increased on a constant currency basis by 9% (H1 2022: €1,593 million). Total revenue contribution in the Period from M&A was €119 million.

Cost inflation began to ease during the Period but absolute costs were higher compared to H1 2022 largely due to M&A, with cost of goods sold increasing by 8% on a reported basis to €1,320 million (H1 2022: €1,221 million).

Adjusted EBITA increased by 7% on a reported basis to €200 million (H1 2022: €188 million) and reduced by 1% on a constant currency basis (H1 2022: €202 million). Adjusted EBITA margin decreased by 20bps to 11.6% (H1 2022: 11.8%). Higher pricing levels maintained from H2 2022, combined with a reducing rate of cost inflation, resulted in a record refractory margin contribution of 9.8ppts (H1 2022: 8.4ppts). The vertical integration margin was lower, as guided, at 1.8ppts (H1 2022: 3.4ppts) as higher energy costs increased the internal cost of raw material production, compared to global market prices which are linked to the marginal production costs of China based producers. Total Adjusted EBITDA contribution from M&A in the first half was €19 million (EBITA: €14 million) against original full year EBITDA guidance of €25-€30 million. Guidance is now increased to approximately €40 million of Adjusted EBITDA from M&A, including the expected contribution from DGSB and Seven Refractories in the second half of 2023.

Net debt decreased to €1,124 million at the end of the Period (31 December 2022: €1,163 million) and reported leverage was 2.2x net debt to Adjusted EBITDA, down from 2.3x at 31 December 2022 due to higher operating cash flow. Including a 12-month historic EBITDA contribution from businesses acquired during the period, pro forma leverage was 2.1x Net debt to Adjusted EBITDA.

M&A cash consideration, net debt consolidated on acquisition and working capital requirements of acquired businesses increased net debt by €256 million in H1 2023. Cash outflow on acquisitions was offset by strong operating cash flow in the base business and the proceeds of a Qualified Institutional Placement ("QIP") by RHI Magnesita India Ltd, raising approximately €100 million in April 2023. The QIP is to be followed by an equity investment of €22 million by the Group in RHI Magnesita India Ltd via a Preferential Issue which is expected to complete in Q3 2023.

Net Working capital, before consolidation of new M&A, decreased by €84 million to €834 million (31 December 2022: €892 million) as inventories and accounts receivables were successfully reduced, offset by decreased accounts payable due to lower raw material prices and purchases. Excluding M&A, the base

business recorded a working capital intensity of 25.6%. Including M&A, working capital stood at €940 million and working capital intensity was 26.0%.

Available liquidity was €1,360 million at the period end (31 December 2022: €1,121 million) including undrawn committed facilities of €600 million and cash and cash equivalents of €760 million. Adjusted operating cash flow was €228 million (H1 2022: €(84) million), resulting from higher profitability and reduced working capital requirements.

OUTLOOK

The outlook for the Group's key end markets and consequently customer volumes remains uncertain, with order books suggesting continued weakness into the second half. Pricing pressure from competitors is expected over the remainder of the year.

Supported by strong profitability in the first half of the year, the Board expects to deliver a full year Adjusted EBITA margin of between 10.5% and 11.5% and Adjusted EBITA including M&A of at least €360 million. Leverage, measured as a ratio of net debt to Adjusted EBITDA, is expected to remain above 2.0x as the Group further executes on its M&A pipeline.

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 midterm. These opportunities will be considered against a framework of strategic fit, risk profile, rates of return, synergy potential and balance sheet strength.

The Group incurred €38 million of project capital expenditure in the first half (H1 2022: €36 million), which included investments in the Production Optimisation Plan and on recently acquired assets. Maintenance capital expenditure in the period was €25 million (H1 2022: €22 million). Total capital expenditure was therefore €63 million (H1 2022: €58 million), against unchanged full year 2023 guidance of €200 million, including M&A.

Consistent with the Company's dividend policy to pay an interim dividend equal to one third of the previous final dividend, the Board has declared an interim dividend of €0.55 per share representing €25.9 million in aggregate. The interim dividend will be paid on 22 September 2023 to shareholders on the register on 25 August 2023.

Shareholders should note that Rhône Capital reserves the right to reduce the consideration payable under its Partial Offer, including to shareholders who have already accepted the Partial Offer, by an amount equal to any such dividend payments.

M&A

During the Period, the Group completed two highly strategic acquisitions in India, including the €86 million acquisition of the refractory business of Hi-Tech in Jamshedpur and the Indian refractory business of DBRL, which has substantially improved the Group's regional positioning within the flow control and industrial segments.

Following completion the Group began the integration of these two acquisitions with its existing Indian footprint, including the relocation of some flow control and lance production to locations with a closer proximity to customer sites. The acquisitions in India have increased the Group's local market share, representing strategic progress against the Group's aim to grow in geographies where it was previously under-represented. The expanded plant network and additional low-cost production sites will increase

RHI Magnesita's competitiveness in the region for both local sales and potential new export opportunities, especially across West Asia and Africa.

The Group agreed to acquire DGSB, a German subsidiary of the Dalmia Bharat Group, in March 2023. DGSB is a leading supplier of monolithic lances and other precast products to European steel customers for use in the desulphurisation and homogenisation of molten steel, and represents a complementary addition to the Group's existing product range.

The acquisition of a 65% stake in Jinan New Emei was completed in April 2023 for a cash consideration of €23 million plus assumed net debt and other liabilities of €17 million, with the payment of €3 million of cash consideration deferred to 2024. Jinan New Emei is based at a new facility in Shandong China and has a well-established business in refractory slide gates, nozzles and mixes. The integration of the plant commenced in May 2023.

On 21 April 2023, the Group announced the acquisition of Seven Refractories for a cash consideration of €84 million and the transaction was completed on 17 July 2023. Seven Refractories is a specialist supplier of alumina based refractory mixes with broad applications across all of the Group's customer segments including iron and steel, cement, aluminium and non-ferrous metals.

The Group has continued to integrate acquisitions that were completed in prior periods including SÖRMAŞ (Türkiye), MIRECO (Europe Recycling) and Chongqing (China) and these newly acquired businesses are together delivering material benefits to the Group.

The total contribution to Adjusted EBITDA from M&A in H1 2023 was €19 million (EBITA: €14 million). Guidance for M&A contribution in the full year 2023 is increased from the previous range of €25-€30 million Adjusted EBTIDA to approximately €40 million, including the recent acquisitions of Seven Refractories and DGSB.

SUSTAINABILITY

The Group secured an increase in its Ecovadis sustainability rating to 72 in June 2023 (June 2022: 69), maintaining its 'Gold' rating. Out of a total of €2.4 billion of available debt facilities, the margin payable on €1.9 billion of debt facilities and Schuldschein bonds are now linked to the Group's Ecovadis sustainability rating. Any further increase in the rating would result in a reduction in the margin payable to lenders.

Continued progress has been delivered in recycling, with the usage rate of secondary raw materials increasing to 13.0% in the first half of 2023 (H1 2022: 9.3%). Each tonne of recycled material used saves approximately two tonnes of CO_2 emissions that would otherwise be released as a result of the mining and processing of fresh raw material. Since the Group started to increase its recycling rate significantly in 2018 through technical innovations, investments in new product formulations, customer engagement, the use of internal incentives and formation of MIRECO, a total of 1.1 million tonnes of CO_2 emissions have been averted, compared to the emissions that would have been released if the increase in recycling had not been implemented.

The Group continues to invest in developing new technologies to deliver a reduction in its absolute CO_2 emissions and emissions intensity and will seek to maintain its leadership position in the refractory industry in the field of sustainability.

STRATEGIC INITIATIVES

The Group launched a number of strategic initiatives in 2019 to improve its competitive position by investing in the rationalisation and modernisation of its production footprint. The Group has invested into

its production plants and raw material assets, creating a technically advanced and cost-competitive plant footprint with a more localised supply chain. With the Manufacturing Execution System in the final stages of implementation at Dalian and Radenthein, the Production Optimisation Plan is now substantially complete and supporting the Group's resilient performance through the current period of market weakness. The Brumado mine expansion and kiln installation project in Brazil is now expected to ramp-up in H1 2024.

The Group also launched a series of sales initiatives to grow its flow control business, seeking to increase sales from heat management solutions to 40% by 2025 and to grow into new markets including India, China, Türkiye and the non-basic product segment, both organically and via acquisitions. The target for cumulative annual EBITA contribution from sales initiatives was €40- €60 million by the end of 2023 and the total contribution achieved to date now stands at €61 million.

Growth in new markets strengthened in the Period, primarily as a result of M&A, with India revenues increasing by 43% to €241 million or 13.9% of Group revenue (H1 2022: €168 million, 10.6%). Flow Control revenue increased by 5% to €261 million (H1 2022: €249 million) in line with market volumes, despite softer overall sales volumes in steel. Tundish mixes and isostatic sales in America experienced strong pricing dynamics.

The strategic initiatives have delivered cumulative annualised EBITA savings of €131 million in the period from 2019 to 30 June 2023, which is now within the targeted range of €125- €145 million of annual EBITA savings by the end of 2023.

RAW MATERIALS

Raw material prices softened in H1 2023, with the price of high-grade dead burned magnesia ("DBM") from China decreasing by 13% from the beginning of the year, and by 15% on average compared to H1 2022. The cost of production of refractory raw materials for suppliers in China remained low due to availability of low-cost energy, whilst the cost of production of raw material remained higher for RHI Magnesita, in particular for DBM production in Türkiye. As guided, the EBITA contribution from vertical integration remained at approximately the same level as H2 2022 at 1.8ppts (H1 2022: 3.4ppts).

OPERATIONAL REVIEW

Revenues (€m unless stated otherwise)	H1 2023	H1 2022 (Reported)	H1 2022 (Constant currency)	Change (Reported)	Change (Constant currency)
North America	484	426	439	13%	10%
Steel	348	327	339	6%	3%
Industrial	136	99	100	37%	35%
Europe, CIS, Türkiye	442	415	411	7%	8%
Steel	287	281	277	2%	4%
Industrial	155	134	134	16%	16%
India, Africa, West Asia	365	292	285	25%	28%
Steel	282	234	227	21%	24%
Industrial	82	59	58	40%	41%
South America	263	255	258	3%	2%
Steel	182	187	190	(3)%	(4)%
Industrial	81	68	68	19%	19%
China and East Asia	180	205	200	(12)%	(10)%
Steel	103	121	120	(14)%	(14)%
Industrial	77	85	80	(9)%	(4)%

Steel	H1 2023	H1 2022 (Reported)	H1 2022 (Constant currency)	Change (Reported)	Change (Constant currency)
Revenue (€m)	1,203	1,150	1,152	5%	4%
Gross Profit (€m)	260	258	272	1%	(4)%
Gross margin	21.6%	22.4%	23.6%	(80)bps	(200)bps
Adj EBITA (€m)	110	128	142	(14)%	(23)%
Adj EBITA margin	9.1%	11.1%	12.3%	(200)bps	(320)bps

Industrial	H1 2023	H1 2022 (Reported)	H1 2022 (Constant currency)	Change (Reported)	Change (Constant currency)
Revenue (€m)	531	444	440	20%	21%
Gross Profit (€m)	154	115	112	34%	37%
Gross margin	29.0%	25.9%	25.5%	310bps	350bps
Adj EBITA (€m)	91	60	58	50%	56%
Adj EBITA margin	17.1%	13.6%	13.2%	350bps	390bps

Steel overview

Supplying the steel market with refractory products and services accounts for c.70% of RHI Magnesita revenues and market demand is closely aligned to global steel production volumes. Refractory products line all steel making applications, protecting equipment from extremely high temperatures of up to around 1,800°C, chemical reactions, and abrasion of molten steel. RHI Magnesita offers a comprehensive product and service offering for all steel applications, including primary iron (blast furnace 'BF' or direct reduction of iron 'DRI') and steel making (basic oxygen furnace 'BOF' or electric arc furnace 'EAF') as well as ingot and continuous casting. Refractories used in the steel-making processes are classified as an operating expense by steel producers, accounting for c.3% of the cost of steel production.

Revenue increased by 5% to €1,203 million during the Period (H1 2022: €1,150 million) and by 4% on a constant currency basis (H1 2022: €1,152 million), with higher pricing offsetting a volume decline of 8% (excluding steel recycling). World Steel Association data recorded volume decline in steel production globally of c.1% over the Period and, excluding China, a decline of c.4%. The Steel division recorded a gross margin of 21.6%, a decrease of 80bps compared to H1 2022 of 22.4%.

Industrial overview

RHI Magnesita supplies refractory products to its customer portfolio across cement, glass, non-ferrous metals, energy, environmental, chemicals and foundry industries. It classifies this segment as 'Industrial' and customers across these industries make up c.30% of Group revenues.

Recorded revenue in the Period was €531 million, an increase of 20% on a reported basis (H1 2022: €444 million) and by 21% on a constant currency basis (H1 2022: €440 million).

North America

Revenue in North America increased by 13% to €484 million (H1 2022: €426 million), largely driven by pricing, which is expected come under greater competitive pressure in H2 2023. On a constant currency basis, revenue increased by 10% over the period. Volumes were slightly lower in the Period, down by 2% reflective of a more subdued steel market in the region.

