RHI Magnesita N.V.

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

Unaudited Half Year Results

RHI Magnesita today announces its results for the six months ended 30 June 2019 ("H1 2019" or the "Period")

Highlights

(€m unless stated otherwise)

	H1 2019 Adjusted[1]	H1 2018 Adjusted[2]	Change
Revenue	1,541	1,508	+2.2%
Adjusted EBITA	234	209	+12.3%
Adjusted EBITA margin	15.2%	13.8%	+140bps
Adjusted EPS	€3.00	€2.55	+17.6%
Net debt[3]	669	741	
Net debt to adjusted LTM EBITDA	1.1x	1.6x	

	H1 2019 Reported	H1 2018 Reported[2]
Revenue	1,541	1,508
EBITA	228	219
Profit before tax	165	90
EPS	€2.31	€1.54
Dividend	€0.50	-

[1] Adjusted measures are alternative performance measures which reflect the way in which Management assesses the underlying performance of the business. Full details of the APMs can be found on page 13
[2] H1 2018 figures reflect the final purchase price allocation ("PPA") which was completed in H2 2018
[3] Following the introduction of IFRS 16 Leases, H1 2019 net debt includes the impact of IFRS 16 of €58 million.

Operational highlights

- Robust performance in H1 2019, despite difficult end markets
- Strong performance from the Industrial Division
- Uncertainty increasing in steel markets
    - Lower volumes and selective market share loss in the Steel Division in Europe and North America
    - Partly driven by customer destocking after a strong 2018
- Challenges offset by
    - Encouraging market response to price rise programme across the portfolio
    - Resilience from geographic and customer diversification
- Growth markets continue to perform strongly
    - First major solutions contract won in China alongside revenue growth of 17%
    - India revenue growth of 16%
- Good margin performance, despite less supportive raw material backdrop
    - Expected additional €20 million synergy benefit for 2019 firmly on track

  - Improvement plans to recover €20 million in 2019 of the €40 million operating underperformance during 2018, relating to four plants, progressing in line with expectations
- Some working capital expansion in H1 2019 which is expected to be partly recovered by year end

Financial Highlights

- Revenue of €1,541 million increased by 2.2% against the comparative period (H1 2018 €1,508 million), reflecting the strength of the US dollar and a strong performance from the Industrial Division, alongside a weaker performance in the Steel Division
- Adjusted EBITA increased by 12.3% to €234 million (H1 2018 €209 million) driven by the further realisation of synergies (€10 million in H1 2019) and strength of the Industrial Division
- Continued adjusted EBITA margin progression to 15.2% up 140bps from prior year (H1 2018 13.8%) in line with our strategy
- Operating free cash flow of €129 million (H1 2018 €136 million) resulting from EBITA growth, offset by working capital outflow of €118 million, particularly accounts receivable and accounts payable.
- Strong financial position maintained with net debt at 1.1x EBITDA (FY 2018 1.2x), after making final €45 million payments in respect of the acquisition of Magnesita and the €58 million impact of IFRS 16 lease accounting
- Interim dividend of €0.50 per share announced, in line with the Board's progressive dividend policy.

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

"I am pleased to announce a robust financial performance in the first half of 2019, which has seen a very strong performance from our Industrial Division, offsetting a slightly softer performance from the Steel Division in more challenging market conditions.

"Against this backdrop we have seen the benefits of both our geographic and market diversification, as well as the strength of our operating platform. As a result, these challenges have so far been offset by our strategic initiatives. These include the benefits generated from our growth strategies, particularly in the Industrial Division and across Asia, as well as our ability to secure price increases. In addition, we have seen further realisation of the synergies which continue to accrue from the merger, alongside operational improvements.

"Our Steel customers' end markets are experiencing lower volume demand in 2019, particularly in Europe. As a result of the broader macroeconomic uncertainties, we have seen both volumes and visibility deteriorate in several of our markets, together with lower order backlogs and inventory reductions in the entire supply chain.

"In the second half of this year, we expect the current market uncertainty to continue, which with poor visibility, there is the possibility of reduced customer inventories. However, the self-help measures at our disposal, the initial benefits of the price rise programme announced in April and the momentum in our Industrial Division underpin our confidence in further progress. Consequently, management expectations for the full year operating results remain unchanged."

A presentation for institutional investors and analysts will be held today at Peel Hunt, Moor House, 120 London Wall, London, EC2Y 5ET, starting at 8.30am. The presentation will be webcast live and details can be found on: https://ir.rhimagnesita.com/. A dial-in facility is also available on 020 3936 2999 for the United Kingdom, or +44 20 3936 2999 for all other locations, with participant pin code 979169.

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About RHI Magnesita
RHI Magnesita is the leading global supplier of high-grade refractory products, systems and solutions which are indispensable for industrial high-temperature processes exceeding 1,200°C in a wide range of industries, including steel, cement, non-ferrous metals and glass. With a vertically integrated value chain, from raw materials to refractory products and full performance-based solutions, RHI Magnesita serves customers in nearly all countries around the world. The Company has a high level of geographic diversification with more than 14,000 employees in 35 main production sites and more than 70 sales offices around the world. RHI Magnesita intends to leverage its global leadership in terms of revenue, scale, product portfolio and diversified geographic presence to target strategically those countries and regions benefitting from more dynamic economic growth prospects.

Its shares have a premium listing on the London Stock Exchange (symbol: RHIM) and are a constituent of the FTSE 250 index. For more information please visit: www.rhimagnesita.com

OVERVIEW

Following the significant progress during 2018, RHI Magnesita's first half results reflect a robust financial performance against a more challenging end-market environment. Revenue for the six months to June 2019 was €1,541 million, 2.2% higher than the comparative period on a reported basis (1.1% higher on a constant currency basis). The revenue growth reflects the strength of the US dollar and a very strong performance in the Industrials Division against slightly lower revenues in the Steel Division, compared to the first half of 2018. The Group's continued revenue growth overall, together with the ongoing synergy realisation and the benefits of broader operational and commercial initiatives, resulted in adjusted EBITA margins increasing by 140bps to 15.2% (up 30bps on a constant currency basis) and adjusted EBITA increasing by 12.3% to €234.2 million (up 3.0% on a constant currency basis).

More generally, RHI Magnesita has continued to consolidate its position as the driving force of the refractory industry and has made good progress in setting the business on the right path to sustaining profitable growth and achieving its long term objectives.

Management remains clear in the benefit of the Group's vertically integrated business model, from both a strategic and financial perspective. Despite raw material market prices reducing in the first half of the year, the Group's profitability has continued to improve. The Group has continued its successful integration during H1 2019, achieving incremental synergies of €10 million, bringing the annualised total to €80 million, with a further €10 million expected in the current year and remains on track to deliver €110 million during financial year 2020.

The Group's financial position remains strong, with net debt to adjusted EBITDA improving by 0.1x, to 1.1x (from 1.2x at 31 December 2018). This provides the Group with a strong platform from which to execute its capital allocation priorities in support of enhanced organic growth, strategic consolidation in target markets and a progressive increase in returns to shareholders.

Underpinning all of the Group's operational performance is its continued focus on safety, where a further improvement has been made in the lost time injury frequency rate – the industry's key measure of safety performance – with a 28% reduction in the first half of this year versus FY 2018 to 0.3 lost time injury frequency rate per 200,000 hours worked.

STEEL DIVISION

Divisional Performance **Steel**	H1 2019 €m	H1 2018 Reported €m	Change %	H1 2018 at constant currency €m	Change % vs. constant currency
Revenue	1,077	1,097	-1.8%	1,111	-3.1%
Gross profit	270	269	+0.3%	284	-5.0%
Gross margin	25.0%	24.5%	+50bps	25.5%	-50 bps

Revenue was weaker in the first half compared to the same period last year, down 3% on a constant currency basis to €1,077 million, compared to H1 2018 €1,111 million (down 2% on a reported basis). Steel production volumes in the Period were down notably in Europe with a consequent adverse impact on customer demand in the region. Offsetting this weakness, the Asian business performed strongly, as we increased market share and continued to see returns from the investment the Company has made in this region. North America also delivered a strong performance despite lower volumes. Gross margin for the Steel Division was down by 50bps on a constant currency basis from the same period last year, to 25.0%.

Divisional revenues were down in Europe by 12%. Overall steel market demand was down by 3% in the first half of 2019, largely driven by a weakening automotive sector. Lower steel prices in the Period have contributed to several customers announcing cost reduction programmes and production cuts. Furthermore, regional revenues were affected by intensified price competition and refractory stock levels in steel plants. The US trade tariffs have added further pressure to the European steel market.

