RHI MAGNESITA

Annual Report 2020

We are RHI Magnesita

We create the refractory products, customised services and innovative solutions that help shape tomorrow's world.

Our purpose

To master heat, enabling global industries to build sustainable modern life.

Online

Visit our website
rhimagnesita.com

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Financial highlights

Revenue

€2.3bn

2019: €2.9bn

2020	2.3
2019	2.9

Working capital intensity[1,2]

15.9%

2019: 18.3%

2020	15.9
2019	18.2

Adjusted EBITA

€260m

2019 : €408m

2020	260
2019	408

Net debt/adjusted EBITDA[3,4]

1.5x

2019: 1.2x

2020	1.5
2019	1.2

Adjusted EBITA margin

11.5%

2019: 14.0%

2020	11.5
2019	14.0

Available liquidity[5]

€1.2bn

2019: €1.1bn

2020	1.2
2019	1.1

Read more
in Financial review
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Sustainability highlights

0.13

Lost time injury frequency rate (LTIF) improvement from 0.28 in 2019

5.0%

Use of secondary raw materials improved from 4.6% in 2019; target to increase to 10% by 2025

Read more
in Sustainability
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See Alternative performance measures definitions on
Page 238

Strategic highlights

€100m

Annualised EBITA cost savings by 2022

€40-60m

Annualised EBITA contribution from sales strategies by 2022

€62m

Spend on R&D and Technical Marketing — 2.7% of annual revenues

2.4%

EBITA margin contribution from backward integration in 2020 (2019: 5.0%)

Read more
in Strategy
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1 Measured as a percentage of last three months of annualised revenue.
2 2019 restated to reflect an accounting adjustment denoted within note 4 of the financial statements.
3 Net debt comprises total debt less cash, cash equivalents, and marketable securities.
4 Following the introduction of IFRS 16 Leases, 2020 net debt includes the impact of IFRS 16 of €57 million.
5 Available liquidity comprises cash, cash equivalent, and €600 million of undrawn committed facilities.

Business overview
At a glance

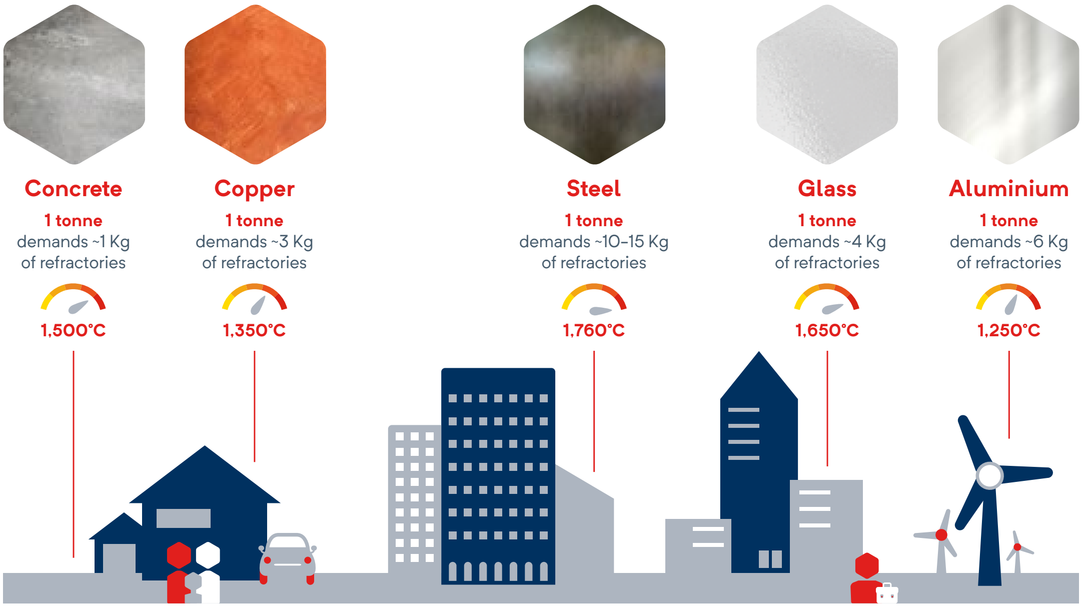
What we do

We create the refractory products, customised services and innovative solutions that help shape tomorrow's world. By mastering heat, we enable global industries to build sustainable modern life.

Through our solutions business model, we provide a broad range of tailored services at customer sites such as refractory installation, recycling, digital and supply chain services. These drive process efficiencies, reduce costs and generate sustainable benefits, thereby creating value for our customers, as well as for the Group.

Refractories are essential for our modern world

Refractory products, which are made from the minerals we mine or source, can withstand temperatures of up to 2,000 degrees, making them integral in all high-temperature industrial processes, including steel, cement, glass, copper, nickel and aluminium production. Refractories are fundamental to the construction of our homes and offices, the bridges that connect us and the vehicles that cross them.



Driven by innovation

We strive for excellence in everything we do and aim to harness our innovative capabilities, technical leadership and digital expertise to provide the products, pioneering solutions and services that reinforce our position as the leading provider in the refractory industry.

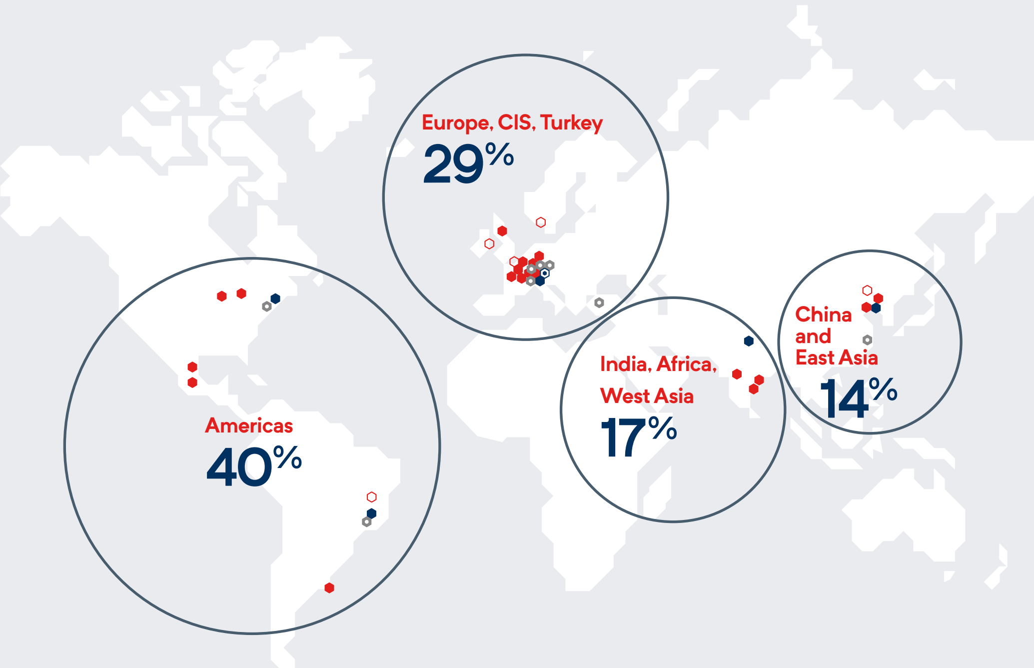
Committed to people and culture

Underpinning our business model and our day-to-day operations are the strengths of our people and culture. Our open mindset and culture of performance and accountability are supported by a diverse and respectful business environment. Operating cross-functionally and collaboratively enables us to work efficiently and effectively. The customer is at the heart of everything we do. Customer relations are central to our cultural beliefs, and we focus on providing optimum results in all our tailor-made products and solutions.

Climate change and sustainability

We aim to forge an innovative and industry-leading path in sustainable development and are dedicated to embedding sustainability within every element of our business. We are accelerating the execution of our business strategy and must do so in a way that prepares RHI Magnesita to succeed in a zero-carbon and more circular economy (a system aimed at decoupling economic activity from the consumption of finite resources and designing waste out of the system). We aim to support broader recovery among business partners and host communities, helping to create a fairer, more resilient and sustainable society.

Where we operate



With an unrivalled global footprint, we are optimally positioned to provide value to our customers around the world through our products, services and solutions.

- Headquarters
- Technology hubs
- Raw materials production
- Finished refractory products production
- Raw materials and finished refractory products production

- Global revenue distribution

Employees
12,064

Finished goods sites
18

Sales offices
70+

Combined sites
7

R&D hubs and centres
5

Raw materials sites
5

Our divisions

Steel

We deliver value to our customers by providing the full range of refractory products, services and solutions required to produce steel, including basic and non-basic mixes and bricks, machinery and flow control systems.

Steel revenue
€1,583m
2019: €2,018m

Steel gross profit
€371m
2019: €467m

Industrial

Our Industrial Division serves customers in cement, glass, copper, nickel, aluminium and other industries, providing refractory products and broader solutions to drive efficiencies and value.

Industrial revenue
€676m
2019: €904m

Industrial gross profit
€179m
2019: €250m

Business overview
Investment case

1

Leadership in the refractory industry

- Market leader in refractory products and full heat management solutions above 1,200°C. Significant scale benefits, with the largest global footprint, close proximity to customers and a decentralised, "local for local" strategy.
- Market share of 15% globally (30% globally excluding China), within a c.€20 billion industry; clear market leader in North and South America, Europe and the Middle East.
- 70% of revenue derived from the Steel Division and 30% from Industrial; RHI Magnesita serves end markets in the construction and infrastructure, automotive, machinery and heavy equipment industries.

Global market share

15%

2

Strong competitive position

- Backward integration model provides security of supply, delivering at least 2–3 percentage points of EBITA margin.
- Leadership in innovation and digitalisation, annual R&D and Technical Marketing investment of €62 million with new products representing >15% revenues in 2020.
- Innovating to foster sustainable development — leading the way in low-carbon refractory technologies.

Technical experts globally

+540

3

Margin resilience and growth by accelerating and expanding the strategy

- Low-cost operator underpinning double digit EBITA margin performance in challenging markets.

- Strong progress with cost saving initiatives to add €100 million by 2022, through plant consolidation (largely in Europe), specialisation and modernisation, and reducing SG&A[1].

- Expansion of the business model through sales strategies to add €40-60 million by 2022 through growth in new markets, improved customer segmentation, further development of our comprehensive portfolio of refractories and services with the addition of digital products and a bespoke solutions model; enabling customers to move up our value curve.

Adjusted EBITA margin

11.5%

2019: 14.0%

1 SG&A is selling, general and administrative expense.

4

Investment driven value creation model

- Strong cash generation — operating cash flow of €290 million. Resilient balance sheet with liquidity of €1.2 billion and leverage of 1.5x. The Group continues to target leverage between 0.5x — 1.5x net debt to EBITDA.

- Disciplined focus on returns on capital.

- Balanced and dynamic capital allocation through investment in organic growth, sustainability, shareholder returns and acquisitions.

Operating cash flow

€290m

2019: €359m

Business overview
How we create value

Our operating model

As the leading company in the refractory industry, RHI Magnesita has developed a resilient model to create value sustainably for all our stakeholders.

Foundations

Our ability to create sustainable value is dependent on these inputs.

Financial capital

Our focus on cost discipline and working capital management helps to generate sustainable and strong cash flows. We continue to be well financed with high liquidity and a robust balance sheet.

Skilled and motivated people

First and foremost, we are focused on customer service and on meeting their needs. The knowledge, technical capabilities, and culture of our 12,064 employees are the key to driving long-term success. We are performance driven and intent on staying at the forefront of the industry, by leveraging our R&D strengths and by constantly developing our digital capability.

Strong relationships with stakeholders

We operate with integrity, pragmatism and reliability, ensuring respectful relationships amongst employees and with all customers, suppliers, shareholders and business partners.

Backward integration and natural resources

With an integrated value chain, RHI Magnesita benefits from a secure and efficient supply of high-quality and low-cost raw materials, allowing us to deliver sustainable margin accretion. Our focus on recycling and energy efficiency demonstrates our commitment to using natural resources responsibly.

Global footprint

Our global network of raw materials sites, refractory production plants, technology centres and offices enables us to offer the full range of products, services and solutions for customers around the world.

Strengths and differentiators

Our key strengths differentiate us as a business and enable us to fulfil our purpose.

Full range of innovative products and value-accretive services and solutions

We deliver significant value to our customers through a full range of bespoke digital, technical and logistical services in addition to the refractory materials we produce. Owing to our technical leadership and our solutions model, we are able to drive innovation in all industries we serve, supported by our in-depth understanding of our customers' requirements and the strong relationships we have with them.

Global footprint and network with regionalised production

We benefit from a global footprint and network yet operate a decentralised, regional strategy that brings us closer to our customers, supported by digital technology. The Group has more than 70 sales offices worldwide and services customers in more than 125 countries.

Commitment to sustainability

We lead the refractory industry with our ambitious approach to addressing social and environmental challenges. This includes, but is not limited to, addressing climate risk and carbon emissions, accelerating our circular economy strategy, increasing diversity in our Company and working towards a zero-accidents workplace.

Our customers sit at the centre of our activities

This enables us to be agile and to quickly respond to our customers' evolving needs. Our core values that drive our daily behaviour include acting innovatively, maintaining openness in a respectful environment, operating pragmatically and being performance driven and accountable.

Our core activities

We generate revenue through the provision of refractory solutions (products and services) to customers around the globe in the steel, cement, glass, nickel and many other industrial sectors.

The long-term value we create

Shareholders

We aim to consistently deliver shareholder value through our disciplined capital allocation policy, which focuses on organic investment, M&A, shareholder returns and the delivery of robust financial performance.

€1.50 per share paid as a dividend (2019: €0.50 per share)

Share buyback of up to **€50 million** initiated in 2020

Employees

Our employees are our greatest resource and we create high-quality, equal employment opportunities, as well as offering fair pay, training and development.

€455 million in wages, salaries and pension contributions (2019: €500 million)

Customers

We deliver tailored solutions, specialised services and innovative products to our customers to create value through improved productivity, profitability and/or efficiency.

€618 million revenue generated in our solutions business model (2019: €770 million)

Suppliers

We rely on suppliers to deliver services and materials and aim to contribute to a responsible, sustainable, reliable and thriving supply chain.

€1.2 billion paid to suppliers (2019: €1.5 billion)

Communities

In our communities, we generate employment and pay taxes. In addition, we work with local communities to invest in projects that support their social and environmental needs.

60% of community spend directed to emergency COVID-19 relief

Governments

We make a meaningful contribution to the countries in which we operate, via the payment of direct, indirect, employee and corporate taxes.

€48 million direct cash taxes (2019: €68 million)

Chairman and CEO review
Q&A

> I am enormously proud of how our people have responded to the challenges of 2020.
>
> **Herbert Cordt**
> Chairman

HC **Herbert Cordt,** Chairman
SB **Stefan Borgas,** CEO

Q **What was the Company's approach to dealing with the outbreak of COVID-19?**

HC The global economy has been confronted by unprecedented difficulties as a result of the pandemic. Numerous sectors have suffered tremendously due to the resulting crisis. Some companies were not able to survive, and others have thrived by adapting, developing and growing to meet and overcome the challenges. Today, we can proudly say that we belong to the latter. Thanks to our strong presence in China and the experience we have gained there, we were able to react quickly worldwide. From the outset, we took the right measures to ensure the safety of our employees and to enable us to remain a reliable partner for our customers in this uncertain situation. Most importantly, however, we not only reacted to the crisis, but saw it as an opportunity to prepare the Company for future growth. In other words, we understood very early on that this crisis would have long-lasting effects and would change the world dramatically. While we continued to manage our business operations during the pandemic, we also began to strategically prepare the Company for the time after COVID-19. Firstly though, our focus was of course on the health and wellbeing of our employees.

Q **How did you ensure a healthy and safe workplace for your staff during the pandemic?**

SB This was and still is my absolute priority. As a leader, I worry about the health of our people — this often keeps me awake at night. We have done everything we can to protect our employees at work by implementing stricter precautions at our operations, ramping up internal communications regarding protocols, restricting travel and enforcing remote working wherever possible. Our safety measures and regulations go far beyond the legal requirements in many regions. And of course everything we do revolves around the central question of how we remain a strong and reliable partner for our customers around the globe in these times of uncertainty.

Q **In a year characterised by internal change and transition, how did you retain focus on your customers?**

SB The needs of our customers are always at the very heart of RHI Magnesita's culture. In this challenging year, we have done everything possible to ensure this is the case, no matter the circumstances. We have maintained strong engagement with our customers and have worked hard to address their evolving requirements by leveraging digital technology, adapting our ways of working with them, providing flexibility and maintaining reliability.

Q **How was RHI Magnesita affected by the crisis?**

SB We did everything in our power to keep production up and running for our customers, which often entailed convincing authorities of the critical nature of the refractories industry, especially during a pandemic. Imagine, in times like this, if the materials needed for the production of medical supplies like masks and syringes or even ambulances could not be produced. We needed to keep our production sites open. Nevertheless, both the Steel and Industrial Divisions were impacted, with Group revenue decreasing by 23 % to €2,259 million. However, the decisive steps that we took to reduce costs, preserve cash and manage liquidity have served us well. In this difficult year, the Company managed to maintain a robust financial position. We were even able to recommend a full year dividend of €1.50 per share and commence a €50 million share buyback programme.

HC Although the depressed market conditions have presented unique challenges for the Company, they have also given us an opportunity to take a closer look at many factors. These include our workforce capacity, competitiveness, production optimisation and raw materials networks and, of course, ways to further improve our innovative capabilities. As a result, we have extended our strategic initiatives to further reduce costs and support profitability in order to make sure that our business is primed for an eventual market recovery. Furthermore, we continued to progress our climate strategy, which we consider to be a vital contributor to becoming even stronger after the pandemic.

Chairman and CEO review
continued

Q **Can you tell us more about the Company's climate strategy?**

HC Climate change remains the next biggest challenge for our societies, political systems and the global economy over the coming years. This is why we are working swiftly to ensure that RHI Magnesita is able to succeed in a low-carbon economy. Our climate strategy is a key area of focus for the Board and we have announced a €50 million investment over the next four to five years towards technology research and pilot plant constructions, designed to support us in our aspiration to be a carbon neutral business. The Corporate Sustainability Committee closely reviews the Company's climate performance and plans. In November 2020, our progress was recognised, with the Company receiving a B rating for addressing climate risk and tackling carbon emissions in its most recent CDP rating. In addition to this, we were one of the first refractory producers to become a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD).

SB Recycling and our circular economy approach are key to achieving our ambitious emissions reduction goals. However, we are not only concerned about reducing our own emissions. One of our main focuses — especially when it comes to research and development — is also to help our customers improve their carbon footprint. Our low-carbon ANKRAL LC series is just one of many ways we are working to achieve this.

Q **From COVID-19 to climate change and economic crisis — the world is changing quickly. How can a company react in such uncertain times?**

SB We anticipate major changes in the world after COVID-19. The global economy will be smaller, and I think it will take two to three years for it to fully recover. The world will no longer be as globalised as it was. Regionalisation will be more important in the future because of political uncertainties, trade wars and, of course, environmental politics. The world has become so unpredictable and volatile that we need to become much more flexible and adaptable. Decisions must be made faster, regionally, in our plants and at customer sites. Lastly, digitalisation has been accelerated across the entire business to an incredible degree and we need to continue to take advantage of this trend. This gives us a competitive advantage.

Q **When you talk about accelerated digitalisation, what does it mean for RHI Magnesita and the refractory industry?**

HC The refractory industry is widely known as a conservative industry, but the times are changing and a race for technological market leadership has begun. We aim to lead the race for digitalisation in our industry. To facilitate this, we are investing heavily in digital transformation projects, automation and robotics, with increased data connection to support our solutions business, smart production processes and innovative digital supply chain technology. Our vision is to be a 360° heat management partner for our customers.

SB We have also introduced a number of initiatives to further develop our internal digital capacity to meet the evolving demands of the 4.0 world. We are introducing augmented reality solutions to complement our on-site customer services and formed a strategic partnership with Microsoft in 2020 to accelerate our digital offerings and support new ways of working with our customers.

Q **What is your strategy for success in the challenging future you just described?**

HC We have undoubtedly experienced some major changes over the past year which have affected the Company. However, our strategic pillars and their potential to create value still stand as the key success factors for our industry. The Company's strategy remains valid, albeit with some adaptations.

SB Our strategy is centred around three key pillars: executing cost reductions to improve our competitiveness; enhancing our business model; and driving market leadership. Read about our strategy on pages 24 to 39.

Our strategy is enabled by the strength of our research and development as well as digitalisation. With the right people, the right mindset and a clear commitment to our sustainable strategy, we will extend our market and technology leadership. All these factors will ensure that we provide the greatest possible value to our customers.

HC We are convinced that we have the right strategy, and as Stefan noted, we need the best minds to bring these visions to life and develop them further. We seek to attract and motivate the best global talent and strive to develop leaders who can embrace our future and really make a difference, with our strong focus on diversity being integral to this strategy.

Q **Can you tell us more about your overall approach to sustainability?**

SB Our approach is underpinned by our continued commitment to the UN Global Compact, the world's largest corporate sustainability initiative. We have pledged to conduct business responsibly, implementing its 10 principles in support of anti-corruption, environment, human rights and labour rights into our strategy and operations. We also commit to strategic action that advances broader societal goals, such as the UN Sustainable Development Goals (SDGs), with a particular focus on innovation and collaboration.

Q You mention diversity — how is your approach to this evolving?