Steel revenue stood at €348 million, an increase of 6% (H1 2022: €327 million) due to higher pricing established in H2 2022. Shipped steel refractory volumes decreased by 3% in H1 2023 compared to H1 2022, an outperformance compared to steel production in the region, where according to World Steel Association (WSA) data, production decreased by c.4%. Volume performance was ahead of the market, despite one of the Group's largest customers in Mexico ceasing production in late 2022. Pricing remained strong with price levels around 6% higher than H1 2022. The region benefited from contracts to supply 13 greenfield developments and 6 brownfield developments, all of which were new or expanding EAF plants.

Industrial revenue increased by 37% to €136 million (H1 2022: €99 million), reflecting price increases implemented in H2 2022 of around 38% against volume increases of 3%. Lower demand in the Cement and Lime segment driven by softening of the construction business was offset by stronger volumes in the Non-Ferrous Metal and Glass businesses. Demand is expected to be stronger in the non-ferrous metals and glass industries over coming years, given capacity expansion across these industries of 1.2 million tonnes.

The region made good progress in flow control sales over the Period and expanded its market share in isostatic products and through the Group's Interstop flow control product range. There was a high growth in demand for refractory application machinery and technology during the Period, particularly for EAF steel plants.

The region is actively improving its recycling rate, and in the Period increased its recycling consumption significantly through maturing its partnership with recycling processers and the implementation of a regional recycling team. Recycling rates are comparatively lower in the US compared to other regions in which the Group operates, representing a significant opportunity to expand recycling activities further.

Europe, CIS and Türkiye

Revenue in Europe, CIS and Türkiye increased by 7% on a reported basis to €442 million (H1 2022: €415 million) and by 8% on a constant currency basis (H1 2022: €411 million).

Steel revenues increased by 2% to €287 million (H1 2022: €281 million). World Steel Association data indicates that steel production in Europe and Türkiye (excluding Russia) decreased by 12% in H1 2023 compared to H1 2022, as high inflation and tight monetary policy impacted end markets and reduced steel production. RHI Magnesita's shipped refractory volumes were lower by 15% (excluding recycling), broadly in line with the market. Pricing remained resilient in the Period, however, cost pressures across the industry are easing in particular in respect of imports from Asia, leading to pricing pressure in some markets.

Industrial revenues increased by 16% to €155 million (H1 2022: €134 million), reflecting significant price increases of around 40% implemented in H2 2022, notably in Cement and Lime. Volumes in industrials declined by 12% overall, mostly driven by lower activity in Non-Ferrous Metals.

The Group has integrated the acquisition of SÖRMAS, Türkiye, which completed in H2 2022. SÖRMAS produces refractories for the cement, steel and glass industries and complements the Group's production footprint by servicing local customers with finished refractories previously shipped from plants in Continental Europe. Vertical integration efficiencies are gained due to the procurement of certain raw materials from the Group's magnesite mine in Türkiye, Eskisehir.

MIRECO, the Group's newly formed recycling business following the acquisition of a 51% stake in Horn & Co Minerals Recovery GmbH & Co KG in 2022, is integrated and ramping up production. Demand for secondary raw material from MIRECO has been strong in the Period.

The Group completed the acquisition of DGSB in April 2023. The acquisition expands RHI Magnesita's customer offering in Europe, where monolithic lances are a complementary addition to its existing product range, with applications in the desulphurization and homogenization of molten steel. Material synergies are expected to be generated through cross-selling within the Group's existing heat management solutions offering.

The acquisition of Seven Refractories, a specialist supplier of non-basic monolithic refractory mixes, was completed on 17 July 2023. Non-basic monolithics are expected to become increasingly important with the development of new low CO_2 emitting manufacturing technologies within the Group's customer industries. Significant cross selling synergies are anticipated due to the complementary nature of Seven's products and service offering with the Group's existing refractory product range and there is an opportunity to roll out the business model globally, beyond Seven's existing markets in Europe, USA and India.

India, West Asia and Africa

Revenue in the India, West Asia and Africa region increased by 25% in the period to €365 million (H1 2022: €292 million) or by 28% on a constant currency basis (H1 2022: €285 million). Including the contribution from M&A, volumes were broadly flat, decreasing by 2% in the Period, with an increase in steel volumes of 2% offsetting lower industrial volumes.

Steel revenue for the region increased by 21% to €282 million (H1 2022: €234 million). Steel shipped refractory volumes of 2% increased at a slightly higher rate than the market, which according to WSA steel production in the region increased by c.6%. Steel refractory prices increased by c.22% in the Period as the Group maintained pricing against slightly softening input costs including raw materials, sea freight and European energy costs (which are relevant for imported products). Steel production in India continues to benefit from government infrastructure stimulus programmes such as the Production Linked Investment scheme and is expected to continue to grow at 5-6% on average annually, offsetting slightly weaker demand in West Asia and Africa largely due to macroeconomic uncertainty in Egypt.

Industrial revenue recorded for the region was €82 million, an increase of 40% (H1 2022: €59 million). Industrial pricing was considerably higher than the prior period, increasing by over 84% despite a competitive pricing environment, especially in Non-Ferrous Metals. Pricing was especially strong in the Industrial Applications and Cement businesses, which offset weaker demand in Glass and Industrial Applications. Industrial volumes declined by 21%.

In January 2023, the Group completed the acquisition of the Indian refractory business of DBRL and Hi-Tech. These acquisitions were partly financed by the issuance of equity in the Group's listed Indian subsidiary, RHI Magnesita India Ltd, in a QIP which raised €100 million. The integration of DBRL and Hi-Tech is progressing well, with strong synergy opportunities identified in SG&A and procurement of raw materials, as well as cross-selling. During the Period, slide gate production was relocated from Rajgangpur to the Jamshedpur plant which was previously owned by Hi-Tech. Production of lances for South and East India has now been shifted to Rajgangpur and Bhilai from Bhiwadi, improving localised production to the customer. Given the new plant production capacity and the expanded plant network in India, RHI Magnesita will now be able to supply products more competitively locally, as well pursue new export opportunities across West Asia and Africa.

As part of the Group's Production Optimisation Plan, the Group invested into expanding production at certain plants and Cuttack is now operating at double its original capacity, at c.30,000 tonnes per year and around 90% utilisation.

The region is growing its market share in the flow control market based on successful trials for three new tundish technologies brought to India in the past year. Tundish refractories are used in the lining and operation of the tundish, which is a vessel used to regulate the flow of molten steel during the continuous casting process. The Group delivered an Automated Process Optimisation contract to measure the refractory lining wear rates with one customer for a BOF application in the Period.

South America

Revenue in South America increased by 3% to €263 million (H1 2022: €255 million) or by 2% on a constant currency basis (H1 2022: €258 million). This was due to the maintenance of price increases implemented in H2 2022, despite weakening demand with volumes lower by 8%.

Increased revenue was largely driven by significant price increases in the Industrial segment, increasing by c.30%. Pricing was especially strong in Cement and Lime and Non-Ferrous Metals. This led to an increase in revenue in the Industrial segment of 19% to €81 million (H1 2022: €68 million).

Steel revenue declined by 3% to €182 million (H1 2022: €187 million). Volumes were down by 7% which was broadly in line with the market, with WSA reporting crude steel production c.7% lower.

Flow control demand was softer in the Period, in particular due to the reduction in steel production in Brazil where the Group has a higher market share. The Group has continued to pursue new business

opportunities in flow control at two sites of one of its largest customers to continue to increase flow control market share over the near term.

Softness in crude steel production is expected to continue through H2 2023. High interest rates and inflation in Brazil have resulted in reduced economic activity and lower export demand, particularly in the construction and automotive end markets, which affects mostly the Steel and Cement refractory demand. Industrial segment volumes were down by 9%, primarily in Cement and Lime and Industrial Applications.

The region achieved a recycling rate of over 10% in H1 2023, driven by a combination of sourcing, research and development, processing, consumption, and sales effects.

As part of the Production Optimisation Plan, the Group will increase the life of the Brumado mine to c.120 years and further improve the cost competitiveness of this already low-cost mine. The expansion project has experienced delays due to supply-chain related issues, cost inflation and COVID-19 related contractor availability. Civil and electromechanical works are ongoing, with project completion and ramp-up now scheduled for H1 2024.

China and East Asia

China and East Asia revenue decreased by 12% to €180 million (H1 2022: €205 million), and on a constant currency basis decreased by 10% (H1 2022: €200 million). The revenue decline was primarily due to lower shipped volumes, which reduced by 22% due to a production stoppage at a key customer in Vietnam.

Steel revenue was €103 million and lower by 14% (H1 2022: €121 million). Steel volumes in the region declined by 24%, driven by weak demand from East Asia where steel volumes declined by 40%. Comparatively, steel production for China and East Asia countries were unchanged in the Period according to WSA.

Steel production was weak in South East Asia, especially in Vietnam due to lower global exports, reflective of weakening construction end markets. Overall crude steel production in the East Asia region, according to WSA, declined by c.6%. The Group's weaker shipments in East Asia were mostly due to one of its key customers in Vietnam stopping production, leading to an underperformance compared to local steel production volumes. The customer reduced its steel output by c.50% compared to H1 2022. The plant is expected to restart production in Q3 2023, however steel market softness is expected to persist in the region throughout H2 2023. There has also been refractory destocking over the Period in Japan, South Korea and Oceania, leading to lower refractory demand compared to steel production.

Shipped steel refractory volumes in China remained stable in the Period. This compares to crude steel production in China increasing by c.1% in the Period. Pricing became more competitive in the Period and the Group reduced its prices for finished products by around 9%.

Industrial revenue in the region reduced by 9% to €77 million (H1 2022: €85 million) driven by weaker volumes of c.18%, although pricing remained strong. Volumes were particularly weak in the Glass and Cement sectors in China. Cement demand reduced due to weak real estate investment and lower construction demand. Volumes reduced in line with the market and the Group retained its market share. Glass demand reduced due to fewer new solar projects undertaken in the Period.

The Group acquired a 51% stake in a new joint venture in Chongqing in December 2021, and is currently developing a state-of-the-art production hub at this location for refractories for the Cement market with scope to expand into more industries. The plant is nearing completion with all equipment installed and the tunnel kiln firing taking place in June. Production trials will commence in Q3 2023 and the plant will then ramp up production for sales in Q4 2023.

The acquisition of a 65% stake in Jinan New Emei was completed in April 2023 for a cash consideration of €23 million plus assumed net debt and other liabilities of €17 million, with the payment of €3 million of cash consideration deferred to 2024

In January 2023, the Group announced the acquisition of a 65% stake in Jinan New Emei for a consideration of €40 million. In April 2023 the acquisition of Jinan New Emei was completed and cash consideration of €23 million was paid, after deduction of net debt and other liabilities of €17 million, with the payment of €3 million of cash consideration deferred to 2024. Jinan New Emei is a well-established business producing refractory slide gates, nozzles and mixes from a recently constructed and modern production facility in Shandong, China. Integration commenced in May 2023 and synergies are expected to be realised through cross-selling to existing steel customers, as well as operations and SG&A savings.

FINANCE REVIEW

Reporting approach

The Company uses a number of alternative performance measures ("APMs"), in addition to the performance measures 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.

All references to comparative H1 2022 figures in this review are on a reported basis, unless stated otherwise. Figures presented at constant currency represent H1 2022 translated to average H1 2023 exchange rates of 1 Euro to 1.08 USD, 1 Euro to 7.47 CNY, 1 Euro to 5.53 BRL, 1 Euro to 88.82 INR, 1 Euro to 20.8 TRY.

Group performance

Revenue for the Period amounted to €1,734 million (H1 2022: €1,594 million), up by 9%. On a constant currency basis, revenue increased by 9% over the Period (H1 2022: €1,593 million). The increase in revenue was driven by a stronger industrials business, where reported revenue (including Minerals) increased by 19% to €531 million (H1 2022: €444 million). Steel sector reported revenue increased by 5% to €1,203 million (H1 2022: €1,150 million). Revenue on an underlying basis, excluding revenue contribution from M&A of €119 million, increased by 1% to €1,615 million (H1 2022: €1,593) million.

The Group cost of goods sold over the Period amounted to €1,320 million (H1 2022: €1,221 million), an increase of 8% compared to the same period last year. On a constant currency basis, cost of goods sold was 9% higher (H1 2022: €1,207 million). Labour costs increased by 19%, raw material costs increased by 16% given cost of production internally, energy costs decreased by 3% and freight costs decreased by 15% on a constant currency basis.

The Group delivered gross margin of 23.9%, an increase of 50bps compared to the same period last year (H1 2022: 23.4%). Gross margin over the period for the Steel business decreased by 90bps to 21.6% (H1 2022: 22.5%). The Industrial business gross margin was significantly stronger at 29.0% inclusive of minerals, increasing by 310bps (H1 2022: 25.9%).

Selling, General and Administrative ("SG&A") expenses, excluding R&D expenses, amounted to €213 million in H1 2023 (H1 2022: €181 million), 18% higher than the comparative period. SG&A as a percentage of revenue increased to 12.3% (H1 2022: 11.4%). Higher SG&A in the period was mainly due to increased personnel and personnel-related expenses and M&A.

Other income and expenses amounted to €16 million in H1 2023 (H1 2022: €11 million), comprising €11 million of one-off restructuring costs, mostly relating to a restructuring programme to increase decentralization from the head office into the regions. A further €6 million was spent on M&A integration costs in the Period.

