

1 August 2022

RHI Magnesita N.V.

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

Strong first half earnings supported by price increases and market share gains

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 2022 ("H1 2022" or the "Period").

Financial results

(€m unless stated otherwise)	<u>H1 2022</u>	<u>H1 2021</u>	<u>Change</u>	<u>H1 2021</u> <u>Constant Currency</u> <u>Adjusted¹</u>	<u>Change</u> <u>Constant Currency</u> <u>Adjusted²</u>
Revenue	1,594	1,200	32.8%	1,273	25.3%
Adjusted EBITDA	245	179	36.6%	192	27.7%
Adjusted EBITA	188	128	47.0%	136	37.8%
Adjusted EBITA margin	11.8%	10.7%	110bps	10.7%	110bps
Adjusted EPS	€2.58	€2.05			
Net debt	1,238	812			
Net debt to adjusted LTM EBITDA	2.7x	2.2x			

	<u>H1 2022</u>	<u>H1 2021</u> <u>Reported</u>
Revenue	1,594	1,200
Reported EBITA	177	136
Profit before tax	142	125
EPS	€2.06	€2.01
Dividend per share	€0.50	€0.50

¹ H1 2021 adjusted for constant currency for H1 2022 average FX rates

² Adjustments of €11 million to reported EBITA include €4m of write downs relating to the Russia/Ukraine conflict, and €2m relating to power purchase agreement commitments

Operational highlights

- Price increases of €293 million since H1 2021 successfully executed, driving strong top line growth and offsetting cost inflation from energy, raw materials and labour
- Significant market share gains in steel following investment in production network and inventory support earnings, as customers continue to prioritise security of supply
- Recycling rate increased to 9.3% (H1 2021: 6.1%) leading to raw material supply and CO₂ emissions benefits following new joint venture with Horn & Co

Financial highlights

- Reported revenue increased 33% to €1,594 million (H1 2021: €1,200 million) and by 25% in constant currency terms (H1 2021: €1,273 million)
- Adjusted EBITA increased by 47% to €188 million (H1 2021: €128 million), or 38% in constant currency
- Net debt of €1,238 million (31 December 2021: €1,014 million) in line with management expectations and guidance, as reduction in inventory volumes is offset by the increase in value of inventories and accounts receivable due to cost inflation and price increases
- Interim dividend of €0.50 per share declared

Outlook

- Expectations for full year earnings in 2022 unchanged, based on strong demand in the year to date and order book for the second half
- Global growth outlook impacted by inflation and monetary policy response, labour and energy market tightness and ongoing supply chain disruption
- Margins to be maintained through further price increases and with support from strategic cost saving initiatives
- Gearing expected to reduce in the second half, targeting Net Debt : EBITDA towards 2.0x by year end depending on earnings performance

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

“In the first half of 2022 we further demonstrated the benefits of prioritising customer deliveries in an environment of continued supply chain volatility. Our investment in inventories to ensure our customers remain supplied with essential refractories has underlined the importance of supply reliability and has enabled us to simultaneously increase prices and gain market share. Following major investments in our production network, SG&A reduction and progress on our sales strategies, the Group is in a strong position to maintain its leadership position in the refractory industry and to navigate future challenges.”

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 13,500 employees in

28 main production sites and more than 70 sales offices. RHI Magnesita intends to build on its leadership in revenue, scale, product portfolio and diversified geographic presence to expand further in high growth markets. The Group maintains a premium listing on the Official list of the London Stock Exchange (symbol: RHIM) and is a constituent of the FTSE 250 index, with a secondary listing on the Vienna Stock Exchange (Wiener Börse). For more information please visit: www.rhimagnesita.com

HEALTH AND SAFETY

The Group maintained high standards in occupational health and safety, though there was some deterioration in injury frequency rates since 2020. The lost time injury frequency rate remained stable at 0.2 per 200,000 hours worked (H1 2021: 0.2). In 2022 the priority areas for health and safety improvements are preventative measures by tracking leading indicators and near misses as well as specific campaigns focused on hand safety, tool use and lockout procedures.

FINANCIAL OVERVIEW

Reported revenue increased by 33% to €1,594 million, as price increases of €293 million were realised in the first half, with additional costs from freight, energy, labour and raw materials fully passed on to customers. Revenue increased by 25% on a constant currency basis after adjusting for changes in foreign exchange rates, notably the strengthening of the US dollar versus the Euro which benefited revenues in the first half.

Adjusted EBITA increased by 47% to €188 million (H1 2021: €128 million) representing a margin of 11.8% (H1 2021: 10.7%), supported primarily by the price increase programme.

Freight, energy and raw material costs were respectively 18%, 60% and 12% higher in H1 2022 compared to H1 2021 on a constant currency basis, reflecting significant global inflation in each category due to supply chain disruption and energy shortages resulting from the rapid recovery of global demand following the COVID-19 pandemic, geopolitical instability and continuing lockdowns affecting port capacity and logistics in key locations. Cost inflation was most pronounced in the first quarter, before easing in some areas in Q2. International containerised freight prices peaked in January 2022 and have since stabilised at elevated levels.

Net debt increased to €1,238 million (31 December 2021: €1,014 million) despite a reduction in inventory volumes, as the value of both raw material and finished goods inventories increased and supply chain reliability remained poor. Accounts receivable increased due to higher finished goods prices whilst accounts payables reduced in line with lower capital expenditure on production optimisation projects.

Working capital intensity of 29.3% remained above the medium-term target range of 15-18% as the Group continues to prioritise security of supply to its customers throughout a period of ongoing global supply chain disruption.

Available liquidity was €1,043 million at the period end (31 December 2021: €1,181 million). The Group's gearing measured as the ratio of Net Debt to Adjusted EBITDA increased slightly to 2.7x (31 December 2021: 2.6x). Operating cash flow reduced to €(76) million (H1 2021: €(55) million) with higher working capital requirements offsetting the improvement in earnings due to price increases.

In May 2022 RHIM refinanced the outstanding principal of €260m of the €305 million OeKB Term Loan maturing in June 2023 and increased the overall facility amount by signing an additional OeKB-backed tranche of €90m. The total outstanding loan balance as of 30 June 2022 was €350m and the refinanced loan now has a final maturity in May 2027.

On 29 July 2022, the Group secured a new ESG linked €250 million term loan maturing in 2027 of which the proceeds will be used to refinance the \$200 million term loan maturing in 2023, significantly improving the Group's debt maturity profile as well as benefiting from a wholly euro denominated profile. The facility was secured at very competitive interest rates and within the same margin grid as the \$200 million term loan through its core relationship banks.

OUTLOOK

Order books for both the Steel and Industrial businesses remain at normal levels, with six months of visibility in steel and approaching one year for industrial. The outlook for global growth faces challenges from inflation and monetary policy response, labour and energy market tightness and ongoing supply chain disruption.

More frequent and dynamic pricing discussions with customers have restored margins to acceptable levels following the delays in passing on cost increases in 2021. The Group is confident that any further cost increases in 2022 can be passed on quickly to customers, who continue to value security of supply over price.

Management is focused on reducing working capital in the second half of the year with a target to reduce Net Debt : Adjusted EBITDA, towards 2.0x by the year end depending on earnings performance, as margins are maintained, higher cost inventory is sold, overall inventory volumes are reduced, and further measures are taken to reduce accounts receivable. Following investments in its production network and progress on sales strategies, the Group is well positioned to navigate future volatility with a lower cost base and enhanced cash generating potential.

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 €58 million of capital expenditure in H1 2022, comprising €36 million of project expenditure (H1 2021: €70 million) and €22 million of maintenance capex (H1 2021: €21 million).

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 €0.50 per share representing €23.5 million in aggregate. The interim dividend will be paid on 23 September 2022 to shareholders on the register on 26 August 2022.

The acquisition of SÖRMAŞ in Turkey announced in H2 2021 is on track to complete in the second half of 2022. Further M&A progress was made during the period with the acquisition and joint venture established with Horn & Co. to accelerate the Group's use of secondary raw materials in its refractory products. Whilst the Group's priority in the second half will be to reduce gearing, alongside the planned investment in ongoing strategic projects, it will continue to assess bolt-on acquisition opportunities where the value creation case is compelling.

SUSTAINABILITY

The Group has continued its leadership in the field of Sustainability with a further increase in the use of secondary raw material to 9.3% in the first half of 2022 (H1 2021: 6.1%). Increasing the usage of recycled raw materials is the fastest route for the Group to reduce its CO₂ emissions in the short term, since residual refractory material has already been processed from its raw carbonate form. Each tonne of recycled raw material used avoids the release of approximately two tonnes of CO₂ which would otherwise be emitted in the manufacturing process.

On 3 May 2022, RHI Magnesita agreed a new joint venture with Horn & Co. Group to accelerate the Group's use of secondary raw materials in its refractory products. The joint venture will give RHI Magnesita access to additional quantities of secondary raw material and improve productivity in the recycling process. In the longer term it is intended to grow the business to become a leading supplier of high quality recycled materials to the broader refractory industry in Europe.

RHI Magnesita was awarded a 'Gold' ESG rating by EcoVadis in June 2022, maintaining the high level of performance established in 2021 and reflecting the Group's industry leading capabilities and transparency in sustainability.

REGIONALISATION

The Group adopted further regionalisation of its management structures during the first half, including the creation of new regional functions and the separation of the Americas business unit into North and South America. The regionalisation programme is intended to further strengthen our support to customers, increase agility and responsiveness to changes in local market conditions, advance the local-for-local supply strategy and encourage faster decision making in response to ongoing supply chain volatility.