In North America, revenues were up 4%, despite a material reduction in volumes. Ongoing challenges for customers presented by the uncertain macroeconomic and trade tariff environment, have resulted in a cautious environment and customer destocking. In spite of this, we have been successful in implementing price increases which, together with a more favourable product mix, resulted in improved revenues and a significant increase in gross margins.

Asia revenues were up by 9%, with volumes up by 1% in the region. India revenues increased by 7%, in the first half of 2019, as we continue to make substantial market share gains. India continues to be an attractive market for refractories, with increasing steel demand across the infrastructure, construction, manufacturing and transportation sectors. Asia revenues excluding India and China were up by 20%, demonstrating very strong growth across this territory, most notably in Vietnam and Taiwan.

Whilst market conditions remain challenging, particularly in Venezuela and Argentina, South America revenues were up by 2%. Performance in the region was supported by the successful implementation of price increases.

The outlook for the Steel Division for H2 2019 is expected to continue to be challenging, with performance expected to be slightly weaker than that delivered in H1 2019, predominantly due to headwinds from the automotive sector and cautious outlook in Europe.

INDUSTRIAL DIVISION

Divisional Performance	H1 2019 Reported	H1 2018 Reported	Change %	H1 2018 at constant currency	Change % vs. constant currency
Industrial	€m	€m		€m	
Revenue	464	411	+13.0%	413	+12.4%
Gross profit	130	101	+29.2%	104	+25.3%
Gross margin	28.0%	24.5%	+350bps	25.2%	+280bps

Industrial Division revenue growth increased significantly in the Period, up 12% on a constant currency basis to €464 million (H1 2018 €413 million), with encouraging growth across MEA and the Americas and with very strong performances across the Cement and Project businesses. Gross margin for the Industrial Division increased to 28.0%, up by 280bps.

Cement & Lime segment revenues grew by 17% on a constant currency basis to €184 million (H1 2018 €158 million); with a significant increase in APAC revenues, especially in China as a result of market share gains. Revenue growth was also strong across South America, MEA and CIS, off-setting much lower revenues in Europe and North America. European revenues were impacted by the delay of certain orders until the second half of the year, whilst North American revenues were down in the first half of 2019, in comparison to a particularly strong H1 2018. Despite the aggressive pricing behaviour of competition, the segment continues to increase market share as well as profitability as the business expands its solutions and services offerings to new and existing customers.

The project business had a very strong first half, with revenues up by 10% to €280 million on a constant currency basis, compared to €255 million in the same period last year.

The Glass segment continues to perform well, in keeping with the high global demand for refractories across the glass industry. However, revenues are slightly lower compared to the first half of 2018, which benefitted from particularly high demand for fused cast refractories. In the first half of this year the Glass segment increased market share, thanks to improved solutions and services to our customers, in particular from container glass and float glass.

In the EEC (Environment, Energy & Chemicals) segment, we see increasing demand in the environmental sector, as customers take advantage of our established solutions for thermal treatment of industrial waste. In addition, we are seeing increased demand in developing countries as legislation is requiring customers to move away from traditional methods of storage and landfill. The Oil & Gas segment had a strong first half of the year, driven by higher than anticipated demand from both maintenance and greenfield projects.

The Non-ferrous metal segment is performing in line with management expectations with broadly stable revenues largely being supported by the repair business, particularly activities in copper and nickel smelters, whilst major greenfield projects have been fewer this year.

Despite an uncertain outlook and macro-economic conditions for the remainder of 2019, the business continues to have good momentum, supported by a number of projects in the pipeline for the second half of the year across multiple segments.

STRATEGIC MARKETS

INDIA

India revenues increased by 16% on a constant currency basis in the first half of 2019, compared to the same period last year. Strong business performance is supported by new orders and renewal of contracts from a number of large steel producers in the region. Since the combination of the three RHI Magnesita subsidiaries in India, announced at H1 2018, RHIM India has seen the positive effects of improved operational efficiency as a new consolidated business, and has captured more local growth opportunities.

CHINA

China has performed well in the first half of this year, with revenues up by 17% on a constant currency basis, in the first half of 2019, compared to the same period last year. RHIM China won a significant €20m contract with Guangxi ShengLong, which represents the Group’s first solutions contract in the Chinese high-quality steel market, marking a milestone for RHIM in China. Since the re-opening of the dolomite facility at Chizhou last year, the plant and mine have made good progress in preparing for higher levels of production, expected from 2020 onwards.

The Industrial Division in China had a particularly strong half, mainly attributable to Cement/Lime, and continues to increase market share despite a contracting cement market.

UPDATE ON SERVICES, SOLUTIONS & INNOVATION

The Group continues to develop its full line service (FLS) solutions to clients, offering additional value beyond standard product sales. This is a long-term strategic initiative for RHI Magnesita which aims to capture additional revenues and improve margins. The Group is very pleased to have won its first FLS contract in China, in the first half of 2019.

The Group continues to invest in research and development projects, many of which are tailored for individual customers. The Group is committed to spending 2.2% of revenues each year on R&D investment and technical marketing, through both innovation and sustainability projects, with emphasis on energy saving, recycling, and CO2 emissions reduction, capture and usage.

UPDATE ON PRICE INCREASE PROGRAMME

In April 2019 the Group announced a global price increase programme for its products and solutions across both the Steel and Industrial Divisions. The price rise programme will enable further investment in technology, environmental solutions, meeting evolving regulatory requirements and the production infrastructure necessary to serve our clients and fully reflect the value of our investments in backward integration as well as our intense service-based models. Whilst relatively early in the programme, the initial response from customers has been encouraging. If this positive response continues, we expect a financial contribution from this programme to begin to be realised in Q4 2019.

RAW MATERIALS

Following the significant price increases in 2017 underpinned by the environmental controls imposed in China, raw material prices overall have come down during the first two quarters of 2019.

Magnesia prices have decreased by around 30% in 2019, reflecting lower demand. Bauxite and Graphite prices have weakened slightly throughout the year amid weak demand from consuming markets but are expected to remain stable in H2. Alumina prices have remained stable as demand from other direct related markets have been steady.

Whilst raw material pricing may have reduced significantly from the high levels seen in Q2 2018, we have in recent weeks seen Chinese producers stop mining activities to support pricing, as well as a leading European Magnesite producer increase pricing by around 20%. The Group therefore, doesn’t expect prices to fall back to the levels pre-2017.

SYNERGIES

The Group has continued its successful integration during 2019, having now achieved synergies of €80 million at H1 2019, with a further €10 million expected in the remainder of the year; attributable to supply chain management, SG&A and the production network. The Group remains on track to deliver €110 million during financial year 2020.

OPERATIONAL TURNAROUND

As previously disclosed, the Group experienced some operational and supply chain challenges in its European business during H2 2018, focussed on four plants in particular. The root causes of these issues were identified quickly and improvement plans put in place. Of the four plants in question, the improvement plan has been implemented in full at one site during H1 2019, implementation will be completed at a further two sites in H2

2019 and full resolution of the issues at the fourth site remains on track to be completed in 2020. Consequently, the Company remains confident it will recover €20m of the prior year impact on profits in 2019.

ACQUISITION UPDATE

The Group regularly seeks to evaluate opportunities to participate in the consolidation of the refractory industry as an integral part of its strategy for growth. As announced previously, the Company continues to consider a potential acquisition of Kumas Manyezit Sanayi AS. However, the Company is no longer in exclusive discussions with the sellers and there can be no certainty that any transaction will occur. The Company will update the market as appropriate in due course.

FINANCE REVIEW

Against the backdrop of more challenging market conditions, the Group has produced a robust financial performance in the first six months of the year against the same period in 2018. Operational performance has improved on a constant currency basis with gross margin increasing 50bps over the same period. This has been delivered despite lower volumes in some markets, particularly in the Steel Division, as a result of better pricing, mix and greater operational efficiency in certain regions, together with the very strong overall performance in the Industrial Division.

Adjusted EBITA improved by 3% on a constant currency basis, to €234.2 million (H1 2018 €227.7 million), a step up from last year's half year results, as the Group continues to take advantage of the positive momentum from its Industrial Division and to benefit from the synergies that remain from the integration. This has been partially offset by higher energy prices, lower fixed cost absorption as a result of lower production/sales volumes and higher SG&A due to increased expenditure on strategic initiatives.