HC We are looking to build the team of tomorrow at RHI Magnesita and need the broadest range of talent and perspectives, especially in leadership, to propagate innovation and agility. Our intention is to foster diversity of thought, be this through differences in gender, nationality, age or other determinants. We are convinced that teams with diversity of thought are more successful than those with similar perspectives.

We feel strongly that our Board should reflect diversity and are taking steps to further increase female representation, with the proposed appointment of additional women at the upcoming Annual General Meeting. Currently, 25% of our Board is female and half of our Committees are chaired by women.

SB We have also committed to increasing the representation of women amongst senior leaders to 33% by 2025. We made good progress towards our gender diversity goal this year by promoting some of our female top talents as part of the organisational changes. We increased the proportion of women in senior leadership positions from 17% in 2019 to 25% in 2020.

Q Can you provide some detail on the outlook and focus areas for 2021 and beyond?

HC We continue to see steady, month-on-month improvement in demand, however volatility and uncertainty are likely to remain elevated in the short term. We expect overall recovery trends to continue in both our Steel and Industrial divisions during 2021, with earnings likely to be weighted towards the second half.

Our expectations for 2021 adjusted EBITA are in line with current market expectations[1], assuming the recovery in our end markets is sustained. We have protected our commercial, operational and sustainability investments throughout a period of difficult market conditions and we are now well positioned to benefit from these as markets recover.

SB We will continue to deliver our well-established strategy (executing cost reductions to improve our competitiveness, enhancing our business model, and driving market leadership). Our priorities are to further increase our competitiveness through the continued reduction in the cost of goods sold and SG&A, to continuously improve and enhance our effectiveness in serving our customers and to advance the digitalisation of our customer offerings.

Q What are your hopes for the business environment in 2021?

SB My hope is that the demonstrated success of several COVID-19 vaccinations will help expedite the global recovery, aided by improving political stability. However, uncertainty and volatility are likely to remain high in the short term on a global level. As a Company, we are investing in tomorrow and we will never tire of working towards a brighter future alongside our customers, shareholders and other stakeholders.

HC As Albert Einstein once said: "In the midst of every crisis, lies great opportunity". Even though the pandemic was and continues to present difficulties for all of us, challenging us in both professional and personal ways, we also learned a lot about working together, supporting each other, adapting and reacting quickly to new situations. My hope is that we will have used this opportunity to emerge from this crisis stronger than ever before.

> With our end-markets now showing signs of recovery, we are confident that the business is well-positioned to take advantage of new opportunities as conditions improve.

Stefan Borgas
CEO

1. Current market expectation based on Company compiled consensus of €310 million.

Trends

We monitor the global trends that underpin demand for refractory solutions, as well as the key challenges and opportunities we face as a business.

The Company aims to respond in a proactive and agile manner by ensuring that our overall strategy is aligned with all prevailing drivers in a rapidly changing global environment.

1. Continued global urbanisation, albeit with short-term subdued demand in industrial production

Why is it important?

The long-term trend of global urbanisation is expected to continue, supporting RHI Magnesita's key demand drivers (i.e. construction and infrastructure, automotive production, machinery and equipment and electronic and consumer goods). However, refractory demand has been impacted in 2020 by the global pandemic, which also directly affected our end markets. A gradual recovery is expected in both the steel and industrial sectors, with emerging economies seeing potentially higher levels of demand in 2021, albeit from the relatively low base of 2020. A return to 2019 demand levels is expected by 2022. Over the longer term, we anticipate particularly strong demand from Asia, as a result of increasing urbanisation over the next decade.

Our response

The Group is focused on reducing its cost base and improving the alignment of its production capacity with regional demand to ensure that it is well positioned to take advantage of market demand recovery.

Good progress is being made on the Group's cost savings initiatives, which will improve EBITA by €100 million by 2022. These comprise the Production Optimisation Plan, which encompasses plant rationalisation (involving the closure of up to 10 sites by H1 2022, with a focus on Europe and South America), plant modernisation and digitalisation and raw material investment, as well as the SG&A Reduction Plan.

The Group continues to prioritise maintaining its strong liquidity position, with total liquidity of €1.2 billion at year end.

To capitalise on demand from Asia, we have consolidated our position in India, China and East Asia, by regionalising production, decentralising decision-making and developing our local presence in these growth markets. The Group is also focused on value-enhancing M&A in key growth regions and market segments.

2. Higher short-term volatility

Why is it important?

Given the current macro-environment, which has been heavily impacted by the effects of the global pandemic and, to a certain extent, by political developments, higher volatility has been noted in 2020. This is characterised by varying performance in different market segments, short-term disruptions in industrial production, regional differences in business environment, temporary fluctuations in customer requirements and behaviour, leading to lower levels of predictability.

Our response

We responded swiftly to the global pandemic, enabling the Group to establish COVID-secure working conditions, and maintain our production capabilities and supply chains to serve our customers. By taking prudent measures quickly to preserve cash and manage costs, the Company achieved double digit EBITA margins and positive operating cash flow in 2020.

The Production Optimisation Plan is structurally reducing our fixed cost base and, in parallel, we are seeking to variabilise our cost base (using methods such as outsourcing to achieve this).

By maintaining financial strength, we look to sustain positive strategic momentum to ensure that the Group will be well-positioned to take advantage of growth opportunities when markets improve.

We are also increasing the agility of our business, by working closely with our customers to better understand their needs, providing even more customised solutions, prioritising low-cost production from our plants, and improving our supply chain and integrated business planning to enable the Group to respond more swiftly to their evolving needs.

3. Regionalisation

Why is it important?

Whilst our world progressively becomes more interconnected, with rising levels of global development and economic growth, there has been an important trend towards increased regionalisation and protectionism.

Our response

We operate on a global scale with more than 70 sales offices worldwide as well as strong, diversified and agile production networks, which are supported by specialised regional hubs.

To address increased regionalisation, which we believe is likely to be a characteristic of our markets moving forward, we have strengthened our regional structures to bring us closer to our customers, secure our supply chain and optimise our sales network. We have also decentralised managerial decision-making and implementation to the regional level to promote agility, adaptability and flexibility.

4. Connectivity (digitalisation, automation and artificial intelligence)

Why is it important?

There is an increasing demand for digital technologies amongst our customers. The global business environment is characterised by more data interfaces and higher levels of digitalisation and automation. There has been a notable acceleration of this trend since the onset of the COVID-19 pandemic. New technologies associated with artificial intelligence (AI) and Big Data are being harnessed to support automation and have transformed the way we do business.

Our response

One of the fundamental drivers of our business model and strategy is our focus on innovation, digitalisation and automation. We are investing heavily in digital transformation, with resultant new products and solutions, supported by a partnership with Microsoft during 2020 (see detail on page 32).

We leverage data, connectivity, AI and predictive maintenance to meet the ever-increasing requirements of our customers in the digital world. By launching solutions, including 360° customer view, Remote Assist, our customer portal, connected field service and the sales chat function, our customers can now connect with RHI Magnesita experts to solve issues remotely, even in times of restricted travel.

5. Increasing importance of climate change and measures

Why is it important?

Sustainable business practices have become increasingly prevalent in most industries. Climate change concerns are accelerating the shift towards renewable energy production and technological developments in conventional processes such as steel and cement production, requiring systemic changes and innovation.

Our response

Climate change poses both opportunities as well as strategic and operational risks to our business.

Our climate strategy, which focuses on recycling, carbon capture and storage, fuel switch, energy efficiency and innovative customer solutions, is covered on page 69. Our immediate target is to reduce Scope 1, 2 and 3 emissions (raw materials) per tonne by 15% by 2025.

By leveraging our R&D and innovation capabilities, we can be pioneers in our industry and capitalise on this opportunity to help customers reduce their CO_2 emissions.

Over the next four to five years, we will invest €50 million to trial carbon capture technologies; read more on page 35.

Read more in Strategy **Pages 24 to 39**

Operational review

Group highlights

- Quick and decisive actions were taken at the outset of the pandemic to establish COVID-secure and safe working conditions, preserve cash and improve cash flow, maintain liquidity and sustain production and supply.
- In order to address the increased levels of volatility and uncertainty triggered by the pandemic, the Company is developing innovative approaches for a digitalised and agile refractory supply chain.
- Market challenges continue to be addressed through the Production Optimisation Plan and raw material strategy, with a focus on adapting production networks to operate on a more regionalised basis, decentralising managerial decision-making.
- Demand outlook gradually, sequentially improving, with greater confidence in the order book across business units.
- The Group continues to focus on its strategic initiatives, improving cost effectiveness and enhancing its sales strategies.

Steel Division

Steel revenue

€1,583m

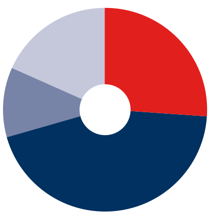
2019: €2,018m

Steel gross margin

23.5%

2019: €23.1%

Revenue breakdown by geography in Steel Division



Europe, CIS, Turkey	26%
Americas	44%
China and East Asia	11%
India, Africa, West Asia	18%

Numbers do not add up to 100 due to rounding.

Demand for refractory products in the Steel Division, which accounts for 70% of Group revenue, is driven largely by global steel production volumes.

Refractory products in steel plants are used to protect applications such as the basic oxygen furnace (BOF), electric arc furnace (EAF) and ladles from hot liquid steel. The lifetime of the refractory linings in steel production range from 20 minutes to two months and are therefore regarded as consumables and an operating expense by our customers. Refractory products and services are estimated to contribute c.2-3% to the total cost base of a steel producer but can have wider benefits or impacts on energy consumption, production efficiency and margins beyond their cost contribution. The Group is a global leader in the manufacturing of advanced refractory materials and offers heat management services to its customers which can significantly improve steel plant performance.

Read more in our markets on **Pages 21 and 22**

Steel Division revenues declined by 22% in 2020 to €1,583 million (2019: €2,018 million), predominantly impacted by the effects of the global pandemic. Gross profit for the Division was €371 million, down from €467 million in 2019. However, gross margin increased over the same period by 40bps to 23.5%, which was predominantly due to increased efficiencies and thereby lowering the cost of sales margin.

Europe, CIS, Turkey

Total revenue for the year in Europe, CIS and Turkey amounted to €436 million, down 26% on 2019 (2019: €592 million). The Company's overall performance in Western Europe was impacted by COVID-19 and weaker raw material prices, as well as overcapacity and a high cost base, leading to a 31% fall in revenues.

The Group is making good progress in Europe in its strategy to increase its competitiveness by reducing excess capacity and costs. As part of the Production Optimisation Plan, the Company is investing over €40 million at the Hochfilzen plant, transforming it into a centre of innovation for dolomite research, as well as a hub for providing high-quality supply of dolomite products throughout Europe. The Group has also committed to invest c.€50 million in modernising the Radenthein plant, expanding RHI Magnesita's technical leadership.

As part of our digitalisation initiatives, Radio Frequency Identification (RFID) technology has been launched as an on-site pilot with a European customer.

One of the Group's new solutions business models was launched in Europe in 2020, and one contract has already been signed with a long-standing customer. The Group is also experiencing increasing demand for CO_2 reduction and recycling solutions amongst its customers in Europe, CIS and Turkey.

Americas

Total revenue for the year of €693 million in North and South America represented a 21% decrease on 2019 (2019: €881 million), mainly as a result of the impact of COVID-19 on the regions' economies and consequently on crude steel production, but also currency devaluation (principally of the Brazilian Real). After the strong performance in Q1 2020 in the Americas, Q2 and Q3 were heavily impacted by the pandemic. Refractory sales volumes started to gradually improve in Q4, with some regions returning to pre-pandemic levels, notably Brazil. Demand for steel increased faster than supply in late 2020, and the region faced steel capacity constraints, particularly in Brazil, which saw strong export demand from Mexico, which necessitated the rebuilding of steel customer inventory levels.

The consolidation of the North and South American sales regions has resulted in multiple synergies, more effective inventory and accounts receivable management and the implementation of a volume initiative programme to increase market share with a specific focus on underserved product groups.

The solutions model is well advanced in the Americas, accounting for approximately 47% of total revenues. We are currently adapting business models with select customers and offering tailored solutions to match specific requirements and customer profiles. We have had a strong take up of digital solutions, with both Automated Process Optimisation (which uses artificial intelligence to predict refractory product service life) and Quick Check (a smart measurement solution using 3D scans to monitor lining wear measurements) being piloted by customers across the Americas.

Operational review
continued

We are working to increase our market position in flow control, with strong order pipelines and good levels of customer interest, in addition to positive results from a number of ongoing customer trials.

The Group has successfully implemented recycling initiatives in 2020. In North America, this includes promoting recycling solutions at customer sites to reduce environmental impact, generate increased revenues and strengthen relationships with customers. In South and Central America, the focus is predominantly on new refractory formulations developed using recycled raw materials, thereby replacing the need for virgin materials and significantly reducing carbon emissions.

China and East Asia

China, one of the Group's strategic focus markets, performed well in 2020, with revenue increasing by 41% on 2019 to €67 million (2019: €48 million), thanks to the Group's success in developing new business and increasing market share. China recovered from the impacts of the global pandemic far quicker than other markets, enabling the Company to leverage its strong regional production facilities, local R&D excellence and integrated sales channel in the region.

East Asia revenue decreased 24% to €100 million (2019: €131 million) reflecting the impact of COVID-19 on customer demand. Revenue declined in Indonesia, Malaysia, the Philippines and Thailand.

China and East Asia were integrated into one organisational region during the year and the strengthened local and regional teams, with greater autonomy and authority, have proven to be effective. In 2020, the Company signed its first two Full Line Service (FLS) contracts in China with two EAF plants. We expect to further grow our market share in this area.

As part of the Company's ongoing Production Optimisation Plan, the production of certain refractories has been transferred to China from other regions (such as Europe) to enable a more regional and specialised approach.

One of the key focus areas of the Chinese steel industry over the next five years is the introduction of more electric arc furnace (EAF) plants, with approximately 50 new EAF plants planned for completion by 2023 (representing circa 75Mt capacity). This provides a significant opportunity and focus for the Company, since EAF plants require more refractory products. In China, we have strategically grown certain product segments (such as EAF and flow control) and added value through our solutions business model during the year.

The Group's digitalisation strategy is advancing well in China and we are rolling out a Manufacturing Execution Systems (MES) programme in Dalian.

The Company also initiated its first recycling solutions contract with a Chinese steel customer during 2020.

India, Africa, West Asia

Total revenue for the year in India, Africa and West Asia amounted to €287 million, down 22% on 2019 (2019: €366 million).

Following a solid performance in Q1 2020, a decrease occurred during the second quarter, which was particularly notable in the Indian market, as a result of COVID-19. Nevertheless, some regions, such as Saudi Arabia and Oman, outperformed during this time. Signs of a swift recovery were evident in India at the year end, and encouraging signs were noted in Africa and West Asia in late Q4 in terms of new orders.

In India, one of the Group's strategic focus markets, the government has recently introduced a "Make in India" policy, which encourages companies to manufacture in India and incentivise local manufacturing investment. This represents a positive development for the Company, given our strong local production network and we aim to take advantage of this new policy by increasing local capacity. The Company is gaining competitive advantage by manufacturing products for the Indian market locally, which not only enables faster product development and concept implementation, but also provides working capital benefits for both our customers and the Company, as well as improving costs. The new Cuttack plant is operating well and the planned increase in capacity by the end of 2021 is expected to support local demand.

A new R&D centre, which will be fully operational in H2 2021, is being developed at our Bhiwadi plant in India to facilitate a greater understanding of local markets, providing significant value to our customers, and enable a faster and more unified technology transfer in the region, with significant cost competitiveness. In line with our key strategic priorities, its focus areas will be local raw material development, operational support for our three Indian plants, and problem solving and improvement projects for our customers.

Post year end, a merger of the Group's Indian entities was approved by the Apex Court, NCLAT of India, enabling the simplification of the structure in this region. Organisational structures were also reviewed and amended across Africa and West Asia in 2020 to optimise, rationalise and implement a simpler framework.

Industrial Division

Industrial revenue

€676m

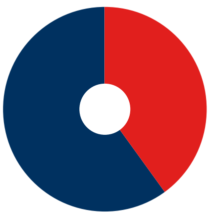
2019: €904m

Industrial gross margin

26.4%

2019: 27.7%

Revenue breakdown by segment in Industrial Division



Cement and Lime	40%
Industrial Projects	60%

The Industrial Division (which accounts for 30% of Group revenue) provides refractory solutions to customers across the cement, lime, glass, non-ferrous metals (NFM), aluminium and environment, energy and chemicals (EEC) industries.

The Industrial Division segments are subject to longer replacement cycles as the lifetime of a refractory product in these industries varies anywhere between one year to 20 years.

Read more in Our markets on **Pages 22 and 23**

Industrial Division revenues declined by 25% in 2020 to €676 million (2019: €904 million), impacted by the effects of the global pandemic, with customers postponing capital expenditure projects. Gross profit for the Division was €179 million, down from €250 million in 2019 and gross margin declined over the same period by 130bps to 26.4%. This was predominantly due to the macroeconomic uncertainty, as a result of COVID-19 and oil price volatility, which has precipitated a contraction in customer capital expenditure and the postponement of project decisions.

Cement, Lime and Industrial Projects were combined under one leadership team in 2020, creating a single organisational unit that focuses on refractory excellence and digitalisation, to enable the Company to continue leading in innovation and being the partner of choice of our customers.

Cement and Lime

Revenue for the year was €273 million, down 21% on 2019 (2019: €344 million). Cement and Lime accounted for 40% of total Industrial Division revenue in 2020 and 12% of Group revenue. Following solid performance in Cement and Lime for Q1 2020, reflecting the usual high seasonal demand during the annual repair cycle, Q2 and Q3 were negatively impacted by COVID-19, with a contraction in demand, leading to reduced production and some temporary closures of cement plants in certain regions. Performance started to improve in Q4 and the order intake for repair activity in Q1 2021 has been strong. Regional performance varied significantly depending on the relative impact of the COVID-19 pandemic on different geographies. The market in India reduced by c.25% in 2020, whereas other markets remained more resilient. Market share remained largely stable, with some areas of improvement, such as in China, where the Company now accounts for over a third of the market, against a backdrop of a shrinking cement market and lower clinker capacity. In Brazil, revenues were maintained at 2019 levels (in Euro terms) in spite of the significant impact of the pandemic and the weakness in the Brazilian Real due to a record performance in Q1 2020.

Two key product groups in the cement industry have shown strong traction in 2020. ANKRAL Low Carbon (LC) products, which reduce environmental impact, have been rolled out selectively in Europe during the year. Decarbonisation of the cement industry remains a dominant topic for producers. Following its launch by RHI Magnesita in 2019, the ANKRAL X series, which combines clinker melt resistance with flexibility, has seen excellent demand, representing the fastest product introduction in the cement industry.

As part of our strategy to drive digitalisation, a digital emergency sales channel (the Cement Webshop) was launched with selected customers in 2020, affording visibility on stock for immediate shipment, enabling customers to access materials quickly and providing access to our products in emergency situations.

Operational review
continued

Industrial Projects

Industrial Projects, comprising NFM, aluminium, glass and energy, environment and chemicals, reported revenue of €403 million in 2020, representing a 28% decrease on 2019 (€560 million). The weaker revenue performance was largely due to COVID-19, which led to heavy project postponements in NFM and weaker metal production levels globally, resulting in some temporary customer plant closures, as well as significantly reduced refinery activity throughout the year. The Glass segment was more resilient, but still experienced some project postponements in Q2. Industrial Projects accounted for 60% of total Industrial Division revenue in 2020 and 18% of Group revenue.

We have made progress in developing a broad product portfolio in different plants around the world, thereby ensuring supply stability for our customers. This is expected to further improve resilience in 2021 and beyond as we are able to provide products from facilities in Europe, the Americas or Asia.

China saw its first customer uptake of the Company's innovative regenerator product (Innoreg) for the glass industry in 2020, which addresses challenges of thermal efficiency and lifetime, representing success in further expanding our product offering in this market.

In Europe we have successfully implemented Remote Assistance for customer inspection work in the Glass and NFM segments. We also successfully installed our electromagnetic electro-magnetic level indication "EMLI" sensor solutions (which measure metal slag level) with several NFM customers and have some further exciting developments in the pipeline.

Outlook

We continue to see steady, month-on-month improvement in demand, however volatility and uncertainty are likely to remain elevated in the short term. The Group expects overall recovery trends to continue in both its Steel and Industrial divisions during 2021, with earnings likely to be weighted towards the second half.

Our expectations for 2021 adjusted EBITA are in line with current market expectations[1], assuming the recovery in our end markets is sustained. The Group has protected its commercial, operational and sustainability investments throughout a period of difficult market conditions and is well positioned to benefit from these as markets recover.

1. Current market expectation based on Company compiled consensus of €310 million.

Case study

Virtual Reality has supported our ability to work effectively during the pandemic

During 2020, when travel was heavily restricted or prohibited, RHI Magnesita successfully used Virtual Reality (VR) to continue activities such as customer and internal site visits, due diligence, quality control checks and the transfer of technological skills. Some examples include:

- Smart Glasses, which were used to inspect and evaluate new presses manufactured in China in accordance with design specifications, known as a Factory Acceptance Test (FAT). The use of VR in this instance enabled technical experts from Brazil and Europe to participate in the FAT remotely.
- Quality inspections usually performed physically by customers at our plants were instead carried out remotely using Remote Assist mobile applications and Smart Glasses. This prevented product delivery delays and reduced working capital.
- As part of the plant network optimisation in the Americas, R&D and process teams used Smart Glasses for production technology transfer from Brazil to Mexico. This enabled experts in Brazil to provide remote support and allowed additional colleagues to participate. All activities were recorded, thereby facilitating training in the future.
- Smart Glasses were used by the operations management team to perform a virtual tour of construction work at Contagem, removing the need for site visits and enabling more team members to participate.
- The quality management team in Brazil used Smart Glasses for remote laboratory equipment installation and to provide support from colleagues around the world. The hands-free nature of Smart Glasses is particularly well-suited to the laboratory environment.