STRATEGIC INITIATIVES

In 2019, RHI Magnesita launched a series of strategic initiatives aimed at generating a cumulative annual EBITA contribution of €110 million from cost savings and €40-60 million from sales initiatives in flow control, new markets and heat management solutions, enabled by digitalisation in 2023.

In the first half of 2022 the Group's €46 million investment at Hochfilzen, Austria was completed, on-time and on-budget, transforming the site into a new European hub for low-cost dolomite-based materials. Capacity was also transferred from Krufth to the newly expanded Urmitz plant in Germany. The project is on-budget and on-schedule, with the ramp up of production ongoing. The Radenthein investment is delivering efficiency benefits with further savings expected as the new systems are implemented during 2022.

In China, the Group has made good progress in H1 2022 in developing its Dalian plant to increase capacity into flow control products and magnesia shaped bricks. The construction of the tunnel kiln and new plant is currently underway at Chongqing, the Group's recent Joint Venture, currently targeting the cement sector but with scope to expand into more industries.

In Brazil, design updates to the second stage of the Contagem project are expected to be adopted to reflect changes in key parameters including local inflation, exchange rates and freight costs. Completion of the project is now scheduled for H2 2023. The Brumado project has been impacted by construction delays and is now scheduled for completion in H1 2023. It is anticipated that Contagem and Brumado will require an additional 10-15% of capital expenditure in 2022 and 2023.

Growth in new markets continued, with revenues increasing by 41% and 32% in India and China, respectively. Flow control revenue increased by 23% to €249 million (H1 2021: €203 million) and solutions contracts accounted for 32% of revenue in the first half of 2022 (H1 2021: 29%).

RAW MATERIALS

Raw material prices increased significantly in Q4 2021, before stabilizing at elevated levels in H1 2022. Chinese suppliers reduced production due to power shortages, energy rationing and high energy costs. Global energy shortages have resulted in high prices for materials which are energy intensive to produce, such as fused alumina and fused magnesia.

RUSSIA AND UKRAINE

RHI Magnesita's activities have been impacted by the conflict in Ukraine and sanctions applied to its customers in Russia. To date, the Group has incurred write downs in inventory and accounts receivables of around €4 million.

Uncertainty remains over the security of supply of natural gas from Russia to Europe and contingency plans have been prepared, intended to offset limited gas availability through switching to alternative fuels, including Liquefied Petroleum Gas and solid fuels. The Group will incur approximately €6 million of additional Capex in 2022 to prepare for potential gas supply disruption.

STEEL

	H1 2022	H1 2021 (Reported)	H1 2021 (Constant currency)	Change (Reported)	Change (Constant currency)
Steel					
Revenue (€m)	1,150	855	911	34.5%	26.2%
Gross Profit (€m)	258	184	197	40.2%	31.0%
Gross margin	22.4%	21.5%	21.6%	90bps	80bps
Adj EBITA (€m)	128	86	95	48.9%	34.7%
Adj EBITA margin	11.1%	10.1%	10.4%	100bps	70bps

Steel regions by revenue (€m)	H1 2022	H1 2021 (Reported)	H1 2021 (Constant currency)	Change (Reported)	Change (Constant currency)
Europe, CIS, Turkey	281	233	229	20.6%	22.7%
North America	327	236	259	38.6%	26.3%
South America	187	132	152	41.7%	23.0%
China and East Asia	121	93	101	30.1%	19.8%
India, Africa, West Asia	234	161	169	45.3%	38.5%

The steel sector accounts for around 70% of Group revenues with market demand closely aligned to global steel production volumes. Refractory products are used to line steel producing equipment to protect against extreme temperatures of up to 1,800 degrees C. RHI Magnesita offers a comprehensive product and service offering for all steel applications, including primary iron and steel making as well as ingot and continuous casting.

Revenue in the first six months of 2022 increased by 35% to €1,150 million during the period (H1 2021: €855 million) and by 26% on a constant currency basis, driven by successful price increases across the product range to offset inflationary pressures in the supply chain.

The Steel division recorded a gross margin of 22.4%, an increase of 90bps compared to H1 2021 of 21.5% as price increases were reflected in margins. The steel business has a fast replacement cycle, ranging from 20 minutes to 2 months depending on the application, enabling faster implementation of new pricing.

Demand has continued to be strong and order book visibility extends to the end of H2 2022, though there are indications of a possible moderation of demand in FY 2023.

Europe, CIS and Turkey

Revenue in Europe, CIS and Turkey increased by 21% to €281 million (H1 2021: €233 million). On a constant currency basis, revenue increased by 23%. World Steel Association data indicates that steel production in Europe, CIS and Turkey decreased by 10% in H1 2022 compared to H1 2021. RHI Magnesita's shipped refractory volumes were broadly in line with H1 2021, representing an outperformance against the market contraction.

Growth in flow control has been progressing well in the region with several large orders realised following the completion of trials. The region has also grown sales of a new cold-setting mixes product range, which deliver higher than average margins as well as significant energy savings for customers.

During the first half, RHI Magnesita signed a new three-year solutions contract with a key customer in Spain. The contract covers all refractory consumables including functional products and mixes, machinery, equipment and technical on-site services.

North America

Revenue in North America increased by 39% to €327 million (H1 2021: €236 million), mostly due to increase in pricing. On a constant currency basis, revenue increased by 26% over the period. Reported revenue benefited from exchange rate movements as the US dollar strengthened against the Euro during the period.

Shipped volumes were broadly flat, decreasing by 1% in H1 2022 compared to H1 2021, comparable to World Steel Association data indicating that steel production in the region decreased by 2%. Supply chain challenges including land and sea freight disruption continued to affect customer deliveries.

Investments to optimize production at York, Pennsylvania, are largely complete and are driving improved efficiency and increased output of dolomite based refractories. Expanding production at York reduces lead times, working capital requirements and reliance on international freight whilst improving service levels for customers in North America, in line with the Group's local-for-local strategy. Other measures taken to mitigate restricted availability of raw materials have included the development of alternative raw materials for binder additives, developed by RHI Magnesita's own R&D function.

Market share increased at several key customer sites in the flow control segment as optimization of the Saybrook plant supported sales growth.

A five year contract was signed with a key customer to provide heat management solutions for electric arc furnace, argon oxygen decarburization and ladle applications. Another major steel customer also extended an existing solutions contract for seven years, covering electric arc furnace refractories and automated gunning machinery.

RHI Magnesita's range of digital products and customer portal offer increased transparency for sales teams and customers. Several clients in the region adopted the new customer portal and 'Gather' application during the first half, which collates information from plant inspections.

South America

Revenue in South America increased by 42% to €187 million (H1 2021: €132 million), due to an increase in average finished product prices and market share gains. On a constant currency basis, revenue increased by 23% as sales benefited from the strengthening of the Brazilian real against the euro.

Steel production in South America contracted by 3% according to the World Steel Association, whilst RHI Magnesita shipped volumes increased by 2%.

The Group increased its proportion of revenue from solutions contracts and a new five year contract commencing in March 2023 was agreed with a major customer.

The region achieved a recycling rate of 9.3% in finished products, a significant increase on the 6.8% rate delivered in H1 2021.

China and East Asia

China and East Asia revenue increased by 30% to €121 million (H1 2021: €93 million), with China revenue up 28% and East Asia 31%. On a constant currency basis, regional revenue increased by 20% as reported revenue benefited from the strength of the Chinese yuan and the US dollar against the euro. The revenue increase was driven by both higher shipped volumes and price increases.

Steel output in the region declined by 6% over the period and by a contraction of 6% in China, as slowing growth was compounded by port and factory shutdowns due to Covid-19 related restrictions.

The Group has continued to drive efficiency savings and expand capacity in the region through its production optimisation programme. A temper furnace was installed in the Dalian plant in March 2022 to increase capacity of shaped magnesia products and flow control production capacity at Dalian has also increased by 25%.

The Group has further strengthened its heat management solutions business in the region with one major contract increased in scope from EAF only to a solutions contract for the entire plant. A solutions contract in Vietnam was also successfully extended for a further three years.

As part of the Group's digitalisation strategy, a new Manufacturing Execution System ("MES") has been developed to track, control and optimise the refractory manufacturing processes from raw material through to finished product. The new MES is in the implementation phase in Dalian and is on track for completion in H2 2022. Continued success in digital product sales for customer use was demonstrated by the installation of AGELLIS infrared camera measurement technology at a major client's sites in Japan and New Zealand.

India, West Asia and Africa

Revenue in the India, West Asia and Africa region increased by 45% to €234 million (H1 2021: €161 million). On a constant currency basis, revenue increased by 38%, as reported revenue benefited from a slight strengthening of the Indian rupee against the euro.

The revenue increase was driven by both market share gain and higher pricing, with shipped volumes increasing by 9% compared to a 4% increase in regional steel production recorded by the World Steel Association.

As part of the Group's production optimization programme, the Group has invested into expanding production at its Cuttack and Vizag plants and output at these facilities has been ramping up successfully in H1 2022.

The Group has continued to build its flow control presence in India, converting several customer trials into regular orders with key customers. Successful trials of slide gates, purgebeam and cold setting tundish mixes were completed.

The first installation in the region of Electromagnetic Level Identification ("EMLI") was completed during the first half, along with Automated Process Optimisation ("APO") and SAR+ (Refractory Application System) installations, which will collect data to control refractory consumption.