Adjusted EBITDA margin was 15.3%, 10bps lower compared to the 15.4% reported in H1 2022. Adjusted EBITDA increased by 8% to €265 million (H1 2022: €245 million). Acquisitions contributed €19 million of EBITDA over the Period, and excluding this contribution underlying EBITDA was flat at €246 million.

Adjusted EBITDA margin combined from the newly acquired businesses was 16.0% and the base business remained unchanged in its recorded adjusted EBITDA margin of 15.2%.

(€m)	H1 2023	H1 2022 Reported	H1 2022 at constant currency	% Change Reported	% Change at constant currency
Revenue	**1,734**	**1,594**	**1,593**	**9%**	**9%**
Cost of Sales	(1,320)	(1,221)	(1,207)	8%	9%
Gross Profit	**414**	**373**	**386**	**11%**	**7%**
Gross margin	**23.9%**	**23.4%**	**24.2%**	**50bps**	**(30)bps**
SG&A	(213)	(181)	(180)	18%	18%
R&D expenses	(22)	(18)	(18)	26%	27%
OIE	(16)	(11)	(10)	52%	61%
EBIT	**163**	**164**	**178**	**(1)%**	**(9)%**
Amortisation	22	13	13	68%	67%
EBITA	**184**	**177**	**192**	**4%**	**(4)%**
Adjusted items	16	11	10		
Adjusted EBITA	**200**	**188**	**201**	**7%**	**(1)%**

Adjusted EBITA increased by 6% on a reported basis, to €200 million (H1 2022: €188 million), mainly due to price increases implemented in H2 2022, currency tailwind and a contribution from M&A. Adjusted EBITA from acquisitions during the Period amounted to €14 million. Underlying EBITA on a like-for-like basis and including the impact of currency was broadly flat at €186 million.

The Group recorded an Adjusted EBITA margin of 11.6%, decreasing by 20bps compared to 11.8% for the same period last year on a reported basis. The Refractory margin contributed 9.8ppts of Group EBITA margin (H1 2022: 8.3ppts) whilst the vertical integration assets contributed 1.8ppts (H1 2022: 3.4ppts). Adjusted EBITA margin from acquisitions was 12.6% and were therefore overall margin accretive.

Reported net financial expenses in H1 2023 amounted to €51 million (H1 2022: €22 million), with net interest expenses of €18 million (H1 2022: €10 million). Net interest expenses in H1 2023 benefited from €9 million (H1 2022: €3 million) of interest income on cash balances resulting from interest rate rises on deposits. Interest expenses on borrowings, amounting to €27 million (H1 2022: €13 million), have increased as expected due to costs associated with bridge loans in India used to fund M&A (€4 million), higher base rates on variable interest facilities as well as overall higher debt balances. Other net financial expenses amounted to €18 million (H1 2022: €16 million).

The largest impact on net financial expenses has been foreign exchange and derivative movements leading to a €15 million loss (H1 2022: €4 million gain), mainly due to the weakness of the Argentinian Peso, Turkish Lira, Mexican Peso and US Dollar. The Balance Sheet Translation loss was €23 million, of which €10 million is realised. This is partially offset by derivative gains of €8 million, being gains on foreign exchange contracts used by the Group to manage the volatility arising from Balance Sheet Translation and embedded derivatives in sales contracts.

(€m)	H1 2023	H1 2022
Net interest expenses	**(18)**	**(10)**
Interest income	9	3
Interest expenses	(27)	(13)
FX effects	**(15)**	**4**
Balance sheet translation	(23)	7
Derivatives	8	(3)
Other net financial expenses	**(18)**	**(16)**
Present value adjustment	(4)	(4)
Factoring costs	(5)	(3)
Pension charges	(5)	(3)
Non-controlling interest expenses	(3)	(3)
Other	(2)	(3)
Total	**(51)**	**(22)**

Adjusted net financial expenses amounted to €41 million, following a €10 million adjustment mainly due to (i) €5 million cost of bridge loans in India used to fund M&A; and (ii) a further €3 million non-cash present value adjustment of the provision for the unfavourable contract required to satisfy EU remedies at the time of the RHI Magnesita merger. Guidance for finance costs for the full year remains around €65 million, consisting of €40 million of net interest cost and €25 million of other net finance expenses.

Reported profit before tax was €111 million (H1 2022: €142 million). Total tax for H1 2023 in the income statement amounted to €28 million (H1 2022: €38 million), representing a 25% reported effective tax rate (H1 2022: 27%).

On a reported basis, the Group recorded a profit after tax of €83 million (H1 2022: €104 million) and earnings per share of €1.71 (H1 2022: €2.06).

Adjusted profit before tax was €159 million (H1 2022: €169 million), and the respective adjusted effective tax rate is 24% (H1 2022: 24%). On an adjusted basis, profit after tax was €121 million (H1 2022: €129 million) and adjusted earnings per share for H1 2023 were €2.53 per share (H1 2022: €2.58 per share), which is stated after excluding other income and expenses and restructuring charges (€16 million) and other financial income and expenses (€10 million). The full year adjusted effective tax rate is expected to be between 23-25% in 2023.

(€m)[3]	H1 2023 reported	Items excluded from adjusted performance[4]	H1 2023 adjusted	H1 2022 reported	Items excluded from adjusted performance	H1 2022 adjusted
EBITA[1]	184	16	200	177	11	188
Amortisation	(22)	22	-	(13)	13	-
Net financial expenses	(51)	10	(41)	(22)	3	(19)
Profit before tax	111	48	159	142	27	169
Income tax	(28)	(10)	(38)	(38)	(2)	(40)
Profit after tax	83	38	121	104	25	129
Non-controlling interest	2	-	2	7	-	7
Profit attributable to shareholders	81	38	119	97	25	122
Shares outstanding[2]	47.0	-	47.0	47.0	-	47.0
Earnings per share (€ per share)	1.71	0.82	2.53	2.06	0.52	2.58

1. EBITA reconciled to revenue above.
2. Total issued and outstanding share capital as at 30 June 2022 was 47,112,047. The Company held 2,365,658 ordinary shares in treasury. The weighted average number of shares used for calculating basic earnings per share in H1 2023 is 47,037,581.
3. Numbers may not cast due to rounding.
4. Excluded items of €16 million to reported EBITA include €11 million relating to non-recurring restructuring costs and €5 million M&A integration costs in the Period. For further details see APM reconciliation for Adjusted EBITA below.

Cash flow and working capital

Adjusted operating cash flow, which is presented to reflect net cash inflow from operating activities before tax and net finance expenses, was €228 million for H1 2023 (H1 2022: €(84) million), reflecting strong cash generation from increased profitability, working capital release and low capital expenditure. Cash flow conversion, calculated as Adjusted operating cash flow as a percentage of Adjusted EBITA, increased to 114% in the Period (H1 2022: (45)%).

Working capital excluding M&A[1] reduced to €834 million pre-M&A (30 June 2022: €996 million; 31 December 2022: €892 million) driven by a reduction in inventories and accounts receivable, offset by a decrease in accounts payable due to lower raw material costs and purchases. Including working capital investments related to new M&A, working capital increased to €940 million.

The Group has improved customer service levels and delivered stronger pricing following its decision to carry higher inventory levels throughout 2022 and is now seeking to maintain working capital intensity levels at around 25% during 2023. Working capital intensity was slightly above this level at the end of the Period, at 26.0%, due to higher working capital intensity in recently acquired businesses.

Inclusive of all M&A, working capital intensity, measured as a percentage of the last three months' annualised revenue, decreased to 26.0% (H1 2022: 29.3%). Accounts receivable intensity was 10.7% (H1 2022: 11.8%) and accounts payable intensity was 13.9% (H1 2022: 16.0%). Inventory intensity stood at 29.1% (H1 2022: 33.5%).

1 Excludes working capital associated with MIRECO, SÖRMAS, DGSB, DBRL, Hi-Tech, Chongqing and Jinan New Emei. Comparative figures for prior year periods have not been adjusted.

The Group decreased its inventory levels excluding M&A to €974 million (30 June 2022: €1,138 million; 31 December 2022: €1,030 million). Inventory volumes for the base business (excluding M&A) decreased to 591kt from 606kt at year-end 2022 and were significantly lower than the 716kt recorded at the end of H1 2022, as production intentionally lagged shipments to reduce inventory coverage to targeted ratios. Including the effect of M&A during the Period, inventory decreased versus the prior year to €1,053 million (30 June 2022: €1,143 million).

Accounts receivable excluding M&A decreased to €278 million at 30 June 2023 (30 June 2022: €402 million; 31 December 2022: €364 million), despite higher finished goods prices, as the Group implemented various initiatives to reduce overdue payments. Including M&A, Accounts receivable increased to €389 million. Accounts receivable is calculated as trade receivables excluding factoring plus contract assets less contract liabilities and downpayments received, and a full reconciliation can be found in the APMs section.

Accounts payable excluding M&A was €418 million (30 June 2022: €544 million; 31 December 2022: €501 million) due to lower volumes and pricing of raw materials purchased, reflect the subdued demand environment. Including M&A, accounts payable increased to €502 million.

Working capital financing, used to provide low-cost liquidity and support the Group's commercial offering to customers, stood at €310 million on 30 June 2023 (30 June 2022: €320 million; 31 December 2022: €314 million), comprising €265 million of accounts receivable financing (factoring) and €45 million of accounts payable financing (forfaiting). Working capital financing levels vary according to business activity, and the Board has set a ceiling of €320 million.

The increase in working capital of €22 million since 31 December 2022 was mainly driven by the first-time consolidation of newly acquired businesses of €67 million, which was offset by a €49m reduction in working capital in the base business prior to M&A and €4m of other items including unfavourable foreign exchange movements.

The Group incurred €63 million of capital expenditure (H1 2022: €58 million), of which €25 million was maintenance related, €36 million was expansionary capex and a further €2 million from M&A related capex. Full year guidance for project capital expenditure is unchanged at €200 million. This comprises €85 million of maintenance capex, €95 million of expansionary capex and a further €20 million of maintenance and integration capex towards new acquisitions.

Net cash interest payments on net debt and further refinancing costs amounted to €23 million in the Period (H1 2022: €12 million).

Cash expenditure on acquisitions (excluding working capital investments) in the Period amounted to €185 million, which was partly funded by the proceeds of a QIP by RHI Magnesita India Ltd, raising approximately €100 million in April 2023. The QIP is to be followed by an equity investment of €22 million by the Group in RHI Magnesita India Ltd via a Preferential Issue which is expected to complete in Q3 2023. Total change in net debt from M&A in the Period was €256 million, inclusive of (i) €185 million of cash consideration paid; (ii) €23 million of working capital investments into newly acquired businesses in addition to opening balances on acquisition, and (iii) €48 million of net debt consolidated on acquisition.

Cash flow €m[1]	H1 2023	H1 2022
Adjusted EBITDA	265	245
Share based payments - gross non-cash	4	4
Working capital changes	41	(267)
Changes in other assets and liabilities for adjusted cash flow purposes	(18)	(9)
Investments in PPE, IA	(63)	(58)
Adjusted operating cash flow	228	(84)
Income taxes paid	(24)	(36)
Cash effects of other income/expenses and restructuring	(14)	(12)
Net interest paid/received	(23)	(12)
Net derivative cash inflow/outflow	3	(4)
Investment in financial assets	(5)	-
Cash inflows from the sale of PPE, IA	2	-
Free cash flow	167	(146)
Investment in subsidiaries net of cash (DGSB, Jinan New Emei, Hi-Tech)	(173)	(18)
Cash in from sales of subsidiaries net of cash	-	9
Proceeds from share issue in subsidiaries	100	-
Payment for share issue costs	(2)	-
Change in financial receivables from JV and associates	3	-
Dividend payment	-	(47)
Cash change in net debt	95	(203)
Proceeds from borrowings	205	90
Repayment of borrowings	(7)	-9
Change in current borrowings	(39)	-19
Repayment of lease obligations	(11)	(9)
Change in cash and cash equivalents	243	-149

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

Financial position

Net debt at 30 June 2023 was €1,124 million, comprising total debt of €1,814 million, leases of €70 million and cash and cash equivalents and marketable securities of €760 million.

As at 30 June 2023, total leases amounted to €70 million (H1 2022: €54 million), which under IFRS 16 is included in the Company's net debt position.

The Group's pro forma leverage position has decreased to 2.1x net debt to EBITDA (31 December 2022: 2.3x) and has decreased by 0.6x since H1 2022 (30 June 2022: 2.7x). The Group was able to reduce gearing despite a cash outflow of €173 million on inorganic investments during the Period, given its strong operating cash flows and the successful QIP raising €100 million in India.

Including 12 months of historic EBITDA contributions from businesses acquired during the Period, the Group's leverage position further decreased to 2.1x.

Available liquidity for the Group at 30 June 2023 was €1,360 million, including undrawn committed facilities of €600 million and cash, cash equivalents and marketable securities of €760 million.

The Group has debt maturities of €88 million scheduled in the second half of 2023, of which €58 million is short-term debt that can be rolled into 2024, and €136 million of maturities in 2024.

In April 2023, the Group issued a €170 million ESG-linked Schuldschein bond with average maturity of five years and refinanced an existing bilateral Term Loan, increasing the total loan amount from €115 million to €150 million and extending the maturity date to 2026. The refinanced Term Loan is now also ESG-linked.