Net financial expenses in H1 2019 amounted to €45.3 million (H1 2018 €118.9 million), significantly lower than the previous year as a result of lower net bank interest expenses following the refinancing completed in 2018 and H1 2019 and reduced foreign exchange effects. Interest expenses on borrowing were €19.4 million and €19.9 million was recognised in other net financial expenses, which are mainly related to movements in the provision made to comply with EU merger remedies, pension expenses and non-controlling interest expenses. Total foreign exchange and derivative variances amounted to €9.5m, arising from mark-to-market movements on intercompany loans and other foreign currency debt and derivative variances.

Total tax for H1 2019 in the income statement amounted to €43.5 million (H1 2018 €24.8 million), which includes prior year adjustments of €5.7 million. We anticipate an effective tax rate of around 24.0% for the FY 2019.

On a reported basis, the Group has recorded a profit after tax of €121.2 million (H1 2018 €65.1 million) and earnings per share of €2.31 in H1 2019 (H1 2018 €1.54). Adjusted earnings per share for H1 2019 were €3.00, which is stated after excluding the impact of goodwill amortisation (€14.2 million), other income and expenses (€6.3 million), non-cash foreign exchange variances from mark-to-market of intercompany loans (€3.6 million), other financial income and expenses (€6.1 million) and write-down of joint venture loan (€9.6 million).

(€m)	H1 2019 Reported	Items excluded from underlying performance	H1 2019 Adjusted
EBITA	**227.9**	**6.3**	**234.2**
Amortisation	**(14.2)**	**14.2**	-
Net financial expenses	(45.3)	9.7	(35.6)
Result of profit in joint ventures	(3.8)	9.6	5.8
Profit before tax	164.7	-	204.4
Income tax	(43.5)	(5.6)	(49.1)[1]
Profit after tax	**121.2**		**155.4**
Non-controlling interest	(7.7)		(7.7)
Profit attributable to shareholders	113.5		147.7
Shares outstanding[2]	49.2		49.2
Earnings per share	**2.31**		**3.00**

[1] H1 2019 adjusted earnings taxed at Group's expected effective tax rate of 24.0% for FY 2019
[2] Weighted average number of shares outstanding at 30 June 2019

CASH FLOW AND WORKING CAPITAL

Operating free cash flow, which is presented to reflect net cash inflow from operating activities before tax and net finance expenses, was €129 million for H1 2019 (H1 2018 €136 million).

Working capital intensity, measured as a percentage of annualised revenue, was broadly flat in H1 2019 to 21.0% compared to 20.9% in the same period last year. This performance was lower, however, than the 15.4% achieved for the FY 2018, largely as a result of an increase in working capital driven by increased accounts receivable that amounted to €51 million, as a consequence of a more cautious market in the first half of this year, higher inventories levels due to the uncertain market demand which led to €21 million of further cash consumption, and a decrease in payables as production slowed down in the second quarter (€45 million of cash consumption). The total cash impact on working capital for H1 2019 was €118 million. The Group continues to monitor its working capital levels closely and we expect to partly recover this increase in the second half of 2019.

Capital expenditure for the first six months of the year amounted to €50 million (H1 2018 €35 million). In H2, the Group plans to spend a further €100 million, totalling €150 million for the year. This figure is lower than the €175 million Capex guided for FY 2019. The commitment to grow the business through investment remains, however the Group has deferred some spending given current market conditions.

As anticipated, cash expenses to pay the remaining shareholders of the Magnesita tender offer and related transaction expenses provisioned for in 2018 amounted to €45 million in the first half of 2019. Net interest payments on net debt and further refinancing costs amounted to €33 million in the Period (H1 2018 €35 million). Cash tax for H1 2019 was €28 million.

Cash Flow

	H1 2019 €m	H1 2018 €m[1]
Adjusted EBITA	234	218
Working Capital	-118	-85
Changes in Other Assets/Liabilities	-9	-15
Capital Expenditures	-50	-35
Depreciation	71	53
Operating Free Cash Flow[2]	**129**	**136**
Cash tax	-28	-35
Net financial expenses	-33	-35
ITO minority acquisition	-45	-
Restructuring/Transaction Costs	-3	-49
Free Cash Flow[2]	**21**	**17**

[1] As reported in H1 2018
[2] Further detail on the adjustments can be found in Alternative Performance Measures section

FINANCIAL CONDITION

The Group's financial position remains robust in H1 2019, as the Company continues to benefit from higher operational results, synergies, interest expense reduction and a comfortable liquidity structure that enables the Group to finance potential acquisitions, pay dividends and finance its working capital needs amid changing market conditions.

Additional refinancing was conducted in 2019 to further enhance the Company's capital structure and liquidity profile. On 27 June 2019, the company successfully entered into a €100 million OeKB loan and in July 2019, the company successfully entered into a €280 million Schuldschein issue, continuing the Group's capital markets track record following the refinancing in 2018. Following these issuances, the total cash and undrawn committed facilities amount to €900 million.

This allows RHI Magnesita to improve its liquidity composition, better distribute its amortization profile, reduce the carry cost, as well as repay the remaining legacy debt.

Net debt at 30 June 2019 was €669 million, comprising total debt of €1,195 million, and total cash, cash equivalents and marketable securities of €526 million. In terms of leverage, the Company's net debt to EBITDA ratio remains strong at 1.1x in H1 2019 (FY 2018 1.2x). Following the introduction of IFRS 16 Leases, effective for financial periods beginning on or after 1 January 2019, the Company's net debt position now includes all operating and financial leases. In H1 2019, total operating and financial leases amounted to €58 million. This adjustment has no impact on cash flow and a negligible impact on earnings.

Capitalisation Table	H1 2019
	€m
OeKB Term Loan	406
US$ Term Loan + RCF	332
Other Loans and Facilities[1 2]	457
Total Gross Indebtedness	**1,195**
Cash, Equivalents and Marketable Securities	526
Net Debt	**669**

[1] The Group's outstanding €102 million legacy Schuldschein at 30 June 2019 is shown within other loans and facilities.
[2] Including IFRS 16 lease liabilities of €58 million

INTERIM DIVIDEND

As announced at the FY 2018 Results, the Board's dividend policy is to progressively increase ordinary dividends and to target a dividend cover of at below 3.0x underlying earnings over the medium term. Dividends will be paid on a semi-annual basis with one third of the prior-year full year dividend paid at the interim.

Therefore, an interim dividend of €0.50 will be paid on 9 January 2020 to shareholders on the register at the close of business on 20 December 2019.

SHARE BUYBACK

As previously disclosed, the Company intends to commence the repurchase of shares on the open market to cover the requirement of the Long Term Incentive Plan ("LTIP") Scheme, with a plan to purchase up to 400,000 RHI Magnesita shares. When purchased, these shares will be held in Treasury until they are required to satisfy awards made under the LTIP.

OUTLOOK

It has been a robust financial performance for the Company in the first half of 2019, which has seen a very strong performance from the Industrial Division, offsetting a slightly softer performance from the Steel Division in more challenging market conditions.

Against this backdrop the Company has seen the benefits of both its geographic and market diversification, as well as the strength of its operating platform. As a result, these challenges have so far been offset by the Company's strategic initiatives. These include the benefits generated from the growth strategies, particularly in the Industrial Division and across Asia, as well as the Company's ability to secure price increases. In addition, the Company have seen further realisation of the synergies which continue to accrue from the merger, alongside further operational improvements.

Steel customers' end markets are experiencing lower volume demand in 2019, particularly in Europe. As a result of the broader macroeconomic uncertainties, the Company has seen both volumes and visibility deteriorate in several of its markets, together with lower order backlogs and inventory reductions in the entire supply chain.

In the second half of this year, the Company expects the current market uncertainty to continue, which with poor visibility, there is the possibility of reduced customer inventories. However, the self-help measures at the Company's disposal, the initial benefits of the price rise programme announced in April and the momentum in its Industrial Division underpin confidence in further progress. Consequently, management expectations for the full year operating results remain unchanged.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The risks considered by the Board to be the principal ones are presented in the 2018 Annual Report which is available on the Group's website at www.rhimagnesita.com. Those risks were reviewed in the course of the regular risk survey and were found to be still relevant for the second half of the financial year: Macroeconomic environment and condition of customer industries, regulatory and compliance risks, fluctuations in exchange rates and energy prices, significant changes in the competitive environment or speed of disruptive innovation, inability to execute a key strategic initiative or necessary adjustments to core operations, business interruption and supply chain disruption, environment, health & safety, cyber and information security risks. The Board believes that the level of uncertainty regarding the future development of the macroeconomic environment has increased since we presented the 2018 Annual Report due to recent geopolitical events and the adoption of new trade barriers and tariffs by several countries. The risks may occur independently from each other or in combination. In case they occur in combination their impact may be reinforced. Also, the Group is facing other risks than the one mentioned here, some of them being currently unknown or not considered to be material.