Our response to COVID-19

RHI Magnesita identified the following three priorities in response to the pandemic, which have been cascaded throughout the Group to enable us to navigate these challenging times:

1. **Protecting the health and safety of our employees**
2. **Ensuring business continuity**
3. **Focusing on the liquidity and profitability of our business**

We responded quickly to the COVID-19 outbreak, recognising our responsibility as a global business to remain a reliable partner for our customers and other stakeholders, at the same time maintaining our important position in the value chain.

Our first priority was to protect the safety and wellbeing of our employees and others who work alongside us. Key measures taken included:

- Establishing cross-functional regional task forces for Europe, CIS and Turkey, the Americas, India, Africa and West Asia following the formation of our China and East Asia task force in Q1. Our approach is guided by the World Health Organisation (WHO), Centers for Disease Control and Prevention (CDC), local governments and other sources.
- Implementing strict safety protocols for employees and partner companies at production facilities, our offices and other operations worldwide. The measures implemented included the provision of personal protective equipment (PPE), daily temperature checks using infra-red cameras, increased cleaning and disinfection, testing strategies, building additional washing facilities, and controlled entry/exit procedures to reduce physical interaction during arrival and departure times.
- Implementing a remote working strategy wherever feasible in the corporate offices and introducing social distancing measures.

Read more about health and safety
Page 72

By taking a holistic view of the potential impacts of COVID-19 as early as possible, we were able to put in place targeted responses, appropriate for the different market environments and stakeholder requirements.

Our strong regional presence in China and the first-hand experience we gained in this country in Q1 meant that the Group was able to take necessary actions quickly and efficiently in other regions. Owing to our new Integrated Business Planning process, introduced in January 2020, the Company was able to update demand forecasts more quickly and align demand with production planning, supply chain and financial forecasts, thereby providing more accurate analysis and enabling more agile responses.

We maintained production capabilities and supply chains, working closely with authorities to ensure adherence to relevant restrictions and legislation whilst also leveraging our global network, allowing us to consistently serve our customers throughout this challenging period. This was reinforced by the World Refractory Association, which stressed that refractory companies worldwide should be recognised as an essential industry. Where travel and site access were restricted, we implemented digital solutions to maintain a reliable level of service — see further detail in the case study on page 18. Our experience in 2020 has proved useful for optimising our supply chain management, with improved risk assessment, enhancements in demand, supply maturity planning and for further capitalising on our global network.

We reacted rapidly to reduced demand by taking prudent measures to preserve cash and manage costs, maintaining double-digit operating margins and positive operating cash flow. The Group took steps to increase liquidity in January and maintained robust levels of €1.0—1.2 billion throughout March to December 2020.

The Group achieved a total short-term fixed cost saving of €50 million in 2020, as a result of the consolidation of production, temporary plant closures, voluntary salary reductions by Directors, the Executive Management Team and some employees. These short-term measures were then embedded in the business through the subsequent focus on regionalisation, digitalisation and cost reduction. Measures were taken to reorganise and optimise our organisational structures, bringing us closer to our customers and decentralising decision-making, enabling the business to respond in a flexible, agile and timely manner in all its regions, and facilitating significant savings in SG&A.

Working capital reduction strategies were successfully implemented across the Group in response to lower demand, thereby releasing cash to the business. By maintaining strong communications with our customers, we were able to ensure the timely collection of accounts receivable and reduced overdue debtors during the year to the lowest level in the Group's history.

Read more in the Financial review
Page 42

The severe and far-reaching impacts of COVID-19 became apparent early in the pandemic, and we took swift action to help those in our local communities who have been hit hardest. We remain committed to supporting longer-term efforts to rebuild lives and livelihoods.

Read more in Our communities
Page 74

In order to address the lasting implications of COVID-19, we closely monitor trends and the market environment to ensure we have the correct strategic responses to meet challenges and harness opportunities going forward.

Read more in Trends
Page 12

Our long-term strategy remains in place, but we have taken this opportunity to accelerate and extend elements.

Read more in Strategy
Page 24

Our markets

Key industry demand drivers for our business

Demand for our refractory solutions is based on those industries requiring advanced heat-resistant materials for their production processes: being predominantly steel, cement/lime, non-ferrous metals (NFM), glass and the environment, energy and chemicals (EEC) industries. In the long term, demand for refractories is driven by the production volumes of these industries and, therefore, demand for their end products is the central driver of our business.

1. Construction

Construction and infrastructure are the key drivers for the Group's Steel and Industrial Divisions. Approximately 45% of overall refractory demand is estimated to be derived from construction markets, with a strong inherent link to global economic growth.

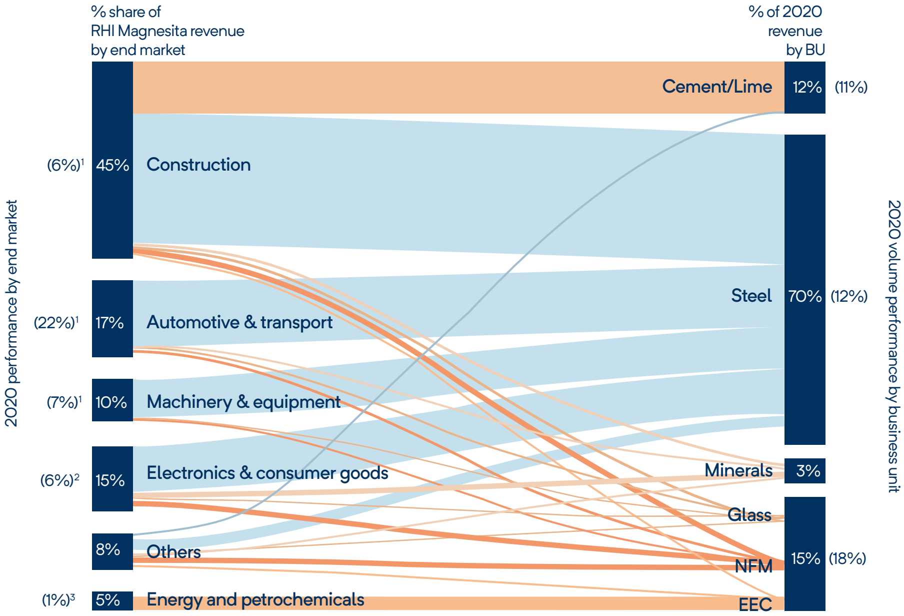
Aided by government stimulus, the construction sector remained more resilient than other industries throughout 2020 as many governments focused on implementing public projects, particularly in developed economies, and interest rates remained low. Investment in infrastructure is likely to be at the core of government stimulus programmes in the markets in which we operate to aid economic recovery following the fallout from the pandemic. A robust recovery in construction is anticipated for 2021, particularly in emerging economies, albeit from the relatively low base of 2020.

2. Automotive and transport

The automotive industry is another key end market for the Group. As part of the green energy transition, it is experiencing a substantial restructuring, with increasing production of electric vehicles (EV) and evolving mobility requirements influencing the supply chain. This is expected to benefit RHI Magnesita, given our strong exposure to the NFM segment which will be supported by increased demand for metals required for EV production and other green technologies.

The industry was among those worst affected by the coronavirus crisis, with automotive production declining by between 70-90% in many countries in April 2020. Global production fell in by 18% in 2020, with Germany and the US registering a 19-27% decrease for the year.

Lower volumes across end markets during 2020



1 CRU.
2 Electronics market declined by (6)%, Euromonitor.
3 Based on internal estimates.

3. Machinery and equipment

The machinery sector was impacted by supply chain disruption and order declines in 2020, as a result of increasing uncertainty in the outlook for investment projects.

Given the anticipated stimulus measures that are expected to drive infrastructure projects, an uptick in demand is anticipated for heavy machinery and equipment, albeit this is likely to be slow in the near term. Longer term, this will positively impact demand for the Group's Steel Division (with refractory performance instrumental in end products in this sector, and therefore likely to support RHI Magnesita as a supplier), as well as the NFM segment.

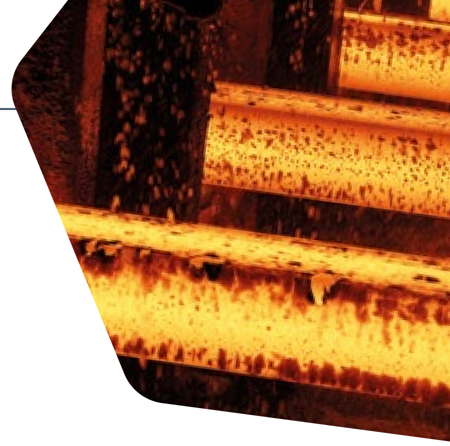
4. Electronics and consumer goods

The electronics and consumer goods industry faced challenges given the disruption to supply chains and production resulting from regional lockdowns. However, due to increased urbanisation and the rising middle class, demand for electronic and consumer goods is expected to continue in the longer term, underpinned by rapid developments in new technology. NFMs are key components for these industries and their production and demand is strongly associated with their market prices (copper and zinc are the most relevant to our business). Demand for LME metals (such as copper, nickel, lead and lithium, which are all required in the production of EVs) is expected to be supported by decarbonisation trends.

5. Energy, oil and gas, petrochemicals

In addition to the structural disruption faced in these industries, as a result of the transition to renewable energy, these markets were heavily impacted by COVID-19 (with regional variances noted), which significantly disrupted the oil and gas industry. Global petrochemicals demand is expected to take between one and three years to recover, depending on geography.

Data sources: World Steel Association, CRU, McKinsey.



2020 market update

Steel Division

Steel production is one of the fundamental market drivers for the Group, with demand for refractory products closely correlated with volumes; steel revenue contributed c.70% of Group revenue in 2020.

Global steel production contracted by c.1% globally to 1,864Mt in 2020 (and by c.8% globally excluding China) as a result of COVID-19, which disrupted supply chains, caused steel plant shutdowns, negatively influenced confidence, delayed investment projects and reduced consumption. This directly impacted our key steel end markets: construction, automotive and machinery and equipment.

Quarterly performance varied significantly, with the most notable decrease in volumes of 9% being seen between Q2 and Q3. The lowest demand point globally was in April 2020, and the market has been improving since the middle of May, albeit with varying levels of recovery from region to region. Steel demand is expected to grow by 4% in 2021, recovering to 1,795Mt.

Steel Division contributes

70%

of Group revenue

Europe, CIS, Turkey

- The European steel market had already weakened at the end of 2019, predominantly due to lower demand in the manufacturing sector and some degree of destocking in the second half of 2019. It was then significantly impacted by the challenges of the global pandemic, most notably in the automotive sector (accounting for a larger proportion of end demand than in other geographies), but construction remained resilient. Q2 saw the most significant effects of COVID-19, followed by a slight recovery in Q3, and a continuation of this trend into Q4. EU steel production reduced by 12% for the full year; it is expected to reach 2019 levels between 2021 and 2022.
- The CIS was less impacted by the pandemic, with steel production increasing by 1.5% on 2019. 2021 production is expected to grow by c.1%.
- Steel production in Turkey increased year-on-year by 6%, driven by higher export volumes.

Americas

- Following a strong Q1, both North and South America suffered precipitous declines in steel production volumes in Q2 because of COVID-19. Production began to improve in Q4, returning to pre-pandemic levels, specifically in Brazil, supported by Brazilian exports and the weak Real. Production is expected to show some recovery in 2021, with supply increases expected in North America from new steel plants and expansions, meeting the increase in demand seen at the end of 2020.

Case study

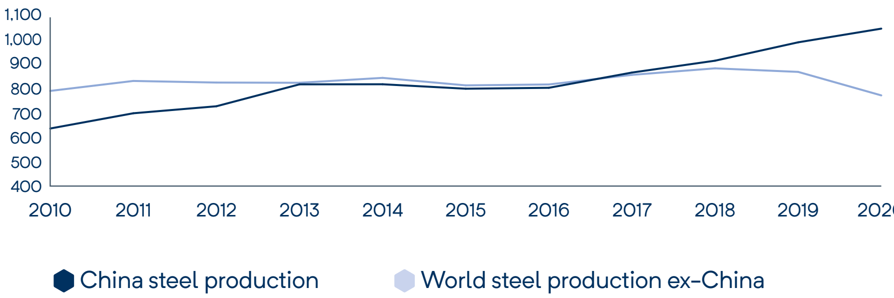
Electric arc furnaces expected to drive demand

RHI Magnesita supplies refractory materials to customers that use electric arc furnace (EAF) applications. EAFs predominantly use scrap steel as opposed to iron ore, and are therefore considerably less energy intensive than the blast furnace-basic oxygen furnace (BOF) route. The refractory wear rate, however, is greater given the abrasive material. EAF applications therefore require larger volumes of refractory bricks, albeit at cheaper product prices.

In response to tightening carbon emissions regulations and the trend of global industrial decarbonisation, we expect to see an increasing number of EAFs coming onstream, with CRU forecasting an increase in the global share in total steel production attributable to EAFs from 25% in 2020 to almost 30% by 2025, driven specifically by China. As an example, RHI Magnesita's customer Liberty Steel UK has committed to offer its customers a sustainable, high-quality alternative to traditionally produced steel as part of its GREENSTEEL programme, and shipped its first orders of sustainably-produced steel reinforcing bars (GreBar) in 2020. By recycling scrap steel in EAFs, powered by renewable and low-carbon energy, Liberty is aiming to support the "build back better" plan following the global pandemic.

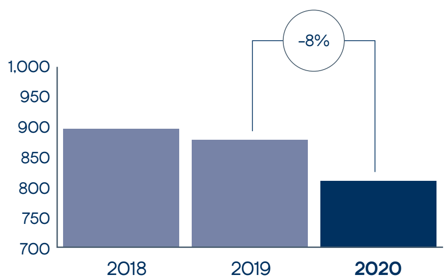
World steel production

Mt



World steel production ex-China

Mt



Data sources: World Steel Association, CRU, McKinsey.

Our markets
continued

China and East Asia

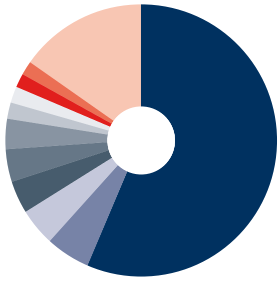
- Whilst COVID-19 significantly impacted steel production in China in Q1, an almost full recovery was seen by the end of April and a year-on-year increase of 5% was recorded for the full year, benefiting from government infrastructure stimulus and the strong property market.
- China is implementing its 14th Five-Year Plan (2021-2025), which is expected to be more domestically driven, and focused on technological innovation and environmental sustainability.
- East Asia was harder hit by COVID-19 than China and steel production decreased by c.9% year-on-year.

India, Africa, West Asia

- Steel production in India decreased significantly in Q2 due to the pandemic but showed signs of recovery from Q3 onwards. Total production in 2020 decreased by c.11%. Demand in 2021 is expected to recover sharply, albeit a severe second wave of COVID-19 presents a risk to this outlook.
- The South African steel industry was heavily impacted by COVID-19 and the outlook remains precarious on account of the ongoing pandemic and high unemployment rates.
- The Middle East and North Africa (MENA) region was severely impacted by both the pandemic and falling oil prices. Some recovery in steel demand is expected in 2021.

Geographical drivers of refractory demand

The 10 largest steel producing countries



	2020 (Mt)	Change (%)
China	1,053	+5
India	100	-11
Japan	83	-16
Russia	73	+3
United States	73	-17
South Korea	67	-6
Turkey	36	+6
Germany	36	-10
Brazil	31	-5
Iran	29	+13
Other	284	-7

Source: World Steel Association.

Industrial Division

The Industrial Division supplies various industries which follow different market dynamics and demand patterns. They are predominantly driven by global industrial production, with related impact from global GDP, crude oil and base metal prices.

Within the Industrial Division, the majority of refractory products for NFM, other process industries, and to a certain extent cement applications, tend to be treated as investments from a customer perspective. They were therefore impacted in 2020 by customers seeking to reduce their capex spend to preserve financial liquidity.

Industrial Division contributes

30%

of Group revenue

Cement market

Global cement production declined in 2020 by almost 3% to approximately 3.9 billion tonnes as a result of the global pandemic. Governmental stimulus programmes focusing on infrastructure are expected to lead to a compound annual growth rate (CAGR) of 2% in cement production during the period 2021-2025.

The differences in cement production on a national or regional level were significant:

Europe, CIS, Turkey

- In Western Europe, cement demand dropped by 5%, albeit registering varied levels across the region. Spain was heavily impacted by COVID-19, causing a decline of 13%, whereas Germany saw almost stable cement demand, thanks to ongoing infrastructure projects.
- Eastern Europe and CIS saw a comparable downturn in cement demand to that in Western Europe, but from a lower base, having experienced a similar drop in 2019. With low exposure to the most impacted sectors, Poland decreased by only 1%, however Russia saw a 7% drop, with an uncertain outlook due to both the pandemic and low oil prices.

Data sources: World Steel Association, CRU, McKinsey.

Americas

- South America, which has faced macroeconomic pressure in recent years, saw a further drop in cement demand of 6%. This was most pronounced in countries such as Argentina, where a combination of lacking economic reforms and stringent lockdowns led to a contraction of 15% or more. Brazil maintained growth of 4%.
- Cement demand in North America dropped by 6% in 2020 and a rebound is expected to be delayed until 2022.

China and East Asia

- China, which is responsible for over half of global cement production, was the only region to register slight year-on-year growth of 1% in 2020. Having been impacted by the pandemic early in 2020, the recovery was boosted by governmental stimulus.
- The Asia Pacific region, which saw steady growth prior to the pandemic, witnessed a contraction in cement production of 7% in 2020. However, despite competitive market conditions with relatively low utilisation rates, it is expected to remain the fastest growing region with a return to solid growth rates.

India, Africa, West Asia

- India (the second largest global cement producer) suffered a production decline of 20% in 2020 as a result of lockdowns. With the opening of the economy, it is expected that construction activities will rebound and facilitate a CAGR of 5% from 2020-2025.
- Production in the Near Middle East dropped by 2% in 2020, following demand growth in 2019. Major infrastructure investments are still underway, but impacted by low crude oil prices. Saudi Arabia is the exception, with cement production increases reported in 2020 for the first time in several years.
- In Africa, cement demand was down 4%. The outlook, especially for sub-Saharan Africa, remains cautiously optimistic.

NFM

The base metal and ferro alloy markets were significantly impacted by the global pandemic, which led to production reductions, plant closures as well as inventory reductions driven by customers' focus on preserving their financial liquidity. A partial recovery was evidenced in late Q4 and this improvement is expected to continue due to postponed projects coming on stream in 2021. Long-term base metal demands will be driven by the green energy transition.

Process industries

Customer industries in process industries (glass, EEC and mineral sales) were affected to varying degrees by COVID-19.

- The packaging glass market was not significantly impacted by COVID-19. There were minor decreases in the construction industry glass market, due to project delays. Lower demand levels are expected to continue in 2021.
- EEC saw a substantial decline in demand, due to the drop in oil prices, with the majority of projects postponed and maintenance delayed or shortened, resulting in a challenging market environment. Some positive signals of future project developments appeared towards the year end.
- Good project levels were maintained in the aluminium industry, albeit with low demand in maintenance business due to weak capacity utilisation of most customers. Improvements were visible in the market towards the year end.

External price drivers

Whilst most refractory products are priced according to the complexity of their composition and often sold as a solution package, some are impacted by the price of certain input raw materials.

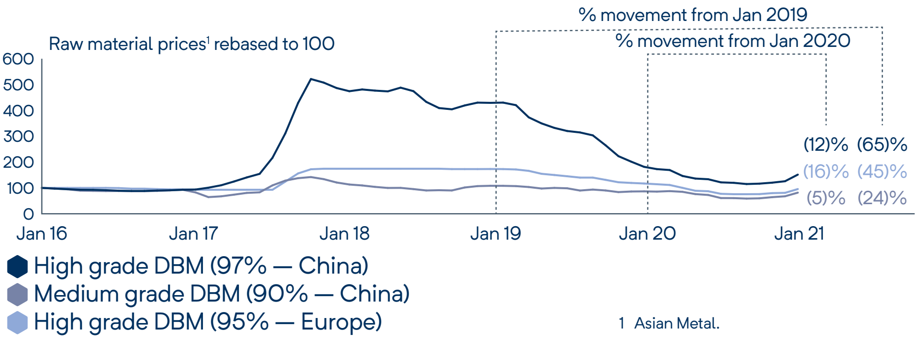
Raw material pricing

The main raw materials used for refractory products are magnesia and doloma, on account of their thermochemical properties which enhance refractory performance and are critical for the safety and productivity of our customers' applications. Through our backward integration model, the Company is its own producer of high-quality, low-cost raw materials, achieving security of supply for production.

An extensive review of raw material production was conducted in H1 2020, which confirmed that the majority of our raw materials are produced at highly competitive rates, and on the lowest end of the cost curve. The exception was our production of electrofused magnesia, and consequently these operations in Norway and Brazil were suspended in favour of long-term, low-cost, alternative supply arrangements.