During the period, the Group established a long term contract with a major customer for processing spent refractories, under which RHI Magnesita will sort, separate and segregate secondary raw material in its Cuttack plant.

Steel outlook

The outlook for end markets has weakened against an uncertain macroeconomic backdrop, with the construction and automotive sectors facing ongoing supply chain constraints. Risks to demand in Europe remain due to the ongoing conflict in Ukraine and the possibility of energy market disruption in the second half of 2022.

In the US, steel production is expected to benefit from the \$1 trillion infrastructure bill and new steel plant construction over the period 2023-25.

In South America, pressure on current pricing levels from competitors is anticipated in H2 and some customers are indicating that they plan to reduce steel output in the remainder of the year.

Steel production volumes in India have been impacted by the imposition of a 15% export duty from 22 March, however order books remain strong until the end of 2022.

INDUSTRIAL

	H1 2022	H1 2021 Reported	H1 2021 (Constant currency)	Change (reported)	Change (constant currency)
Industrial					
Revenue (€m)	444	346	362	28.3%	22.7%
Gross Profit (€m)	115	87	89	32.2%	29.2%
Gross margin	25.9%	25.3%	24.6%	60bps	130bps
Adj EBITA (€m)	60	42	42	42.9%	42.9%
Adj EBITA margin	13.6%	12.0%	11.5%	160bps	210bps

Industrial by segment by revenue (€m)	H1 2022	H1 2021 Reported	H1 2021 (Constant currency)	Change (reported)	Change (constant currency)
Cement & Lime	181	163	171	11.0%	5.8%
Nonferrous metals	107	71	74	50.7%	44.6%
Process industries	156	112	117	39.3%	33.3%

The Industrial division serves customers in the cement, lime, non-ferrous metals and process industries including glass, foundries, aluminum and “EEC” (environment, energy and chemical industries). Revenue in the first six months of 2022 increased by 28% to €444 million (H1 2021: €346 million). On a constant currency basis, revenue increased by 23%. The Industrial division recorded a gross margin of 25.9%, (H1 2021: 25.3%), an increase of 60bps, following the implementation of price increases to offset higher production and delivery costs.

Cement & Lime

Revenue for Cement & Lime increased by 11.0% on a reported basis to €181 million (H1 2021: €163 million) and by 5.8% on a constant currency basis. Price increases implemented across the division were largely offset by lower volumes in H1, with many of the winter repair season deliveries taking place in Q4 2021 rather than Q1 2022. Overall, market share has remained stable.

Following the successful roll out of the Automated Process Optimisation (“APO”) tool, used in the steel and non-ferrous metals (“NFM”) industries to improve predictability of lining wear rates, the Group has developed a similar tool for the Cement industry which is being piloted in several locations.

The Group acquired a 51% ownership stake in a new joint venture in Chongqing in December 2021 in return for initial consideration of €5 million and an investment of €12 million in new production capacity targeting the cement sector with scope to expand into more industries. Civil works at the site have now completed, with construction of the tunnel kiln and new plant underway and the project is expected to complete by Q2 2023.

Nonferrous metals

Revenue for nonferrous metals increased by 51% in the period to €107 million compared to the prior year (H1 2021: €71 million), and by 45% on a constant currency basis. The increased revenue was due to higher prices and the release of a backlog in projects built up in 2021 following supply chain disruptions compounded by the unscheduled maintenance at Radenthein in Q3 2021.

Process industries

Revenue for process industries increased by 39% on a reported basis to €156 million (H1 2021: €112 million) and by 33% on a constant currency basis. Revenue was substantially higher during the period due to both price increases and a higher volume of shipped finished products. Price increases are slower to implement in the process industries segment given the longer replacement cycles (5 - 10 years), and the Group therefore expects to recover further margin in this segment in H2 2022.

As part of its digitalization strategy, the Group has successfully trialed a webshop as an additional sales channel for the process industries business which will be rolled out in 2023.

Industrial outlook

Demand has continued to be strong across the order book, with visibility extending to 12 months. However, the medium term outlook for end markets driving the industrial business has weakened due to uncertain macroeconomic conditions.

FINANCE REVIEW

Reporting approach

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

All references to comparative H1 2021 figures in this review are on a reported basis, unless stated otherwise. Figures presented at constant currency represent H1 2021 translated to average H1 2022 exchange rates of 1 Euro to 1.10 USD, 1 Euro to 7.11 CNY, 1 Euro to 5.63 BRL, 1 Euro to 83.37 INR, 1 Euro to 15.86 TRY.

Group performance

Revenue for the Period amounted to €1,594 million (H1 2021: €1,200 million), up by 33%. On a constant currency basis, revenue increased by 25% over the Period. The increase in revenue was driven by a stronger steel business, where reported revenue increased by 35% to €1,150 million (H1 2021: €855 million). Industrial sector reported revenue increased by 29% to €444 million (H1 2021: €346 million).

The Group cost of goods sold over the Period amounted to €1,221 million (H1 2021: €929 million), an increase of 31% compared to the same period last year. On a constant currency basis, cost of goods sold was 24% higher (H1 2021: €987 million). Raw material costs increased by 12%, energy costs by 60%, freight costs by 18% and labour costs by 11% on a constant currency basis, contributed to the increase in cost of goods sold versus H1 2021.

The Group delivered gross margin of 23.4%, an increase of 80bps compared to the same period last year (H1 2021: 22.6%). Gross margin over the period for the Steel business increased by 90bps to 22.4% (H1 2021: 21.5%). The Industrial business gross margin was stronger at 25.9%, increasing by 60bps (H1 2021: 25.3%).

Selling, General and Administrative (“SG&A”) expenses, excluding R&D expenses, amounted to €181 million in H1 2022 (H1 2021: €140 million), 29% higher than the comparative period. SG&A as a percentage of revenue reduced to 11.4% (H1 2021: 11.7%). Higher SG&A in the period was mainly due to increased personnel costs, including wage inflation, and strategic investments into sales initiatives including digitalisation, supply chain optimisation and sustainability.

Other income and expenses amounted to €(11) million in H1 2022 (H1 2021: €8 million), comprising a €(4) million write down of receivables and inventories in Russia and Ukraine, €(2) million relating to the amortisation of the Oberhausen provision and €(2) million relating to plant closure costs at Dashiqo, China.

Adjusted EBITDA margin was 15.4%, compared to 14.9% in H1 2021, increasing by 50bps. Adjusted EBITDA increased by 37% to €245 million (H1 2021: €179 million).

(€m)	H1 2022	H1 2021 Reported	H1 2021 at constant currency	% Change Reported	% Change at constant currency
Revenue	1,594	1,200	1,273	32.8%	25.3%
Cost of Sales	-1,221	-929	987	23.7%	31.6%
Gross Profit	373	272	286	37.5%	30.5%
Gross margin	23.4%	22.6%	22.5%	80bps	90bps
SG&A	-181	-140	-146	29.3%	23.9%
R&D expenses	-18	-14	-15	23.7%	18.1%
OIE	-10	8	9	(229)%	(215)%
EBIT	164	126	134	30.9%	22.3%
Amortization	-13	-10	-11	25.0%	17.6%
EBITA	177	136	146	30.4%	21.9%
Adjusted items	11	-8	-10	(238)%	(210)%
Adjusted EBITA	188	128	136	47.0%	37.8%

Adjusted EBITA increased by 47% on a reported basis, to €188 million (H1 2021: €128 million), mainly due to price increases which successfully offset higher production and distribution costs.

The Group recorded an Adjusted EBITA margin of 11.8%, increasing by 110bps compared to 10.7% for the same period last year. The Refractory margin contributed 8.4% of Group EBITA margin (H1 2021: 7.6%) and the vertical integration contributed 3.4% (H1 2021: 3.1%).

Net financial expenses in H1 2022 amounted to €(22) million (H1 2021: €(6.5) million), with net interest expenses of €(10) million (H1 2021: €(2.7) million) and other net financial expenses of €(16) million (H1 2021: €(10) million). Net interest expenses in H1 2021 benefited from €5 million of interest income following a Brazilian Supreme Court ruling that resulted in a refund of revenue-based taxes previously overpaid into interest income. Net interest expenses on borrowings increased due to an increase in margin on the Group's debt facilities linked to higher leverage levels, additional gross borrowings, and the higher base rates on variable interest facilities.

Total foreign exchange and derivative variances amounted to a €4.0 million positive contribution (H1 2021: €6.8 million).

Reported profit before tax amounts to €142 million (H1 2021: €125 million). Total tax for H1 2022 in the income statement amounted to €38 million (H1 2021: €26 million), representing a 27% reported effective tax rate (H1 2021: 21%). The reported effective tax rate in the period was higher than the prior period given the tax effect of extraordinary expenses in Austria and other jurisdictions, most notably the recognition of profit of a swap under local GAAP but not for IFRS purposes and the revaluation of the deferred tax asset incurred at FY21 following the reduction of Austrian corporation tax from 25% to 23%.

On a reported basis, the Group recorded a profit after tax of €104 million (H1 2021: €99 million) and earnings per share of €2.06 (H1 2021: €2.01).

Adjusted profit before tax amounts to €169 million (H1 2021: €130 million), and the respective adjusted effective tax rate is 24% (H1 2021: 22%). On an adjusted basis, profit after tax was €129 million (H1 2021: €101 million) and adjusted earnings per share for H1 2022 were €2.58 (H1 2021: €2.05 per share), which is stated after excluding other income and expenses and restructuring charges (€11 million) and other financial income and expenses (€3.1 million). The full year adjusted effective tax rate is expected to be between 23-25% in 2022, due to the tax effect of extraordinary expenses in Austria and, to a lesser extent, in other jurisdictions, most notably the revaluation of the deferred tax asset following the reduction of the Austrian corporation tax rate from 25% to 23%.