Out of the total gross debt of €1,814 million, 97% is denominated in Euro. The floating to fixed ratio of the gross debt is 34% floating to 66% fixed and the weighted average cost of debt as at 30 June 2023 was 2.92%, including swaps.

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 2023 was 10.4% (H1 2022: 10.3%), from a total of €2,973 million of invested capital (H1 2022: €2,692 million) and €154 million recorded net operating profit after tax (NOPAT) (H1 2022: €139 million). ROIC for raw materials assets was 9.4% (H1 2022: 16.9%), from a total of €454 million of invested capital (H1 2022: €467 million) and €21 million NOPAT (H1 2022: €40 million). ROIC for refractory assets was 10.6% (H1 2022: 9.0%), from a total of €2,519 million of invested capital (H1 2022: €2,225 million) and €133 million NOPAT (H1 2022: €100 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 aimed 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 2022 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, assessed the broader macro and external risk environment and have determined that those risks reported in the 2022 Annual Report remain relevant for the remaining half of the 2023 financial year. Emerging risks were considered and evaluated but were not significant enough to impact the principal risks.

The risk likelihood and/or potential impact of three out of the ten principal risks have changed during H1 2023, as highlighted in the summary table below.

The regulatory and compliance risks increased due to an overall more complex regulatory environment primarily as a result of the Russia-Ukraine conflict and the post-COVID-19 challenges after a high number of employees have been working remotely for an extended period.

Overall, RHIM's risk landscape has improved as a result of an upgraded organisational capacity to execute strategy.

The risks may occur independently from each other or in combination. If 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 and emerging risks faced by RHI Magnesita will be included in the 2023 Annual Report.

Principal risk	Correlated risk from RHIM Group risk dashboard	Change in risk level	Change description
1 - Macroeconomic environment and geopolitical risk	Macroeconomic and geopolitical environment	Unchanged	
2 - Inability to execute key strategic initiatives	Business Transformation - key projects execution risk Acquisition and integration benefits/ business case delivery	Unchanged	

	Ability to secure significant market shares of recycling business Ability to realize benefits of CAPEX investments Data availability, transparency, integrity and quality Net debt and constraining capital allocation		
3 - Significant changes in the competitive environment or speed of disruptive innovation	Ability to remain competitive and retain market share	Decreased	The demonstrated effectiveness in the past six months of RHIM's strategic management of Sales activity (including pricing and initial implementation of customer segmentation) has led to a lower assessment of this risk.
4 - Reliability of the end-to-end value chain	Ability to manage inventories in a volatile market demand	Unchanged	
5 - Sustainability – Environmental and climate risks	Environment & Climate	Unchanged	
6 - Sustainability – Health and safety risks	Health & Safety	Unchanged	
7 - Regulatory and compliance risks	Compliance (CoC, Fraud, Corruption)	Increased	The likelihood of this risk has increased due to a consistently more complex regulatory environment, particularly ensuring RHIM compliance with all relevant sanction packages. Additionally ensuring and demonstrating that acquired entities have a consistent approach to Compliance increases the risk level until the integration

			processes are significantly progressed.
8 - Cyber and information security risk	IT process interruptions/ Cyber & Information Security	Unchanged	
9 - Ability to strategically price and deliver price increases	Ability to keep margin levels	Unchanged	
10 - Organizational capacity to execute strategy, incl. company cultural values	People attraction, capabilities/skills, and retention Organizational capacity to execute strategy	Decreased	The risk has decreased due to improved business performance and the demonstrated positive outcomes from the Regionalisation organisation model supported by the successful implementation of other key internal initiatives to promote effective strategy delivery and enhance the overall capability levels of RHIM management.

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 treats 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 2023, there have been no significant changes in the related party transactions from those described in RHI Magnesita's 2022 Annual Report. More information can be found in note 20 of the Condensed Consolidated Interim Financial Statements.

GOING CONCERN

In considering the appropriateness of adopting the going concern basis in preparing the Condensed Consolidated Interim Financial Statements, the Directors have assessed the potential cash generation of the Group and considered a reverse stress scenario that models a breach of the Group covenant under a very severe but plausible potential economic downturn. This assessment considers the period up to the subsequent financial year end, 31 December 2024, for any indicators that the going concern preparation is not appropriate.

The reverse stress test determines how much volumes could reduce before breaching the Group’s debt covenants and adjusting for price deflation. Further examples of mitigating actions within management

control would be taken under this scenario, including fixed cost, working capital and SG&A reductions or deferring capital expenditure but these were not incorporated in the downside modelling.

The Directors have also considered the Group’s current liquidity and available facilities. As of 30 June 2023, the Group balance sheet reflects cash and cash equivalents of €760 million. In addition, the Group has access to a €600 million Revolving Credit Facility (RCF), which is currently undrawn and not relied upon for the purpose of the going concern assessment. The Group is in compliance with the debt covenant.

On the basis of the assessment performed, the Directors consider it is appropriate to continue to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements for the period ended 30 June 2023.

ALTERNATIVE PERFORMANCE MEASURES (APMs)

Definitions of APMs used by the Group are set out below, including the purpose and usefulness of each APM and a reconciliation to the nearest IFRS equivalent measure, or a reference to a reconciliation appearing elsewhere in this document. In general, APMs are presented externally to meet investor and analyst requirements for clarity and transparency of the Group's underlying financial performance. APMs are also used internally in the management of the Group’s business performance, budgeting and forecasting. APMs are non-IFRS measures which enable investors and other readers to review alternative measurements of financial performance, but they should not be used in isolation from the main financial statements. Commentary within the Annual Report, 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 and context affecting the Group’s financial performance. Readers are strongly encouraged not to rely on any single financial measure and to carefully review the Group’s reporting in its entirety.

Performance APMs

Adjusted EBITDA

Adjusted EBITDA is a key non-IFRS measure that the Executive Management Team (‘EMT’) and Directors use internally to assess the underlying financial performance of the Group and is viewed as relevant to capital intensive industries. The ratio of Net Debt to Adjusted EBITDA is used as a measure of financial gearing.

Adjusted EBITDA is defined as EBIT, as presented in the Condensed Consolidated Statement of Profit or Loss, before amortisation, depreciation, and Excluded Items (see definition below).

Adjusted EBITA

Adjusted EBITA is a key non-IFRS measure that the EMT and Directors use internally to assess the underlying performance of the Group.

It is determined consistently with Adjusted EBITDA, but includes depreciation expense of property, plant and equipment to reflect the wear and tear cost and future replacement of productive assets on the Group.

Adjusted EPS

Adjusted EPS is a key non-IFRS measure and one of the Group's KPIs (as reflected on pages 26-27 of the 2022 Annual Report). It is used to assess the Group's underlying operational performance, post tax and non-controlling interests on a per share basis.

This measure is based on Adjusted EBITA after finance income and expenses, taxes, share of profit or loss from associates and joint ventures and non-controlling interest. Share of profit or loss from associates and joint ventures is adjusted to exclude impairments and gains or losses recognised on disposals.

It excludes finance income and expenses, including foreign exchange, that are not directly related to operational performance. This includes the non-cash present value adjustments for the unfavourable contract that was required to satisfy EU remedies put in place at the time of the RHI and Magnesita merger in 2017.

Taxes are adjusted to remove the impacts of items already excluded as well as certain tax impacts that do not affect the underlying performance of the business.

Excluded items

Items that are excluded (Excluded Items) in arriving at the Group’s Adjusted measures of Adjusted EBITA, EBITDA and EPS include:

Other income, other expenses and restructuring expenses as reflected on the Statement of Consolidated Profit and Loss as well as gains and losses within Interest income, interest expenses and other net financial expenses that are non-recurring in nature and not reflective of the underlying operational performance of the business. Excluded items include restructuring related provisions, costs in relation to corporate transactions and other non-recurring costs. The tax impacts of the above Excluded Items are also adjusted for.

Cash flow performance measures

Operating Cash flow and Free cash flow

Adjusted operating cash flow is a key non-IFRS measure used by the EMT and the Directors to reflect the operational cash generation capacity of the Group before the cash impacts of Excluded Items (see definition above).

It is defined as Adjusted EBITDA adjusted for working capital items, changes in other assets and liabilities and capital expenditure and other non-cash items, such as share based payments. This APM is reconciled to Net Cash flow from operating activities as follows:

€m	H1 2023	H1 2022
Adjusted operating cash flow (APM)	228	(84)
Add: Capital expenditure[1]	63	58
Less: Income Taxes paid[1]	(24)	(36)
Other income/expenses and restructuring items	(14)	(12)
Net cash flow from operating activities[1]	252	(74)

[1] As reflected in the Condensed Consolidated Statement of Cash Flows

Free cash flow is determined from the IFRS measures of Net cash flow from operating activities, net cash used in investing activities and net cash (used in)/provided by financing activities and excludes the cash

impacts of purchases and disposals of business and subsidiaries, dividends paid to equity shareholders of the Group, share capital transactions with shareholders, proceeds and repayment of borrowings and current borrowings and repayment of leases.

Free cash flow is reconciled to Cash changes in net debt in the table in the Cash flow and working capital section. Cash changes in net debt is reconciled to Change in cash and cash equivalents in the Net Debt APM reconciliation.

Balance sheet

Liquidity

Liquidity comprises cash and cash equivalents, short term marketable securities and undrawn committed credit facilities.

€m	H1 2023	H1 2022
Cash and cash equivalents[1]	760	443
Add: Revolving credit facility	600	600
Liquidity	1,360	1,043

[1] As reflected in the Condensed Consolidated Statement of Financial Position

Net Debt

Net Debt is the excess of current and non-current borrowings, associated debt derivatives for which hedge accounting is applied and lease liabilities over cash and cash equivalents and short-term marketable securities. The Board uses this measure for the purposes of capital management. A reconciliation of Net Debt is included in note 11 to the Condensed Consolidated Interim Financial Statements.

€m	H1 2023	YE 2022	H1 2022
Cash changes in net debt	93	(82)	(203)
Proceeds from borrowings[1]	205	344	90
Repayment of borrowings[1]	(7)	(278)	(9)
Change in current borrowings[1]	(37)	(12)	(19)
Repayment of lease obligations[1]	(11)	(21)	(9)
Change in cash and cash equivalents[1]	243	(50)	(149)

[1] As reflected in the Condensed Consolidated Statement of Cash Flows

Working capital

Working capital consists of inventories plus trade receivables and other receivables minus trade payables and other payables. Working capital intensity provides a measure of how efficient the Company is in managing operating cash conversion cycles. It is measured as Working capital divided by trailing three-month revenues (annualised) and is expressed as a percentage.

€m	H1 2023	YE 2022	H1 2022
Inventories[1]	1,053	1,049	1,143
Trade receivables (Note 10)	460	433	469
Contract assets	4	4	5
Contract liabilities (Note 14)	(76)	(62)	(71)
Accounts receivables	388	375	403
Trade payables (Note 14)	(502)	(507)	(547)
Total working capital	940	918	1,000

[1] As reflected in the Condensed Consolidated Statement of Financial Position

Return on invested capital (ROIC)

ROIC reflects the annualised return on invested capital of the Group. It is calculated as NOPAT (net operating profit after tax) divided by total invested capital at the balance sheet date.

€m	H1 2023	H1 2022
Revenue[1]	1,734	1,594
Cost of sales[1]	(1,320)	(1,221)
Selling and marketing expenses[1]	(73)	(67)
General and administrative expenses[1]	(162)	(132)
Income taxes paid[2]	(24)	(36)
NOPAT	154	139

[1] As reflected in the Condensed Consolidated Statement of Profit and Loss

[2] As reflected in the Condensed Consolidated Statement of Cash Flows

€m	H1 2023	H1 2022
Current provisions[1]	(33)	(47)
Deferred tax assets[1]	133	179
Deferred tax liabilities[1]	(68)	(56)
Goodwill[1]	357	126
Income tax liabilities[1]	(49)	(45)
Income tax receivables[1]	39	46
Inventories[1]	1,053	1,143
Invested capital	2,971	2,692
Investments in joint ventures and associates[1]	5	6
Other intangible assets[1]	438	311
Other non-current assets[1]	35	51
Property, plant and equipment[1]	1,311	1,150
Return on invested capital	10.4%	10.3%
Trade and other current liabilities[1]	(871)	(798)
Trade and other receivables[1]	621	629

[1] As reflected in the Condensed Consolidated Statement of Financial Position

Condensed Consolidated Interim Financial Statements as at 30.06.2023

Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2023

in € million for the six months ended 30 June	Note	2023	2022
Revenue	(3)	1,734.1	1,594.4
Cost of sales		(1,320.0)	(1,221.0)
Gross profit		414.1	373.4
Selling and marketing expenses		(72.9)	(66.8)
General and administrative expenses		(162.5)	(131.8)
Restructuring		(11.2)	(0.3)
Other income		6.5	2.2
Other expenses		(11.3)	(12.3)
EBIT		162.7	164.4
Interest income		9.2	3.0
Interest expenses on borrowings		(27.0)	(13.1)
Net (expense)/income on foreign exchange effects and related derivatives	(4)	(14.9)	4.0
Other net financial expenses	(5)	(18.6)	(15.9)
Net finance costs		(51.3)	(22.0)
Profit before income tax		111.4	142.4
Income tax	(6)	(28.3)	(38.1)
Profit after income tax		83.1	104.3
RHI Magnesita N.V. shareholders		80.6	97.0
Non-controlling interests		2.5	7.3

in €		
Earnings per share - basic	1.71	2.06
Earnings per share - diluted	1.68	2.03