During 2017 and the start of 2018, raw material prices reached significantly elevated levels, following the enforcement of Chinese environmental regulations (which had been in place for some time but not yet strictly imposed). This resulted in a widespread ban of explosives, used to extract raw materials, thereby disrupting production. The temporary shortage of supply of magnesite-based raw materials led to a surge in prices, which has since dropped back. In 2020, prices continued the fall to previous long-term averages, exacerbated by a drop in demand from export markets impacted by the COVID-19 pandemic.

Raw material prices



1 Asian Metal.

Backward integrated in basic raw materials

70%

Data source: CW GROUP.

Our strategic framework

Our overall strategic direction remains unchanged and we have made good progress in executing and accelerating a range of initiatives during 2020. We are confident that our differentiated strategy will increase our competitiveness, enhance our business model and drive our market leadership.

This is underpinned by our people and culture as well as our commitment to sustainability and focus on digitalisation, which will facilitate long-term value generation.

Our strategic priorities

Competitiveness

Cost-competitive global producer of technologically advanced refractory materials with safe production network and a focus on sustainable value generation.

Deliver further cost reduction through rationalisation, restructuring and network optimisation. Implement higher level of SG&A containment and increase fixed costs variability.

Business model

The leading service and solution provider in the refractory industry, with an extensive portfolio based on innovative technologies and digitalisation — the building blocks for a strong and sustainable future.

Maximise value from sales strategies. Increase number of solutions contracts. Be the partner of choice for existing and new customers.

Markets

The Group has 15% global market share (30% ex-China) within a c.€20 billion industry. Worldwide presence with strong local organisations and solid positions in all major markets.

Value-adding consolidation opportunities in the global refractories industry to achieve growth in under-represented markets.

Enablers of our strategy:

People and culture

Hire, retain and motivate talent and nurture an innovative, open, pragmatic and performance-driven culture.

Read more in people and culture
Page 38

Progress

- Execution of SG&A cost reductions of €10 million, and on track to achieve €30 million by 2021.
- Extended plant optimisation programme to close up to 10 sites in total by H1 2022 (from 32 sites when the programme was announced in November 2019), modernise our network and focus on providing "local for local" production, with benefits increased to a run rate of €55 million per annum by 2022.
- Good progress made with network rationalisation; closure of Hagen, Trieben and Burlington in 2020.
- Investment to optimise the Hochfilzen, Radenthein, Cuttack, Brumado and Contagem plants.
- Extensive review of our raw material and mining costs demonstrated strong competitiveness, through selectively sourcing our own raw materials. It also identified further action to strengthen our strategy to be the lowest-cost producer of technologically advanced refractory materials (including the suspension of high-cost fused magnesia production, in favour of long-term alternative supply arrangements).

Outlook

- Cumulative strategic cost savings (including the SG&A Reduction Plan) achieving a run rate benefit of €100 million per annum by 2022.

Optimising our business and driving productivity
Page 27

- Further successful development of the solutions business model.
- Encouraging progress with Flow Control business.
- Prioritising new digital solutions projects to invest in our future; this includes strategic partnerships, for example with Microsoft to accelerate our digital offering and support new ways of working with our customers.
- Whilst customer site access has been restricted by COVID-19 precautions, the Group has continued to take an active approach in its sales strategies.

- Expand the business model to increase value in core markets and maintain market share.
- Continue to deliver customer value, by driving process efficiencies, reducing costs and enabling sustainable benefits for our customers.
- Further development of the recycling business.
- Development and enhancement of innovative products.

Solutions portfolio
Page 31

Focus on R&D and technical leadership
Page 34

- Continued to maintain leadership in core markets through the expansion of our offerings in digitalisation, recycling and low-carbon products.
- Harnessing opportunities in growth markets.
- Focus on decentralising global functions and bringing them closer to our production sites and customers.
- Regional demand is now better addressed by production as a result of the ongoing Production Optimisation Plan.

- Continue to establish the Group as the global leader in refractories by sustaining leadership in core markets and achieving growth organically.
- Disciplined M&A in key growth regions and market segments.
- Maintain strong financial position to enable the Group to take advantage of opportunities as they arise.

Driving market leadership
Page 36

Sustainability

Sustainability is integral to the accomplishment of the Company's strategic priorities.

Read more in Sustainability
Pages 64 to 75

Read more in An industry leader in addressing carbon emissions
Page 35

Strategic progress in action

Competitiveness

Executing cost reductions

Cost-competitive global producer of technologically advanced refractory materials with safe production network and a focus on sustainable value generation.

Optimising our business and driving productivity

Cost reduction programme and optimising our operational structure

Projected run rate EBITA benefit per annum from cost savings by 2022

€100m

We are rationalising our plant footprint to reduce production costs and focus on more regional, agile and flexible output from our plants. This is augmented by a specialisation and cost reduction programme which involves investing in automation, creating centres of excellence, and building regional supply chains. As part of our automation and digitalisation projects, we are implementing state-of-the-art technologies to improve cost and environmental efficiencies, optimise product quality, improve customer experience and enhance safety.

The Group made progress with the following projects in 2020, as part of its Production Optimisation Plan:

- the closure of two large European plants; Trieben (Austria) and Hagen (Germany);
- entering into a share sale agreement for the divestiture of Drogheda (Ireland) and Porsgrunn (Norway); the sale of both plants completed on 1 February 2021;
- progressing as planned with the c.€45 million investment at Hochfilzen (Austria) to transform the plant into the Group's European dolomite hub;
- €30 million investment in a new, innovative rotary kiln in Brumado (Brazil) — see case study on page 29;
- €50 million investment in modernising and optimising Radenthein (Austria); and
- progress towards the reorganisation of brick production at the Contagem plant (Brazil), although this was delayed during 2020 due to COVID-19 and is expected to be completed in early 2022.

Read more
in Operational review
Page 14

We are enhancing regionalisation and de-centralisation of decision-making and right-sizing SG&A, thereby achieving run rate SG&A savings of €10 million in 2020, with a further €30 million forecast in 2021.

In order to preserve cash and support profitability in light of reduced demand during the global pandemic, we successfully implemented a short-term cost savings programme in Q2 2020, which realised a total saving of €50 million in one-off fixed costs over the full year.

Resilient adjusted EBITA margin performance in 2020

11.5%

2019: 14.0%

Plant digitalisation and automation

Automation and process optimisation are being used to digitalise the Company's plant network. As an example of this, we are employing robotics, Manufacturing Execution Systems (MES) and advanced technologies at our Radenthein plant, in Austria. Read more on page 28.

RHI Magnesita uses intelligent machines and robots to carry out work in our production facilities that previously would have been performed manually, such as at loading and unloading stations, palletising and finishing lines, tunnel/temper kiln car transportation and rack stacking. This not only enhances processes, enables significant efficiencies and more agile production management, but also improves safety and allows our employees to focus on control and optimisation.

Strategic progress in action
continued

Case study

Smart production processes: Digitalising our network

As part of our overall drive to improve the Group's agility and continuously aim to better serve our customers, we are adopting smart production processes to improve efficiencies.

One of the key foundations supporting our global digital transformation is the technology we are exploiting to optimise and integrate production processes across the Group. To pilot this scheme, computerised networks called Manufacturing Execution Systems (MES) are being implemented to track and document manufacturing processes from the raw material to the finished refractory product at our plants in Austria and China.

MES will accelerate and smoothen manufacturing processes, collect real-time data, improve efficiency and product quality, reduce costs and respond quickly to shop floor innovation and optimisation. We aim to build an independent, highly scalable and open source MES platform that can be swiftly rolled-out to other plants over the next few years.

In addition to the numerous benefits, such as enhanced customer satisfaction, improved employee engagement and optimised liquidity by reducing plant inventory, we anticipate the following three key measurable advantages:

- A reduction in unexpected downtime to improve overall equipment effectiveness;
- A reduction in maintenance and energy costs; and
- An improvement in environmental performance due to lower energy requirements.

Stock-keeping Unit (SKU) reduction programme

An SKU reduction programme has been initiated to create a simpler, global, streamlined portfolio of brands, shapes and packaging that better fulfils customer and market requirements. It also aims to improve the sales experience through enhanced product life cycle management and faster distribution of new technologies. With a reduced SKU base, we look to enhance inventory and plant productivity, increase sourcing flexibility to optimise the production network and reduce supply risk with more sourcing options.

Raw materials optimisation

The Group's backward integration constitutes a key competitive advantage. By optimising our global low-cost raw material assets, we aim to achieve cost leadership in every regional market.

Through the introduction of two new rotary kilns at operations in Brazil and Austria, we are increasing backward integration efficiency by developing a new portfolio of raw materials. This will provide greater operational flexibility, the ability to offer differentiated value-accretive products and further reduce costs (see further details in the case study on page 29).

Whilst the majority of our raw materials are produced at highly competitive rates, following an extensive review of raw material production in H1 2020, we suspended fused magnesia production in Porsgrunn, Norway, and Contagem, Brazil, in favour of long-term alternative supply arrangements.

Adjusted EBITA margin contribution from backward integration in 2020

2.4%

2019: 5.0%

Case study

Investment and innovation in backward integration

In August 2020, we announced a €30 million investment in a new, innovative rotary kiln in Brumado, Brazil. This will facilitate the development of a new portfolio of raw materials, including noble sinters at competitive costs. It will also enhance operational flexibility, by enabling the Company to offer differentiated, value-added products to customers in the Brazilian market, thereby putting us in an even more competitive position.

The R&D team plays a vital role in providing solutions to optimise production. In the case of Brumado, R&D developed an innovative process flowsheet, which aims to make better use of extracted ore by enabling the processing of magnesite from material which would previously have been considered as waste, and consequently significantly extending the life of the mine. This new technology is expected to significantly improve productivity at the mine, more than double the life of mine and deliver a structural reduction in costs, resulting in the operation becoming the lowest cost producer in the world.

Investment in innovative rotary kiln

€30m

> We endeavour to achieve cost leadership in every regional market by optimising our global portfolio of low-cost raw material assets.
>
> **Gerd Schubert**
> Chief Operations Officer

Strategic progress in action continued

Business model

Enhancing our solutions model

The leading service and solution provider in the refractory industry, with an extensive portfolio based on innovative technologies and digitalisation — the building blocks for a strong and sustainable future.

Case study

Embracing digital technologies: APO and QCK

Automated Process Optimisation (APO) and Quick Check (QCK) are both fundamental initiatives in the Group's digital transformation strategy.

APO is RHI Magnesita's unique, digital solution that predicts refractory product service life using Artificial Intelligence. This technology significantly increases safety, optimises production processes and facilitates energy cost savings. Data is collected during each stage of the production process and used to make predictions about performance, required maintenance and renewal of refractory products.

In February 2021, RHI Magnesita was named as one of the six companies that won the Microsoft Intelligent Manufacturing Award for its APO technology. The award recognises industry pioneers that demonstrate excellence through digitalisation and that are driving transformation with innovative ideas and creative approaches.

QCK is the Group's smart measurement solution. Based on innovative image processing technology, it uses 3D scans to monitor lining wear measurements. QCK produces images 10 times faster than even the most advanced laser technology and provides a significantly higher resolution. This higher-quality input data can then be used in the APO solution, optimising the resultant precision of predictions.

Solutions portfolio

Full portfolio of refractory solutions

The development of our solutions business model continues to progress and, whilst customer site access has been restricted as a result of COVID-19, thereby moderating the Company's performance to a certain extent, we have continued to take an active approach in sales strategies. The Group currently has a leading position in refractory solutions delivery in North and South America.

Target to drive percentage of sales from solutions by 2025 to

40%

from 27% in 2020

We offer customer solutions, technical, digital and supply chain services. We generate significant value for customers as a result of our tailored offerings, affording benefits which include increased productivity, capex savings, working capital efficiency, improved health and safety, supply flexibility, direct cost reductions, environmental benefits, enhanced product quality and better conversion efficiency.

As a Group, we are also able to derive important benefits from the solutions model in the form of:

- stronger differentiation from peers;
- opportunities to increase market share in other applications;
- improved customer relationships and better alignment of customer value creation potential;
- customer retention;
- shared benefits through improved customer production performance; and
- higher visibility at customer sites, providing direct insight into market demand and enabling us to drive technology leadership and innovation.

Strategic progress in action
continued

Case study

Strategic partnership for digital transformation

We signed a strategic partnership with Microsoft in 2020 to accelerate our digital offering and support new ways of engaging and working with our customers. Through this partnership we aim to align our leadership position in the refractories industry and Microsoft's technological expertise to drive innovation, growth and business value. Initiatives as part of this partnership include 360° customer view, Next Best Action (NBA) Engine, Radio Frequency Identification (RFID) Traceability, Machinery Connection, Remote Assist, our connected field service and our sales chat function.

Our digitalisation journey represents a significant transformation within our business that will build our resilience, enable us to provide outstanding customer experience, as well as to respond swiftly to the fast-moving digital future that lies ahead of us.

Digitalisation technologies and services

Digitalisation remains a key enabler of our growth strategy, particularly underpinning the development of our solutions model.

By leveraging digital technologies, we aim to optimise our customers' high-temperature processes, facilitating cost efficiencies and increased production flexibility.

Current digitalisation initiatives the Group is working on include artificial intelligence (AI) technology in APO, QCK — read more on page 31, Broadband Spectral Thermometer (BST), Augmented Reality solutions and enhanced connectivity using Internet of Things technology.

Product and inventory tracking and management

Customer experience sits at the heart of everything we do. Given the challenging market backdrop, our customers expect a service-centred approach from us more than ever, and we are committed to responding swiftly to their evolving needs.

RHI Magnesita's supply chain relies on effective forecasting and a detailed understanding of customer requirements. To address the increased levels of volatility and uncertainty triggered by the global pandemic, we have developed innovative approaches, using RFID technology, for a fully digitalised and more agile refractory supply chain.

Having tested this technology in Brazil and China, we recently launched an on-site pilot with one of our European customers, Outokumpu. Key customer benefits are expected to include efficiency gains, resulting from a reduction in manual tasks, real-time data capture and consumption transparency and accuracy. Benefits for RHI Magnesita include the optimisation of supply chain processes, especially with regard to inventories and invoicing, consistent product availability for our customers, and a higher level of confidence in the Integrated Business Planning forecast process, due to higher-quality data.

Fully established Flow Control business unit

In its first year of operation, RHI Magnesita's Flow Control unit has been successfully embedded within the overall Group operational structure and has secured several new business opportunities with key customers, despite difficult market conditions and customer site restrictions.

Read more about Flow Control training on **Page 39**

RHI Magnesita offers the full Flow Control product and services portfolio and brings highly innovative solutions offerings which positively impact our customers' operating costs and enable them to achieve better metallurgical results, with enhanced process performance and improved safety standards.

Working closely with our R&D teams, we are advancing innovation and optimising the use of technology within this sphere, specifically with regard to ISO products and slide gate plates. Through strategic collaboration with partners, we are strengthening our "ladle to mould" offering with the use of automation and robotics.

To ensure that we provide the highest safety standards for our customers and employees, as well as reliability, RHI Magnesita developed automated solutions for various processes within its Flow Control business. As an example, these automated solutions replace manual handling of slide gate systems during ladle preparation, as well as on the continuous casting area. These automated solutions significantly reduce some of the most dangerous risks within the plant — a specific example is provided in the case study below.

EBITA contribution from sales strategies by 2022

€40-60m

> We are constantly innovating to find new ways of supporting our customers and being the partner of choice in the refractory industry.
>
> **Luis Bittencourt**
> Chief Technology Officer

Case study

Automated casting cylinder handling on continuous casting floor

From a safety perspective, the casting floor is one of the highest risk areas in a steel plant and therefore represents a good opportunity for automation. Accordingly, we have developed an automated casting cylinder, which can be installed on INTERSTOP® slide gates and is designed to be handled by a robot, with an operator monitoring the process from the safety of the operating room. A built-in anti-opening device locks the slide gate during the transfer process, without the need for external intervention. In the event of an emergency, the drive unit allows manual mounting of the casting cylinder and an integrated locking mechanism prevents the cylinder from disengaging during casting operation. The system offers the incorporation of an automated slag detection connector and gate air cooling, connecting the cylinder and all utilities in a single movement, thereby reducing handling time.

Strategic progress in action
continued

Investment in R&D and Technical Marketing

€62m

Investment in R&D and Technical Marketing as a % of sales

2.7%

Exceeding annual target of 2.2%

Focus on R&D and technical leadership

Our industry-leading R&D team is fundamental to the long-term success of the business and we aim to be at the forefront of developing advanced refractory technologies, digital products and integrated solutions to meet evolving customer needs. The team of over 540[1] people comprises technical experts across R&D, technical excellence and solutions and product management.

The Company committed 2.7% of revenues to R&D and Technical Marketing in 2020 (2019: 2.2%) and achieved 16% of total revenue from new products in the last three years (2019: 16%).

We are dedicated to protecting the considerable intellectual property within the business and have approximately 1,550 active patents (applications and granted) and approximately 1,900 active trademarks (pending or registered) in different jurisdictions.

Fostering innovation

We have implemented various initiatives in 2020 to foster innovation, which include:

- Technology Roadmap: by working together in a multidisciplinary team, we aim to better understand the new technologies, trends and influences that will impact and define the future of our industry.
- Driving innovation through our "Inno-challenge": diverse teams investigate nine initial ideas which involve new technologies and agile methodologies. Four of these will go on to be supported with budget and time resources during 2021.
- Open innovation platform: together with our partner, Nine Sigma, we have found solutions and suitable experts in 2020 to address eight different challenges, which range from CO_2 reduction to recycling.

1 R&D and Technical Marketing were reclassified in 2020 to include "R&D, Product Management and Technical Excellence & Solutions", leading to an increase in total number of people included within the overall category, when compared to 2019 reported figures.

Sophisticated Technology Centres

We have seven Technology Centres globally, which capitalise on state-of-the-art technologies and equipment, technical expertise and strong partnerships with leading public and private research institutes around the world. In 2020, the R&D team continued to collaborate with external partners, which included commissioning Imperial College London to produce a study on the potential to develop carbon capture and utilisation projects at our European sites. Work has also been carried out with SINTEF Industry in Norway to assess the techno-economic feasibility of capture technologies for CO_2 emitted during the calcination stage of magnesite and dolomite production. Our multidisciplinary researchers undergo constant training and technical education to maintain the excellence of the team.

Read more about engagement with our partners on
Page 60

Maintaining technical leadership

The Technical Advisory Committee (TAC), which was established in 2018 and, at the date of publication, includes representation from the Board, senior external professionals, R&D and Technical Marketing, seeks to maintain RHI Magnesita's position of technical leadership by identifying innovative technologies, supporting and challenging the R&D team and expanding the Company's technology network into external partnerships.

In 2020, the TAC considered automation and digitalisation, functionalisation of refractory surfaces, sintering technologies, recycling, the hydrogen economy and its implications in the steelmaking industry, as well as the road to carbon-free production.

Read more about our approach to climate change on
Page 68

Simulation and modelling

Through constant investment in fundamental research, the Company continues to advance its modelling and simulation capabilities, enabling us to effectively predict the behaviour of our products in use, meet customer requirements, produce innovative solutions to achieve production and cost efficiencies and improve safety. These technologies enable us to perform high-level research into the thermal, physical and chemical properties of refractory materials and link them to the application of virtual product development.

Innovating to generate value

We are constantly innovating and pioneering the production of both raw materials and refractories, aiming to improve refractory properties and efficiency, reduce emissions and achieve energy and cost efficiencies. An example of this is the Spinosphere technology used in our ANKRAL-X series, with its unique characteristics in terms of clinker melt resistance and flexibility for rotary kiln bricks. The same coating process has been applied to other product groups, facilitating improved corrosion resistance and mechanical strength for application in the steel industry. In addition to this, we have developed low-carbon technology for use in the cement industry in the form of our ANKRAL LC series. These have a significantly lower CO_2 footprint compared with conventional products and, by including recycled content, they also contribute to a circular economy, whilst maintaining the required technical specification and high performance. The series is also designed to minimise waste and maximise the usage of recycled material.

Read more on **Page 68**

Sustainability

An industry leader in addressing carbon emissions

Towards a net-zero and circular economy

RHI Magnesita is committed to emerging stronger and greener from the COVID-19 pandemic. One of our five key corporate priorities is to work towards net zero emissions.

We have ramped up our efforts towards our 2025 target: a 15% reduction in Scope 1, 2 and 3 (raw materials) emissions. The energy-intensive nature of our industry makes this extremely challenging but we are confident of reaching this first target. We will do so largely using conventional means: increasing recycling, improving energy efficiency, switching fuel and using green electricity. Of these, recycling offers the greatest immediate potential to reduce emissions. We have set a target to include 10% secondary raw material (SRM) content by 2025 and have established or are establishing recycling facilities in every region. Work towards a circular economy will accelerate pathways to lower emissions.

Yet conventional means alone will not take us to net zero emissions. Almost 50% of our emissions are geogenic; they are released during the processing of the minerals we use. Carbon dioxide (CO_2) is emitted when the raw magnesite ($MgCO_3$) is processed into magnesium oxide (MgO), the basis for many refractory products. We need new technologies that allow the released CO_2 firstly to be captured and then to be used as a raw material for industrial purposes. An entirely new value chain needs to be built around use of this off-gas.