Earnings per share	H1 2022 Reported	Items excluded from adjusted performance	H1 2022 Adjusted
(€m unless otherwise stated)			
EBITA	177	11	188
Amortisation	13	13	
Net financial expenses	(22)	3.1	(19)
Result of profit in joint ventures			
Profit before tax	142		169
Income tax	(38)		(41)
Profit after tax	104		129
Non-controlling interest	7.3		7.3
Profit attributable to shareholders	97		121
Shares outstanding (shares, m)	47.0		47.0
Earnings per share	€2.06ps		€2.58ps

Cash flow and working capital

Operating cash flow, which is presented to reflect net cash inflow from operating activities before tax and net finance expenses, was €(76) million for H1 2022 (H1 2021: €(55) million), representing a net outflow given the increase in the value of inventories since 31 December 2021.

Working capital increased to €999 million at H1 2022 (30 June 2021: €457 million) from €677 million at year end as cost inflation increased the value of raw material and finished goods inventories held. During H2 2021, the Group increased its volumes of inventories, in response to the supply chain volatility and in order to ensure security of supply. Inventories volumes increased in H2 2021 but decreased somewhat in H1 2022 as the Group took measures to reduce stocks of finished goods. Despite the reduction in volumes, the value of inventories increased to €1,143 million at 30 June 2022 (30 June 2021: €703 million), up from €977 million at the 2021 year end. Higher valuation of stock also drove an increase in accounts receivable to €403 million at 30 June 2022 (30 June 2021: €251 million), and up from €349 million at the 2021 year end. Accounts receivable is defined as trade receivables plus contracts assets, less contract liabilities in financial notes 6 and 8. Accounts payable was €547 million (30 June 2021: €497 million) compared to €649 million at the year-end 2021 as capital expenditure on production optimisation projects reduced.

Working capital intensity, measured as a percentage of the last three months' annualised revenue (€3,416 million) increased by 10.8 ppt, to 29.3% (H1 2021: 18.5%). Accounts receivable intensity was 11.8% (H1 2021: 10.1%) and accounts payable intensity was 16.0% (H1 2021: 20.1%). As previously guided, working capital intensity is not

expected to reduce to the medium term target range of 15 – 18% during 2022, due to ongoing supply chain disruptions.

Working capital financing, used to provide low cost liquidity and support the Group's commercial offering to customers, stood at €321 million on 30 June 2022 (30 June 2021: €287 million), comprising €209 million of accounts receivable financing (factoring) and €111 million of accounts payable financing (forfeiting). Working capital financing levels vary according to business activity, and the Group's Board has set a ceiling of €320 million.

An increase in working capital of €322 million since FY 2021 offset by a positive currency impact of €56 million resulted in a net cash outflow of €267 million.

The Group incurred €58 million of capital expenditure (H1 2021: €91 million), of which €22 million was maintenance related and €36 million was deployed in strategic projects. Full year guidance for project related capital expenditure has been increased to €115 million including the additional €6 million allocated to mitigating natural gas supply disruption and €15 million due to unfavourable foreign exchange movements, with the most material currency pair being the Euro against Brazilian real and €10 million has been allocated from 2022 to 2023. Maintenance capital expenditure of €85 million is unchanged. Capital expenditure in 2023 has been increased by €10 million to €160 million, given the inflationary environment and anticipated increased expenditure to complete the investment projects in Brazil.

Net interest payments on net debt and further refinancing costs amounted to €12 million in the Period (H1 2021: €11 million).

Cash Flow	H1 2022	H1 2021
€m		
Adjusted EBITA	188	128
Working Capital	-266	-75
Changes in Other Assets/Liabilities	4	-68
Capital Expenditure	-58	-91
Depreciation	57	51
Operating Cash Flow¹	-76	-55
Cash tax	-36	-24
Net financial expenses	-12	-11
Restructuring/Transaction Costs	-12	-33
Dividend payments	-47	-35
Acquisitions of treasury shares	-	-73
Acquisitions	-18	-
Right of use assets	-4	-1
Non-cash FX translation on debt	-3	-2
Realised FX	-7	-9
Other	-10	12
Free Cash Flow¹	-224	-232

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

Financial position

The Group's net debt at 30 June 2022 was €1,238 million, comprising total debt of €1,627 million, leases of €54 million and cash and cash equivalents and marketable securities of €443 million.

As at 30 June 2022, total leases amounted to €54 million (H1 2021: €51 million), which under IFRS 16 is included in the Company's net debt position.

The Group's leverage position has increased to 2.7x net debt to EBITDA (31 December 2021: 2.6x) and has increased by 0.5x since H1 2021. As previously guided, leverage is expected to reduce towards 2.0x during the second half of 2022.

Total liquidity for the Group at 30 June 2022 was €1,043 million, including undrawn committed facilities of €600 million.

The Group will have debt maturities of €122 million in the second half of 2022 and €356 million in 2023, of which €80 million is payable in 2022 and €322 million in 2023.

In May 2022 RHIM refinanced the outstanding principal of €260m of the €305 million OeKB Term Loan maturing in June 2023 and increased the overall facility amount by signing an additional OeKB-backed tranche of €90 million. The total outstanding loan balance as of 30 June 2022 is €350 million and the refinanced loan now matures in May 2027.

On 29 July 2022, the Group secured a new ESG linked €250 million term loan maturing in 2027 of which the proceeds will be used to refinance the \$200 million term loan maturing in 2023 at very competitive interest rates and within the same margin grid as the \$200 million term loan.

Out of the total gross debt of €1,627 million, 87% is denominated in Euro. The floating to fixed ratio of the gross debt is 34% to 66% and the average interest rate is 1.53% (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 2022 was 10.3% (H1 2021: 9.6%), from a total of €2,692 million of invested capital (H1 2021: €2,296 million) and €139 million recorded net operating profit after tax (NOPAT) (H1 2021: €99 million). ROIC for raw materials assets was 16.9% (H1 2021: 14.2%), from a total of €467 million of invested capital (H1 2021: €430 million) and €40 million NOPAT (H1 2021: €30 million). ROIC for refractory assets was 9.0% (H1 2021: 8.8%), from a total of €2,225 million of invested capital (H1 2021: €1,545 million) and €100 million NOPAT (H1 2021: €68 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 2021 Annual Report, which is available on the Group's website at www.rhimagnesita.com.

The Board has reconsidered the principal risks and uncertainties of the Group and assessed the broader macro and external risk environment and has determined that those risks reported in the 2021 Annual Report remain relevant for the remaining half of the 2022 financial year.

The risk likelihood and/or potential impact of five out of the eleven principal risks have changed during H1 2022, as highlighted in the summary table below.

The risks arising from the current macro-economic environment added additional attention to RHIM's management team. The war between Russia and Ukraine generated uncertainties on energy supply and energy prices. Additionally, the risk of recession is being potentialized by high inflation and increasing interest rates. All those factors brought further responsiveness from the Company's management. The current macro-economic environment is being subject to enhanced monitoring and mitigation.

The Company is experiencing an increase competitiveness in regions such as South America and Europe. Consequently, the principal risk impacted by such challenges increased their potential to exceed the risk appetite and are being subject to enhanced monitoring and mitigation.

On the other hand, the Company has been effective in identifying the need for price increases and passing them through to customers. This has had a positive effect on the risk level associated with this principal risk. The remaining six principal risks are largely unchanged compared to the 2021 Annual Report – these are listed below.

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

The updated comprehensive analysis of the principal risks faced by RHI Magnesita will be included in the 2022 Annual Report.

Macroeconomic environment and condition of customer industries leading to significant sales volume reductions.	Increased	Increased risk of a weaker macro-economic backdrop driving weaker customer demand, high inflation and higher interest rates, including given the Russia/Ukraine war driving high oil and natural gas prices, risk of further Covid lockdowns in China and Central Banks intervention to reduce inflation. The Group monitors various leading indicators and undertakes scenario planning, defining a range of actions to be taken in each scenario.
Supplier dependency risk	Unchanged	
Inability to execute key strategic initiatives	Unchanged	
Significant changes in the competitive environment or speed of disruptive innovation	Increased	RHIM's competitive position could be impacted by changes in freight costs, competitors reducing prices, increased imported competition, particularly in Europe. Externally driven costs have been successfully passed on to customers in 2022, the Production Optimisation plan is structurally reducing the Group's finished goods and raw materials cost position and customers

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		continue to value the services, security of supply and technologically advanced products offered by the Group.
Reliability of the end-to-end value chain	Increased	Due to ongoing logistics challenges, risk of further Covid lockdowns in China, risk of European gas shortages and uncertain future refractory demand, it is more challenging to determine the right inventory levels. The Group's focus remains on seamlessly supplying customers and it continues to carry higher inventory levels than normal.
Sustainability - Environmental and climate risks	Unchanged	
Sustainability - Health & Safety risks	Unchanged	
Regulatory and compliance risks	Unchanged	
Cyber and information security risk	Unchanged	
Ability to predict and pass cost increases to customers	Decreased	Externally driven costs have been successfully passed on to customers over past 9 months. The process to identify the need for price increases and pass them through is more mature. This remains a key area of management focus with ongoing cost inflation
Organizational capacity to execute strategy, including demonstrating Company cultural values	Increased	Slightly increased given the increased difficulty of attracting and retaining talent, particularly for mid-level positions. Senior level retention remains high in most areas. Salary inflation is being captured by the salary benchmark mechanism and is monitored to react with a tailored and fast approach in case of changes.