The principal risks faced by RHI Magnesita during the first half of the financial year were substantially the same as those disclosed by RHI Magnesita at year-end 2018. A description of RHI Magnesita's risk management practices, principal risks and how they impact. The updated integrated comprehensive analysis of the principal risks faced by RHI Magnesita will be included in the 2019 Annual Report.

RELATED PARTY TRANSACTIONS

RHI Magnesita enters into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and RHI Magnesita considers these arrangements to be related party transactions. Furthermore, RHI Magnesita considers transactions with key management personnel to be related party transactions. As of the balance sheet date, 30 June 2019, there have been no significant changes in the related party transactions from those described in RHI Magnesita's 2018 Annual Report.

GOING CONCERN

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

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

ALTERNATIVE PERFORMANCE MEASURE (“APM”)

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

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

APMs are non-IFRS measures. As a result, APMs allow investors and other readers to review different kinds of revenue, profits and costs and should not be used in isolation. Commentary within the Half Year 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 and Adjusted results at constant currency
The H1 2018 Adjusted results are, where appropriate, adjusted to reflect the purchase price allocation ("PPA") related to the acquisition of Magnesita and other adjustments. This measure provides an estimation of the historical financial performance of the current Group structure. H1 2018 figures presented at constant currency represent H1 2018 reported figures translated at average H1 2019 exchange rates.

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

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

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

Adjusted earnings per share ("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, and other non-cash financial income and expenses that are not directly related to operational performance.

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

Working capital
Working capital and working capital intensity provide a measure how the Company is managing its operating cash flows. Working capital is the sum of manageable working capital, composed of inventories, trade receivables and trade payables and other receivables and payables. Working capital intensity is measured as a percentage of last three months annualised revenues.

Net debt

We present an alternative measure to bring together the various funding sources that are included in the Consolidated Balance Sheet and the accompanying notes. Net debt is a measure defined in the Group's principal financing arrangements and reflects the net indebtedness of the Group and includes all cash, cash equivalents and marketable securities; and any debt or debt-like items as well as leases IFRS 16.

Interim Consolidated Financial Statements as of 30.06.2019

Consolidated Statement of Financial Position

as of 30.06.2019

in € million	Notes	30.06.2019	31.12.2018
ASSETS			
Non-current assets			
Goodwill		118.2	117.4
Other intangible assets		326.5	334.4
Property, plant and equipment		1,141.3	1,094.8
Investments in joint ventures and associates	(6)	15.0	21.8
Other non-current financial assets		17.8	18.0
Other non-current assets		41.0	34.3
Deferred tax assets		177.0	171.1
		1,836.8	**1,791.8**
Current assets			
Inventories	(8)	734.0	717.8
Trade and other current receivables	(9)	484.7	481.2
Income tax receivables		12.5	18.4
Other current financial assets		0.6	38.6
Cash and cash equivalents		526.0	491.2
		1,757.8	**1,747.2**
		3,594.6	**3,539.0**
EQUITY AND LIABILITIES			
Equity			
Share capital		49.5	48.3
Group reserves		799.8	752.2
Equity attributable to shareholders of RHI Magnesita N.V.		849.3	800.5
Non-controlling interests		20.3	84.8
		869.6	**885.3**
Non-current liabilities			
Borrowings	(10)	854.2	844.8
Other non-current financial liabilities		106.5	49.5
Deferred tax liabilities		69.2	78.4
Provisions for pensions	(11)	337.1	304.3
Other personnel provisions	(12)	82.1	78.5
Other non-current provisions		108.1	109.2
Other non-current liabilities		9.7	10.3
		1,566.9	**1,475.0**
Current liabilities			
Borrowings	(10)	282.9	321.6
Other current financial liabilities		30.1	15.0
Trade payables and other current liabilities	(13)	760.1	756.9
Income tax liabilities		42.2	32.2
Current provisions	(14)	42.8	53.0
		1,158.1	**1,178.7**
		3,594.6	**3,539.0**

Consolidated Statement of Profit or Loss

from 01.01.2019 to 30.06.2019

in € million for the six months ended 30 June	Notes	2019	2018[1]
Revenue	(20)	1,541.5	1,507.6
Cost of sales		(1,141.8)	(1,138.2)
Gross profit		**399.7**	**369.4**
Selling and marketing expenses		(66.5)	(71.6)
General and administrative expenses		(113.1)	(104.8)
Other income	(15)	15.3	23.2
Other expenses	(16)	(21.6)	(12.7)
EBIT		**213.8**	**203.5**
Interest income		3.5	2.5
Interest expense on borrowings		(19.4)	(27.4)
Net expense on foreign exchange effects and related derivatives	(17)	(9.5)	(72.2)
Other net financial expenses	(18)	(19.9)	(21.8)
Net finance costs		**(45.3)**	**(118.9)**
Result of joint ventures and associates	(6)	(3.8)	5.3
Profit before income tax		**164.7**	**89.9**
Income tax	(19)	(43.5)	(24.8)
Profit after income tax		**121.2**	**65.1**
attributable to shareholders of RHI Magnesita N.V.		113.5	68.8
attributable to non-controlling interests		7.7	(3.7)

in €			
Earnings per share (basic and diluted)		2.31	1.54

1 Adjusted to reflect the effects of the final purchase price allocation of Magnesita.

Consolidated Statement of Comprehensive Income

from 01.01.2019 to 30.06.2019

in € million for the six months ended 30 June	Notes	2019	2018[1]
Profit after income tax		**121.2**	**65.1**
Currency translation differences			
Unrealised results from currency translation	(7)	14.1	(27.3)
Deferred taxes thereon		(0.4)	0.0
Current taxes thereon		(0.3)	0.0
Cash flow hedges			
Unrealised fair value changes		(10.0)	0.4
Deferred taxes thereon		2.5	0.0
Reclassification to profit or loss		(0.7)	0.0
Items that will be reclassified subsequently to profit or loss, if necessary		**5.2**	**(26.9)**
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans	(11)/(12)	(40.7)	5.1
Deferred taxes thereon		12.0	(1.3)
Items that will not be reclassified to profit or loss		**(28.7)**	**3.8**
Other comprehensive income after income tax		**(23.5)**	**(23.1)**
Total comprehensive income		**97.7**	**42.0**
attributable to shareholders of RHI Magnesita N.V		88.2	57.3
attributable to non-controlling interests		9.5	(15.3)

1 Adjusted to reflect the effects of the final purchase price allocation of Magnesita.

Consolidated Statement of Cash Flows

from 01.01.2019 to 30.06.2019

in € million for the six months ended 30 June	2019	2018[1]
Profit after income tax	121.2	65.1
Adjustments for		
income tax	43.5	24.8
depreciation	71.3	62.1
amortisation	14.2	15.6
income from the reversal of investment subsidies	(0.2)	(0.3)
write-ups/ impairment losses on securities	(0.5)	0.1
impairment losses on receivables from associates	9.6	0.0
gains/ losses from the disposal of property, plant and equipment	(1.2)	1.5
gains from the disposal of securities and shares	(0.4)	0.0
net interest expense and derivatives	32.8	41.3
share of profit of joint ventures and associates	(5.8)	(5.3)
other non-cash changes	21.2	50.7
Changes in		
inventories	(21.1)	(82.2)
trade receivables	(28.6)	(28.1)
other receivables and assets	12.2	(6.2)
provisions	(24.0)	(40.3)
trade payables	(45.3)	10.4
prepayments received on orders	(22.7)	14.6
other liabilities	0.1	(11.1)
Cash generated from operations	**176.3**	**112.7**
Income tax paid less refunds	(27.8)	(35.1)
Net cash inflow from operating activities	**148.5**	**77.6**
Investments in subsidiaries net of cash acquired	(0.5)	0.0
Investments in property, plant and equipment and intangible assets	(50.3)	(34.8)
Cash inflows from the sale of property, plant and equipment	1.4	1.7
Investments in/ cash inflows from non-current receivables	0.0	0.3
Investments in securities	0.0	(6.8)
Cash inflows from the sale of securities and shares	38.1	25.2
Dividends received from joint ventures and associates	12.6	10.5
Interest received	3.9	2.0
Net cash (outflow)/inflow from investing activities	**5.2**	**(1.9)**
Share issue costs	0.0	(6.2)
Acquisition of non-controlling interests	(44.6)	0.0
Proceeds from non-current borrowings and loans	100.5	318.1
Repayments of non-current borrowings and loans	(43.8)	(457.2)
Proceeds from current borrowings and loans	124.8	150.8
Repayments of current borrowings and loans	(210.2)	(63.0)
Changes in current borrowings	(3.2)	(3.3)
Repayment of lease obligations	(6.4)	0.0
Interest payments	(29.0)	(37.0)
Interest payments from lease obligations	(0.4)	0.0
Cash flows from derivatives	(7.3)	(14.9)
Net cash outflow from financing activities	**(119.6)**	**(112.7)**
Total cash flow	**34.1**	**(37.0)**
Change in cash and cash equivalents	**34.1**	**(37.0)**
Cash and cash equivalents at beginning of year	491.2	442.4
Foreign exchange impact	0.7	(8.8)
Cash and cash equivalents at year-end	526.0	396.6