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2023

in € million for the six months ended 30 June	Note	2023	2022
Profit after income tax		83.1	104.3
Currency translation differences			
Unrealised results from currency translation		10.0	135.3
Unrealised results from net investment hedge and foreign operations		8.4	(14.7)
Deferred taxes thereon		(5.8)	(9.0)
Current taxes thereon		2.6	1.3
Reclassification to profit or loss - Disposal subsidiaries		0.0	0.6
Cash flow hedges			
Unrealised fair value changes		(5.3)	21.5
Deferred taxes thereon		1.0	(5.4)
Items that will be reclassified subsequently to profit or loss, if necessary		10.9	129.6
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans		0.6	56.3
Deferred taxes thereon		0.2	(15.3)
Items that will not be reclassified to profit or loss		0.8	41.0
Other comprehensive income after income tax		11.7	170.6
Total comprehensive income		94.8	274.9
RHI Magnesita N.V. shareholders		101.0	267.4
Non-controlling interests		(6.2)	7.5

Condensed Consolidated Statement of Financial Position

as at 30 June 2023

in € million	Note	30.06.2023	31.12.2022
ASSETS			
Non-current assets			
Goodwill		357.1	136.9
Other intangible assets		438.4	316.6
Property, plant and equipment	(8)	1,310.6	1,203.7
Investments in joint ventures and associates		5.4	5.7
Other non-current financial assets		59.9	55.1
Other non-current assets		35.0	40.0
Deferred tax assets		133.4	128.2
		2,339.8	1,886.2
Current assets			
Inventories	(9)	1,053.4	1,049.1
Trade and other current receivables	(10)	620.8	578.9
Income tax receivables		39.3	38.7
Other current financial assets		0.5	1.3
Cash and cash equivalents		759.7	520.7
		2,473.7	2,188.7
		4,813.5	4,074.9

in € million	Note	30.06.2023	31.12.2022
EQUITY AND LIABILITIES			
Equity			
Share capital		49.5	49.5
Group reserves		1,277.9	951.7
Equity attributable to shareholders of RHI Magnesita N.V.		1,327.4	1,001.2
Non-controlling interests		125.6	47.4
		1,453.0	1,048.6
Non-current liabilities			
Borrowings	(11)	1,646.5	1,404.9
Other non-current financial liabilities		132.6	92.8
Deferred tax liabilities		67.6	62.0
Provisions for pensions	(12)	210.8	214.7
Other personnel provisions		53.1	51.7
Other non-current provisions		82.4	80.0
Other non-current liabilities		8.0	6.3
		2,201.0	1,912.4
Current liabilities			
Borrowings	(11)	167.6	215.1
Other current financial liabilities		39.4	50.1
Trade payables and other current liabilities	(14)	870.5	780.3
Income tax liabilities		49.3	38.3
Current provisions	(13)	32.7	30.1
		1,159.5	1,113.9
		4,813.5	4,074.9

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2023

in € million for the six months ended 30 June	Note	2023	2022
Cash generated from/(used in) operations	(15)	276.7	(37.5)
Income tax paid less refunds		(24.3)	(35.7)
Net cashflow from operating activities		252.4	(73.2)
Investments in property, plant and equipment and intangible assets		(62.8)	(57.6)
Investments in subsidiaries net of cash acquired		(172.8)	(18.3)
Cash receipts from the sale of equity instruments of interests in joint ventures		0.0	8.7
Cash inflows from the sale of property, plant and equipment		2.5	0.8
Investment in financial assets		(4.6)	0.0
Investment subsidies received and cash inflows from non-current receivables		0.2	0.0
Interest received		9.2	3.2
Net cash used in investing activities		(228.3)	(63.2)
Payment for share issue costs in subsidiary		(2.4)	0.0
Proceeds from share issue in subsidiary		100.0	0.0
Dividends paid to RHI Magnesita shareholders		0.0	(47.0)
Proceeds from long-term financing		205.0	90.0
Repayments of long-term financing		(7.4)	(8.7)
Changes in current borrowings and financial liabilities to joint ventures and associates		(36.8)	(19.2)
Interest payments		(30.9)	(14.4)
Repayment of lease obligations		(10.5)	(8.8)
Interest payments from lease obligations		(1.0)	(0.6)
Cash flows from derivatives		2.6	(4.3)
Net cash generated from/(used in) financing activities		218.7	(13.0)
Total cash flow		242.8	(149.4)
Change in cash and cash equivalents		242.8	(149.4)
Cash and cash equivalents at beginning of period		520.7	580.8
Foreign exchange impact		(3.8)	12.0
Cash and cash equivalents at end of period		759.7	443.4

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023

		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											
31.12.2022	49.5	(116.1)	361.3	288.7	620.2	31.8	(85.6)	(148.6)	1,001.2	47.4	1,048.6
Profit after income tax	-	-	-	-	80.6	-	-	-	80.6	2.5	83.1
Currency translation differences	-	-	-	-	-	-	-	23.9	23.9	(8.7)	15.2
Cash flow hedges	-	-	-	-	-	(4.3)	-		(4.3)	-	(4.3)
Defined benefit plans	-	-	-	-	-	-	0.8	-	0.8	-	0.8
Other comprehensive income/(expense) after income tax	-	-	-	-	-	(4.3)	0.8	23.9	20.4	(8.7)	11.7
Total comprehensive income/(expense)	-	-	-	-	80.6	(4.3)	0.8	23.9	101.0	(6.2)	94.8
Hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year						1.2			1.2		1.2
Transactions with shareholders											
Dividends	-	-	-	-	(51.7)	-	-	-	(51.7)	-	(51.7)
Share transfer/vested LTIP	-	4.7	-	-	(4.7)	-	-	-	-	-	-
Additions to consolidated companies[1)]	-	-	-	-	271.6	-	-	-	271.6	5.9	277.5
Change of non-controlling interests without a change of control[2)]									-	100.0	100.0
Change of non-controlling interests without a change of control[3)]					22.5				22.5	(22.5)	-
Other Changes[4)]	-	-	-	-	(22.0)	-	-	-	(22.0)	1.0	(21.0)
Share-based payment expenses	-	-	-	-	3.6	-	-	-	3.6	-	3.6
Transactions with shareholders	-	4.7	-	-	219.3	-	-	-	224.0	84.4	308.4
30.06.2023	49.5	(111.4)	361.3	288.7	920.1	28.7	(84.8)	(124.7)	1,327.4	125.6	1,453.0

1) In January 2023, RHI Magnesita India Ltd. issued 27,000,000 shares which were transferred as consideration in exchange for the Dalmia OCL acquisition, see Note (19).
2) In April 2023, RHI Magnesita India Ltd. issued 15.715.034 shares through a Qualified Institutional Placement in which only the non-controlling interests participated. The share issue raised cash proceeds amounting to €100.0 million.
3) In June 2023, RHI Magnesita India Ltd. issued 2.790.061 shares on a preferential basis in which only RHI Magnesita N.V. participated. The share issue increased the Equity of RHI Magnesita India Ltd. attributable to shareholders of RHI Magnesita N.V.
4) Mainly relating to the recognition of the financial liability and derecognition of the non-controlling interests related to the acquisition of Jinan New Emei and the impacts of the fair value changes resulting from the completion of purchase price allocation related to the acquisition of SÖRMAS Group, see Note (19).

					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											
31.12.2021	49.5	(117.0)	361.3	288.7	532.8	(7.1)	(125.1)	(197.2)	785.9	36.3	822.2
Profit after income tax	-	-	-	-	97.0	-	-	-	97.0	7.3	104.3
Currency translation differences	-	-	-	-	-	-	-	113.3	113.3	0.2	113.5
Cash flow hedges	-	-	-	-	-	16.1	-	-	16.1	-	16.1
Defined benefit plans	-	-	-	-	-	-	41.0	-	41.0	-	41.0
Other comprehensive income after income tax	-	-	-	-	-	16.1	41.0	113.3	170.4	0.2	170.6
Total comprehensive income	-	-	-	-	97.0	16.1	41.0	113.3	267.4	7.5	274.9
Transactions with shareholders											
Dividends	-	-	-	-	(47.0)	-	-	-	(47.0)	-	(47.0)
Change in non-controlling interests due to addition to consolidated companies	-	-	-	-	-	-	-	-	-	6.1	6.1
Reclassification of puttable non-controlling interests without a change of control	-	-	-	-	(1.9)	-	-	-	(1.9)	(6.1)	(8.0)
Share-based payment expenses	-	-	-	-	4.1	-	-	-	4.1	-	4.1
Transactions with shareholders	-	-	-	-	(44.8)	-	-	-	(44.8)	-	(44.8)
30.06.2022	49.5	(117.0)	361.3	288.7	585.0	9.0	(84.1)	(83.9)	1,008.5	43.8	1,052.3

Notes continued

to the Condensed Consolidated Interim Financial Statements as at 30.06.2023

Basis of preparation

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 ("Interim Financial Statements") of RHI Magnesita N.V ("the Company") and its subsidiaries (collectively referred to as "RHI Magnesita or the Group") for the half-year reporting period ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and on the basis of the same accounting principles as those used in the Company's Annual Financial Statements for the year ended 31 December 2022.

The 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 2022. The Interim Financial Statements are presented in Euros and all values are rounded to the nearest € million, except where otherwise indicated.

The Interim Financial Statements as of 30 June 2023 were not audited but reviewed by PricewaterhouseCoopers Accountants N.V.

Going concern

In considering the appropriateness of adopting the going concern basis in preparing the Interim Financial Statements, the Directors have assessed the potential cash generation of the Group and considered a reverse stress scenario that models a breach of the Group covenants under a very severe but possible economic downturn. This assessment considers the period up to the subsequent financial year end, 31 December 2024, for any indicators that the going concern preparation is not appropriate.

The reverse stress test determines how much volumes could reduce before breaching the Group's debt covenants and adjusting for price deflation. Further examples of mitigating actions within management control would be taken under this scenario, including fixed cost, working capital and SG&A reduction or deferring capital expenditure but these were not incorporated in the downside modelling.

The Directors have also considered the Group's current liquidity and available facilities. As of 30 June 2023, the Condensed Consolidated Statement of Financial Position reflects cash and cash equivalents of €759.7 million. In addition, the Group has access to a €600 million Revolving Credit Facility (RCF), which is currently undrawn and not relied upon for the purpose of the going concern assessment. The Group has complied with the debt covenants.

On the basis of the assessment performed, the Directors consider it is appropriate to continue to adopt the going concern basis in preparing the Interim Financial Statements for the period ended 30 June 2023.

2. 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 2022. We performed an impact analysis related to the amendments on the existing and new standards effective in 2023 and concluded that no material impacts are expected from these.

Effects of the OECD BEPD Pillar II legislation

In January 2023, the IASB issued the Exposure Draft proposing amendments to IAS 12. The amendments aim to provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules. The point in time where the Pillar Two requirements may need to be considered despite the absence of the IAS 12 amendment becoming effective is if the Pillar Two legislation is enacted or substantively enacted in the respective jurisdiction and when the effect of the enacted rules applies to the relevant fiscal year of the taxpayer. This is currently not the case. The Group is analysing the potential impacts on the Group's income tax exposure and decided to apply the accounting policy of not recognising or changing deferred taxes resulting from the Pillar Two legislation until the amendments to IAS 12 are endorsed for use in the EU.

Significant accounting judgements and estimates

The Interim Financial Statements require the use of estimates and assumptions that affect the reported amounts in the Interim Financial Statements. The key assumptions and estimation uncertainties are unchanged from those described in last year's Notes to the Consolidated Financial Statements. Actual results may differ from these estimates.

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

No triggers for an impairment review as of 30 June 2023 were identified.

Significant judgement: Recognition of non-controlling interest of Jinan New Emei

The acquisition of Jinan New Emei Industries Co Ltd. includes a commitment for the Group to acquire the outstanding shares (35%), see Note (19). The Group has concluded, based on the terms and pricing of the commitment, that the risks and rewards of ownership associated with the outstanding shares have not been transferred to the Group. Therefore, the financial liability was not considered as part of the purchase consideration and a non-controlling interest was recognised on acquisition. The financial liability arising from the commitment has been recognised in accordance with the Group's accounting policy related to fixed-term or puttable non-controlling interests. That is the financial liability was initially recognised against equity attributable to the Company, while the said non-controlling interests were derecognised to zero – also against equity attributable to the Company.