Over the next four to five years, we will invest

€50m

to trial carbon capture technologies

Our R&D function and our Technical Advisory Committee (TAC) have worked with leading research institutes and industry partners to identify the most promising technologies to capture and use these geogenic emissions. Over the next four to five years, we will invest €50 million to trial these carbon capture technologies and in 2021, industrial trials start at our two Austrian raw materials sites. These trials mark a critical step towards net zero: if successful, we would then be ready to roll out technology with the potential to take us to net zero across our global production sites.

Developing these low-carbon technologies is highly capital-intensive. To succeed on our journey to net zero, we need a level playing field: a political framework that enables industry leaders working towards net zero to compete fairly. Governments around the world must therefore implement supportive measures to enable industry leaders to remain competitive. Industry also requires availability of green energy in sufficient quantities and at competitive prices, more responsive "smart" electricity networks to help reduce emissions and networks for transportation and sequestration of CO_2.

Read more in Sustainability **Page 64**

Strategic progress in action continued

Markets

Driving market leadership

The Group has 15% global market share (30% ex-China) within a c.€20 billion industry, worldwide presence with strong local organisations and solid positions in all major markets.

Enhancing regionalisation

In response to the growing global trend of increasing regionalisation, we are adapting production networks to operate on a more local basis and have decentralised managerial decision-making, with a realignment of our Group organisational structure and an increase in cross-functional collaboration. This initiative has already started to show benefits throughout the regions, as covered further below.

Case study

Regionalisation — bringing us closer to our customers

One of the key elements of our regionalisation strategy is to match supply with regional demand. As part of our Production Optimisation Plan in the Americas, this involves transferring production from European plants to sites in our regional network. This has not only reduced production lead and overseas transit time, but it has also improved our speed of response to evolving customer demands, providing greater agility in this market, both in terms of product adjustments and inventory reduction.

As part of this process, which will run until 2022, York will become the regional specialist for doloma products, Tlalnepantla for non-basic production and Contagem for magnesia. These three production sites are also logistically close to raw material sources, thereby optimising the entire production network.

Following the closure of the Company's Burlington plant in Canada in 2020, part of its production was reallocated to our newly acquired Pevely plant, thereby moving the manufacturing of certain alumina mixes products closer to our customer base. For Brazilian customers, we consolidated the production of Brazilian alumina mixes in our Contagem plant.

> By decentralising decision-making to the regions, we aim to become more flexible, adaptable and responsive to evolving customer needs.

Gustavo Franco
Chief Sales Officer

Harnessing potential in core markets

RHI Magnesita is focused on preserving market share and further strengthening its position in its core markets and product segments. This involves a value optimisation strategy, which concentrates on advancing our extensive product and solutions portfolio, with a particular emphasis on digitalisation.

Europe

Our global focus on digitalisation, sustainability and circular economy offerings is showing traction in Europe. One of our solutions business models was launched in the region in 2020, with customers benefiting from a tailored package to optimise metallurgical, economic and environmental benefits. Read more on page 15.

Americas

We are advancing our solutions offerings in the Americas and have established our unique value proposition through a proven ability to adapt our commercial, technical, service, and digital offering to fit the specific needs of each customer, whilst achieving a revenue per tonne which reflects the value we provide.

As part of our strategy to strengthen our market position in North America, the Group acquired Missouri Refractories Co, Inc. (MORCO) in January 2020, providing our first production asset — Pevely plant — in the Midwest. With the majority of new US steel production capacity being added in this area, predominantly in electric arc furnace (EAF) plants, this is a region of rapidly growing economic importance. Recycling initiatives are being implemented in the Americas and further detail can be found in the Operational review on page 15.

Opportunities in growth markets

Our strategy is to grow organically and through value-enhancing M&A in under-represented markets. These growth markets include India, Russia, China, India, NMEA and Asia Pacific.

In regions with a weaker market share, we will continue to seek targeted acquisition opportunities, which either increase the Group's backward integration, complement the geographic production footprint or strengthen our technical leadership. We will also look to expand organically, increasing market share through our sales strategies, including through solutions contracts.

Group revenue from India and China

16%

2019: 15%

India and China remain priority markets for us. By leveraging the "Make in India" governmental policy (read more on page 16), the Group has further strengthened its position in India; a market in which we currently have substantial market share, and which represents one of the highest growth potential areas for the Group over the mid to long term.

The Chinese market represents a significant opportunity for the Group on the basis that it currently accounts for c.57% of global steel production. In China, the Group continues to derive benefit from its investment in local sales teams and improved production infrastructure and continues to see growth organically across both the Steel and Industrial Divisions. The Group has made significant progress in China within the industrials business, and currently represents 38% market share in Cement. China has a highly fragmented refractory industry, and the Group continues to seek consolidation opportunities within the region.

In Q1 2020, we successfully won a second major solutions contract in Oman, within the NMEA region. The five-year contract will generate an additional $50 million in revenue, through providing refractory products as well as services such as warehouse management, installation and demolition. Within the NMEA region, we have also won a significant proportion of orders with a key customer in Algeria, leading to further market share gains in this growth market.

The CIS steel market holds robust growth potential for our products and services, which we are well positioned to take advantage of, having recently increased market share in the Chelyabinsk region, one of the largest steel-producing areas in Russia.

Read more in Operational review **Page 14**

Strategic progress in action continued

People and culture

Underpinning our strategy

Our skilled, motivated people, our customer-centric culture and our strong stakeholder partnerships are critical to the long-term success of the Group.

Employees
12,064

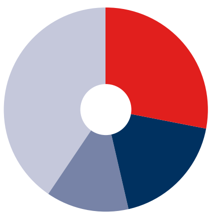
Employee engagement score
79%

Our people and culture

In order to progress our goal of digitalisation, we need the skills and pioneering culture to support technology.

Simone Oremovic
Executive VP People and Culture, and Communications

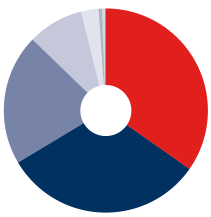
Employees by tenure



Up to 3 years	3,419 (28%)
From 4 to 6 years	2,218 (18%)
From 7 to 9 years	1,605 (13%)
Over 10 years	4,822 (40%)

Percentages do not add up to 100 due to rounding.

Global workforce profile



South America	4,193 (35%)
Western Europe	3,824 (32%)
Asia Pacific	2,531 (21%)
North America	1,076 (9%)
Near and Middle East	331 (3%)
Eastern Europe	57 (1%)
Africa	52 (1%)

Percentages do not add up to 100 due to rounding.

Our purpose and culture support our strategy

Our purpose is to master heat, enabling global industries to build sustainable modern life.

Our culture is fundamental to the way we work and to the execution of our strategy. Centred around our customer focus, which remains at the heart of everything we do, the culture is supported by four pillars. We live innovation to create value for our customers, by being bold and providing the best digital and sustainable solutions. Our open mindset and transparent way of working is flanked by a diverse, respectful and friendly business environment, where we care about our customers and colleagues. We act pragmatically to enable fast and simple collaboration across functions and regions to serve our customers best. Our high performance is rooted in accountability and responsibility. We are a reliable partner that decides and delivers based on our customers' needs.

See our culture diagram
Page 80

A review process was carried out in 2020 and importantly, our cultural themes have not changed, but have been reinforced — they form part of our DNA and we believe that a strong, steadfast cultural foundation is particularly important in times of change and volatility. We further strengthened our customer focus, which now sits at the centre, reflecting our business model. This aligns with our strategy to enhance regionalisation, bringing us closer to our customers.

To reinforce our culture throughout the Group, we hold Culture Town Halls (virtually, across different time zones around the world) and cultural workshops and support everyday employee behaviour through our Culture Champions within the business.

Amongst our workforce, we prioritise successful engagement, cultural cohesion, diversity, training and development and succession planning.

Read more in Our people
Page 72

Developing the team to drive a digital future

One of the fundamental drivers of our digitalisation journey is our people and we are working hard to ensure we have the skills, openness to learn and diversity of thought required to harness our digital future.

As part of this, we have various initiatives to build digital literacy as well as to attract additional talent and enhance diversity, including our new trainee programme, the "Refractory Factory", and our FeMale network. Our digital hub, in Vienna, is dedicated to developing a digital team to revolutionise our industry and our training hub at Radenthein has been assigned the role of the Group's central facility for the digital future. We also have centres for data science in China, Brazil and Vienna.

Adapting and developing our workforce

With the ongoing transformation of our business and acceleration of our strategy, comes the requirement to develop and adapt our workforce. Streamlining our operations in 2020 meant that we had to make some difficult decisions in rationalising the overall workforce, and we have been mindful of the impact this would have on our people. We have gone to great lengths, alongside engaging relevant workers' councils, to provide packages and support in excess of legal requirements as well as reinforcing our culture across the business.

Read more in Engaging employees
Page 73

Effective leadership development and talent management are crucial to the achievement of our strategy and we have various implementation initiatives in place, including the People Cycle talent management system. As part of this, we are focused on fostering diversity across the business, with our first priorities being gender, nationality and generation diversity.

Read more in Promoting diversity
Page 73

Flow Control Academy

In support of our Flow Control unit, RHI Magnesita has launched an academy in Leoben, Austria, to provide our employees with hands-on training and the skills needed to successfully develop this side of the business. Training is provided by R&D, Technical and Product Marketing and the subjects covered include tundish, ISO, slide gate and purging plugs. Having established this centre in Europe, training will be rolled out in the US, Brazil, India and China.

Key performance indicators

The Board and management have identified the following indicators which it believes reflect the financial and non-financial performance of the business.

Two non-financial KPIs concerning carbon emissions and the use of secondary raw material have been added in 2020 to reflect the importance attached to decarbonising the business. Return on invested capital is included to demonstrate capital allocation management efficiency.

Link to strategy

Competitiveness

Markets

Business model

Safety: LTIF

2020	0.13
2019	0.28
2018	0.43

KPI relevance

Safety is paramount to the successful running of our business. Lost Time Injury Frequency (LTIF) is the main indicator used to measure safety performance. The Group's goal is zero accidents.

How it is measured

The number of accidents resulting in lost time of more than eight hours, per 200,000 working hours, determined on a monthly basis.

2020 performance

LTIF reached 0.13 in 2020, representing a 56% improvement compared to 2019. We also continued to reduce accidents, with a 40% reduction in total recordable injury frequency.

Relative CO_2 emissions (t CO_2/t)

2020	1.82
2019	1.73
2018	1.81[1]

KPI relevance

Climate change poses strategic and operational risks to our business, as well as opportunities. The Group's target is to reduce scope 1, 2, 3 (raw materials) by 15% per tonne of product by 2025 (vs 2018).

How it is measured

Tonnes of total scope 1, 2, 3 (raw materials) carbon emissions per tonne of product. Scope 1 emissions consist of on-site emissions, Scope 2 comprise purchased electricity, and Scope 3 are measured from raw materials production.

2020 performance

Scope 1, 2 and 3 relative emissions (raw materials) increased by 0.4% compared to the 2018 baseline due to the more energy-intensive nature of reduced production as a result of the economic slowdown, which reduced our capacity utilisation. Total emissions fell for a second consecutive year, with a 22% reduction from the 2018 baseline.

1 A change in production volume reporting system has led to an adjustment to the 2018 baseline and KPI.

Use of secondary raw material

2020	5.0%
2019	4.6%[1]
2018	3.8%

KPI relevance

Recycling plays a critical role in achieving our 2025 emissions reduction target while also developing the circularity of our business. Our target is to reach 10% secondary raw material (SRM) content in refractories by 2025[2].

How it is measured

Share of SRM content as a percentage of total raw materials.

1 The value for the recycling rate for 2019 has been revised since the publication of the 2019 Annual Report.

2 Use of SRM has been added as a remuneration performance measure from 2021 — see page 126.

2020 performance

SRM accounted for 5.0% in 2020, compared with 4.6% in 2019. Progress was made in spite of the challenging market environment, but was slower than hoped largely due to the change in demand from our customers during the COVID-19 pandemic as they focused on other issues, leading to postponements in reverse supply chain sourcing until 2021.

Voluntary employee turnover

2020	5.1%
2019	6.2%[1]
2018	6.6%

KPI relevance

Voluntary turnover is one way of measuring the Group's success in retaining its employees.

How it is measured

The percentage of employees who voluntarily left the Company during the year and were replaced by new employees.

2020 performance

Voluntary employee turnover was 5.1% for 2020, representing a decrease on 2019. We believe this to be predominantly due to the uncertainty of the current global economic environment.

1 The 2019 figure has been restated due to a retrospective change to the basis of analysis.

Gender diversity in leadership

2020	25%
2019	17%
2018	12%

KPI relevance

Diversity is important in terms of maintaining our competitiveness and economic success, and gender diversity is our first priority. Our target is to increase female representation on our Board and in senior leadership to 33% by 2025.

How it is measured

Number of women as a percentage of all those in leadership positions (CEO, EMT and EMT direct reports).

2020 performance

Female representation at leadership level increased to 25%, which is over double the figure in 2018.

Revenue

2020	€2,259m
2019	€2,922m
2018	€3,081m

KPI relevance

This demonstrates the growth of the business. By increasing our global refractory market share, continually enhancing our product and service offering, the Company is focused on achieving revenue growth and aims to outperform the refractories market on an annual basis.

How it is measured

Total Group revenue, as reported in the financial statements.

2020 performance

Revenue for 2020 amounted to €2,259 million, 23% lower than 2019. This performance is primarily attributable to lower refractory volumes, as a result of the effects of the COVID-19 pandemic on end-market demand, and the impact of lower raw material prices.

Adjusted EBITA margin

2020	11.5%
2019	14.0%
2018	13.9%

KPI relevance

EBITA margin provides a measure of profitability and demonstrates the successful execution of the Company's strategy.

How it is measured

Adjusted EBITA divided by revenue, as reported in the financial statements.

2020 performance

The Group delivered a robust double-digit adjusted EBITA margin of 11.5% (250bps lower than 2019), demonstrating resilience owing to the successful implementation of cost saving initiatives, despite the 36%[1] decrease in adjusted EBITA, which was largely caused by decreased sales volumes as a result of COVID-19, lower raw material prices and inferior fixed cost absorption.

1 On a constant currency basis.

Adjusted EPS

2020	€3.28
2019	€5.57
2018	€5.31

KPI relevance

Reflecting the income statement in a clear way and taking the equity structure into account, the Board believes adjusted EPS to be one of the indicators which demonstrates shareholder value.

How it is measured

Earnings per share, excluding other financial income and expenses.

2020 performance

Adjusted EPS of €3.28 (down from €5.57 in 2019) reflected lower adjusted profit before tax in 2020 delivered amidst challenging market conditions, as well as foreign exchange impacts, particularly from the depreciation of the Brazilian Real and US Dollar.

Leverage

2020	1.5x
2019	1.2x
2018[1]	1.3x

KPI relevance

Appropriate leverage provides the business with headroom for compelling investment opportunities but also enables shareholder distribution. The Board has defined a long-term leverage target range of 0.5 to 1.5x across the cycle.

How it is measured

Net debt to adjusted EBITDA.

2020 performance

Net debt to adjusted EBITDA was 1.5x at the year end, within the Group's target range despite the fall in profitability (2019: 1.2x). This was due to lower adjusted EBITDA, with net debt reducing to €582 million (2019: €650 million).

1 2018 was adjusted to include the impact of IFRS 16

ROIC

2020	11.5%
2019	15.3%
2018	16.5%

KPI relevance

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.

How it is measured

Calculated as net operating profit after tax, divided by total invested capital[1] for the year.

2020 performance

ROIC decreased from 15.3% in 2019 to 11.5%, due to lower underlying profitability against comparative invested capital.

1 Invested capital is: total assets less cash and cash equivalents, other current and non-current financial assets and non-interest-bearing current liabilities.

R&D and Technical Marketing spend

2020	€62m
2019	€64m
2018	€63m

KPI relevance

Excellence in R&D and strong Technical Marketing capabilities are key contributors to our competitiveness. This demonstrates our commitment to driving innovation and to being the leading provider of services and solutions within the refractories industries. The Company aims to invest 2.2% per annum of revenue in R&D and Technical Marketing.

How it is measured

Annual spend on research and development, before subsidies and including opex and capex.

2020 performance

€62 million was committed to R&D and Technical Marketing in 2020, equating to 2.7% of revenues, exceeding the Group's annual commitment.

Financial review

> Amidst a year of high volatility and extreme uncertainty, the Group has successfully maintained resilient margins, a strong balance sheet and solid cash flow generation.

Ian Botha
CFO

Read more on APMs on **Page 238**

Revenue

The Group recorded revenue of €2,259 million in 2020, a decline of 23% against the prior year (2019: €2,922 million). The reduction is primarily attributable to lower refractory volumes, as a result of the effect of the COVID-19 pandemic on end-market demand, and the impact of lower raw material prices over the year compared to 2019.

Raw materials

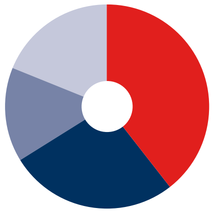
Raw material prices declined materially in the first five months of 2020, due to an overcapacity of supply in China, coupled with weak underlying raw material demand. Prices softened further between June and August before recovering in the fourth quarter, due to reduced supply from Chinese producers impacted by higher winter power tariffs and stricter enforcement of environmental legislation.

Read more on raw material pricing in the Markets section on **Page 23**

Steel Division

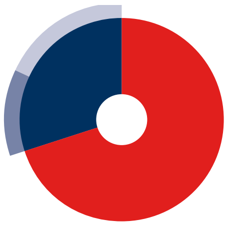
The Group's Steel Division delivered revenue of €1,583 million in 2020, 22% lower than 2019 (2019: €2,018 million). The COVID-19 impact on refractory demand had the most notable impact in Europe, CIS, and Turkey, where revenue in the combined region was 26% lower than the prior year. Refractory prices also reduced due to lower raw material prices. The Americas revenue contribution was 21% lower than 2019, mainly as a result of the impact of COVID-19 on industrial output, but also due to currency

Revenue by geography



Numbers do not add up to 100 due to rounding.

Revenue split by industry



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 2019 numbers in this review are on a reported basis, unless stated otherwise. Figures presented at constant currency represent 2019 translated to average 2020 exchange rates of 1 Euro to 1.14 USD, 1 Euro to 7.87 CNY, 1 Euro to 5.89 BRL, 1 Euro to 84.6 INR, 1 Euro to 8.05 TRY

Following the organisational structure changes that look place is 2020, the Group is now reporting its Operational review under new business unit groupings.

The Group has considered the FRC's guidance to listed companies to lengthen their reporting timetable for 2021, aligned to the extension to reporting deadlines announced by the FCA. However, the Group believes it is well positioned, in conjunction with its auditors, to accelerate its timetable for the year end 2020 to bring it more in line with peer reporting timescales.

devaluation (principally of the Brazilian Real). China and East Asia performed relatively well by comparison to other regions in 2020, with revenue decreasing by only 7%. This was largely thanks to the economic strength in China, where Group revenue was 41% higher than in 2019. In India, Africa and West Asia, revenue declined by 22%, with the most significant decrease in India, resulting from strict nationwide COVID-19 lockdowns. Saudi Arabia and Oman outperformed during 2020 and signs of a recovery in India were evident at the year end.

Industrial Division

Industrial Division revenue reduced by 25% to €676 million (2019: €904 million), heavily impacted by the effects of the global pandemic, with customers postponing capital expenditure projects faster than in previous downturns. The Cement and Lime business, down by 21% in 2020, recorded a strong performance in Q1, characteristic of seasonal demand, followed by a weak Q2 and Q3 when demand was negatively impacted by COVID-19. The Industrial Projects business, down by 28% in 2020, experienced heavy project postponements, especially in NFM. Demand in both the Cement and Lime and Project businesses improved in Q4, as end markets started to recover.

Read more on Divisional performance in the Operational review on **Pages 14 to 18**

Gross profit

The Group achieved gross margin of 24.4% (2019: 24.5%), demonstrating the resilience of the business and the benefits from the cost reduction initiatives which were swiftly executed by management during the year. The Group recorded a gross profit of €550 million in 2020, a decline on the prior year of 23% (2019: €717 million) due to lower revenue, as cost saving initiatives offset lower fixed cost absorption.

On a divisional basis, gross profit in the Steel Division amounted to €371 million, a decline of 20% against the previous year (2019: €467 million). However, gross margin improved, at 23.5%, (2019: 23.1%). Gross profit in the Industrial Division amounted to €179 million (2019: €250 million), a decline of 29% against the prior year and gross margin declined by 130 bps to 26.4% (2019: 27.7%).

Steel	2019	**2020**	Change
Revenue (€m)	2,018	**1,583**	(22)%
Gross profit (€m)	467	**371**	(20)%
Gross margin	23.1%	**23.5%**	40bps

Industrial	2019	**2020**	Change
Revenue (€m)	904	**676**	(25)%
Gross profit (€m)	250	**179**	(29)%
Gross margin	27.7%	**26.4%**	(130)bps

SG&A

The Group took swift short-term action early in 2020 to mitigate the negative impacts of the COVID-19 pandemic on earnings including temporary plant shutdowns, short-time work arrangements, reduced overtime and other SG&A reduction initiatives. As a result of the measures taken, total selling, general and administrative expenses, before R&D related expenses, were €279 million, representing a 10% reduction against the prior year (2019: €309 million).

Depreciation and amortisation

Depreciation for 2020 amounted to €120 million (2019: €146 million), lower than 2019, mainly due to currency effects (€12 million). Depreciation is denominated in local currency and, therefore impacted by foreign exchange rates, most notably from the Brazilian Real and US Dollar. Depreciation was also lower due to the increase of useful life of assets given the lower production levels in 2020 (€10 million) and the reduction of assets due to the closure of plants. Depreciation in 2021 is expected to be around €115 million.