1 Adjusted to reflect the effects of the final purchase price allocation of Magnesita.

Consolidated Statement of Changes in Equity

from 01.01.2019 to 30.06.2019

in € million	Share capital	Additional paid-in capital	Mandatory reserve	Retained earnings	Cash flow hedges	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI Magnesita N.V.	Non-controlling interests	Total equity
		Group reserves								
					Accumulated other comprehensive income					
Notes						(11)/(12)				
31.12.2018	**48.3**	**305.5**	**288.7**	**351.0**	**(5.0)**	**(114.2)**	**(73.8)**	**800.5**	**84.8**	**885.3**
Profit after income tax	**–**	**–**	**–**	**113.5**	**–**	**–**	**–**	**113.5**	**7.7**	**121.2**
Currency translation differences	–	–	–	–	–	–	11.5	11.5	1.9	13.4
Market valuation of cash flow hedges	–	–	–	–	(8.1)	–	–	(8.1)	(0.1)	(8.2)
Remeasurement of defined benefit plans	–	–	–	–	–	(28.7)	–	(28.7)	–	(28.7)
Other comprehensive income after income tax	**–**	**–**	**–**	**–**	**(8.1)**	**(28.7)**	**11.5**	**(25.3)**	**1.8**	**(23.5)**
Total comprehensive income	**–**	**–**	**–**	**113.5**	**(8.1)**	**(28.7)**	**11.5**	**88.2**	**9.5**	**97.7**
Dividends	–	–	–	(74.2)	–	–	–	(74.2)	–	(74.2)
Issue of ordinary shares related to the integrated tender offer of Magnesita	1.2	55.8	–	–	–	–	–	57.0	–	57.0
Acquisition in non-controlling interests without change of control	–	–	–	(16.9)	0.1	(2.1)	(4.6)	(23.5)	(74.0)	(97.5)
Share-based payments	–	–	–	1.3	–	–	–	1.3	–	1.3
Transactions with shareholders	**1.2**	**55.8**	**–**	**(89.8)**	**0.1**	**(2.1)**	**(4.6)**	**(39.4)**	**(74.0)**	**(113.4)**
30.06.2019	**49.5**	**361.3**	**288.7**	**374.7**	**(13.0)**	**(145.0)**	**(66.9)**	**849.3**	**20.3**	**869.6**

in € million	Share capital	Additional paid-in capital	Group reserves: Mandatory reserve	Group reserves: Retained earnings	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Defined benefit plans	Accumulated other comprehensive income: Currency translation	Equity attributable to shareholders of RHI Magnesita N.V.	Non-controlling interests	Total equity
Notes						(11)/(12)				
31.12.2017[1]	**44.8**	**165.7**	**288.7**	**281.9**	**0.1**	**(107.7)**	**(54.7)**	**618.8**	**226.9**	**845.7**
Effects of initial application of IFRS 15 (net of tax)	–	–	–	(6.0)	–	–	–	(6.0)	(0.6)	(6.6)
Effects of initial application of IFRS 9 (net of tax)	–	–	–	1.8	–	–	–	1.8	–	1.8
01.01.2018	**44.8**	**165.7**	**288.7**	**277.7**	**0.1**	**(107.7)**	**(54.7)**	**614.6**	**226.3**	**840.9**
Profit after income tax	**–**	**–**	**–**	**68.8**	**–**	**–**	**–**	**68.8**	**(3.7)**	**65.1**
Currency translation differences	–	–	–	–	–	–	(13.6)	(13.6)	(13.7)	(27.3)
Cash flow hedges	–	–	–	–	0.2	–	–	0.2	0.2	0.4
Remeasurement of defined benefit plans	–	–	–	–	–	1.9	–	1.9	1.9	3.8
Other comprehensive income after income tax	**–**	**–**	**–**	**–**	**0.2**	**1.9**	**(13.6)**	**(11.5)**	**(11.6)**	**(23.1)**
Total comprehensive income	**–**	**–**	**–**	**68.8**	**0.2**	**1.9**	**(13.6)**	**57.3**	**(15.3)**	**42.0**
Dividends	–	–	–	(33.6)	–	–	–	(33.6)	–	(33.6)
Transactions with shareholders	**–**	**–**	**–**	**(33.6)**	**–**	**–**	**–**	**(33.6)**	**–**	**(33.6)**
30.06.2018[1]	**44.8**	**165.7**	**288.7**	**312.9**	**0.3**	**(105.8)**	**(68.3)**	**638.3**	**211.0**	**849.3**

1 Adjusted to reflect the effects of the final purchase price allocation of Magnesita.

Explanatory Notes

to the Interim Consolidated Financial Statements as of 30.06.2019

(1) Principles and methods

The Interim Consolidated Financial Statements as of 30.06.2019 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

The Interim Consolidated Financial Statements do not include all information and disclosures required in the Annual Financial Statements and should therefore be read in conjunction with RHI Magnesitas' Consolidated Financial Statements as of 31.12.2018. All amounts in the explanatory notes and tables are shown in € million, unless indicated otherwise. For computational reasons, rounding differences may occur.

The Interim Consolidated Financial Statements as of 30 June 2019 were not audited but reviewed by PricewaterhouseCoopers Accountants N.V.

(2) Initial application of new financial reporting standards

Except for the changes described below, the same accounting and measurement principles were used as in the previous year:

Standard	Title	Publication (EU endorsement)[1]	Effects on RHI Magnesita Consolidated Financial Statements
New standards and interpretations			
IFRS 16	Leases	13.01.2016 (31.10.2017)	Detailed description after the tabular overview
IFRIC 23	Uncertainty over Income Tax Treatments	07.06.2017 (23.10.2018)	No material effects
Amendments of standards			
Various	Annual Improvements to IFRS 2015-2017 Cycle	12.12.2017 (14.03.2019)	No material effects
IAS 19	Plan Amendment, Curtailment or Settlement	07.02.2018 (13.03.2019)	No effect
IAS 28	Long-term Interests in Associates and Joint Ventures	12.10.2017 (08.02.2019)	No effect
IFRS 9	Prepayment Features with Negative Compensation	12.10.2017 (22.03.2018)	No effect

1 According to EU Endorsement Status Report of 18.03.2019.

IFRS 16 "Leases"

The accounting standard IFRS 16 „Leases", issued in January 2016 supersedes the previous IAS 17 "Leases" as well as the related interpretations and is applicable to financial years beginning on or after 1 January 2019.

Whereas accounting according to IFRS 16 remains mainly comparable to the IAS 17 regulations for lessors, accounting according to IFRS 16 leads to major changes for lessees as it requires lessees to recognise right-of-use assets and liabilities for all leases in the scope of IFRS 16. Applying this single lessee accounting model results in an increase in total assets and liabilities in the Consolidated Statement of Financial Position as well as in a replacement of the straight-line expenses for operating leases with a depreciation charge for right-of-use assets and interest expenses for lease liabilities in the Consolidated Statement of Profit or Loss. Moreover, there is a shift from cash flow from operating activities to cash flow from financing activities in the Consolidated Statement of Cash Flows.

RHI Magnesita implemented IFRS 16 on 1 January 2019 using the modified retrospective approach for transition. Cumulative adjustments were recognised as at adoption and comparative information was not restated.

When adopting IFRS 16 RHI Magnesita makes use of the following practical expedients:

- Continuing to apply the definition of a lease in accordance with IAS 17 and IFRIC 4 and not to reassess whether a contract is or contains a lease according to IFRS 16.
- Relying on its assessment of whether leases are onerous immediately before the date of adoption as an alternative to performing impairment review.
- Lease payments for leases whose contractual term is 12 months or less or whose remaining term at adoption is 12 months or less will continue to be recognised in part as an expense.
- Lease payments for leases for which the underlying asset is of low value will continue to be recognised in part as an expense.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The weighted average incremental borrowing rate applied to these lease liabilities was 1.98%.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration and removal costs.