3. Segmental analysis

Segment reporting by operating company division

The following tables show the key financial information for the operating segments for the first half of 2023 and the first half of 2022:

in € million for the six months ended 30 June 2023	Steel	Industrial	Group
Revenue	1,203.0	531.1	1,734.1
Gross profit	259.9	154.2	414.1
EBIT			162.7
Net finance costs			(51.3)
Profit before income tax			111.4
Depreciation and amortisation charges	(60.8)	(25.1)	(85.9)
Segment assets 30.06.2023	2,635.8	988.3	3,624.1
Investments in joint ventures and associates 30.06.2023			5.4
Reconciliation to total assets			1,184.0
Total assets			4,813.5

in € million for the six months ended 30 June 2022	Steel	Industrial	Group
Revenue	1,150.1	444.3	1,594.4
Gross profit	258.1	115.3	373.4
EBIT			164.4
Net finance costs			(22.0)
Profit before income tax			142.4
Depreciation and amortisation charges	(50.7)	(19.2)	(69.9)
Segment assets 31.12.2022	2,231.9	911.3	3,143.2
Investments in joint ventures and associates 31.12.2022			5.7
Reconciliation to total assets			926.0
Total assets			4,074.9

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

in € million for the six months ended 30 June 2023	Steel	Industrial	Group
Shaped products	551.3	390.3	941.6
Unshaped products	253.1	105.1	358.2
Management refractory services	362.8	0.9	363.7
Other	35.8	34.8	70.6
Revenue[1)]	1,203.0	531.1	1,734.1

In the comparable period in 2022, revenue was classified by product group as follows:

in € million for the six months ended 30 June 2022

	Steel	Industrial	Group
Shaped products	540.0	323.6	863.6
Unshaped products	205.3	92.8	298.1
Management refractory services	372.6	0.0	372.6
Other	32.2	27.9	60.1
Revenue[1)]	1,150.1	444.3	1,594.4

1) Revenue includes €509.8 million (30.06.2022: €508.3 million) relating to the Solutions Business. Thereof, €442.7 million (30.06.2022: €454.3 million) are attributable to Segment Steel and €67.1 million (30.06.2022: €54.0 million) to Segment Industrial. Solutions Business is a customer classification that is characterised by sales of end-to-end solutions covering large parts of the customer process chain.

Notes continued

Segment reporting by country

Revenue in the first half of 2023 and in the first half of 2022 is classified by customer sites as follows:

in € million for the six months ended 30 June	2023	2022
Netherlands	5.2	5.7
USA	323.9	281.8
India	240.6	168.3
Brazil	191.4	184.6
PR China	108.8	106.7
Other countries	864.2	847.3
Revenue	1,734.1	1,594.4

4. Foreign exchange effects and related derivatives

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

in € million for the six months ended 30 June	2023	2022
Foreign exchange (losses)/gains	(22.7)	6.6
Foreign exchange gains/(losses) from related derivative financial instruments	7.8	(2.6)
Net (losses)/gains on foreign exchange effects and related derivatives	(14.9)	4.0

The net loss on foreign exchange effects in the current reporting period resulted mainly from the devaluation of the US Dollar against the Euro, Mexican peso and Brazilian real.

5. Other net financial expenses

Other net financial expenses consist of the following items:

in € million for the six months ended 30 June	2023	2022
Net interest expense relating to personnel provisions	(5.3)	(2.6)
Unwinding of discount of provisions and payables	(3.7)	(3.5)
Interest expense on non-controlling interest liabilities	(3.3)	(3.3)
Interest expense on lease liabilities	(1.0)	(0.6)
Income from the revaluation of NCI put options	0.6	0.0
Other interest and similar expenses[1)]	(5.9)	(5.9)
Other net financial expenses	(18.6)	(15.9)

1) Includes mainly costs associated with the trade receivables factoring programme of €4.8 million (30.06.2022 €2.6 million).

6. Income tax

The tax charge for the period has been calculated by applying the effective corporate tax rate which is expected to apply to the Group for the year ended 31 December 2023 using rates substantively enacted by 30 June 2023, which is 25.4% (30.06.2022: 26.8%).

Total tax for the first half of 2023 in the Condensed Consolidated Statement of Profit or Loss amounted to €28.3 million (30.06.2022: €38.1 million), which includes tax expense for prior years of €1.2 million (30.06.2022: tax income for prior years of €3.2 million).

7. Dividend payments and proposed dividend

Based on a resolution adopted by the Annual General Meeting of RHI Magnesita N.V. on 24 May 2023 the final dividend amounts to €1.10 per share for the shareholders of RHI Magnesita N.V. for 2022.

In line with the Group's dividend policy the Board declared an interim dividend of €0.55 per share for the first half of 2023 to be paid out in September 2023.

8. Property, plant and equipment

In the first half of 2023 additions to property, plant and equipment amount to €54.0 million (30.06.2022: €48.5 million) and mainly refer to the expansion and production optimisation of the plants in Brazil.

9. Inventories

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

in € million	30.06.2023	31.12.2022
Raw materials and supplies	286.9	303.3
Work in progress	215.7	206.7
Finished products and goods	537.5	526.3
Prepayments made	13.3	12.8
Inventories	1,053.4	1,049.1

10. Trade and other current receivables

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

in € million	30.06.2023	31.12.2022
Trade receivables	460.3	433.4
Other tax receivables	105.8	106.4
Other current receivables	54.7	39.1
Trade and other current receivables	620.8	578.9
thereof financial assets	460.7	433.9
thereof non-financial assets	160.1	145.0

The Group enters into factoring agreements and sells trade receivables to financial institutions. Trade receivables sold as of 30 June 2023 was €265.3 million (31.12.2022: €245.1 million). These have been derecognised as substantially all risks and rewards as well as control have been transferred. Payments received from customers following the sale are recognised in current borrowings until repaid to the factorer.

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

Other current receivables mainly relate to advances for insurance, IT services as well as custom and import-related services and costs.

11. Borrowings

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

In April 2023, the Group successfully issued a Schuldschein bond (“SSD”) in the amount of €170.0 million with an average tenor of 5 years and at competitive pricing. Additionally, the Group has successfully refinanced a bilateral Term Loan, increasing the total loan amount from €115.0 million to €150.0 million and extending the maturity date to 2026.

Both instruments are ESG-linked and the margin payable is adjusted based on the Group’s EcoVadis ESG rating performance. The proceeds of the new instruments will be used for general corporate purposes, including refinancing and acquisitions.

In December 2022 and January 2023 respectively, the Group entered into two bilateral term loans amounting INR 13.25 billion (around €149.1 million), of which only €4.9 million remain outstanding per June 2023, to fund the Group’s acquisitions of Hi Tech and Dalmia OCL.

Net debt excluding lease liabilities/Adjusted EBITDA is the key financial covenant of the loan agreements. Compliance with the covenants is measured on a semi-annual basis. In line with the covenant requirements, net debt excluding lease liabilities to Adjusted EBITDA cannot exceed 3.5x. Breach of covenants leads to an anticipated maturity of loans. During the first half of 2023, the Group met all covenant requirements. The calculation of the key financial covenant is presented in the following table:

Notes continued

in € million	30.06.2023	30.06.2022
EBIT	341.8	252.7
Amortisation	37.7	28.7
Restructuring and write-down expenses	4.1	52.3
Other operating income and expenses	12.7	6.8
Adjusted EBITA	396.3	340.5
Depreciation	122.8	114.1
Adjusted EBITDA	519.1	454.6
Total debt[1]	1,814.1	1,619.8
Lease liabilities	69.6	54.4
Less: Cash and cash equivalents	759.7	443.4
Net debt	1,124.0	1,230.8
Net debt excluding IFRS 16 lease liabilities	1,054.4	1,176.4
Net debt to Adjusted EBITDA	2.17x	2.72x
Net debt to Adjusted EBITDA excluding IFRS 16 lease liabilities	2.03x	2.60x

1) As from January 1, 2023 “Total Debt” excludes “financial liabilities from accrued interest” which are now presented under “other current liabilities”. Prior period comparatives have been revised to conform with current year presentation.

The disclosures in this section include certain Alternative Performance Measures (APMs). For more information, please refer to APMs section in the RNS. 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. The Adjusted EBITDA is calculated on a trailing twelve-month basis, considering the last six months of 2022 and the first six months of 2023.

12. 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 2023, there are no significant changes in actuarial assumptions, compared to 31 December 2022. The actuarial interest rates are: 9.9% (31.12.2022: 10.5 %) in Brazil, 8.9% (31.12.2022: 9.5 %) in Mexico, 5.0 % (31.12.2022: 5.0 %) in the US and 3.7 % (31.12.2022: 3.8 %) in the Euro zone.

13. Other provisions

Provisions for restructuring costs amounting to €11.1 million as of 30 June 2023 (31.12.2022: €12.0 million) primarily consist of benefit obligations to employees due to termination of employment and dismantling costs. €3.5 million (31.12.2022: €0.0 million) relate to rationalisation of SG&A expenses. €6.3 million (31.12.2022: €10.5 million) to the severance and demolition cost relating to the plant closure Trieben, Mainzlar and Kruft.

Provisions for contract obligations include the current portion of the Oberhausen contract obligation amounting to €12.8 million as of 30 June 2023 (31.12.2022: €12.4 million).

14. Trade payables and other current liabilities

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

in € million	30.06.2023	31.12.2022
Trade payables	502.2	506.5
Liabilities to employees	106.2	97.2
Contract liabilities	75.7	61.8
Taxes other than income tax	37.8	35.0
Capital expenditure payable	31.9	43.1
Payables from commissions	8.2	7.7
Other current liabilities	108.5	29.0
Trade payables and other current liabilities	870.5	780.3
thereof financial liabilities	624.2	566.4
thereof non-financial liabilities	246.3	213.9

Trade payables include an amount of €44.9 million (31.12.2022: €68.8 million) for raw material purchases subject to supply chain finance arrangements.

Other current liabilities include Dividend liabilities in the amount of €52.1 million (31.12.2022: €0.1 million) as well as liabilities to former owners resulting from the acquisition of Hi Tech and Jinan New Emei Industries Co Ltd.

15. Cash generated from/(used in) operations

in € million for the six months ended 30 June	2023	2022
Profit after income tax	83.1	104.3
Adjustments for		
income tax	28.3	38.1
depreciation	64.1	56.9
amortisation	21.8	13.0
write-up of property, plant and equipment and intangible assets	(0.3)	(0.4)
income from the reversal of investment subsidies	(0.3)	(0.3)
impairment losses/loss from sale/(write-ups) on securities	(0.1)	1.4
losses from the disposal of property, plant and equipment	0.3	0.8
losses from the disposal of subsidiaries	0.0	0.7
net interest expense and derivatives	31.8	22.0
result from joint ventures and associates	(2.5)	(0.1)
other non-cash changes	12.2	(7.7)
Changes in working capital		
inventories	64.2	(109.2)
trade receivables	58.1	(41.2)
contract assets	(0.7)	(1.4)
trade payables	(93.1)	(125.7)
contract liabilities	12.3	10.9
Changes in other assets and liabilities		
other receivables and assets	3.6	(1.1)
provisions	(16.1)	(12.9)
other liabilities	10.0	14.4
Cash generated from/(used in) operations	276.7	(37.5)
Income tax paid less refunds	(24.3)	(35.7)
Net cashflow from operating activities	252.4	(73.2)

The increase in operating cashflow is largely driven by an improvement in working capital. In prior year inventories increased due to constrained global logistics supply chain whereas in 2023 inventories (excluding the inventories from acquired companies) could be reduced. Furthermore a reduction of trade receivables (excluding the trade receivables from acquired companies) led to an improved cashflow from working capital, also partially driven by factoring.

Notes continued

16. 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	30.06.2023 Carrying amount	30.06.2023 Fair value	31.12.2022 Carrying amount	31.12.2022 Fair value
Other non-current financial assets						
Marketable securities	FVPL	1	9.2	9.2	9.0	9.0
Shares	FVPL	3	0.5	0.5	0.5	0.5
Interest derivatives designated as cash flow hedges	-	2	42.9	42.9	42.4	42.4
Other non-current financial assets	AC	-	2.6		3.2	
Trade and other current receivables	AC	-	460.7		433.9	
Other current financial assets						
Derivatives	FVPL	2	0.4	0.4	1.1	1.1
Other current financial receivables	AC	-	0.1		0.2	
Cash and cash equivalents	AC	-	759.7		520.7	
Financial assets			1,276.1		1,011.0	
Non-current and current borrowings						
Liabilities to financial institutions	AC	2	1,795.5	1,767.4	1,612.0	1,578.1
Other financial liabilities	AC	2	18.6		8.0	
Non-current and current other financial liabilities						
Lease liabilities	-	2	69.6		63.9	
Derivatives	FVPL	2	4.2	4.2	10.1	10.1
Commodity swaps designated as cash flow hedges	-	2	5.8	5.8	1.1	1.1
Liabilities to fixed-term or puttable non-controlling interests	AC	2/3	33.4	33.4	38.1	38.1
Liabilities to fixed-term or puttable non-controlling interests	FVPL	3	59.0	59.0	29.7	29.7
Trade payables and other current liabilities	AC	-	624.2		566.4	
Financial liabilities			2,610.3		2,329.3	
Aggregated according to measurement category						
Financial assets measured at FVPL			10.1		10.6	
Financial assets measured at amortised cost			1,223.1		958.0	
Financial liabilities measured at amortised cost			2,471.7		2,224.5	
Financial liabilities measured at FVPL			63.2		39.8	

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

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 favorable market if there is no main market. RHI Magnesita considers the characteristics of the asset or liability to be measured which a market participant would consider in pricing. It is assumed that market participants act in their best economic interest.

RHI Magnesita considers 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 marketable 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 an 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. 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 have been no shifts between the different measurement levels in the two reporting periods.