RELATED PARTY TRANSACTIONS

RHI Magnesita enters into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and RHI Magnesita treat these arrangements as related party transactions. Furthermore, RHI Magnesita includes transactions with key management personnel as related party transactions. As of the balance sheet date, 30 June 2022, there have been no significant changes in the related party transactions from those described in RHI Magnesita's 2021 Annual Report. More information can be found in note 19 of the Condensed consolidated interim financial statements.

GOING CONCERN

In considering the appropriateness of adopting the going concern basis in preparing the interim condensed consolidated financial statements, the Directors have assessed the potential cash generation of the Group and considered a range of downside scenarios that model different degrees of potential economic downturn. This assessment covers the period of a minimum of 12 months from the date of signing the condensed consolidated financial statements. This assessment considers the period up to the subsequent financial year end, 31 December 2023, for any indicators that the going concern preparation is not appropriate.

The scenarios considered by the Directors include a severe but plausible downside and a reverse stress test which determines how much revenue could reduce before breaching the Group's debt covenants. Further mitigating actions

within management control would be taken under each scenario, including fixed cost reduction 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 2022, the Group balance sheet reflects cash and cash equivalents of €443.4 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.

In all scenarios assessed, taking into account liquidity and available resources and before the inclusion of all mitigating actions within management control, the Group was able to maintain sufficient liquidity to continue trading. 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 financial statements for the period ended 30 June 2022.

ALTERNATIVE PERFORMANCE MEASURE (“APM”)

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

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

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

Adjusted results at a constant currency

H1 2021 figures presented at constant currency represent H1 2021 reported figures translated at average H1 2022 exchange rates.

EBITA

EBIT, as presented in Consolidated Statement of Profit and Loss, excluding amortisation and impairments of goodwill and intangible assets and reconciled in note (7) borrowings.

EBITDA

EBIT, as presented in Consolidated Statement of Profit and Loss, excluding depreciation, amortisation and impairments and reconciled in note (7) borrowings.

Adjusted EBITDA and EBITA

To provide further transparency and clarity to the ongoing, underlying financial performance of the Group, adjusted EBITDA and EBITA are used. Both measures exclude other income and expenses as presented in Consolidated Statement of Profit or Loss and reconciled in note (7) borrowings.

Adjusted earnings per share (“Adjusted EPS”)

Adjusted EPS is used to assess the Company's operational performance per ordinary share outstanding. It is calculated using adjusted EBITA (as described above) and removes the impact of certain foreign exchange effects, amortisation, one-off restructuring expenses and impairments, other non-cash financial income and expenses, that are not directly related to operational performance. Effective tax rate for adjusted EPS is calculated by applying the effective tax rate normalised for restructuring expenses and impairments. A reconciliation of reported EPS from the condensed consolidated statement of profit or loss can to adjusted EPS can be found in the table 'Earnings per share' above.

Operating cash flow and free cash flow

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

Working capital

Working capital and intensity provides a measure how efficient the Company is in managing operating cash conversion cycles. Working capital is the sum of manageable working capital, composed of inventories, trade receivables and trade payables, contract assets and contract liabilities. Working capital intensity is measured as a percentage of last three months annualised revenue (€3,416 million).

Accounts receivable is defined as trade receivables plus contracts assets, less contract liabilities in financial notes (6) and (8). Accounts payable is defined at trade payables in financial note (8).

Net debt

We present an alternative measure to bring together the various funding sources that are included in the Consolidated Statement of Financial Position and the accompanying notes. Net debt is a measure defined in the Group's principal financing arrangements and reflects the net indebtedness of the Group and includes; all cash, cash equivalents and marketable securities (€443 million), any debt or debt-like items (€1,627 million), and IFRS 16 leases (€54 million). Net debt can be reconciled to note (7) borrowings.

Return on invested capital

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

Liquidity

Liquidity comprises cash and cash equivalents €443 million and unutilised credit facilities of €600 million. Liquidity can be reconciled in the Going Concern section of note (1).

DEFINITIONS

RHI Magnesita or the Company or the Group	RHI Magnesita N.V. or RHI Magnesita N.V. and its subsidiary undertakings, as appropriate
H1 2022 or the Period	Six months ended 30 June 2022
H1 2021	Six months ended 30 June 2021
FY 2021	Twelve months ended 31 December 2021
APMs	Alternative performance measures

FORWARD LOOKING STATEMENTS

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

Condensed Consolidated Interim Financial Statements as at 30.06.2022

Condensed Consolidated Statement of Financial Position

as at 30 June 2022

in € million	Note	30.06.2022	31.12.2021
ASSETS			
Non-current assets			
Goodwill		126.0	114.4
Other intangible assets		311.3	282.6
Property, plant and equipment	(4)	1,150.1	1,089.7
Investments in joint ventures and associates		5.9	5.7
Other non-current financial assets		27.5	14.6
Other non-current assets		50.7	41.2
Deferred tax assets		178.5	202.4
		1,850.0	1,750.6
Current assets			
Inventories	(5)	1,143.3	976.5
Trade and other current receivables	(6)	628.6	568.2
Income tax receivables		46.2	35.1
Other current financial assets		7.6	2.9
Cash and cash equivalents		443.4	580.8
		2,269.1	2,163.5
		4,119.1	3,914.1
EQUITY AND LIABILITIES			
Equity			
Share capital		49.5	49.5
Group reserves		959.0	736.4
Equity attributable to shareholders of RHI Magnesita N.V.		1,008.5	785.9
Non-controlling interests		43.8	36.3
		1,052.3	822.2
Non-current liabilities			
Borrowings	(7)	1,349.8	1,321.0
Other non-current financial liabilities		105.3	106.0
Deferred tax liabilities		56.1	48.4
Provisions for pensions		222.2	269.0
Other personnel provisions		58.8	68.7
Other non-current provisions		76.7	63.6
Other non-current liabilities		5.5	5.9
		1,874.4	1,882.6
Current liabilities			
Borrowings	(7)	277.2	218.1
Other current financial liabilities		25.7	19.2
Trade payables and other current liabilities	(8)	797.9	878.8
Income tax liabilities		44.6	38.2
Current provisions	(9)	47.0	55.0
		1,192.4	1,209.3
		4,119.1	3,914.1

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

in € million for the six months ended 30 June	Note	2022	2021
Revenue	(14)	1,594.4	1,200.3
Cost of sales		(1,221.0)	(928.7)
Gross profit		373.4	271.6
Selling and marketing expenses		(66.8)	(52.2)
General and administrative expenses		(131.8)	(102.0)
Result from operating joint ventures and associates		0.1	0.0
Restructuring		(0.3)	(3.0)
Other income		2.1	16.3
Other expenses		(12.3)	(5.1)
EBIT		164.4	125.6
Interest income		3.0	6.8
Interest expenses on borrowings		(13.1)	(9.5)
Net income on foreign exchange effects and related derivatives	(10)	4.0	6.8
Other net financial expenses	(11)	(15.9)	(10.6)
Net finance costs		(22.0)	(6.5)
Result from joint ventures and associates		0.0	5.4
Profit before income tax		142.4	124.5
Income tax	(12)	(38.1)	(25.9)
Profit after income tax		104.3	98.6
RHI Magnesita N.V. shareholders		97.0	97.1
Non-controlling interests		7.3	1.5
in €			
Earnings per share – basic		2.06	2.01
Earnings per share – diluted		2.03	1.99

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

in € million for the six months ended 30 June	Note	2022	2021
Profit after income tax		104.3	98.6
Currency translation differences			
Unrealised results from currency translation		135.3	57.4
Deferred taxes thereon		(12.7)	(5.7)
Current taxes thereon		1.3	0.3
Unrealised results from net investment hedge		(14.7)	(5.4)
Deferred taxes thereon		3.7	1.3
Reclassification to profit or loss – Disposal subsidiaries		0.6	(8.6)
Cash flow hedges			
Unrealised fair value changes		21.5	4.0
Deferred taxes thereon		(5.4)	(1.0)
Items that will be reclassified subsequently to profit or loss, if necessary		129.6	42.3
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans		56.3	27.0
Deferred taxes thereon		(15.3)	(7.9)
Items that will not be reclassified to profit or loss		41.0	19.1
Other comprehensive income after income tax		170.6	61.4
Total comprehensive income		274.9	160.0
RHI Magnesita N.V. shareholders		267.4	158.2
Non-controlling interests		7.5	1.8

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

in € million for the six months ended 30 June	Note	2022	2021
Cash (used in) from operations	(13)	(37.5)	(4.1)
Income tax paid less refunds		(35.7)	(24.3)
Net cashflow from operating activities		(73.2)	(28.4)
Investments in property, plant and equipment and intangible assets		(57.6)	(90.9)
Investments in subsidiaries net of cash acquired		(18.3)	0.0
Cash flows from sale of subsidiaries net of cash disposed of		0.0	(4.8)
Cash receipts from the sale of equity instruments of interests in joint ventures		8.7	0.0
Cash inflows from the sale of property, plant and equipment		0.8	6.1
Dividends received from joint ventures and associates		0.0	0.4
Investment subsidies received		0.0	2.4
Interest received		3.2	1.7
Cash outflows / inflows from non-current receivables		0.0	0.1
Net cash used in investing activities		(63.2)	(85.0)
Acquisition of treasury shares		0.0	(73.5)
Dividend payments to RHI Magnesita N.V. shareholders		(47.0)	(35.0)
Proceeds from borrowings and loans		90.0	65.0
Repayments of borrowings and loans		(8.7)	(82.6)
Changes in current borrowings		(19.2)	(12.3)
Interest payments		(14.4)	(11.7)
Repayment of lease obligations		(8.8)	(7.1)
Interest payments from lease obligations		(0.6)	(0.5)
Cash flows from derivatives		(4.3)	(2.2)
Net cash provided by (used in) financing activities		(13.0)	(159.9)
Total cash flow		(149.4)	(273.3)
Change in cash and cash equivalents		(149.4)	(273.3)
Cash and cash equivalents at beginning of period		580.8	589.2
Currency translation differences		12.0	16.2
Cash and cash equivalents at end of period		443.4	332.1