RHI Magnesita's leases include mainly arrangements regarding land and buildings, technical equipment and machinery as well as other equipment, furniture and fixtures. The average lease term is six years for land and buildings, two years for technical equipment and two years for other equipment, furniture and fixtures. Impacts resulting from extension and termination options, as well as residual value guarantees are immaterial.

The following table shows the reconciliation of the minimum lease payments reported as at 31 December 2018 to the lease liability recognised on 1 January 2019:

Commitments arising from rental agreements and leases as at 31.12.2018	
Commitment for less than one year	16.3
Commitment for longer than one year and up to five years	27.7
Commitment for longer than five years	29.7
Total commitments arising from rental agreements and leases	**73.7**
Commitments arising from short-term leases and leases of low-value assets	(4.1)
Total commitments for the determination of the lease liability	**69.6**
Effect of discounting at the incremental borrowing rate	(7.6)
Lease liability as at 01.01.2019	**62.0**

The following table gives an overview of the positions affected by IFRS 16:

in € million	30.06.2019	01.01.2019
Right-of-use Assets included in Property, plant and equipment		
Right-of-use assets — land and buildings	42.1	43.5
Right-of-use assets — technical equipment and machinery	15.4	17.8
Right-of-use assets — other equipment, furniture and fixtures	0.5	0.7
Total Right-of-use Assets	**58.0**	**62.0**
thereof Segment Steel	31.1	33.7
thereof Segment Industrial	26.9	28.3
Lease Liabilities included in Other non-current and Other current financial liabilities		
Current Lease Liabilities	12.2	12.5
Non-current Lease Liabilities	46.0	49.5
Total Lease Liabilities	**58.2**	**62.0**
Cash Flow operating activities	6.8	
Cash Flow financing activities	(6.8)	
Impact on depreciation	(6.6)	
Impact on EBIT	0.2	
Impact on Net Finance costs	(0.4)	
Impact on Profit	(0.2)	
Impact on Earnings per share in €	0.00	

(3) New financial reporting standards not yet applied
The IASB issued further standards, amendments to standards and interpretations, whose application is, however, not yet mandatory for 30 June 2019. They were not applied early on a voluntary basis. They are not expected to have a significant impact on the RHI Magnesita Consolidated Financial Statements.

Standard	Title	Publication[1]	Mandatory application for RHI Magnesita	Expected effects on RHI Magnesita Consolidated Financial Statements
New standards and interpretations				
IFRS 14	Regulatory Deferral Accounts	30.01.2014	No EU endorsement	Not relevant
IFRS 17	Insurance Contracts	18.05.2017	01.01.2021	Not relevant
Amendments of standards				
IAS 1, IAS 8	Definition of Material	31.10.2018	01.01.2020	No effect
IFRS 3	Business Combinations	22.10.2018	01.01.2020	No effect
Various	Amendments to References to the Conceptual Framework in IFRS Standards	29.03.2018	01.01.2020	No effect

1 According to EU Endorsement Status Report of 18.03.2019.

(4) Integrated Tender Offer Magnesita

As a result of the merger between RHI and Magnesita, the Group was required - in accordance with the share purchase agreement (SPA) and Brazilian laws and regulations — to make a mandatory public offer in Brazil which had to be addressed to all remaining Magnesita shareholders and had to be made on the same terms and conditions as those made available to the Sellers under the SPA, including as to purchase price and form of consideration. The Group decided to combine the mandatory offer with a so-called "delisting tender offer" in an Integrated Tender Offer (ITO) and filed with the Brazilian Securities Commission the respective request. The launch of the ITO was communicated to the minority shareholders on 10 November 2018.

Magnesita shareholders received the option of selling each Magnesita share in exchange of:

(i) R$18.46, adjusted by SELIC (the Brazilian benchmark interest rate) from 26 October 2017 until the date of the settlement of the auction of the Integrated Tender Offer, plus 0.1998 RHI Magnesita shares or
(ii) A cash-only alternative consideration.

The consideration of the cash-only alternative offer was the highest between:

(i) R$31.09, adjusted by SELIC from 26 October 2017 until the date of the settlement of the auction of the Integrated Tender Offer, and
(ii) R$35.56, not adjusted by SELIC.

In the course of the finalisation of the ITO in 2019, the Group acquired the remaining outstanding Magnesita shares during the first four months of 2019 and has issued a total of 1,140,658 new ordinary shares. As at 10 April 2019, RHI Magnesita's issued share capital consisted of 49,477,705 shares with voting rights. The fair value of the consideration as at 30 June 2019 is €97.5 million and includes a cash part in the amount of €40.5 million. These shares were delivered in four different instances to minority shareholders and admitted to trading on the London Stock Exchange's main market in the first four months 2019. The closing price per share on each of the trading days was used for the determination of the fair value of the issued ordinary shares totalling up to €57.0 million. The carrying amount of Magnesita's net assets in the Group's Consolidated Financial Statements as of 10 April 2019 was €499.7 million. Consequently, the carrying amount of non-controlling interests acquired amounts to €74.0 million. This transaction results in a decrease in equity attributable to shareholders of RHI Magnesita N.V totalling to €23.5 million.

(5) Change in comparative information

Finalisation of Purchase Price Allocation Magnesita

The statement of profit and loss for the comparative period in 2018 was adjusted due to the finalisation of the purchase price allocation of Magnesita in the second half of 2018 as disclosed in Note (5) in the RHI Magnesita Consolidated Financial Statements as of 31.12.2018.

The increase in the value of property, plant and equipment amounted to €158.9 million, whereas the fair value of the customer relationships was reduced by €116 million in the measurement period. This increase reduced the fair value of the customer relationships to a varying degree because of the associated higher contributory asset charges. The goodwill was adjusted accordingly. Additional depreciation of property, plant and equipment was recognised, while amortisation of customer relationships was reduced. As a result, EBIT decreased by €7.2 million. Consequently, income tax expense decreased by €1.5 million. In total, profit after income tax as well as total comprehensive income for the comparative period 2018 decreased by €5.7 million due to the finalisation of the purchase price allocation of Magnesita, thereof €2.8 million were attributable to shareholders of RHI Magnesita N.V. and €2.9 million were attributable to non-controlling interests. Earnings per share (basic and diluted) decreased by €0.54 amounting to €1.54. Net cash flow from operating, investing and financing activities remained unchanged as these measurement adjustments were non-cash effective.

Segment reporting

Our internal management reporting is organised according to the primary aggregate of the customer. For the foundry customers this is the Steel segment as the majority of these customers are processing iron. Therefore, the responsibility of the foundry business was moved from Segment Industrial to Segment Steel impacting revenue by €2.6 million. The effect on Gross Profit is immaterial. The information for the previous year was adjusted accordingly.

(6) Investments in joint ventures and associates

In 2019 the Group has decided to restructure its Sinterdolime sourcing options in Europe and increase its vertical integration. As a result, it will exit from the equity accounted investment in Sinterco in 2021. In the course of the Magnesita purchase price allocation the fair value of the investment was determined as zero due to its economic performance. It is RHI Magnesita's best estimate that no additional cash contributions will be needed to cover the closing cost based on the current operations and determined exit plan. However, the current shareholders' loan to Sinterco is fully written off, which results in a €9.6 million impairment in 2019, shown in result of joint ventures and associates.

For the first six months of 2019 the profit share of joint venture MAGNIFIN Magnesiaprodukte GmbH & Co KG., St.Jakob, Austria amounted to €5.3 million (1-6 2018: €5.3 million).