Liabilities to financial institutions and other financial liabilities are carried at amortised cost in the Condensed Consolidated Statement of Financial Position. Liabilities related to fixed-term or puttable non-controlling interests based on a fixed consideration are recognised at amortised cost whereas those liabilities based on a variable consideration are recognised at fair value. 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. In April 2023, the Group recognised a liability related to the commitment to acquire the remaining shares in Jinan New Emei held by other shareholders (see Note 19), amounting to €31.5 million, which will be due in 2026 at the earliest. The fair value is based on the present value of Jinan New Emei's EBITDA performance and certain other variables (see Note 19). The principal valuation parameters are deemed to be non-observable (Level 3).

The carrying amounts of other financial assets approximately correspond to their fair value. Due to the low amounts recognised 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 amounts of these items approximate fair value at the reporting date.

No contractual netting agreement of financial assets and liabilities were in place as at 30 June 2023 and 31 December 2022.

17. Contingent liabilities

As of 30 June 2023, warranties, performance guarantees and other guarantees amount to €70.9 million (31.12.2022: €61.9 million). Contingent liabilities have a remaining term of between two months and three years. Based on past experience the probability that contingent liabilities will transform into a firm payment obligation is considered low.

Individual administrative proceedings and lawsuits which result from ordinary activities are pending as of 30 June 2023 or can potentially be exercised against RHI Magnesita in the future. The related risks were analysed with a view to their probability of occurrence.

Taxation contingencies

The calculation of income taxes is based on the tax laws applicable in the individual countries in which the Group operates. Due to their complexity, the tax items presented in the Consolidated Financial Statements may be subject to different interpretations by local finance authorities. In this context it should be noted that a tax provision is generally recognised when the Group has a present obligation as a result of a past event, and when it is considered probable that there will be a future outflow of funds.

The Group is continually adapting its global presence to improve customer service and maintain its competitive advantage, and leads open discussions with tax authorities about, e.g., transfer of functions and related profit between related parties and exit taxation. In this regard, disputes may arise, where the Group's management understanding differs from the positions of the local authorities. In such cases, when an appeal is available, management's judgements are based on a likely outcome approach, taking into consideration advice from professional firms and previous experiences when assessing the risks.

The Group is party to several tax proceedings in Brazil which involve estimated contingent liabilities amounting to € 269.1 million (31.12.2022: €243.0 million). These tax proceedings are as follows:

Income Tax relating to historical corporate transactions

There are three ongoing proceedings resulting from tax audits in which the deduction of goodwill from Corporate Income Tax generated in two corporate transactions that where undertaken 2007 and 2008 was rejected. The tax authorities argue that the goodwill resulting from these transactions does not qualify for tax deduction. Although the Group has been broadly successful in past proceedings, the tax authorities have appealed the outcome of those. The outcome of the ongoing proceedings is expected within one and three years. The potential cash outflow of €174.2 million (31.12.2022: €157.0 million) is limited to the fiscal tax years ended 2018 until which all available goodwill tax deductions had been made.

Royalties

The Group is party to 38 proceedings where the Brazilian Mining Authorities ("ANM") challenged the criteria used for calculating and paying the Financial Compensation for Exploration of Mineral Resources, which are mining royalties payable by every mining company. The authorities have mainly disputed the basis of production costs estimates used in the determination of the royalties that are payable. The claims relate to fiscal years up to 2017, following which the legislation for royalties was changed. The Group, together with its technical and legal advisors continues to challenge ANM audits. Most of the procedures are ongoing within the ANM administrative courts. Final decisions of the first cases are expected within four to five years. The potential cash outflow amounts to €31.0 million (31.12.2022: €28.2 million), including interest and penalties.

Corporate income and other taxes

There are several tax audits in Brazil mainly relating to: offsetting federal tax payables and receivables, social security contributions as well as, offsetting certain federal tax debts with corporate income tax credits. The potential cash outflow resulting from the outcome of these tax audits amounts to €63.9 million (31.12.2022: €57.8 million).

Civil litigation contingencies

Magnesita Refratários S.A., Brazil is party to a public civil action for damages allegedly caused by overloaded trucks in contravention to Brazilian traffic legislation. In 2017, a decision was rendered in favour of Magnesita in the trial court. The decision is being appealed by the Public Ministry of Minas Gerais. The final decision is expected in ten years. The potential cash outflow from this procedure amounts to €17.6 million (31.12.2022: €15.5 million).

Notes continued

A class action against a Brazilian subsidiary relates to the working conditions of existing and former employees based at a costumer's plant. A technical expertise appointed by the court indicated the exposure of current and formers employees to unhealthy conditions. The number of current and former employees that are entitled to compensation is 826 ('adicional de insalubridade'). A provision amounting to €0.6 million was recognised. The expected timing of the court rule is unknown, but a hearing is scheduled for September 2023.

Other minor proceedings and lawsuits in which subsidiaries are involved have no significant impact on the financial position and performance of the Group.

18. Other financial commitments

As of 30 June 2023, the RHI Magnesita Group has commitments for the purchase of property, plant and equipment in the amount of €47.1 million (31.12.2022: €20.4 million).

19. Business combinations

Acquisition of Horn & Co Minerals Recovery Group (Mireco)

The purchase price allocation was finalised and does not materially differ from the preliminary purchase price allocation disclosed in the last year's Consolidated Financial Statements.

Acquisition of SÖRMAS

Last year the Group completed the acquisition of Sörmas group. The preliminary amounts recognised for the acquired assets and liabilities at the acquisition date have been adjusted compared to the Consolidated Financial Statements 2022 during the measurement period in accordance with IFRS 3. The final amounts recognised for each major class of assets and liabilities as a result of the acquisition are the following:

in € million	preliminary value	Fair value adjustments	final value
Property plant and equipment	3.6	16.7	20.3
Intangible assets: Customer relationships	10.5	(3.0)	7.5
Intangible assets: Order backlogs	5.9	(1.1)	4.8
Inventories	14.1	0.7	14.8
Other assets	16.2	0.0	16.2
Total assets acquired	50.3	13.3	63.6
Deferred tax liabilities	3.8	3.0	6.8
Other liabilities	8.9	0.3	9.2
Total liabilities assumed	12.7	3.3	16.0
Net identifiable assets acquired	37.6	10.0	47.6
Less: Non-controlling interests	(5.0)	(1.7)	(6.7)
Goodwill	13.8	(8.4)	5.4
Consideration paid	46.4		46.4

Compared to the preliminary valuation a positive fair value adjustment on property, plant and equipment has been recognised which mainly results from the reassessment of the useful lives of machinery & equipment in use with a carrying amount of close to zero at the acquisition date. The machinery & equipments' fair value was measured using the replacement cost approach based on current cost obtained from third parties and internal information. The negative fair value adjustments related to the order backlog and the customer relationships result from an increase in contributory asset charges associated with the fair value adjustment on property, plant and equipment compared to the preliminary valuation.

Acquisition of Dalmia OCL

In November 2022, the Group signed a share swap agreement stipulating its acquisition of 100% of the shares of Dalmia OCL Ltd, India, through the non-wholly owned subsidiary RHI Magnesita India Ltd. Dalmia OCL owns 51% of the shares of Dalmia Seven Refractories Ltd ('DSR'), India, which were also acquired in the scope of this business combination. The acquisition was closed on 5 January 2023 which is the date on which Dalmia OCL and DSR were included in the Group's Interim Financial Statements. The remaining 49% of DSR's shares were acquired by the Group between the reporting date and the date the Interim Financial Statements were authorised for issue, see Note (21).

The acquired companies are one of the leading refractory producers in India engaged in the business of manufacturing and selling alumina bricks as well as basic bricks, non-basic bricks and flow control products with a focus on customers in the Industrial and Steel segments. Dalmia OCL and DSR have five manufacturing facilities.

The acquisition enables the Group to increase its presence in the high growth Indian refractory market considering a forecast steel production growth in India of 12% per annum and a compound annual growth rate of 7-8% until 2030. The production footprint and product offering of the acquired companies is highly complementary to the Group's existing plant locations (four plants) and product range with focus in the Industrial segment, where the Group had been under-represented. Moreover, significant synergies are expected through network benefits and additional production capacities in important industrial locations in the south and west of India, where the Group had no assets.

The consideration transferred amounting to €325.2 million comprises two elements: issued equity shares and cash. RHI Magnesita India Ltd. issued 27,000,000 equity shares with a fair value equivalent of €270.0 million based on the quoted share price (Level 1). The cash consideration amounts to €55.2 million.

Until the date the Interim Financial Statements were authorised for issue, the initial consolidation is incomplete because the purchase price allocation and the measurement of assets and liabilities has not been finalised. The outstanding measurement considerations mainly relate to prepayments on mining rights, customer relationships, Property, plant and equipment and Trade receivables. The fair value adjustments of assets and liabilities based on the preliminary purchase price allocation as a result of the acquisition are the following:

in € million	book value	Fair value adjustments	(adjusted) value
Property plant and equipment	28.8	17.5	46.3
Intangible assets: Customer relationships	0.0	105.9	105.9
Intangible assets: prepayments on mining rights	0.0	9.3	9.3
Other intangible assets	1.3	0.0	1.3
Inventories	42.7	0.0	42.7
Trade and other receivables (gross contractual amounts: 42.2)	38.8	0.0	38.8
Cash and cash equivalents	0.1	0.0	0.1
Total assets acquired	111.7	132.8	244.5
Lease Liabilities	9.9	0.0	9.9
Trade and other liabilities	52.1	0.0	52.1
Other employee obligations	1.2	0.0	1.2
Provisions	1.6	0.0	1.6
Borrowings	19.7	0.0	19.7
Deferred tax liabilities	4.4	0.0	4.4
Total liabilities assumed	88.9	0.0	88.9
Net identifiable assets acquired	22.8	132.8	155.6
Less: Non-controlling interests			(5.9)
Goodwill			175.5
Consideration			325.2
Consideration paid, net of cash acquired for purposes of the Condensed Consolidated Statement of Cash Flows			55.1
Equity shares issued and transferred			270.0

The amounts recognised for the acquired assets and liabilities on the closing date and the resulting goodwill are preliminary and subject to adjustment for a period of one year from the closing date as allowed under the accounting standards. On finalisation of the purchase price allocation, adjustments, including tax impacts, if any, will be reflected against goodwill. The initial accounting for this acquisition including the purchase price allocation is expected to be finalised by the end of 2023.

The preliminary fair value of the customer relationships was measured using the multi-period excess earnings method. Under this method, the fair value of the customer relationships is calculated by determining the present value of earnings after tax attributable to the acquired companies' existing customers. The customer relationships in the Industrial segment are amortised over the estimated useful life of 10 years, while the customer relationships in the Steel segment are amortised over the estimated useful life of 20 years.

The preliminary goodwill recognised as a result if this acquisition is attributable to the expected synergies mentioned above and is allocated to both the Steel Segment and the Industrial Segment. The goodwill is not tax deductible.

The Group recognises non-controlling interests for this acquisition measured at the present ownership instruments' proportionate share in DSR's net assets.

Direct costs relating to this acquisition, expensed in the Condensed Consolidated Statement of Profit or Loss, amounted to €1.0 million.

Since the date of inclusion of the acquired companies in the Group's Interim Financial Statements, revenues have increased by €55.3 million, Adjusted EBITA has increased by €2.8 million and net income has decreased by €4.4 million.

Notes continued

Acquisition of Hi Tech

In October 2022, the Group signed an agreement stipulating its acquisition of the refractory business of HiTech Chemicals Ltd ('Hi Tech'), India, via an asset deal. The acquisition was closed on 31 January 2023 which is the date on which the refractory business was included in the Group's Interim Financial Statements.

HiTech is a leading specialty refractory producer in India engaged in the business of manufacturing and selling of premium flow control products like ISO, slide-gate plates, shrouds, plugs apart from castables, nozzle opening compound or tundish monolithics with a focus on customers in the Steel segment. HiTech operates a state-of-the-art manufacturing facility in the city of Jamshedpur, India,

This acquisition enables the Group to expand its presence and participate in the high growth refractory market in India and the wider region considering a forecast steel production growth in India of 12% per annum and a compound annual growth rate of 7-8% until 2030. Through the acquisition the Group can expand its flow control product offering and enlarge its production capacities based on a low cost and semi automised production. Moreover, substantial synergies are expected through economies of scale and additional production capacities for a strategic market segment.

The preliminary consideration payable in cash amounts to €99.2 million. Thereof an amount of €86.2 million was paid upon closing of the acquisition. The remaining amount of €13.0 million is a liability towards the former owner.

Until the date the Interim Financial Statements were authorised for issue, the initial consolidation is incomplete because the purchase price allocation and the measurement of assets and liabilities has not been finalised. The outstanding measurement considerations mainly relate to customer relationships and property, plant and equipment. The fair value adjustments of assets and liabilities based on the preliminary purchase price allocation as a result of the acquisition are the following:

in € million	book value	Fair value adjustments	(adjusted) value
Property plant and equipment	10.7	11.7	22.4
Intangible assets: Customer relationships	0.0	18.4	18.4
Inventories	7.7	0.0	7.7
Trade and other receivables	13.5	0.0	13.5
Total assets acquired	31.9	30.2	62.1
Lease liabilities	0.1	0.0	0.1
Trade and other liabilities	0.9	0.0	0.9
Deferred tax liabilities	0.0	3.3	3.3
Total liabilities assumed	1.0	3.3	4.3
Net identifiable assets acquired	30.9	26.9	57.8
Goodwill			41.4
Consideration (preliminary)			99.2
Consideration paid, net of cash acquired for purposes of the Condensed Consolidated Statement of Cash Flows			86.2
Liability towards former owner			13.0

The amounts recognised for the acquired assets and liabilities on the closing date and the resulting goodwill are preliminary and subject to adjustment for a period of one year from the closing date as allowed under the accounting standards. On finalisation of the purchase price allocation, adjustments, including tax impacts, if any, will be reflected against goodwill. The initial accounting for this acquisition including the purchase price allocation is expected to be finalised by the end of 2023.