Amortisation of intangible assets amounted to €19 million in 2020 (2019: €26million). Amortisation was lower than 2019 largely due to currency effects, given it is denominated in local currency and therefore impacted by foreign exchange rates, most notably by the Brazilian Real and US Dollar. Amortisation is anticipated to total €18 million in 2021.

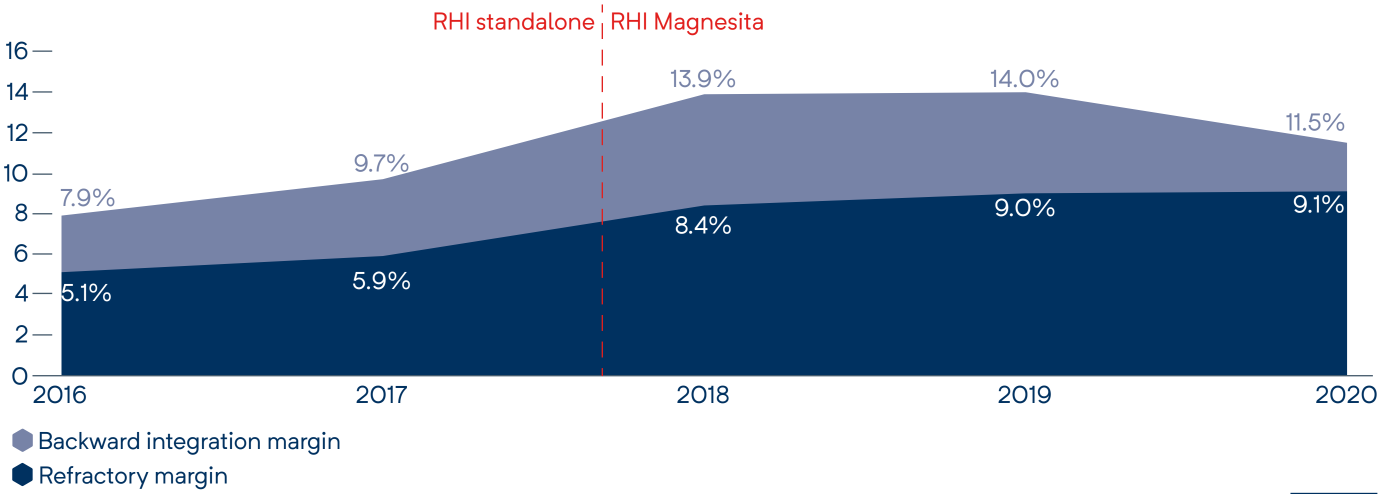
Adjusted EBITDA

Adjusted EBITDA amounted to €381 million, down by 31% compared to 2019. The adjusted EBITDA margin for 2020 was 16.8%, compared to 19.0% over the same period last year, a decrease of 220 bps.

Adjusted EBITA

The Group delivered adjusted EBITA in 2020 of €260 million, a reduction of 36% compared to 2019 (2019: €408 million), largely due to lower sales volumes as a result of the COVID-19 pandemic and lower average raw material prices.

Adjusted EBITA margin %



Financial review
continued

Adjusted EBITA

€260m

2019: €408m

Adjusted EBITA margin

11.5%

2019: 14.0%

(€m)	2019 reported	2019 at constant currency	2020	% change reported	% change at constant currency
Revenue	**2,922**	**2,807**	**2,259**	**(23)%**	**(20)%**
Cost of sales	(2,205)	(2,089)	(1,709)	(23)%	(18)%
Gross profit	**717**	**718**	**550**	**(23)%**	**(23)%**
SG&A	(309)	(298)	(279)	(10)%	(6)%
R&D expenses	(26)	(25)	(30)	16%	20%
OIE	(109)	(110)	(120)	11%	9%
EBIT	**273**	**286**	**121**	**(56)%**	**(58)%**
Amortisation	(26)	(25)	(19)	(27)%	(21)%
EBITA	**300**	**310**	**140**	**(53)%**	**(55)%**
Adjusted items	109	110	120	11%	9%
Adjusted EBITA	**408**	**420**	**260**	**(36)%**	**(38)%**

Despite the reduction in volumes, the Group delivered a robust double-digit adjusted EBITA margin of 11.5%, 250bps lower than 2019 (2019: 14.0%). Despite the challenging backdrop of 2020, the Group's refractory margin was 9.1%, an increase of 0.1ppts compared with 2019. The additional burden from significantly lower sales volumes, arising from the effects of the pandemic, was offset by structural cost reductions, driven by the execution of the cost savings initiatives. The Group's backward integration margin was 2.4%, contributing €55 million of EBITA.

Net finance costs

Net finance costs in 2020 amounted to €87 million (2019: €75 million).

Net interest expense amounted to €14 million (2019: €19 million). Interest expenses on borrowings amounted to €20 million (2019: €28 million). The reduction of €8 million compared to 2019 is predominantly driven by the refinancing of higher interest-bearing debt. Interest income amounted to €6 million, against €9 million the prior year.

Foreign exchange amounted to a loss of €43 million, against €17 million in 2019. The Group was impacted by the significant depreciation of the Brazilian Real and US Dollar against the Euro over the year, resulting in an increased effect of foreign currency translation on the P&L in 2020.

Items excluded from adjusted performance

In order to accurately assess the performance of the business, the Group excludes certain non-recurring items from its adjusted figures. These adjustments comprise:

- €120 million recorded in "restructurings, other income and expenses", relating mainly to the cost reduction initiatives, including plant closures and reduction in sales and administration costs. These included severance costs of €69 million and non-cash impairments of €48 million;
- €19 million amortisation of intangible assets;
- €16 million non-cash other net financial expenses, These include €8 million non-cash present value adjustment of the provision for the unfavourable contract required to satisfy EU remedies and €7 million relating to an FX loss on a non-recurring intercompany loan; and
- One-time charges excluded from the effective tax rate ("ETR"), largely the restructuring and impairment expenses.

Taxation

Total tax for 2020 in the income statement amounted to €14 million (2019: €51 million), representing a 33% effective tax rate (2019: 25%). This tax rate is higher than recent years due to certain 2020 restructuring charges which are not tax deductible. Reported profit before tax amounted to €42 million (2019: €200 million). Adjusted profit before tax amounted to €197 million (2019: €358 million), with an adjusted effective tax rate of 17% (2019: 21%), after adjusting for one-time benefits from the 2020 recognition of certain deferred tax assets. The adjusted ETR guidance is between 20%-22% for 2021.

Profit after tax

On a reported basis, the Group recorded a profit after tax of €28 million (2019: €149 million) and earnings per share of €0.51 in 2020 (2019: €2.82). Adjusted earnings per share for 2020 were €3.28 (2019: €5.57).

(€m)	2020 reported	Items excluded from adjusted performance	2020 adjusted
EBITA	**140**	**120**	**260**
Amortisation	(19)	19	—
Net financial expenses	(87)	16	(71)
Result of profit in joint ventures	8	—	8
Profit before tax	**42**	**155**	**197**
Income tax	(14)	(19)	(33)
Profit after tax	**28**	**136**	**164**
Non-controlling interest	3		3
Profit attributable to shareholders	25		161
Shares outstanding[1]	49.0m		49.0m
Earnings per share	**€0.51**		**€3.28**

1 Total issued and outstanding share capital as at 31 December 2020 was 49,008,955. The Company held 468,750 ordinary shares in treasury. Weighted average number of shares used for basic earnings per share 49,075,426.

Adjusted earnings per share

€3.28

2019: €5.57

Capital expenditure

€157m

2019: €156m

Working capital

Working capital reduced significantly compared to the 2019 year end, to €369 million at 31 December 2020 (31 December 2019[1]: €519 million), reflecting lower trading activity, higher Q4 2020 capex levels and the ongoing benefits of the Group's working capital initiatives. These included the introduction of our proprietary Total Network Optimisation tool, which recommends the most cost-effective source of raw materials for production. In early 2020, the Group implemented an Integrated Business Planning system, which supports decision-making and financial planning, as well as enhancing demand and supply planning. The Group achieved a working capital intensity, measured as a percentage of the last three months' annualised revenue, of 15.9% in 2020. This represents a significant improvement of 230bps compared to 2019 and within the Group's target range of 15-18%. Working capital contributed cash inflows of €97 million, against an outflow of €23 million in 2019.

Inventories decreased to €477 million (31 December 2019: €603 million), Accounts Receivable decreased to €210 million (31 December 2019[1]: €277 million) and Accounts Payable decreased to €319 million (31 December 2019[1]: €361 million). The weaker Brazilian Real and US Dollar provided an FX tailwind across inventory stock, with inventories decreasing by €126 million against only a €64 million cash flow benefit.

1 2019 restated to reflect an accounting adjustment denoted within note 4 of the financial statements.

The inventory decrease was mainly driven by the Group's efforts to reduce finished stock in its warehouses, as well as improving the efficiency of raw material and finished goods inventory by adjusting production to demand levels. This resulted in raw material coverage ratios in 2020 reducing from 1.7 to 1.3 months, and finished goods from 2.3 to 1.9 months.

Accounts receivable reduced by €67 million due to lower revenues, as well as to ongoing improvement of client terms and a material reduction of overdue receivables.

Working capital financing, used to provide low-cost liquidity and support the Group's commercial offering to customers, stood at €222 million at the end of the year (2019: €290 million). This comprised €178 million of accounts receivable financing (factoring) and €44 million of accounts payable financing (forfeiting). Working capital financing levels vary according to business activity, and the Group targets a medium-term level below €320 million. As business activity levels improve, working capital financing will moderate the cash outflow from working capital increases.

Capital expenditure

Capital expenditure in 2020 was €157 million (2019: €156 million), comprising €71 million of maintenance capex (2019: €110 million) and €86 million of project capex (2019: €46 million), including pre-payments of €17 million.

The Group reduced its maintenance capex in 2020 in line with lower production volumes and its reduced plant footprint. The sustainable level of maintenance capex over the medium term to ensure safe production and sustain operations is €75-85 million.

The Group continues to prioritise capital expenditure on its strategic initiatives (being the cost reduction and sales initiatives). The capital projects underpinning these programmes are progressing on-budget and largely on-time, despite the impact of COVID-19. As previously guided, the additional project expenditure on strategic initiatives will continue until 2022.

In 2020, the Group invested €28 million (2019: €32 million) towards its backward integration, comprising maintenance capex of €6 million (2019: €7 million) and project capex of €21 million (2019: €24 million).

The Group expects capex to increase in 2021 to a peak of €260 million, of which around €80 million will relate to maintenance expenditure and approximately €180 million to project expenditure.

In 2022 guidance for capital expenditure is approximately €165 million, comprising €80 million of maintenance capex and €85 million of project capex. In 2023, capital expenditure is expected to reduce to €145 million, of which €80 million will be directed towards maintenance expenditure and €65 million towards projects. In 2024, the Group anticipates approximately €125 million of capital expenditure, of which €80 million will be on maintenance expenditure and €45 million on projects.

Financial review
continued

Cash flow

The Group continued to generate strong and sustainable cash flow in 2020, despite the pandemic. The Group generated operating cash flow of €290 million in 2020 (2019: €359 million), representing an improved cash conversion of 112% (2019: 88%), benefiting from working capital reduction of €97 million in 2020. Free cash flow increased to €101 million (2019: €99 million).

Cash flow €m	2019[1]	2020
Adjusted EBITA	408	260
Working capital	(23)	97
Changes in other assets/liabilities	(17)	(31)
Capital expenditure (including pre-payments)	(156)	(157)
Depreciation	146	120
Operating free cash flow[2]	**359**	**290**
Cash tax	(68)	(48)
Net financial expenses	(42)	(25)
Restructuring/transaction costs	(6)	(52)
Dividend payments	(76)	(49)
Share buyback	(19)	(3)
Dividends from associates	13	11
MORCO acquisition	—	(9)
Sale of PPE[3]	1	11
Right-of-use assets acquisition	(18)	(25)
Magnesita minority acquisition	(45)	—
Free cash flow	**99**	**101**

1 Reported basis.
2 Operating free cash flow is presented to reflect the net cash flow from operating activities before certain items such as restructuring costs. Full details are shown in the APM section on page 238.
3 Including the sale of the Burlington site (Canada) in 2020, cash inflow of €8 million.

Operating cash flow

€290m

2019: €359m

Cash conversion

112%

2019: 88%

Net debt

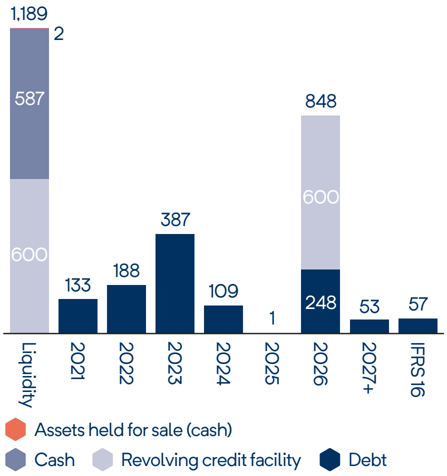
Net debt at the end of 2020 was €582 million, comprising total debt of €1,115 million, cash and cash equivalents of €589 million, including €2 million cash forming part of the held for sale assets, and IFRS 16 leases of €57 million. This compares to net debt at the end of 2019 of €650 million including IFRS 16 leases of €62 million. Net debt to EBITDA at the year end was 1.5x, 0.3x higher than 2019 (2019: 1.2x) and within the Group's target range of 0.5x–1.5x despite the significant reduction in earnings. The Group has significant headroom on its long-term net debt to EBITDA covenant of 3.5x.

Total liquidity for the Group at year end was €1,189 million, including the Group's undrawn committed facilities of €600 million. In November 2020, these undrawn committed facilities were extended from 2025 to 2026. The majority of the Group's debt maturities are due on or after 2023.

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. The Group ROIC recorded in 2020 was 11.5% (2019: 15.3%), from a total of €1,754 million of invested capital (2019: €2,064 million) and €201 million recorded net operating profit after tax (NOPAT) (2019: €316 million). Raw material ROIC recorded 13.5% (2019: 22.3%), from a total of €385 million of invested capital (2019: €487 million) and €52 million NOPAT (2019: €109 million).

Amortisation schedule (€m as at 31 December 2020)



Strategic initiatives

The Group is advancing two significant strategic programmes to sustainably increase earnings:

- Cost savings initiatives representing €100 million of incremental EBITA by 2022. This requires total capital expenditure of €160 million by 2022 and restructuring costs of €100 million. In 2020, the cost reduction initiatives delivered EBITA benefit of €30 million, in line with guidance. In 2021, these initiatives are expected to deliver a run rate EBITA benefit of €75 million, an increase of €45 million against 2020.
- Sales strategies representing €40–60 million of incremental EBITA benefit by 2022. This requires total capital expenditure of €30 million by 2022. The sales strategies delivered €5 million of EBITA in 2020, below the target level of €10 million, due to restrictions as a result of worldwide COVID-19 lockdowns, which impeded access to customer sites. The COVID-19 pandemic continues to present uncertainty in 2021. The Group is targeting an EBITA benefit of €10–20 million in 2021 from its sales strategies.

Presented in €m	2019	2020	2021	2022	Cumulative amount
Cost savings initiatives EBITA improvement[1]	**15**	**30**	**75**	**100**	
Implementation costs					
Capital expenditure	—	45	95	20	160
Restructuring costs[2]	5	40	55	—	100
Impairments	50	36	12	—	100
Sales initiatives EBITA improvement	**—**	**5**	**10-20**	**40-60**	
Implementation costs					
Capital expenditure	—	5	15	10	30

1 Cost saving initiatives do not include the one-off fixed cost savings of €50 million relating to COVID-19 mitigation measures. €10 million of these savings will be recorded in 2021 in the form of lower depreciation.

2 Cash impact.

Cost savings initiatives

- The cost savings initiatives largely comprise the Production Optimisation Plan and SG&A reduction. The Production Optimisation Plan seeks to rationalise the Group's global production footprint with the closure of up to 10 sites (with a focus on Europe and South America), increasing plant specialisation, reducing raw material costs and implementing state-of-the-art technologies. During 2020, the Group successfully closed two European plants, Hagen (Germany) and Trieben (Austria), and Burlington plant in Canada, reducing overcapacity in high-cost locations. The Group is investing c.€45 million at the Hochfilzen plant (Austria) to transform it into a European dolomite hub as well as a dolomite research centre. A c.€50 million investment is being committed to an additional tunnel kiln and state-of-the-art technology in its Radenthein plant (Austria) expanding RHI Magnesita's technical leadership. c.€40 million is being spent at the Contagem plant (Brazil), to improve its production efficiencies.
- The SG&A Reduction Plan is reducing non-operational costs, largely from headcount reduction (including reducing the first three levels of management below CEO by 20%), greater regionalisation of management structures and digitalisation.

In addition to the above strategic cost savings initiatives, in 2020, in response to COVID-19, the Group implemented certain one-off fixed cost reduction measures to mitigate the impact of the pandemic on Group results. These included temporary plant shutdowns, short-time work arrangements, reduced overtime and other SG&A reduction initiatives. In total, the Group achieved the guided €50 million in one-off fixed cost savings in 2020. €10 million of these savings will continue into 2021 (as business-as-usual savings), in the form of lower depreciation.

Sales strategies

The Group's sales strategies seek to grow RHI Magnesita's presence in new markets, improve customer segmentation and resource allocation, increase market share in the flow control product range and expand the solutions business, supported by investment in digitalisation.

M&A

In December 2020, the Group entered into an agreement to sell its two high-cost raw material plants, Porsgrunn (Norway) and Drogheda (Ireland). Porsgrunn produces electro focused magnesia (EFM) and caustic calcined magnesia (CCM). The EFM operations were stopped in Q1 2020. CCM is not used by RHI Magnesita and is sold to third parties. Drogheda produces CCM and DBM, with its DBM largely sold to third parties and not utilised within the Group's network. The sale of both plants completed on 1 February 2021, realising a loss of approximately €5 million, with a potential further increase by €6 million resulting from a contingent consideration.

Returns to shareholders

RHI Magnesita's balance sheet has remained strong in 2020 and the Company's capital allocation strategy has been to prioritise strategic investment to improve its competitive position and shareholder returns.

In H1 2020, the Board did not recommend the payment of a final 2019 dividend as a prudent measure to preserve cash and maintain its strong liquidity and financial position, given the significant uncertainty relating to COVID-19 at that time.

In response to the improving outlook and confidence in the second half, the Board reinstated the interim dividend of €0.50 per share, and €24 million in aggregate, at the Q3 trading update, paid in December 2020.

Cost saving initiatives

€100m

Annualised EBITA run rate by 2022

Sales strategies

€40-60m

Annualised EBITA run rate by 2022

Given the resilient performance of the business in an extraordinary year, and its strong annual cash generation, the Board has recommended a final dividend of €1.50 per share for the full financial year, and €74 million in aggregate. This represents a dividend cover of 2.2x adjusted earnings per share.

Subject to approval at the AGM on 10 June 2021, the final dividend will be payable on 30 June 2021 to shareholders on the register at the close of trading on 11 June 2021. The ex-dividend date is 10 June 2021.

The Board's dividend policy remains to target a dividend cover of below 3.0x adjusted earnings over the medium term. Dividends will be paid on a semi-annual basis with one third of the prior year's full year dividend being paid at the interim.

On 16 December 2020 the Group commenced a share buyback programme of up to €50 million and purchased a total of €3 million of shares through the programme in 2020, which were placed in treasury. On completion of this programme, the Board will review the merits of further share purchases.

Effective risk management

The COVID-19 crisis continues to challenge the Group's risk management capabilities. However, our risk management framework enables RHI Magnesita to establish COVID-safe working conditions, to continue to run our production network and supply chain, and to successfully preserve liquidity through risk-based scenario modelling.

Herbert Cordt
Chairman of the Board of Directors

See Principal risks on **Pages 54 to 59**

The Group has established a risk management approach with the objective of identifying, assessing and controlling uncertainties and risks related to RHI Magnesita's operations.

Our approach to risk management

Our risk management efficiency and effectiveness were further improved in 2020 through a Group-wide coordinated and consistent approach integrated with business management processes.

The risk management approach combines top-down, bottom-up and subject-specific risk assessments. The top-down risk assessment is performed by the Executive Management Team (EMT), reviewed by the Audit Committee (AC) and the Board of Directors. Reporting against these risks is included within each Board meeting, EMT meeting and strategic review. The bottom-up risk assessment is based on each of the operational sites which maintain ongoing risk management activity linked to the ISO risk management practices. Subject-specific risk assessments are performed for areas of emerging or prevailing risks, including information security, fraud management and sustainability.

The information coming from the bottom-up and the subject-specific risk assessments is integrated into the top-down risk assessments to ensure that the Group risk profile is complete and accurate. The Group risk profile is reviewed by the EMT on a quarterly basis, and by the Board and the AC during the meetings which take place on a regular basis during the year.

During 2021 the focus will be on finalising the delivery of a comprehensive Group-wide risk management approach and the embedment of a fully integrated system which includes all the various risk management activities.

Risks and strategy

Our risk management approach helps the Board and EMT to understand the risks associated with the adopted strategy, periodically assess if the strategy works in alignment with our risk appetite and understand how the chosen

Risk management cycle

1 Identification
Starting from all the possible categories of risks potentially impacting the Group, specific risks relevant to RHI Magnesita are identified through several analytical tools, including comparative analysis and risk benchmarking.