(7) Foreign currency translation

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

		Closing rate		Average rate[1]	
Currencies	1 € =	30.06.2019	31.12.2018	1-6/2019	1-6/2018
Argentine Peso	ARS	48.64	43.10	46.43	25.10
Brazilian Real	BRL	4.35	4.44	4.36	4.08
Canadian Dollar	CAD	1.49	1.56	1.51	1.54
Chilean Peso	CLP	774.79	793.69	769.83	737.60
Chinese Renminbi Yuan	CNY	7.82	7.87	7.66	7.70
Indian Rupee	INR	78.50	79.88	79.36	79.13
Mexican Peso	MXN	21.84	22.49	21.87	22.95
Norwegian Krone	NOK	9.69	9.94	9.75	9.66
Pound Sterling	GBP	0.90	0.90	0.87	0.88
Swiss Franc	CHF	1.11	1.13	1.13	1.17
South African Rand	ZAR	16.08	16.46	16.11	14.68
US Dollar	USD	1.14	1.14	1.13	1.21

1 Arithmetic mean of the monthly closing rates.

(8) Inventories

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

in € million	30.06.2019	31.12.2018
Raw materials and supplies	188.9	176.8
Work in progress	149.7	140.8
Finished products and goods	384.7	391.9
Prepayments made	10.7	8.3
Inventories	**734.0**	**717.8**

(9) Trade and other current receivables

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

in € million	30.06.2019	31.12.2018
Trade receivables	380.7	349.9
Contract assets	2.0	1.9
Other taxes receivable	72.9	87.6
Receivables from joint ventures and associates	1.0	11.3
Prepaid expenses	3.7	3.0
Receivables from disposal of investments	2.6	2.6
Receivables from property transactions	2.7	2.2
Emission rights	2.5	1.7
Receivables from employees	3.6	1.7
Receivables from non-consolidated subsidiaries	0.4	0.3
Other current receivables	12.6	19.0
Trade and other current receivables	**484.7**	**481.2**
thereof financial assets	387.2	367.2
thereof non-financial assets	97.5	114.0

(10) Borrowings

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

RHI Magnesita further improved its financial structure by concluding a new €100 million 5-year term loan with the Austrian export credit agency (OeKB) in June 2019. The interest rate is floating and is based on EURIBOR plus a margin between 0.4% and 1.3%, according to Group Leverage. RHI Magnesita borrows currently at the lowest margin of 0.4%. The loan will be fully redeemed in February 2024. Cash inflows from the new term loan in the amount of €100 million are shown in the Consolidated Statement of Cash Flows in proceeds from non-current borrowings and loans. Further information on RHI Magnesita's financing arrangements can be found in Note (28) and in the 2018 Annual Report.

Net debt/adjusted EBITDA is the most important financial covenant of the loan agreements. Net debt/adjusted EBITDA amounts to 1.14. Compliance with the covenants is measured on an annual and semi-annual basis. It is calculated as follows:

in € million	30.06.2019
EBIT	408.9
Amortisation	27.2
Depreciation	134.0
Other operating income and expenses	17.8
Adjusted EBITDA	**587.9**
Total debt	1,137.1
Lease liabilities	58.2
Cash and cash equivalents	526.0
Net debt	**669.3**
Group leverage	**1.14**

Adjusted EBITDA is calculated on a yearly basis, considering the last six months of 2018 and the first six months of 2019.

(11) Provisions for pensions

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

As of 30 June 2019, the decrease in the actuarial interest rate in the euro area to 1.0% (31.12.2018: 1.7%), to 7.4% (31.12.2018: 8.7%) in Brazil and to 3.6% (31.12.2018: 4.3%) in the US led to an increase in pension obligations of €36.6 million and to a decrease in Other Comprehensive Income of €25.6 million (after deferred taxes). As of 30 June 2018, the increase in the actuarial interest rate in Brazil and in the US compared with 31 December 2017 led to a decrease in pension obligations of €5.1 million and to an increase in Other Comprehensive Income of €3.8 million (after deferred taxes, including non-controlling interests).

(12) Other personnel provisions

As of 30 June 2019, the decrease in the actuarial interest rate in the euro area to 1.0% (31.12.2018: 1.7%) led to an increase in severance pay obligations of €4.1 million and to a decrease in Other Comprehensive Income of €3.1 million (after deferred taxes). As of 30 June 2018, the actuarial interest rate in the euro zone did not change significantly compared with 31 December 2017.

(13) Trade payables and other current liabilities

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

in € million	30.06.2019	31.12.2018
Trade payables	440.7	502.5
Contract liabilities	58.1	64.8
Liabilities to employees	102.0	99.6
Taxes other than income tax	32.3	30.0
Payables from commissions	11.2	13.0
Payables from property transactions	4.8	9.2
Customers with credit balances	6.2	7.3
Liabilities to joint ventures and associates	5.0	5.4
Liabilities to non-consolidated subsidiaries	0.9	1.0
Other current liabilities	98.9	24.1
Trade payables and other current liabilities	**760.1**	**756.9**
thereof financial liabilities	543.6	539.3
thereof non-financial liabilities	216.5	217.6

Other current liabilities include the dividend to be paid out to the shareholders of RHI Magnesita N.V, see Note (22).

(14) Current provisions

Provisions for restructuring costs amount to €9.6 million as of 30 June 2019 (31.12.2018: €10.1 million) and primarily consist of benefit obligations to employees due to termination of employment. In the current reporting period, the Group utilised €3.4 million and recognised €2.6 million.

Provisions for contract obligations amount to €16.8 million as of 30 June 2019 (31.12.2018: €21.1 million). The amortisation of the provision for unfavourable contract obligations regarding the sold plant located in Oberhausen, Germany led to an income of €9.7 million in the current reporting period.

(15) Other income

Other income consists of the following items:

in € million for the six months ended 30 June	2019	2018
Result from derivatives from supply contracts	0.0	13.9
Amortisation of Oberhausen provision	9.7	3.7
Income from restructuring	0.0	3.6
Income from the disposal of non-current assets	1.7	1.0
Miscellaneous income	3.9	1.0
Other income	**15.3**	**23.2**

(16) Other expenses

Other expenses consist of the following items:

in € million for the six months ended 30 June	2019	2018
Result from derivatives from supply contracts	(2.9)	0.0
Restructuring costs	(6.1)	(6.5)
Expenses for strategic projects	(4.5)	(1.4)
Losses from the disposal of non-current assets	(0.5)	(0.6)
Miscellaneous expenses	(7.6)	(4.2)
Other expenses	**(21.6)**	**(12.7)**

(17) Foreign exchange effects and related derivatives

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

in € million for the six months ended 30 June	2019	2018
Foreign exchange gains	37.8	81.0
Gains from related derivative financial instruments	14.3	0.5
Foreign exchange losses	(37.7)	(123.6)
Losses from related derivative financial instruments	(23.9)	(30.1)
Net expense on foreign exchange effects and related derivatives	**(9.5)**	**(72.2)**

Compared to the previous year the Group improved its financial structure. The absence of the Magnesita legacy debt combined with reduced volatility of Euro and Brazilian Real against the US Dollar resulted in lower net expense on foreign exchange effects and related derivatives in 2019.

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

(18) Other net financial expenses

Other net financial expenses consist of the following items:

in € million for the six months ended 30 June	2019	2018
Interest income on pension plan assets	1.8	0.9
Interest expense on provisions for pensions	(6.0)	(4.9)
Interest expense on provisions for termination benefits	(0.6)	(0.5)
Interest expense on other personnel provisions	(0.2)	(0.1)
Net interest expense personnel provisions	**(5.0)**	**(4.6)**
Unwinding of discount of provisions and payables	(8.8)	(8.2)
Interest expense on non-controlling interests	(3.2)	(2.0)
Income from measurement of securities / loans	0.5	0.0
Income / Expenses from valuation of put options	1.1	(0.3)
Gains from the disposal of securities and shares	0.4	0.0
Impairment losses on securities / loans	0.0	(0.6)
Other interest and similar expenses	(4.9)	(6.1)
Other net financial expenses	**(19.9)**	**(21.8)**

(19) Income tax

The tax rate of the first half of 2019 amounts to 26.4% (1-6/2018: 27.6%, adjusted to reflect the effects of the final purchase price allocation of Magnesita).

Total tax for the first half of 2019 in the Consolidated Statement of Profit or Loss amounted to €43.5 million (1-6/ 2018:24.8 million), which includes prior year adjustments of €5.7 million. An effective tax rate of around 24.0% is anticipated for the full year 2019.