The preliminary fair value of the customer relationships was measured using the multi-period excess earnings method. Under this method, the fair value of the customer relationships is calculated by determining the present value of earnings after tax attributable to the acquired refractory business' existing customers. The customer relationships are amortised over the estimated useful life of 20 years.

The preliminary goodwill recognised as a result of this acquisition is attributable to the expected synergies mentioned above and is allocated to the Steel Segment. The goodwill is not tax deductible.

Direct costs relating to the acquisition of the refractory business and expensed in the Condensed Consolidated Statement of Profit or Loss, amounted to €0.6 million.

Since the date of inclusion of the acquired refractory business in the Group's Interim Financial Statements, revenues have increased by €11.3 million, Adjusted EBITA has increased by €0.9 million and net income has increased by €0.5 million.

Acquisition of Jinan New Emei

In January 2023, the Group signed a share purchase agreement stipulating its acquisition of 65% of the shares of Jinan New Emei Industries Co Ltd. ('Jinan New Emei'), China. Jinan New Emei owns 100% of the shares of Jinan Emei Metallurgical Materials Co Ltd ('JEMM'), China, which were also acquired in the scope of this acquisition. The acquisition was closed on 26 April 2023 which is the date on which Jinan New Emei and JEMM were included in the Group's Interim Financial Statements.

The acquired companies are a leading manufacturer of refractory slide gate plates and systems, nozzles and mixes for steel flow control applications serving customers in the Steel segment. The recently commissioned state-of-the-art and highly automated plant in Laiwu, Shandong province, is a major part of the acquisition.

The acquisition enables the Group to expand its flow control product range and its solutions contract offering in the Chinese domestic market, both of which are key strategic priorities. Moreover, the acquisition gives access to substantial new customer relationships in China and deliver additional production capacity for increasing supply of refractories in both China and the wider East Asia region.

The preliminary consideration payable in cash amounts to €22.9 million. Thereof an amount of €19.8 million was paid upon closing of the acquisition. The remaining amount of €3.1 million is a liability towards the former owner which reflects deferred cash consideration and estimated post-closing adjustments related to working capital and net debt, payable one year after the closing date.

Until the date the Interim Financial Statements were authorised for issue, the initial consolidation is incomplete because the purchase price allocation and the measurement of the acquired companies' assets and liabilities is still ongoing. The fair value adjustments of assets and liabilities based on the preliminary purchase price allocation as a result of the acquisition are the following:

in € million	book value	Fair value adjustments	(adjusted) value
Property plant and equipment	19.4	0.2	19.5
Intangible assets: Customer relationships	0.0	2.6	2.6
Other intangible assets	4.5	0.3	4.8
Inventories	16.3	(0.2)	16.1
Trade and other receivables	64.3	0.0	64.3
Cash and cash equivalents	5.7	0.0	5.7
Total assets acquired	110.2	2.8	113.0
Trade and other liabilities	70.7	0.0	70.7
Other employee obligations	5.1	0.0	5.1
Borrowings	3.9	0.0	3.9
Deferred tax liabilities	0.0	0.2	0.2
Total liabilities assumed	79.8	0.2	80.0
Net identifiable assets acquired	30.4	2.6	33.0
Less: Non-controlling interests			(11.5)
Goodwill			1.5
Consideration (preliminary)			22.9
Consideration paid, net of cash acquired for purposes of the Condensed Consolidated Statement of Cash Flows			14.1
Liability towards former owner			3.1

The amounts recognised for the acquired assets and liabilities on the closing date and the resulting goodwill are preliminary and subject to adjustment for a period of one year from the closing date as allowed under the accounting standards. On finalisation of the purchase price allocation, adjustments, including tax impacts, if any, will be reflected against goodwill. The initial accounting for this acquisition including the purchase price allocation is expected to be finalised by the end of 2023.

The preliminary fair value of the customer relationships was measured using the multi-period excess earnings method. Under this method, the fair value of the customer relationships is calculated by determining the present value of earnings after tax attributable to the acquired companies' existing customers. The customer relationships are amortised over the estimated useful life of around 8 years.

The preliminary goodwill recognised as a result of this acquisition is attributable to synergies resulting from the integration of the acquired companies into the existing refractories business in China. It is allocated to the Steel segment and not tax deductible.

Direct costs relating to this acquisition and expensed in the Condensed Consolidated Statement of Profit or Loss, amounted to €0.4 million.

Since the date of inclusion of the acquired companies in the Group's Interim Financial Statements, revenues have increased by €13.5 million, Adjusted EBITA has decreased by €0.2 million and net income has decreased by €0.6 million. Had the inclusion of the acquired companies taken place as of 1 January 2023, revenues would have increased by €39.0 million, Adjusted EBITA would have decreased by €1.2 million and net income would have decreased by €1.4 million.

The Group has also signed a commitment to purchase the remaining shares (35%) of Jinan New Emei in exchange for a contingent consideration. The purchase may be executed no earlier than three years after the closing date and no later than four years after the closing date. The contingent consideration is calculated based on an agreed multiple of

Notes continued

the average annual EBITDA delivered by Jinan New Emei over the three-year period from 2023 to 2025 (assuming that the purchase is executed in 2026), its future net debt and its future working capital compared to a target working capital. Due to a contractual cap the contingent consideration cannot exceed an amount equivalent of €127 million (CNY 1 billion).

For this contingent consideration on the closing date the Group recognised a financial liability amounting to €31.5 million, subsequently measured at FVTPL and payable in 2026 at the earliest. The Group has concluded, based on the terms and pricing of the commitment, that the risks and rewards of ownership associated with the outstanding shares have not been transferred to the Group, see significant judgement section in Note (2).

Acquisition of Dalmia GSB

In March 2023, the Group signed an agreement stipulating its acquisition of 100% of the shares of Dalmia GSB Refractories GmbH ('Dalmia GSB'), Germany. The acquisition was closed on 28 April 2023. On 1 May 2023 Dalmia GSB was included in the Group's Interim Financial Statements.

Dalmia GSB is a leading supplier of monolithic lances and other precast products to European steel customers for use in the desulphurisation and homogenisation of molten steel, based in Bochum, Germany.

The acquisition enables the Group to expand its flow control product range and to gain a market share in the European lances market. Moreover, attractive potential synergies are expected to be realised through the inclusion of additional products within the Group's heat management solutions offering and from cross-selling, procurement and logistics benefits.

The consideration paid in cash amounts to €13.1 million. Additionally, the Group repaid borrowings on behalf of Dalmia GSB in the amount of €7.2 million upon closing of the acquisition. The net cash outflow related to the acquisition (after deduction of the cash acquired) amounts to €18.1 million.

The fair value adjustments of assets and liabilities based on the preliminary purchase price allocation as a result of the acquisition have decreased the net assets of Dalmia GSB from €1.9 million to €-1.4 million. The difference between the consideration paid and the (adjusted) negative net assets is allocated to goodwill amounting to €14.5 million. The goodwill recognised as a result of this acquisition reflects the acquired market share and expected synergies mentioned above and is allocated to the Steel Segment. The goodwill is not tax deductible.

The amounts recognised for the acquired assets and liabilities on the closing date and the resulting goodwill are preliminary and subject to adjustment for a period of one year from the closing date as allowed under the accounting standards. On finalisation of the purchase price allocation, adjustments, including tax impacts, if any, will be reflected against goodwill. The initial accounting for this acquisition including the purchase price allocation is expected to be finalised by the end of 2023.

20. Disclosures on related parties

The nature of related party transactions as of 30 June 2023 are in line with the transactions disclosed in Note (43) of the 2022 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

No 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.

21. Material events after the reporting date 30.06.2023

Acquisition of Seven Refractories Group

In April 2023, the Group signed a share purchase agreement stipulating its acquisition of 75.5% of the shares of Seven Refractories Deutschland GmbH, Germany and 100% of the shares of Seven Refractories d.o.o, Slovenia. Seven Refractories d.o.o owns equity investments with non-controlling interests in 6 companies located in Italy, Cyprus, USA and the United Kingdom which were also acquired in the scope of this business combination.

The acquisition was closed on 17 July 2023.

Seven Refractories Group is a specialist supplier of non-basic monolithic refractory mixes serving customers in the Industrial and Steel segments. Products offered by Seven Refractories Group range from low temperature fireclay to ultra-high temperature zircon mixes, high-grade alumina mixes and sustainable taphole clay with a low CO2 footprint. Seven Refractories Group has three production sites in Slovenia, India and the US and sales offices and service centres in Cyprus, Germany, Italy and the United Kingdom.

The acquisition will enable the Group to offer a broader range of non-basic refractory mixes and is expected to be highly complementary to the Group's existing non-basic portfolio. Attractive potential synergies are expected through cross-selling opportunities, logistics improvements, increased recycling usage, procurement efficiencies and low capital intensity brownfield expansion projects. Lastly, the acquisition gives access to substantial new customer relationships in 45 countries.

The consideration paid in cash amounts to €83.9 million.

Until the date the Interim Financial Statements were authorised for issue, the purchase price was not allocated to the assets acquired and liabilities assumed since the Financial Statements of the acquired companies as of the closing date were not available. Therefore, the amounts recognised as of the closing date for each major class of assets acquired and liabilities assumed, the non-controlling shareholder's share in the acquired net assets, the goodwill related explanations and the acquired companies' contribution to the Group's Interim Financial Statements measures cannot be disclosed.

Acquisition of non-controlling interests

Following the acquisition of 51% of the shares of Dalmia Seven Refractories Ltd (refer to Note (19)) the company was renamed to RHI Magnesita Seven Refractories Ltd. Within the Seven Refractories' business combination, the Group acquired the remaining shares (49%) of RHI Magnesita Seven Refractories Ltd held by the non-controlling shareholders

for a cash consideration of €6.1 million on 24 July 2023. The difference between the carrying amount of the non-controlling interests' portion of equity acquired and the consideration paid was recorded in retained earnings within equity.

Statement of the Board of Directors

Statement pursuant to Article 5:25d, paragraph 2, subsection c. of the Dutch Financial Markets Supervision Act (“Wet op het financieel toezicht”).

The Interim Financial Statements for the six-month period ended 30 June 2023, have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the IASB and interpretations issued by the IFRIC, and as endorsed by the European Union (EU).

To our knowledge,

- The Interim Financial Statements referred to above, 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; and

-The Interim Report for the six-month period ended 30 June 2023 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, 25 July 2023

Executive Directors

Stefan Borgas

Ian Botha

Non-Executive Directors

Herbert Cordt

Janet Ashdown

Stanislaus Prinz zu Sayn-Wittgenstein Berleburg

Karl Sevelda

Wolfgang Ruttenstorfer

John Ramsay

David Schlaff

Janice “Jann” Brown

Marie-Hélène Ametsreiter

Employee Representative Directors

Karin Garcia

Michael Schwarz

Martin Kowatsch

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 2023 (the 'interim financial information) of RHI Magnesita N.V., Arnhem, the Netherlands, which comprise the condensed consolidated statement of financial position as at 30 June 2023, the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity 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 2023 are not prepared, in all material respects, in accordance with IAS 34, ‘Interim Financial Reporting’ as adopted by the European Union.

Rotterdam, 25 July 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. F. Westerman RA
partner

DEFINITIONS

€m	Millions of Euros
APMs	Alternative performance measures
DBRL	Dalmia Bharat Refractories Limited
DGSB	Dalmia GSB Refractories GmbH
FY 2022	Twelve months ended 31 December 2022
H1 2022	Six months ended 30 June 2022
"H1 2023" or the "Period"	Six months ended 30 June 2023
H2 2023	Six months ended 31 December 2023
Hi-Tech	Hi-Tech Chemicals Limited
Jinan New Emei	Jinan New Emei Industries Co. Ltd.
kt	kilotonnes
LTIF	Lost Time Injury Frequency
LTM	Last twelve months
M&A	Mergers and acquisitions
QIP	Qualified Institutional Placement
Rhône Capital	Rhône Capital L.L.C.. Rhône Capital published a voluntary partial cash offer for 14,086,156 shares in the Company on 30 May 2023 through Ignite Luxembourg Holdings S.à r.l., a wholly owned subsidiary of a number of limited partnerships which are indirectly managed by Rhône Holdings VI L.L.C.
"RHI Magnesita" or the "Company" or the "Group"	RHI Magnesita N.V. or RHI Magnesita N.V. and its subsidiary undertakings, as appropriate
"Seven Refractories" or "Seven"	A group of companies acquired by the Group on 17 July 2023, previously owned and controlled by Seven Refractories GmbH and carrying out refractory business under the trading name of Seven Refractories
TRIF	Total Recordable Injury Frequency
WSA	World Steel Association

CAUTIONARY STATEMENT

All amounts shown throughout this announcement are unaudited. The numbers presented throughout this announcement may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures, due to rounding.

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.