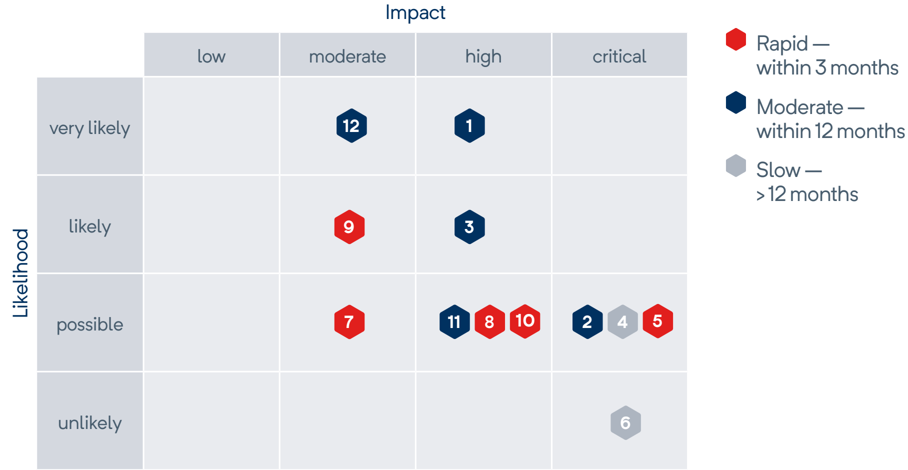
2 Assessment
The risks identified are linked to potential root causes and assessed for their inherent likelihood, inherent impact, and velocity. Risk analysis to develop an understanding of the possible interdependencies between risks is performed.

3 Mitigation
All risks considered to be outside of the Group risk appetite, due to their nature or their potential financial or qualitative impacts, are mitigated by appropriate risk management strategies. The implementation and effectiveness of the defined mitigation measures are reviewed, and additional actions are defined if necessary. For this purpose, risks are assessed based on their likelihood and impact before and after the implementation of those mitigation measures.

4 Monitoring
Risks and associated mitigating measures are reassessed quarterly during the year, with increased frequency for those areas experiencing significant changes in the risk landscape. The remaining risk level is evaluated to ensure that it is aligned with the Group's risk appetite and reviewed on a quarterly basis by the EMT.

5 Reporting
Risks which require immediate action are reported immediately to line management for action. Risks which do not require immediate action are reported periodically to the operational management and on a quarterly basis to the EMT.

Group risk chart



1. Macroeconomic environment and condition of customer industries leading to significant sales volume reductions
2. Lack of competitiveness of internally sourced raw materials
3. Inability to execute key strategic initiatives
4. Significant changes in the competitive environment or speed of disruptive innovation
5. Business interruption and supply chain disruption
6. Sustainability — environmental and climate risks
7. Sustainability — health and safety risks
8. Regulatory and compliance risks
9. Cyber and information security risks
10. Product quality failure
11. Inconsistent demonstration of RHI Magnesita culture, values and related behaviours
12. Fluctuations in exchange rate and energy prices

strategy could affect the Group's risk profile, specifically the types and amount of risk to which the Group is potentially exposed.

The assessment, monitoring and mitigation of key risks to the strategy are prominent features of the enhanced approach to risk management adopted in 2020. Risk workshops have been conducted with the EMT and Board to review the Group risk profile in the context of the 2025 strategy and the risk appetite assigned to the top risks to the Group.

Risk appetite

We define risk appetite as "the nature and extent of risk RHI Magnesita is willing to accept in relation to the pursuit of its objectives". We look at risk appetite from different angles such as the severity of the consequences should the risk materialise, any relevant internal or external factors influencing the risk, and the status of management actions to mitigate or control the risk. A scale is used to help determine the risk appetite threshold for each risk, recognising that risk appetite will change over time.

If a particular risk exceeds its risk appetite threshold, it will threaten our objectives and may require a change to the strategy. Risks that approach the limit of the Group's risk appetite may require acceleration or enhancement of management actions to ensure that risks remain within appetite levels.

The risk management approach is based on an assessment of the risk appetite formed by the Board, covering the key risk categories. In 2020, the risk appetite categories have been refreshed to enhance the clarity of the definitions and enable a more precise allocation of the risk appetite to specific principal risks.

The 2019 risk appetite ratings ("averse", "minimalist", "cautious" and "flexible") have been renamed "averse", "limited", "moderate" and "high". In the context of the updated definitions, the risk appetite assignment to the principal risks has been reassessed by the EMT and Board.

Our principal risks

The principal risks are those the Board considers may have a significant impact on the results of the Group and on its ability to achieve its strategic objectives.

The risks can occur independently from each other or in combination. Extraordinary events, such as the COVID-19 pandemic, have the potential to crystallise multiple principal risks simultaneously, significantly magnifying the adverse impact. In 2020, the COVID-19 crisis increased the risk management challenges in key areas of the business. As a response to the current circumstances, continuous monitoring of the Group's risk profile, with specific reference to potential cumulative impact arising from the crystallisation of risks due to COVID-19, was undertaken by the EMT during the year and mitigating actions taken.

This does not represent an exhaustive list of risks faced by the Group, but encompasses those considered to be most material to business performance.

The 11 principal risks included in the 2019 Annual Report have been confirmed to be equally relevant in 2020. The principal risk "Raw material prices drop sharply, fluctuations in exchange rates and energy prices" has been split into separate risks to reflect the different nature of those risks and risk management approach: "Lack of competitiveness of internally sourced raw materials" and "Fluctuations in exchange rates and energy prices". The number of principal risks increased from 11 to 12 following this change.

A risk appetite rating has been applied to each risk, ranking from "averse" to "limited", "moderate" and "high", based on the refreshed definition of risk appetite. We assess our principal risks in terms of their potential impact on our ability to deliver our strategic objectives, their likelihood to occur and their potential velocity. Those risks and their assessments are reviewed by the Board.

In 2020, elements of principal risks 1, 3, 5, 7, 9, 12 have crystallised as a result of the impact of the COVID-19 pandemic.

As a consequence, these principal risks increased their potential to exceed the risk appetite and are being subject to enhanced monitoring and mitigation through the measures described in the table below.

COVID-19 prompted a reassessment of the rating of extreme scenarios (such as pandemics) and the rating of our principal risks as more likely with a more significant potential impact on the Group. However, the risk scores of our principal risks have remained consistent when considered in relation to each other, and such scores have been discussed in multiple workshops with the EMT and Board.

Our internal control system

The Board reviews the effectiveness of the system of internal financial, operational and compliance controls and the risk management framework.

RHI Magnesita follows the corporate governance requirements of the regulations of both the Netherlands, given the location of its incorporation, and the UK, given the location of its listing. Where possible the disclosures are combined in this report, however there are areas where the respective governance requirements necessitate similar but separate assessments.

Such an area is the required disclosure and description of RHI Magnesita's control environment and systems. Therefore, the Company provides both a "Management In Control Statement" as required by the Dutch Corporate Governance Code and an internal control system report as required under the UK Corporate Governance Code. Both outline the measures that RHI Magnesita takes to ensure a strong control environment.

Internal control system

The Board is ultimately responsible for maintaining effective corporate governance, which includes the Group's risk management approach, the Group's system of internal controls and the Group's internal audit approach.

The Board reviews the effectiveness of the system of internal financial, operational and compliance controls and the risk management framework. The Board examines whether the system of internal controls operated effectively throughout the year and will make recommendations when appropriate.

These systems are based on the three lines of defence model, supported by an internal control guideline reflecting the responsibility for risk management and internal controls at all management levels.

The Group's internal control framework is designed to enable the application of the Group's risk appetite. This typically seeks to avoid or mitigate risks rather than to eliminate completely the risks associated with the accomplishment of the Group's strategic objectives. It provides reasonable assurance but not absolute assurance against material misstatement or loss.

The Group has in place a specific risk management approach and an internal control framework in relation to its financial reporting process and the process of preparing the financial statements. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with the applicable accounting standards. For the accounting process, an accounting handbook is available that addresses all the internal controls over the accounting process.

In 2020 the Group introduced a framework of seven Global Processes to improve the standardisation, efficiency and digitalisation of processes. Whilst process development is ongoing a key output from the framework will be to more consistently align the operation of internal controls with the day-to-day business operations across the Group.

The Group has an Internal Audit function, with a reporting line to the Chairman, Audit Committee and a secondary reporting line, for day-to-day operational matters, to the CFO. The Internal Audit function provides assurance to the Audit Committee and the Board on the design and effectiveness of the internal control framework.

In 2020, the Group merged the Internal Audit, Risk Management and Compliance functions into a single department. The Audit Committee and management ensured that appropriate safeguards are in place to maintain the independence of Internal Audit. The Internal Audit, Risk and Compliance function is structured into four regional teams providing a locally-focused governance presence to support regional management in line with the established Group-wide objectives. The 2020 annual Internal Audit plan was adjusted to reflect some practical limitations imposed by COVID-19, however the overall coverage level was maintained. The Audit Committee has conducted an assessment of the effectiveness and capability of the Internal Audit function in 2020 based on the outputs delivered and stakeholder feedback and concluded that the performance of Internal Audit is appropriate for the requirements of the Group. Further improvements to Internal Audit will be delivered in 2021 including increased alignment of Internal Audit work to end-to-end global processes and strategic initiatives.

During 2020, Internal Audit conducted 23 planned internal audits and 11 special investigations, reporting the most relevant observations and recommendations to the Audit Committee.

In 2020, the Group identified a significant failing in its internal control system relating to the management of a sales agent in Mexico. The actions of the Sales Director — Mexico and weaknesses in the oversight controls of the sales agent resulted in commission being paid to a third party who was not genuinely performing the role of a sales agent.

Consequently, over a 11-year period (dating back to the RHI legal entity prior to the merger with Magnesita) monies totalling approximately €10 million had been misappropriated through this theft scheme. An internal investigation highlighted a number of remedial corrective actions, the implementation of which was led by the EMT and overseen by the Audit Committee. The key initiatives were to introduce external specialist "TRACE" certification for all sales agents and stronger validation and challenge of the activities performed by each sales agent.

The reports by management and Internal Audit, Risk and Compliance also facilitated consideration by the Audit Committee of management actions in respect of the following key control framework challenges:

- Significantly enhancing IT security controls to address increased cyber security risks;
- Maintaining effective internal control framework through the challenges presented by COVID-19 and the internal reorganisation performed in 2020;
- Enhancing the awareness of the Code of Conduct; and
- Ensuring effective physical controls over stock movements across the Group's operating locations.

The Board considers the Company's risk management and internal control system are appropriate and effective to give reasonable, but not absolute assurance against material misstatement or loss. Nonetheless, given the continued evolution and the regionalised nature of the Group, there is need for further strengthening of the internal control system in 2021, most notably through the Global Process development activity. This has established Global Process Owners for seven end-to-end processes and will deliver improved governance, standardisation and efficiencies for these core elements of the internal control system.

Management "In-Control" Statement

The Board and EMT are responsible for ensuring the Company has adequate risk management and internal controls systems in place.

The core design of the internal control systems is based on extensive work conducted as part of the merger activity in 2017. In 2020 the Group's operating model was reassessed to create a more regionally focused and agile structure. Key oversight and management elements of the internal control system, such as the Delegation of Authorities framework, were consequently re-shaped in 2020. The transactional level controls operated in line with the established core design throughout 2020. Given that the internal control systems are subject to continual evolution and that key initiatives such as end-to-end global processes have been launched in the last part of the financial year and will be fully established in 2021, it is planned to reassess and further update the design of the internal control systems in 2021.

The key internal control measures include reviews of financial performance and key control weaknesses at each Board meeting, monthly and quarterly EMT review and challenge of operational financial performance, zero-based business planning process, improving the financial reporting processes, continued deployment of the corporate culture and values especially to the more remote areas of the Company, reinforcement of the Code of Conduct through increased trainings and communication, deployment of tools to increase leadership capabilities, enhancing the response to issues raised via the whistleblowing process and strengthening the capability of the Legal and the Internal Audit, Risk and Compliance functions. All key changes in the internal control framework were reviewed by the EMT. Each leader is accountable for the effectiveness of the internal controls within their areas of responsibility and is required to complete a self-certification reporting their assessment. Measures are applied in each functional area to assess the effectiveness of internal controls and any identified issues are escalated. Control weaknesses identified by management and those identified through the quality management system reviews, risk management activity and internal audit reports are escalated to the EMT for review and resolution, all of which is overseen by the Audit Committee.

In 2020, risk management activity focused on increasing the depth of the assessment of the top 20 Group risks and the set-up of consistent reviews to monitor the evolution of such risks by the EMT, to review the Group risk profile on a quarterly basis and to take any additional mitigating action. The assessment of the top 20 Group risks have been deepened by the implementation of a set of Key Risk Indicators and by the linkage to existing operational risk assessments and risk assessments of other key areas such as IT, sustainability and fraud risk. An external assessment of the risk management approach was performed in 2020 and appropriate improvement actions implemented by the EMT.

The improvements in the risk management approach, the milestones achieved, the results of the external assessment and planned next steps were reviewed by the Audit Committee. In addition, the risk appetite was discussed and approved by the Audit Committee and the Board following a series of discussion workshops.

During 2021 the focus will be on completing the establishment of a comprehensive Group-wide risk management approach by finalising the delivery and the embedment of a fully integrated system which includes all the various risk management activities. Focus will also be given to continue strengthening the integration of risk management with the Group strategy, the investment process and project management.

Viability statement

The assessment of the Group's prospects is based upon the Group's strategy, its financial plan and principal risks.

An understanding of our business model and strategy is key to the assessment of our prospects.

Context

Our strategic priorities are:

- Competitiveness: Optimisation of our supply chain from mine to market to deliver cost-effective, technically advanced refractory materials and improve our service levels to customers.
- Business model: Being the leading service and solution provider in our industry through innovative products and customer solutions.
- Markets: Maintain our leadership position in growing core product and geographic markets.

Read more about our business model and strategy on **Pages 6-7 and 24-39**

In 2020 the Group demonstrated its resilience and accelerated its strategic delivery. While there remains uncertainty for 2021 on the continuing impact of the COVID-19 pandemic, we are confident that the Group will continue to demonstrate its resilience and remain well-positioned for when recovery takes place.

The assessment process and key assumptions

The assessment of the Group's prospects is based upon the Group's strategy, its financial plan and principal risks.

Given the COVID-19 pandemic, the Group's focus during 2020 was to ensure safe and healthy working conditions were established, ensure customers were seamlessly supplied and preserve the Group's financial liquidity. This resulted in an acceleration of the Group's strategic delivery, in particular, around its cost reduction and sales initiatives, to improve cash flow generation, strengthen the balance sheet and create sustainable value through disciplined allocation of capital.

A financial forecast covering the next three years is prepared based on the context of the strategic plan and is reviewed on a regular basis to reflect changes in circumstances. The financial forecast is based on a number of key assumptions, the most important of which include product prices, exchange rates, raw material prices, estimates of production, production costs, future capital expenditure and delivery of our strategic cost reduction and sales initiatives. In addition, the forecast does not assume the renewal of existing debt or the raising of new debt. A key component of the financial forecast and strategic plan is the expected growth of steel production and the output of non-steel clients in all regions, combined with the development of the specific refractory consumption taking account of technological improvements.

The principal risks are those the Board considers may have a significant impact on the results of the Group and on its ability to achieve its strategic objectives. These are set out on pages 54 to 59.

These risks can occur independently from each other or in combination. Extraordinary events, such as the COVID-19 pandemic, have the potential to crystallise multiple principal risks simultaneously, with the effect that the impact could be significantly magnified. The Group continuously monitors its risk profile with specific reference to the potential cumulative impact arising from the crystallisation of the principal risks and defines appropriate mitigating actions.

Assessment of viability

The assessment of viability has been made with reference to the Group's current position and expected performance over a three-year period, using forecast product prices, sales volumes and expected foreign exchange rates. The financial performance and cash flows have then been subjected to stress testing and sensitivity analysis over the three-year period. This data was aggregated to model a range of severe, but plausible, downside scenarios for the Group.

The scenarios selected include material reductions in demand and changes in working capital as a result of heavy global lockdowns due to COVID-19 in 2021. These lockdowns affect our main sales regions and lead to a 6% reduction of the Group's refractory shipments and revenue in 2021, and a 20% reduction in EBITA, compared to the financial forecast, pre mitigating action. The consequential financial effects, such as the under-absorption of fixed costs, were considered.

Additionally, the scenarios for stress testing are based upon further materialisation of the Group's principal risks. The scenarios tested consider:

- unexpected difficulties in executing key strategic initiatives;
- significant changes in the competitive environment or speed of disruptive innovation;
- business interruption and supply chain disruption;
- reduction of raw material prices leading to a lack of competitiveness of internally sourced raw materials; and
- negative impact of fluctuations in exchange rates.

The principal risks described above could either be triggered by COVID-19 or other circumstances.

The Group's liquidity amounts to €1,189 million comprising of cash and cash equivalents of €589 million and undrawn committed credit facilities of €600 million as of 31 December 2020. This is sufficient to absorb the financial impact of the risks modelled in the stress and sensitivity analysis. However, if these risks were to materialise, the Group also has a range of additional mitigating actions that enable us to maintain our financial strength, including reduction in fixed costs and capital expenditure, raising debt or reducing the dividend.

Viability statement

The Directors believe that the Group is well-placed to manage its principal risks successfully. In making this statement the Directors have considered the resilience of the Group, taking account of its current position, the risk appetite, the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions.

The Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2023. The Directors have determined that the three-year period to December 2023 is an appropriate period having regard to the Group's business model, strategy, principal risks and uncertainties.

Principal risks

Link to strategy

Competitiveness | Business model | Markets

Appetite

High | Moderate | Limited | Averse

1. Macroeconomic environment and condition of customer industries leading to significant sales volume reductions

Link to strategy

Target risk appetite

KPIs

Revenue, Adjusted EBITA Margin, Adjusted EPS, ROIC

Risk description

Changes in the global economic environment and adverse political developments may have an impact on the Group's revenue and profitability.

The macroeconomic environment changes leading to sales volume reductions can arise from industrial factors or from wider global issues, such as a pandemic.

The demand for refractory products is directly influenced by steel, cement and non-ferrous metal production, the investment climate, metal and energy prices and the production methods used by customers.

Due to the Group's cost structure, fluctuations in sales volumes have an impact on the utilisation of production capacities, and consequently on the Group's profitability.

Examples of specific risks:

- Decreasing investment in infrastructure projects (therefore reducing steel and cement demand) leading to lower refractory. consumption and depressed sales volumes.
- Customers focusing on lower-cost and more commoditised refractories.
- Lower sales volumes leading to lower fixed cost absorption.

Risk mitigation

- Several initiatives aimed at increasing the Group's resilience, through establishing leaner processes, lower fixed cost structures, while increasing the Group's market share and the value for our customers, are ongoing.
- Diversification of geographies and industries.
- Optimisation of the production network.
- Delivering reductions in SG&A costs.
- Refocusing of strategy to products and markets with growth potential.
- Several COVID-19 risk scenarios have been modelled to evaluate the financial impact of different recovery scenarios and mitigating actions designed for each scenario.

Risk movement

Due to the global COVID-19 pandemic during 2020, this risk crystallised, impacting the macroeconomy and customer industries and leading to a reduction in demand. Following the increase in the overall risk rating, this risk exceeded the Group's risk appetite level during the financial year. However, this was addressed by the broad range of COVID-19 response measures aimed to enhance the Group's resilience to the new challenges brought about by the pandemic, including the resultant macroeconomic downturn. The risk fell back within the Group's risk appetite by year end.

2. Lack of competitiveness of internally sourced raw materials

Link to strategy

Target risk appetite

KPIs

Adjusted EBITA Margin, Adjusted EPS, ROIC

Risk description

The Group achieves competitive advantage through its backward integration model. However, the resulting benefits are reduced in periods of low raw material prices.

Low raw material prices can cause a reduction of sales margin.

Examples of specific risks:

- Loss of competitiveness of operations due to a reduction in raw material prices.

Risk mitigation

- Developing a more agile business with lower fixed cost base and integrated business planning.
- Optimisation of "make or buy" decision-making.
- Product price management.

Risk movement

Raw material prices reduced markedly in 2019 and this continued in H1 2020, before increasing in Q4 2020.

This reduction and volatility has prompted the Group to adopt mitigating measures to maintain cost competitiveness through a re-evaluation of "make or buy" decisions. As a result of these mitigation strategies, this risk is within the risk appetite and is being consistently monitored.

3. Inability to execute key strategic initiatives

Link to strategy

Target risk appetite

KPIs

Voluntary Employee Turnover, Revenue, Adjusted EBITA Margin, Adjusted EPS, Leverage, ROIC

Risk description

The Group's strategy encompasses several initiatives including sales expansion, new product and service models, production network optimisation, digitalisation, SG&A reduction and M&A projects.

Effective prioritisation and execution are key to deliver the Group strategy.

The failure to effectively execute these initiatives because of external or internal circumstances may lead to lower than planned financial performance, including loss of revenue and margin.

Examples of specific risks:

- Failure to develop the strategy into specific actions.
- Failure to react in a timely manner to a changing environment.
- Resistance to change.
- Failure to ensure that the Group's management has the capability to deliver the strategy.
- M&A underperformance.