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

in € million	Share capital	Treasury shares	Additional paid-in capital	Mandatory reserve	Retained earnings	Group reserves			Equity attributable to shareholders of RHI Magnesita N.V.	Non-controlling interests	Total equity
						Accumulated other comprehensive income					
Note						Cash flow hedges	Defined benefit plans	Currency translation			
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
Market valuation of cash flow hedges	-	-	-	-	-	16.1	-	-	16.1	-	16.1
Remeasurement of 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
Dividends	-	-	-	-	(47.0)	-	-	-	(47.0)	-	(47.0)
Change in non-controlling interests due to addition to consolidated companies ¹⁾	-	-	-	-	-	-	-	-	-	6.1	6.1
Reclassification of puttable non-controlling interests without a change of control ²⁾	-	-	-	-	(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

1) Further information is provided under Note (3).

2) Further information is provided under Note (3) and Note (15).

in € million	Group reserves											Total equity	
	Share capital	Treasury shares	Additional paid-in capital	Mandatory reserve	Retained earnings	Accumulated other comprehensive income							Non-controlling interests
						Cash flow hedges	Defined benefit plans	Currency translation	Accumulated other comprehensive income/ expenses relating to disposal groups	Equity attributable to shareholders of RHI Magnesita N.V.			
Note													
31.12.2020	49.5	(21.5)	361.3	288.7	376.8	(13.7)	(145.7)	(257.1)	7.8	646.1	20.0	666.1	
Profit after income tax	-	-	-	-	97.1	-	-	-	-	97.1	1.5	98.6	
Currency translation differences	-	-	-	-	-	-	-	46.9	(7.9)	39.0	0.3	39.3	
Market valuation of cash flow hedges	-	-	-	-	-	3.0	-	-	-	3.0	-	3.0	
Remeasurement of defined benefit plans	-	-	-	-	-	-	19.0	-	0.1	19.1	-	19.1	
Other comprehensive income after income tax	-	-	-	-	-	3.0	19.0	46.9	(7.8)	61.1	0.3	61.4	
Total comprehensive income	-	-	-	-	97.1	3.0	19.0	46.9	(7.8)	158.2	1.8	160.0	
Dividends	-	-	-	-	(47.7)	-	-	-	-	(47.7)	-	(47.7)	
Shares repurchased ¹⁾	-	(73.5)	-	-	-	-	-	-	-	(73.5)	-	(73.5)	
Reclassification of puttable non-controlling interests without change of control	-	-	-	-	(1.6)	-	-	1.4	-	(0.2)	9.0	8.8	
Share-based payment expenses	-	-	-	-	3.1	-	-	-	-	3.1	-	3.1	
Transactions with shareholders	-	(73.5)	-	-	(46.2)	-	-	1.4	-	(118.3)	9.0	(109.3)	
30.06.2021	49.5	(95.0)	361.3	288.7	427.7	(10.7)	(126.7)	(208.8)	0.0	686.0	30.8	716.8	

1) The share buyback programme initiated in December 2020 has been completed in April 2021. The share buyback program was subsequently extended in May 2021 and completed in August 2021.

Notes to the Condensed Consolidated Interim Financial Statements

Basic 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 Statements") of RHI Magnesita N.V. ("the Company") and its subsidiaries (collectively referred to as "RHI Magnesita / Group") 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 2021.

The Condensed Consolidated Interim Financial Statements do not include all information and disclosures required in the Annual Financial Statements and should therefore be read in conjunction with RHI Magnesita's Consolidated Financial Statements as of 31 December 2021. All amounts in the explanatory notes and tables are shown in € million, unless indicated otherwise. For computational reasons, rounding differences may occur.

The Condensed Consolidated Interim Financial Statements as of 30 June 2022 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 condensed consolidated financial statements, the Directors have assessed the potential cash generation of the Group and considered a range of downside scenarios that model different degrees of potential economic downturn. This assessment covers the period of a minimum of 12 months from the date of signing the condensed consolidated financial statements. This assessment considers the period up to the subsequent financial year end, 31 December 2023, for any indicators that the going concern preparation is not appropriate.

The scenarios considered by the Directors include a severe but plausible downside and a reverse stress test which determines how much revenue could reduce before breaching the Group's debt covenant. Further mitigating actions within management control would be taken under each scenario, including fixed cost reduction 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 2022, the Group balance sheet reflects cash and cash equivalents of €443.4 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.

In all scenarios assessed, taking into account liquidity and available resources and before the inclusion of all mitigating actions within management control, the Group was able to maintain sufficient liquidity to continue trading. 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 financial statements for the period ended 30 June 2022.

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 2021.

Significant accounting judgements and estimates.

Impairment of property, plant and equipment, goodwill and other intangible assets
No triggers for an impairment review as of 30 June 2022 were identified.

Pensions and termination benefits

The Group's defined benefit plans are reviewed every six months to determine any changes to the fair value of the plan assets or present value of the defined benefit obligations. As a result of the review during the first half of 2022, the Group's total net defined benefit plan deficit as at 30 June 2022 is €255.0 million, compared to a deficit of €312.2 million at 31 December 2021. The movement for the first half principally reflects net actuarial gains reported in other comprehensive income arising from increases in discount rates in Brazil, the Euro zone and the US which are partly offset by negative asset performance.

Ukraine

The war in Ukraine has led to increased global economic uncertainty with sanctions imposed on Russia. Trade receivables of €2.9 million from our clients in Ukraine and Russia and inventory in the amount of €0.8 million have been fully written off in the first half of 2022. As of 30 June 2022, the cash balance held in Russia amounts to €5.7 million. There are no cash restrictions on this balance. Payments of

€1.1 million from sanctioned Russian customers are held in an escrow like account and are shown as restricted cash until approval is granted from OeNB (Austria Central Bank). Property, plant and equipment in Russia amounts to €0.8 million. This comprises the warehouse and the office building. Both are still in use and not impaired. Further information is provided in the Principal Risks and Uncertainties Note in the front section of the report.

3. Methods of consolidation

Subsidiaries

On 3 May 2022 RHI Magnesita Group acquired a 51% ownership stake in Horn & Co. Group ("RHIMHORN") for a cash consideration of €13.3 million in order to accelerate the Group's use of secondary raw materials in its refractory production. In the short term the arrangement will give RHI Magnesita access to additional quantities of secondary raw material and improve productivity in the recycling process. In the longer term the new business will make high quality green raw materials available to the entire refractory industry in Europe. New technologies for the automation of sorting, for new cleaning purposes and for process automation are being developed with research partners and at RHI Magnesita's own technology centre in Leoben, Austria.

RHI Magnesita Group exercises control over RHIMHORN, as through voting rights and management representation, it has the power to steer the relevant activities of the business and can use this power to affect the variable returns from the company that it is exposed to. Therefore, RHIMHORN is accounted for as a fully consolidated entity.

The fair values of the assets and liabilities recognised 'based on the preliminary purchase price allocation' as a result of the acquisition are presented as follows

in € million	Fair Value as at 03.05.2022
Property, plant and equipment	6.2
Intangible assets: customer relationships	12.1
Other non-current financial assets	2.4
Inventories	5.3
Trade and other receivables	1.3
Cash and cash equivalents	0.2
Total assets acquired	27.5
Non-current borrowings	2.8
Deferred tax liabilities	3.9
Non-current provisions	0.1
Current borrowings	4.2
Trade and other liabilities	3.6
Income tax liabilities	0.4
Total liabilities assumed	15.0
Net identifiable assets acquired	12.5
Less: Non-controlling interests	(6.1)
Goodwill	6.9
Net assets acquired	13.3

The fair value step-up that was identified in the course of the preliminary purchase price allocation amounts to €13.1 million. Thereof €1.1 million relate to land and €12.0 million relate to customer relationships.

The goodwill of the preliminary purchase price allocation is attributable to the improved productivity in recycling and an enlarged product portfolio. The goodwill is fully deductible for tax purposes.

The fair value of the acquired trade receivables amounting to €0.7 million is equal to the gross contractual amount for trade receivables.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in RHIMHORN, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

The non-controlling interests have the option to sell their remaining equity stake to RHI Magnesita at any time by 2032. RHI Magnesita opts to account for the non-controlling interests in accordance with IFRS 10. Thus, the non-controlling interests are initially recognised in accordance with IFRS 3 within equity while the put option liability is initially recognised against the non-controlling interest, reducing it to zero. The put option liability is recognised as a financial liability in accordance with IFRS 9. Further information on the fair value of the put option is provided under Note (15).

4. Property, plant and equipment

In the first half of 2022 additions to property, plant and equipment amount to €48.5 million (1-6/2021: €90.8 million) and mainly refer to an expansion of a production plant in Austria and a magnesite plant in Brazil as well as to production optimisation and digitalisation projects.