(20) Segment reporting

The following tables show the key financial information for the operating segments for the first half of 2019 and the first half of 2018:

in € million for the six months ended 30 June 2019	Steel	Industrial	Group
Revenue	**1,077.1**	**464.4**	**1,541.5**
Gross profit	**269.5**	**130.2**	**399.7**
EBIT			**213.8**
Net finance costs			(45.3)
Result of joint ventures and associates			(3.8)
Profit before income tax			**164.7**
Depreciation and amortisation charges	(54.4)	(31.1)	(85.5)
Segment assets 30.06.2019	1,751.5	951.2	2,702.7
Investments in joint ventures and associates 30.06.2019			15.0
Reconciliation to total assets			876.9
			3,594.6

in € million for the six months ended 30 June 2018	Steel	Industrial	Group [1]
Revenue	**1,096.7**	**410.9**	**1,507.6**
Gross profit	**268.6**	**100.8**	**369.4**
EBIT			**203.5**
Net finance costs			(118.9)
Result of joint ventures and associates			5.3
Profit before income tax			**89.9**
Depreciation and amortisation charges	(57.8)	(19.9)	(77.7)
Segment assets 31.12.2018	1,666.3	948.0	2,614.3
Investments in joint ventures and associates 31.12.2018			21.8
Reconciliation to total assets			902.9
			3,539.0

1 Adjusted to reflect the effects of the final purchase price allocation of Magnesita and the changes in presentation.

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

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

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

In the previous year, revenue was classified by product group as follows:

in € million for the six months ended 30 June 2018	Steel	Industrial	Group
Shaped products	547.7	275.5	823.2
Unshaped products	165.5	97.6	263.1
Management refractory services	322.2	0.0	322.2
Other	61.3	37.8	99.1
Revenue	**1096.7**	**410.9**	**1,507.6**

Segment reporting by country
Revenue is classified by customer sites as follows:

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

in € million for the six months ended 30 June 2018	Steel	Industrial	Group
Netherlands	7.8	3.1	10.9
All other countries			
USA	169.7	33.7	203.4
Brazil	143.4	32.2	175.6
India	100.8	19.9	120.7
Germany	58.5	31.5	90.0
Mexico	66.3	16.9	83.2
PR China	22.0	50.6	72.6
Italy	57.9	14.1	72.0
Canada	22.9	21.9	44.8
Russia	32.3	3.9	36.2
Other countries, each below €37.0 million	415.1	183.1	598.2
Revenue	**1,096 7**	**410.9**	**1,507.6**

(21) 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 and IFRS 9. In addition, carrying amounts are shown aggregated according to measurement category.

			30.06.2019		31.12.2018	
in € million	Measurement category IFRS 9[1]	Level	Carrying amount	Fair value	Carrying amount	Fair value
Other non-current financial assets						
Interests in subsidiaries not consolidated	FVPL	3	0.7	0.7	0.7	0.7
Marketable securities	FVPL	1	15.0	15.0	14.5	14.5
Shares	FVPL	1	0.0	0.0	0.0	0.0
Shares	FVPL	3	0.5	0.5	0.5	0.5
Interest derivatives designated as cash flow hedges	–	2	0.0	0.0	0.6	0.6
Other non-current financial receivables	AC	–	1.6	–	1.7	–
Trade and other current receivables	AC	–	387.2	–	367.2	–
Other current financial assets						
Marketable securities	FVPL	1	0.0	0.0	35.2	35.2
Shares	FVPL	1	0.0	0.0	1.1	1.1
Derivatives	FVPL	2	0.4	0.0	2.1	2.1
Other current financial receivables	AC	–	0.2	–	0.2	–
Cash and cash equivalents	AC	–	526.0	–	491.2	–
Financial assets			**931.6**		**915.0**	
Non-current and current borrowings						
Liabilities to financial institutions	AC	2	1,119.1	1,132.1	1,153.6	1,165.6
Other financial liabilities and capitalised transaction costs	AC	2	18.0	–	12.8	
Non-current and current other financial liabilities						
Lease liabilities	AC	2	58.2	–	–	–
Derivatives	FVPL	2	24.8	24.8	20.9	20.9
Interest derivatives designated as cash flow hedges	–	2	17.3	17.3	7.3	7.3
Liabilities to fixed-term or puttable non-controlling interests	AC	2	36.3	–	36.3	–
Other non-current liabilities						
Contingent consideration for acquired subsidiaries	FVPL	3	0.6	0.6	0.6	0.6
Trade payables and other current liabilities	AC	–	543.6	–	539.3	–
Financial liabilities			**1,817.9**		**1,770.8**	
Aggregated according to measurement category						
Financial assets measured at FVPL			16.6		54.1	
Financial assets measured at amortised cost			915.0		860.3	
Financial liabilities measured at amortised cost			1,775.2		1,742.0	
Financial liabilities measured at FVPL			25.4		21.5	

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

RHI Magnesita Group measures marketable securities, derivative financial instruments, shares, investments and interests in subsidiaries not consolidated at fair value.

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

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

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

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

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

The fair value of other derivative contracts corresponds to the market value of the forward exchange contracts and the embedded derivatives in open orders denominated in a currency other than the functional currency, as well as the market value of a long-term power supply contract, which was classified as a derivative financial instrument since 2015. These derivatives are measured using quoted forward rates that are currently observable (Level 2).

The fair value of the contingent consideration liability amounting to €0.6 million recognised in 2017 due to the acquisition of Agellis is determined by discounting the estimated earn-out with the transaction's internal rate of return (Level 3).

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

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

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

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

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

(22) Dividends

The Annual General Meeting on 6 June 2019 approved the pay-out of a dividend of €1.50 per share for 2018. Consequently, a dividend totalling €74.2 million was paid out to the shareholders of RHI Magnesita N.V. at the beginning of July 2019.

The Board proposed an interim dividend of €0.50 per share for the first half of 2019 to be paid out in January 2020.

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

(23) Contingent liabilities

As of 30 June 2019, contingent liabilities amount to €42.7 million (31.12.2018: €43.3 million). Of this total, warranties, performance guarantees and other guarantees account for €42.4 million (31.12.2018: €43.0 million) and sureties for €0.3 million (31.12.2018: €0.3 million).

RHI Magnesita is party to tax proceedings in Brazil with the estimated amount of €174.1 million as of 30 June 2019 (31.12.2018: €169.0 million) for which no provision was set up according to IFRS, as management classified risks of loss (based on the evaluation of legal advisors) as possible but not probable. These tax proceedings had no significant development up to 30 June 2019 and are described in the Notes to the Consolidated Financial Statements of 31 December 2018.

Furthermore, Magnesita Refratários S.A., Contagem, Brazil, is party to a public civil action for damages caused by overloaded trucks in contravention with the Brazilian traffic legislation. The potential loss from this proceeding amounts to €12.9 million as at 30 June 2019 (31.12.2018: €12.1 million).

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

(24) Other financial obligations

As of 30 June 2019, the RHI Magnesita Group has commitments for the purchase of property, plant and equipment in the amount of €41.7 million (31.12.2018: € 5.4million).

(25) Disclosures on related parties

The nature of related party transactions as of 30 June 2019 are in line with the transactions disclosed in Note (61) of the 2018 Group Financial Statements. All transactions with related parties are conducted on an arm's length basis and in accordance with normal business terms.

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

In the first half of 2019 the RHI Magnesita Group received a dividend payment from MAGNIFIN Magnesiaprodukte GmbH & Co KG., St. Jakob, Austria which amounted to €10.1 million (1-6/2018: €10.4 million) and purchased raw materials from Sinterco S.A., Namêche, Belgium which amounted to €11.3 million (1-6/2018: €10.4 million). No other material transactions took place between the Group and related companies and persons.

(26) Seasonal and cyclical influence

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

(27) Employees

In the first half of 2019 the average number of employees of the RHI Magnesita Group based on full time equivalents amounts to 14,701 (1-6/2018: 14,098). 75 full time equivalents of salaried employees work in the Netherlands.

(28) Material events after the reporting date 30.06.2019

In July 2019 RHI Magnesita issued a new bonded loan ("Schuldscheindarlehen") in the amount of €280m, exclusively in tenors of 7, 8 and 10 years with margins ranging from 110 to 152bps, to further extend the debt maturity profile and optimise funding costs. Proceeds were used to repay existing floating bonded loans ("Schuldscheindarlehen") in the amount of €102m and to improve the company's capital structure.

Statement of the Board of Directors

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

To our knowledge:

1. The consolidated interim financial statements for the six-month period ended 30 June 2019, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, give a true and fair view of the assets, liabilities, financial position, and profit of RHI Magnesita N.V. and the undertakings included in the consolidation as a whole;

2. The management report of the Executive Board for the six-month period ended 30 June 2019 as presented in the report on unaudited half year results includes a fair view of the information required pursuant to article 5:25d paragraphs 8 and 9 of the Dutch Financial Markets supervision Act ("Wet op het financieel toezicht").

Vienna, 11 August 2019

Executive Directors

Stefan Borgas
CEO

Ian Botha
CFO

Non-Independent Non-Executive Directors

Herbert Cordt, Chairman

Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg

David Schlaff

Independent Non-Executive Directors

James Leng, Deputy Chairman and
Senior Independent Director

Celia Baxter

Andrew Hosty

Janet Ashdown

John Ramsay

Wolfgang Ruttenstorfer

Karl Sevelda

Fiona Paulus

Employee Representative Directors

Franz Reiter

Michael Schwarz

Auditor's Review Report

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

Introduction

We have reviewed the accompanying consolidated interim financial information for the six-month period ended 30 June 2019 of RHI Magnesita N.V., Arnhem, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated profit or loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the 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 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 consolidated interim financial information for the six-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 11 August 2019
PricewaterhouseCoopers Accountants N.V.
E.M.W.H. van der Vleuten RA MSc