5. Inventories

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

in € million	30.06.2022	31.12.2021
Raw materials and supplies	359.6	300.2
Work in progress	187.3	151.5
Finished products and goods	585.0	512.4
Prepayments made	11.4	12.4
Inventories	1,143.3	976.5

Inventories include €12.5 million (31.12.2021: 6.9 million) carried at net realisable value. Net write-down expenses amount to €8.2 million (2021: € 3.4 million).

The value of the Group's inventories has increased as a result of higher costs of production including the purchase of raw materials, energy, freight and labour costs.

6. 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	30.06.2022	31.12.2021
Trade receivables	468.7	403.7
Contract assets	5.0	3.6
Other taxes receivable	109.5	113.7
Receivables from employees	10.1	5.4
Prepaid expenses	4.7	3.9
Prepaid transaction costs related to financial liabilities	2.6	2.6
Receivables from joint ventures and associates and non-consolidated subsidiaries	0.8	1.1
Receivables from property transactions	0.6	1.3
Emission rights	0.3	0.0
Receivables from dividends	0.0	8.7
Other current receivables	26.3	24.2
Trade and other current receivables	628.6	568.2
thereof financial assets	469.7	414.4
thereof non-financial assets	158.9	153.8

RHI Magnesita entered into factoring agreements and sold trade receivables to financial institutions. The balance sold totalled €209.3 million as of 30 June 2022 (31.12.2021: €178.1 million). The trade receivables have been derecognised as substantially all risks and rewards as well as control have been transferred. Payments received from customers in the period between the last sale of receivables and the reporting date are recognised in current borrowings.

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

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

7. Borrowings

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

On 5 May 2022 the Group amended and extended its €305.0 million OeKB Term Loan maturing in June 2023, of which €260.0 million was outstanding as at 31 December 2021, increasing the total loan amount outstanding to €350.0 million and extending the final maturity to May 2027. The margin payable on the OeKB Term Loan will be adjusted based on the Group's EcoVadis ESG rating performance.

Net debt excluding lease liabilities/adjusted EBITDA is the main financial covenant of the loan agreements. Compliance with the covenants is measured on a semi-annual basis. Covenant ratio is limited at 3.5x as at 30 June 2022. Breach of covenants leads to an anticipated maturity of loans. During 2022 and 2021, the Group met all covenant requirements.

The disclosures in this section include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 21. The key performance indicator for net debt in the RHI Magnesita Group is the Group leverage, which reflects the ratio of net debt to adjusted EBITDA, including lease liabilities. Adjusted EBITDA is calculated on a yearly basis, considering the last six months of 2021 and the first six months of 2022.

in € million	30.06.2022	30.06.2021
EBIT	252.7	144.3
Amortisation	28.7	19.9
Restructuring and write-down expenses	52.3	103.0
Other operating income and expenses	6.9	(12.3)
Adjusted EBITA	340.6	254.9
Depreciation	114.1	110.6
Adjusted EBITDA	454.7	365.5
Total debt	1,627.0	1,093.3
Lease liabilities	54.4	51.2
Cash and cash equivalents	443.4	332.1
Net debt	1,238.0	812.4
Net debt excluding IFRS 16 lease liabilities	1,183.6	761.2
Net debt to adjusted EBITDA	2.72x	2.22x
Net debt to adjusted EBITDA excluding IFRS 16 lease liabilities	2.60x	2.08x

8. 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	30.06.2022	31.12.2021
Trade payables	546.8	649.2
Contract liabilities	70.8	57.9
Liabilities to employees	98.2	80.9
Taxes other than income tax	34.8	29.3
Payables from property transactions	19.0	24.3
Payables from commissions	8.6	7.3
Liabilities to joint ventures and associates and non-consolidated subsidiaries	0.7	2.0
Dividend liabilities	0.4	0.4
Other current liabilities	18.6	27.5
Trade payables and other current liabilities	797.9	878.8
thereof financial liabilities	575.8	688.5
thereof non-financial liabilities	222.1	190.3

Trade payables include an amount of €111.3 million (31.12.2021: €142.0 million) for raw material purchases for supply chain finance arrangements which reflect lower forfaiting tonnage in the first half of 2022.

9. Current provisions

Provisions for restructuring costs amounting to €22.7 million as of 30 June 2022 (31.12.2021: €33.5 million) primarily consist of benefit obligations to employees due to termination of employment and dismantling costs. The main driver for the movement in the provision is the utilisation of the restructuring provision as the programmes are rolled out. In the first half of 2022 €2.9 million (1-6/2021: €7.3 million) of provisions for restructuring costs were reversed.

Provisions for contract obligations include the current portion of the Oberhausen contract obligation amounting to €10.8 million as of 30 June 2022 (31.12.2021: €8.0 million).

10. 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	2022	2021
Foreign exchange gains	109.9	8.3
Gains from related derivative financial instruments	5.8	3.8
Foreign exchange losses	(103.3)	(0.3)
Losses from related derivative financial instruments	(8.4)	(5.0)
Net gain on foreign exchange effects and related derivatives	4.0	6.8

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

11. Other net financial expenses

Other net financial expenses consist of the following items:

in € million for the six months ended 30 June	2022	2021
Net interest expense personnel provisions	(2.6)	(2.6)
Unwinding of discount of provisions and payables	(3.5)	(3.5)
Interest expense on non-controlling interests	(3.3)	(1.8)
Impairment losses on securities	(1.4)	0.0
Interest expense on lease liabilities	(0.6)	(0.5)
Reversal of impairment losses on securities	0.0	0.2
Income from the valuation of put options	0.0	1.1
Other interest and similar expenses	(4.5)	(3.5)
Other net financial expenses	(15.9)	(10.6)

12. Income tax

The effective tax rate of the first half of 2022 amounts to 26.8% (1-6/2021: 20.8%).

Total tax for the first half of 2022 in the Condensed Consolidated Statement of Profit or Loss amounted to €38.1 million (1-6/ 2021: €25.9 million), which includes tax income for prior years of €3.2 million (1-6/2021: tax income for prior years of €1.9 million).

13. Cash used in operations

in € million for the six months ended 30 June	2022	2021
Profit after income tax	104.3	98.6
Adjustments for		
income tax	38.1	25.9
depreciation	56.9	51.4
amortisation	13.0	10.4
write-up of property, plant and equipment and intangible assets	(0.4)	0.0
income from the reversal of investment subsidies	(0.3)	(0.3)
write-ups / impairment losses on securities	1.4	(0.2)
losses/ (gains) from the disposal of property, plant and equipment	0.8	(4.4)
losses/ (gains) from the disposal of subsidiaries	0.7	(6.8)
net interest expense and derivatives	22.0	12.0
result from joint ventures and associates	(0.1)	(5.4)
other non-cash changes	(7.7)	(14.5)
Changes in working capital		
inventories	(109.2)	(209.4)
trade receivables	(41.2)	(29.1)
contract assets	(1.4)	(7.8)
trade payables	(125.7)	166.9
contract liabilities	10.9	4.4
Changes in other assets and liabilities		
other receivables and assets	(1.1)	(28.8)
provisions	(12.9)	(24.5)
other liabilities	14.4	(42.5)
Cash used in operations	(37.5)	(4.1)

The negative cashflow from operations is mainly due to the weaker working capital performance in inventory which is largely attributable to the constrained global logistics supply chain alongside higher inventory costs for raw materials and finished good.

14. Segment reporting

Segment reporting by operating company division

The following tables show the key financial information for the operating segments for the first half of 2022 and the first half of 2021:

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 30.06.2022	2,389.0	815.4	3,204.4
Investments in joint ventures and associates 30.06.2022			5.9
Reconciliation to total assets			908.8
			4,119.1

in € million for the six months ended 30 June 2021	Steel	Industrial	Group
Revenue	854.7	345.6	1,200.3
Gross profit	184.2	87.4	271.6
EBIT			125.6
Net finance costs			(6.5)
Share of profit of joint ventures and associates			5.4
Profit before income tax			124.5
Depreciation and amortisation charges	(43.4)	(18.4)	(61.8)
Segment assets 31.12.2021	2,146.3	724.2	2,870.5
Investments in joint ventures and associates 31.12.2021			5.7
Reconciliation to total assets			1,037.9
			3,914.1

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

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

in € million for the six months ended 30 June 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	1,150.1	444.3	1,594.4

In the comparable period in 2021, revenue was classified by product group as follows:

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

Total revenue includes revenue from Solution Business amounting to €508.3 million (1-6/2021: €340.1 million). Thereof, €454.3 million (1-6/2021: €299.5 million) are attributable to Segment Steel and €54.0 million (1-6/2021: €40.6 million) are attributable to Segment Industrial. Solution Business is a customer classification, where RHI Magnesita sums up all customer relations in which we enable our customers to focus on their core competences. It is typically characterised by sales of end-to-end solutions covering large parts of the customer process chain. Examples of this would be CPP/FLS, but also customers where we focus on technological development of bespoke products or where we are a strategic partner.

Revenue from shaped and unshaped products is transferred to the customers at a point in time, whereas revenue from management refractory services is transferred over time. Other revenue amounting to €24.5 million (1-6/2021: €27.3 million) is transferred over time and an amount of €35.6 million (1-6/2021: €40.3 million) is transferred at a point of time.

Segment reporting by country

Revenue in the first half of 2022 and in the first half of 2021 is classified by customer sites as follows:

in € million for the six months ended 30 June 2022	Steel	Industrial	Group
Netherlands	5.0	0.7	5.7
All other countries			
USA	243.2	38.6	281.8
Brazil	132.6	52.0	184.6
India	145.7	22.6	168.3
PR China	44.8	61.9	106.7
Mexico	53.2	23.9	77.1
Germany	43.0	28.2	71.2
Italy	47.6	9.9	57.5
Canada	27.6	25.8	53.4
Saudi Arabia	32.3	4.7	37.0
Other countries, each below €34.1 million	375.1	176.0	551.1
Revenue	1,150.1	444.3	1,594.4

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

15. 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	30.06.2022		31.12.2021	
			Carrying amount	Fair value	Carrying amount	Fair value
Other non-current financial assets						
Interests in subsidiaries not consolidated	FVPL	3	3.0	3.0	0.6	0.6
Marketable securities	FVPL	1	11.8	11.8	13.2	13.2
Shares	FVPL	3	0.5	0.5	0.5	0.5
Interest derivatives designated as cash flow hedges	-	2	11.9	11.9	0.0	0.0
Other non-current financial receivables	AC	-	0.3	-	0.3	-
Trade and other current receivables	AC	-	469.7	-	414.4	-
Other current financial assets						
Derivatives	FVPL	2	7.4	7.4	2.5	2.5
Other current financial receivables	AC	-	0.2	-	0.4	-
Cash and cash equivalents ³⁾	AC	-	443.4	-	580.8	-
Financial assets			948.2		1,012.7	
Non-current and current borrowings						
Liabilities to financial institutions	AC	2	1,622.4	1,607.8	1,534.1	1,551.6
Other financial liabilities	AC	2	4.6	-	5.0	-
Non-current and current other financial liabilities						
Lease liabilities	AC	2	54.5	-	55.5	-
Derivatives	FVPL	2	3.3	3.3	0.1	0.1
Interest derivatives designated as cash flow hedges	-	2	0.0	0.0	9.6	9.6
Liabilities to fixed-term or puttable non-controlling interests ²⁾	AC	2/3	73.2	73.2	60.0	60.0
Trade payables and other current liabilities	AC	-	575.8	-	688.5	-
Financial liabilities			2,333.8		2,352.8	
Aggregated according to measurement category						
Financial assets measured at FVPL			22.7		16.8	
Financial assets measured at amortised cost			913.6		995.9	
Financial liabilities measured at amortised cost			2,330.5		2,343.1	
Financial liabilities measured at FVPL			3.3		0.1	

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

AC: Financial assets/financial liabilities measured at amortised cost.

2) Including the put option for the acquired Horn Group amounting to €8.0 million, see Note (3)

3) thereof €1.1 million relate to cash received from sanctioned Russian customers. Further information is provided under Note (2).

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

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between market participants in an arm's length transaction on the day of measurement. When the fair value is determined it is assumed that the transaction in which the asset is sold or the liability is transferred takes place either in the main market for the asset or liability, or in the most favourable market if there is no main market. RHI Magnesita considers the characteristics of the asset or liability to be measured which a market participant would consider in pricing. It is assumed that market participants act in their best economic interest.

RHI Magnesita takes into account the availability of observable market prices in an active market and uses the following hierarchy to determine fair value:

Level 1:	Prices quoted in active markets for identical financial instruments.
Level 2:	Measurement techniques in which all important data used are based on observable market data.
Level 3:	Measurement techniques in which at least one significant parameter is based on non-observable market data.

The fair value of 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 the exception if such instruments are immaterial to the Group, in which case amortised cost serves as an approximation of fair value.

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

The fair value of other derivative contracts corresponds to the market value of the forward exchange contracts and the embedded derivatives in open orders denominated in a currency other than the functional currency. 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. Other than those from the initial application of IFRS 9, there were no shifts between the different measurement levels in the two reporting periods.

Liabilities to financial institutions, other financial liabilities, lease liabilities and liabilities to fixed-term or puttable non-controlling interests are carried at amortised cost in the Condensed Consolidated Statement of Financial Position. The fair values of the liabilities to financial institutions are only disclosed in the notes and calculated at the present value of the discounted future cash flows using yield curves that are currently observable (Level 2). The carrying amount of other financial liabilities approximate their fair value at the reporting date. In May 2022, RHI Magnesita recognised a put option liability related to the newly acquired group company RHIMHORN (see Note 3), amounting to €8.0 million. The fair value is based on the present value of performance-related contractual cashflows with a maturity in 2032. The principal valuation parameters are deemed to be non-observable (Level 3). Other liabilities to fixed-term or puttable non-controlling interests are valued at Level 2 of the fair value hierarchy.

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

Trade and other current receivables and liabilities as well as cash and cash equivalents are predominantly short-term. Therefore, the carrying 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 2022 and 31 December 2021.

16. Dividend payments and proposed dividend

Based on a resolution adopted by the Annual General Meeting of RHI Magnesita N.V. on 25 May 2022 the final dividend amounts to €1.00 per share for the shareholders of RHI Magnesita N.V for 2021. The dividend was paid out in June 2022, amounting to €47.0 million.

In line with the Group's dividend policy the Board declared an interim dividend of €0.50 per share for the first half of 2022 to be paid out in September 2022.

17. Contingent liabilities

As of 30 June 2022, contingent liabilities amount to €61.0 million (31.12.2021: €52.5 million). Of this total, warranties, performance guarantees and other guarantees account for €60.8 million (31.12.2021: €52.3 million).

Furthermore, Magnesita Refratários S.A., Contagem, Brazil, is party to a public civil action for damages caused by overloaded trucks in contravention with the Brazilian traffic legislation. The potential loss from this proceeding amounts to €15.2 million as at 30 June 2022 (31.12.2021: €11.6 million).

Uncertain tax treatments

The Group is subject to various material claims which arise in the ordinary course of its business in Brazil in relation to corporate income tax, mining royalties, VATs and social security contributions. The Group is in formal dispute proceedings regarding a number of these tax claims. The resolution of tax positions, through negotiation with the relevant tax authorities or litigation, can take several years to complete. In assessing whether these claims should be provided for in the Interim Statements, Management has considered them in the context of the applicable laws in Brazil. Management has applied judgement in assessing the likely outcome of the claims and has estimated the financial impact based on external tax and legal advice and prior experience of such claims.

RHI Magnesita is party to a number of tax proceedings in Brazil with a total exposure of €241.2 million as of 30 June 2022 (31.12.2021: €200.8 million). The movement is mainly driven by the appreciation of Brazilian Reals against Euro. The main dispute relates to whether or not the Goodwill assessed in business combinations is deductible and amortisable for Corporate Income Tax purposes. The tax authorities issued assessments for 2011, 2016 and 2019 arguing that some of such transactions cannot generate deductions as they do not fulfill the requirements provided by law. The Group has partially won the cases for 2011 and 2016 and are now waiting resolution in the Administrative Superior Court. In relation to the 2019 case, the Group was notified in July 2021 on the first level decision which upheld the tax assessment. The Group has appealed to the Tax Court of Appeals and are awaiting the outcome. Management continues to consider a negative outcome not probable, which is supported on the evaluation from the external legal counsel. Consequently, no provision has been recognised as of 30 June 2022.

18. Other financial commitments

As of 30 June 2022, the RHI Magnesita Group has commitments for the purchase of property, plant and equipment in the amount of €58.5 million (31.12.2021: € 35.5 million).

19. Disclosures on related parties

The nature of related party transactions as of 30 June 2022 are in line with the transactions disclosed in Note (61) of the 2021 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.

20. Material events after the reporting date 30.06.2022

On 29 July 2022 the Group refinanced its existing \$200 million USD loan maturing in August 2023 with a new €250 million EUR loan with a maturity in July 2027.

After the reporting date on 30 June 2022, there were no other events of significance which may have a material effect on the financial position and performance of the RHI Magnesita Group.

We confirm to the best of our knowledge:

Statement of the Board of Directors

1. In connection with the statement ex Article 5:25d Paragraph 2 sub c Financial Markets Supervision Act (“Wet op het financieel toezicht”).

–The Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2022, which have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the EU, give a true and fair view of the assets, liabilities, financial position, and profit of RHI Magnesita N.V. and the undertakings included in the consolidation as a whole;

–The management report for the six-month period ended 30 June 2022 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”).

2. In connection with provisions of Disclosure Guidance and Transparency Rules (DTR) 4.2 Half-yearly financial reports, as adopted by the UK Financial Conduct Authority. This half-yearly financial report includes a fair review of the information required by the:

– DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

– DTR 4.2.8R of the Disclosure and Transparency Rules, being related parties’ transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and any changes in the related parties’ transactions described in the last annual report that could do so.

Vienna, 31 July 2022

Executive Directors

Stefan Borgas

Ian Botha

Non-Executive Directors

Herbert Cordt

John Ramsay

Janet Ashdown

David Schlaff

Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg

Fiona Paulus

Janice Brown

Karl Sevelda

Marie-Hélène Ametsreiter

Sigalia Heifetz

Wolfgang Ruttenstorfer

Employee Representative Directors

Karin Garcia

Martin Kowatsch

Michael Schwarz

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

Independent auditor's review report

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2022 of RHI Magnesita N.V. ('the interim financial information'), Arnhem, the Netherlands, which comprises the Condensed Consolidated Statement of Financial Position as at 30 June 2022, the Condensed Consolidated Statement of Profit or Loss, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows for the period then ended and the selected explanatory notes. The board of directors is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Rotterdam, 31 July 2022
PricewaterhouseCoopers Accountants N.V.

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