Risk mitigation

- Group-wide strategy with high focus on key priorities.
- Active postponement or cessation of strategically non-important projects.
- Strengthening of project management culture and approach.
- Leadership capability enhancement programme.

Risk movement

During 2020, both the potential inherent likelihood and impact of this risk increased. This change is mainly due to the increased reliance on the Group's management to successfully execute strategic initiatives which are complex in nature.

In addition, the COVID-19 crisis increased the pressure on the delivery of these core strategic initiatives, which include key initiatives to maintain competitiveness.

Overall, this risk is within the risk appetite of the Group and undergoes consistent monitoring to ensure that any further mitigating action will be implemented if required.

4. Significant changes in the competitive environment or speed of disruptive innovation

Link to strategy

Target risk appetite

KPIs

Revenue, Adjusted EBITA Margin, Adjusted EPS, ROIC, R&D & Technical Marketing Spend

Risk description

Customer demand for environmentally-beneficial features, digitalisation and services may evolve more quickly than expected.

Depending on the capacity of the Group to develop adequate products and services, this may present either an opportunity or a threat by increasing pressure on demand and margins.

Examples of specific risks:

- Disruptive product technology introduced by a competitor.
- Failure to identify digitalisation trends and technologies.
- Competitors being faster and more agile in responding to changing customer requirements.

Risk mitigation

- Create a climate which fosters innovation and "out of the box" thinking.
- Significant focus on and investment in digitalisation to bring more digital products to market and to enhance internal processes through digitalisation.
- Continued investment in R&D, including, importantly, on sustainability.
- Focus development activity on projects aimed at an agile and fast impact on the market.

Risk movement

Due to the acceleration of digitalisation as a global macro trend as a result of the COVID-19 crisis, the potential impact of failing to leverage digitalisation increased in 2020. During the financial year, significant digitalisation initiatives have been initiated to mitigate this risk and to maximise the opportunities arising from this macro trend. As a consequence, the risk remains within the risk appetite and is consistently monitored.

Principal risks
continued

5. Business interruption and supply chain disruption

Link to strategy

Target risk appetite

KPIs
Revenue, Adjusted EBITA Margin, Adjusted EPS, ROIC

Risk description
As a refractory producer, the Group is exposed to the risk of business interruption arising from events including natural catastrophes, pandemics, fire, machinery breakdown, or supply chain disruptions.

The Group relies on a small number of production sites or a small number of external suppliers for certain materials.

The Group has an integrated global supply chain and therefore global operations can be disrupted by issues in a specific geography.

However, this also constitutes a risk mitigation element as a result of the ability to shift some of the production between geographies to mitigate the risk of business interruption.

Examples of specific risks:
- Production interruption at a single-source manufacturing site.
- Failure of single-source suppliers.
- A natural disaster or major political crisis at one or several manufacturing sites or in one region.
- Loss of mining rights.

Risk mitigation
- Geographical diversification of the production network.
- Implementation of an optimised production footprint to meet planned requirements.
- Establishment of a best-in-class integrated supply chain.
- Operational risk management and maintenance policies.
- Risk-based investment policy.
- Global insurance coverage.
- Focus on the minimisation of sole-source materials.

Risk movement
In the context of the COVID-19 crisis and consequent challenges in the supply chain and production management combined with the closure of plant as part of the Production Optimisation Plan, the likelihood of business disruptions has increased during the financial year.

The Group recognises the rapidly evolving challenges associated with managing the global supply chain and sourcing critical materials and remains focused on monitoring this risk so as to be able to mitigate it promptly.

As a result, the overall risk rating has increased compared to the previous year, however it remains within the Group risk appetite.

6. Sustainability — environmental and climate risks

Link to strategy

Target risk appetite

KPIs
Relative CO_2 emissions, Use of secondary raw material, Revenue, Adjusted EBITA Margin, Adjusted EPS, ROIC

Risk description
Controlled emissions and usage of potentially hazardous materials are inherent to the production of refractory products.

The risk of failing to meet environmental regulatory targets or uncontrolled emissions at our production sites exists and may result in high financial losses and liabilities.

The evolving regulatory environment and the Group's commitment to sustainability lead to increasing investment and effort being dedicated to achieving environmental and climate goals.

There are future environmental and climate targets which can only be met by new technological solutions to change the Group's production processes and by the delivery of environmental improvements by the Group's suppliers and customers.

Examples of specific risks:
- Uncontrolled emissions.
- Inability to meet sustainability targets.

Risk mitigation
- Regular environmental audits and risk monitoring at all sites.
- Well-established Board-level Corporate Sustainability Committee to oversee environmental and climate efforts.
- A climate strategy focused on recycling, carbon capture and usage, fuel switch, energy efficiency, and innovative customer solutions (read more in Climate and environment on pages 68 to 71).
- Increased focus on the use of secondary raw material as a core element of the Group's strategy.
- Proactive monitoring and engagement in projects to drive new technological developments aimed at reducing emissions.

Risk movement
In 2020, this risk saw a slight increase in the overall risk rating primarily driven by the continuously increasing focus on the environment and climate as a global macro trend and the current absence of significant technological breakthroughs to reduce emissions in the refractory industry.

In 2020, the Group continued to take a leadership role in the refractory industry to leverage emerging technologies and develop innovative customer solutions.

The risk is deemed to be within the risk appetite.

7. Sustainability — health and safety risks

Link to strategy

Target risk appetite

KPIs

LTIF, Revenue, Adjusted EBITA Margin, Adjusted EPS, ROIC

Risk description

Especially at our production sites, employees and contractors may be exposed to health and safety (H&S) hazards which cannot be completely eliminated.

Our activities and products may potentially cause accidents at our customers' sites.

Beyond the harm to individuals, a H&S incident can lead to high financial penalties, site closure and a loss in reputation for the Group.

Especially in the current context of a pandemic, the health of our employees and contractors is a significant area of risk to the Group.

Examples of specific risks:

- Fatal or serious accident at manufacturing or customer site.
- Site closure due to H&S incidents.
- Loss in reputation for the Group due to H&S incidents.

Risk mitigation

- H&S objectives are defined as a core Company objective, and the performance is constantly monitored.
- H&S approach based on leading global standards and practices, including regular risk monitoring, emphasis on "near miss" reporting and root cause analysis.
- Focus on collaboratively enhancing the H&S approach at customer and supplier sites.
- Continued investment in H&S improvements in our plants.
- Regional COVID task forces established to prevent and manage pandemic-related risks at our sites.
- Specific action plans in the event of employee or contractor health issues.

Risk movement

Especially in the current context of the pandemic, the overall rating of this risk increased in 2020, primarily triggered by the growing threat to the health of our employees and contractors due to COVID-19.

The Safety risk slightly reduced as a result of the continued focus, investment and management efforts.

The overall H&S risk is evaluated to be within the risk appetite and is constantly monitored to ensure that any necessary action is taken promptly.

8. Regulatory and compliance risks

Link to strategy

Target risk appetite

KPIs

Revenue, Adjusted EBITA Margin, Adjusted EPS, ROIC

Risk description

We strive to establish a culture of compliance throughout the organisation, however the Group faces increasing regulatory complexity and operates in geographies with inherently high corruption risks.

We are exposed to regulatory and compliance risks which may result in financial losses or operational restrictions.

Regulatory changes could impact the profitability of our operations and require investment to achieve compliance.

Examples of specific risks:

- Failure to act in accordance with our "Code of Conduct".
- Violation of anti-corruption law by employees or third-party representatives.
- Violation of data privacy regulations.

Risk mitigation

- Ethical values supported by strong corporate culture.
- Code of Conduct and compliance policies and procedures.
- Enhancement of global training, documentation of compliance matters and communication.

Risk movement

This principal risk has been reassessed during 2020, in the light of the increase in regulatory complexity and some isolated instances of lack of ethical behaviours (refer to the section "Internal Control Framework") identified during the year.

Consequently, both the likelihood and potential impact of this risk increased, and a stronger focus on compliance is ongoing. In 2021 the focus on key compliance risks will continue, enhanced by ad hoc training, and targeted compliance communications.

Despite the increased overall risk rating, the risk is within risk appetite, which is averse, and closely monitored by management due to its potential to exceed it.

Principal risks
continued

9. Cyber and information security risks

Link to strategy

Target risk appetite

KPIs

Revenue, Adjusted EBITA Margin, Adjusted EPS, ROIC

Risk description

The Group's reliance on IT systems and the greater focus on digitalisation result in a growing exposure to cyber and information security risk.

The possible impact of cyber and information security risks could range from operational disruptions, loss of intellectual property, legal compliance issues, frauds, to significant reputation losses.

Examples of specific risks:

- Intellectual property or confidential data theft.
- Personal data breach.
- Software or hardware failure leading to critical business process interruption.
- Cyber attacks leading to financial losses.

Risk mitigation

- Global information and cyber security policies in line with information security best practices, standards and frameworks.
- Continuous awareness campaign and training.
- Regular risk assessment and penetration testing.
- Cyber security detection and response team.
- Network, device and application protection.
- Cyber insurance.

Risk movement

The fast-evolving cyber and information security global landscape experienced a significant spike in threats due to the COVID-19 crisis leading to the increased adoption of remote working. These risk factors led to an increase in the overall risk rating in 2020, mainly triggered by a potential for higher impact due to the increased reliance on IT to support remote working and strategic digitalisation initiatives.

The Group implemented additional risk-mitigating measures to respond to this rising threat, including the purchase of cyber security insurance and expanding the footprint of the Cyber Security Defence Centre to include all global IT assets. The residual risk was evaluated to be within the risk appetite and closely monitored to enable fast reaction.

10. Product quality failure

Link to strategy

Target risk appetite

KPIs

Revenue, Adjusted EBITA Margin, Adjusted EPS, ROIC

Risk description

The Group's value proposition is fundamentally based on the performance of high-quality products to agreed specifications in challenging environments.

The Group can suffer both reputational and financial loss should the product quality level not meet required standards.

Examples of specific risks:

- Failure of our product might negatively impact or delay our customers' production processes.
- Loss of reputation as a supplier of high-quality products.
- Financial reparation for product quality failures.

Risk mitigation

- Specialist quality management teams and quality management system covering all production.
- Quality testing of products at all stages of production.
- Exhaustive testing of new products.
- Refresh and enhancement of procedures, including specific risk assessments for transfer of production between plants.

Risk movement

The COVID-19 pandemic reinforced the importance of shifting to a more agile production network as a key strategic initiative. This entails significantly increasing production transfers between factories with each transfer requiring specific attention on product quality and customer acceptance.

This factor has driven the increase of the likelihood and impact score assigned to this risk in 2020.

Despite the upward adjustment in the residual risk rating, the risk remains within the risk appetite.

11. Inconsistent demonstration of RHI Magnesita culture, values and related behaviours

Link to strategy

Target risk appetite

KPIs

Gender diversity in leadership, Voluntary Employee Turnover, Adjusted EBITA, Adjusted EPS, ROIC

Risk description

The Group places a high emphasis on pragmatism, openness, performance, and innovation as core behaviours within its corporate culture.

The embedding of the Company culture is a continuous journey and leadership is pivotal to enhancing the Group values across geographies and departments.

A key focus of the Group's corporate culture is gender and ethnic diversity which is seen as an important driver to enhance performance.

The Group is focused on being able to retain talent as well as to attract talent from the market.

Examples of specific risks:

- Inconsistent behaviour across the Group.
- Lack of awareness of corporate governance expectations.
- Inability to attract and retain top talent.

Risk mitigation

- Continuous emphasis on the Company culture as a key enabler of performance and driver of strategy execution.
- Dedicated leadership capability enhancement programme.
- "Tone from the Top" leadership culture.
- Developing talent, enhancing diversity and promoting Company culture as significant components in the People Cycle.

Risk movement

Due to the increasing number of strategic initiatives relying on management's capability to deliver results, a consistent and well-established culture is a pivotal enabler of management's effectiveness in delivering the strategy. For this reason, the impact of this risk has been deemed to have risen in 2020, in line with the increasing significance of the strategic initiatives.

The risk is within the risk appetite.

12. Fluctuations in exchange rate and energy price

Link to strategy

Target risk appetite

KPIs

Revenue, Adjusted EBITA Margin, Adjusted EPS, Leverage, ROIC

Risk description

Due to the global nature of the Group's sales and production activities, revenue and profitability may be impacted by currency fluctuations, which can be caused by many factors.

The Group's production processes rely on high volumes of energy consumption.

Examples of specific risks:

- Increasing volatility of revenue and profit due to FX volatility.
- Increasing energy price pressure and loss of margin.
- Loss of competitiveness of operations.

Risk mitigation

- Active balance sheet and exposure management.
- Improvement of energy efficiency to reduce consumption.
- A strategic approach to energy contract management to minimise energy costs.

Risk movement

Due to the COVID-19 crisis, global financial markets experienced increasing volatility of exchange rates which increased the likelihood of potentially adverse movements in the Group's exposure. Thanks to the risk mitigation initiatives implemented and the close monitoring and active management of such exposure, this risk is within the Group's risk appetite.

Stakeholder engagement

Consistent, effective and transparent engagement with our stakeholders helps us better understand their needs and opinions, thereby informing our strategy.

Stakeholder group	How the Company engages	How the Board engages
Customers and innovation partners Our customers sit at the heart of our business model and are fundamental to the sustainable future of the business. It is essential that we retain a strong understanding of their evolving requirements. We collaborate with external partners such as accelerators, start-ups, open innovation platforms, companies and institutions to foster innovation and drive developments in R&D.	We work closely with our customers to ensure we are aware of their needs — this is facilitated via day-to-day contact with Company representatives as well as fact-finding, technical consulting, installation and operations supervision as well as resident expert site visits. Travel restrictions, due to COVID-19, presented some challenges in this area, but the Company was able to quickly adapt and maintain customer relationships virtually. Customer surveys are conducted every six months and the results shared with the Board. Management continues to develop the survey to reach and engage with as many customers as possible. In a customer satisfaction survey conducted in Q4 2020, 89% of respondents stated that RHI Magnesita's remote service performance over the previous six months (during COVID-19 restrictions) was "sufficient" or "more than sufficient". Our R&D, Product Management and Technical Excellence & Solutions teams collaborate and engage with innovation partners on an ongoing basis, including higher education institutions and technology leaders in the steel industry. We are also part of various consortiums funded by the European Commission. We engaged with the World Refractory Association (WRA) during 2020, which supported the Group's ability to maintain production throughout regional lockdowns in order to continue to serve its customer base. It is the position of the WRA that refractory companies globally should be recognised as an essential industry.	The Executive Directors (EDs) (and other members of the Executive Management Team (EMT)) regularly communicate with customers to discuss joint strategies at industry congresses, seminars and webinars, and at technology events and fairs. The Company's Net Promoter Score (NPS), measured via customer surveys, is used as a key metric for customer-facing teams to ensure focus on providing positive customer experiences. NPS is considered at Board meetings and is regarded as a good proxy for engagement with customers as it brings customer priorities to the boardroom. Updates from our collaboration with innovation partners are communicated to the Corporate Sustainability Committee (CSC) (via the Technical Advisory Committee), enabling it to consider potential customer-driven solutions to mitigate environmental impacts, such as recycled or low-carbon products. The Board considered the importance of trusted relationships with customers in respect of accounts receivables and service levels during the COVID-19 pandemic, guiding management in this regard.
Shareholders As providers of capital and owners of the business, our shareholders play a central role in the Company's growth and development. By fostering and maintaining their support, we are able to implement our strategy and objectives.	Regular engagement with investors and analysts is facilitated via one-on-one meetings, presentations and webcasts, the Annual General Meeting (AGM), industry conferences and events, capital markets days and site visits. Whilst most face-to-face events were not possible in 2020 as a result of COVID-19, the Company continued investor engagement using digital formats, which included virtual results presentations and updates, roadshows and conferences. Additional market updates were published during the year to address heightened uncertainty. The Investor Relations department maintains an ongoing, transparent dialogue with shareholders and analysts and reports regularly to the Board.	David Schlaff and Stanislaus Prinz zu Sayn-Wittgenstein represent major shareholders in the Company through their position on the Board and can provide an important investor perspective to the Board and management team. The EDs meet regularly with investors and analysts (in person and via digital channels). Two remuneration-related shareholder consultations on proposed ED salary increases and the updated ED Remuneration Policy were held in 2020. Celia Baxter, Chairman of the Remuneration Committee, wrote to our top 15 shareholders (circa 70% of the register), and major proxy voting agencies, requesting engagement, and held direct calls and follow-up communications. In May 2020, Janet Ashdown, Chairman of the CSC, conducted a sustainability and governance roadshow, meeting four institutional investors. All individual Board member interactions with shareholders were reported to the full Board. Directors also received regular presentations from Investor Relations, including analyst coverage of market and shareholder reactions to Company events and analyst reports on listed competitors.

Topics raised	Outcomes
• Climate action • COVID-19 • Consistent and timely delivery of products and services despite the global pandemic • Continuity of the development of new solutions despite travel restrictions	• Customers remain at the heart of the Company's culture and as such form a central part of the strategy and every Board decision. • Customer feedback provides an important driver for innovation. We aim to continuously update our product and service offerings based on their specific requirements (e.g. ANKRAL low-carbon bricks and our APO solutions — read more on pages 68 and 31 respectively). • We used virtual reality to ensure continuation of certain customer services in 2020 and launched Remote Assist solutions to enable customers to connect with our experts and collaborate remotely — read more on page 18. • The Board paid close attention to customer perspectives prior to making decisions on plant closures, ensuring the continuation of product supply routes and safeguarding against interruptions. • Customer experience and benefits such as shorter delivery routes, leading to better product delivery and reduced Scope 3 emissions, were central to Board decision-making regarding plant regionalisation. • The Board referred to the customer experience when evaluating the business performance outlook. • Accounts receivables processes took account of the position of customers and relationship with the Company.
• Response to COVID-19: employee protection measures, participation in government schemes; ability to operate during worldwide lockdowns • Group strategic initiatives: EBITA impact, severance costs, impairments and capital expenditure • New organisational structure and footprint rationalisation • Capital allocation • Liquidity, leverage and balance sheet strength • Growth opportunities: new markets and differentiated product segments, including digitalisation • End-market trends • The role and impact of Employee Representative Directors • Climate change and environmental activity • Diversity • Supply chain governance • Remuneration	• Shareholder perspectives were taken into account in Board discussions surrounding the reinstatement of the interim dividend and the commencement of the €50 million buyback in December 2020. • The Board's decisions on shareholder returns considered the Group's ability to maintain its strong balance sheet position and financial liquidity, alongside its ability to execute its internal investment plans and maintain flexibility to pursue value-enhancing M&A as well as investor perception. • The Board took shareholder feedback on remuneration into account. With an 81% vote in favour of the Remuneration Report at the June 2020 AGM, an ED salary increase was implemented, but frozen from April to July 2020 as part of our short-term COVID-19 cost saving measures. Investor feedback was taken into account when considering the Remuneration Policy to be proposed at the 2021 AGM.

Stakeholder engagement
continued

Stakeholder group	How the Company engages	How the Board engages
Employees Attracting, retaining and developing talent is central to the success of the Company. We aim to cultivate an engaged, innovative and collaborative workforce, with a strong focus on diversity.	We emphasise the importance of frequent, constructive and open communication with our employees and have many channels through which this is facilitated. Internal communications have been ramped up during COVID-19 to address its challenges. Communication methods include town hall meetings (virtual at present), social media channels, email and an employee app (which has proved an effective means of communication on COVID-19 related protocols). Pulse surveys are conducted regularly with employees and formal employee feedback is sought every one to two years, via an engagement survey, with the most recent one conducted in September 2020. We have "Culture Champions" who engage with employees on an ongoing basis to embed our culture and values, and are currently focusing on "innovation". The Company engages with works councils, trade unions and other bodies that represent our employees in line with the core conventions of the International Labour Organisation.	Two Employee Representative Directors provide an effective direct voice in the boardroom on a range of issues, in particular those which directly impact the workforce, such as remuneration, pausing of production and plant closures. See further detail on workforce engagement on page 81. As a result of COVID-19, other forms of Board engagement with employees were limited as Board site visits were prohibited by the new travel restrictions. The Board engaged with employees below EMT level, with specialist managers presenting to the Board and Committees throughout the year. Directors also met directly with employees to discuss a range of topics. Employee Representative Directors fed into the formulation and execution of the employee engagement survey and HR conveyed the detail of this to the Board. The Board receives employee feedback from Pulse and employee engagement surveys. Directors Janet Ashdown and Fiona Paulus participated in our FeMale Network global calls, thereby facilitating engagement with circa 300 women at RHI Magnesita on career-related topics. The Board is apprised of key developments and considerations relating to communication with works councils and trade unions. The Board can assess opinion via the MyRHIMagnesita app, which provides employees with the ability to comment on Company updates and news.
Communities Wherever we operate, our business depends on maintaining the acceptance and approval of local communities. In return for this social licence to operate, we must conduct our business ethically and responsibly. We must also strive towards sustainability, not only in our own operations but also to support socio-economic development and environmental protection.	As a member of the United Nations (UN) Global Compact, we support the UN Sustainable Development Goals and implement the Global Compact principles (anti-corruption, human rights, labour rights and environment). These commitments drive our engagement with policymakers, NGOs and others at both a national and international level. At a local level, each operation engages with local communities and other stakeholders to identify their concerns and how we can support them. In light of COVID-19, most of our engagement in 2020 focused on local authorities, hospitals and frontline workers, as well as organisations like the Red Cross/Red Crescent.	The Board receives regular updates on our community engagement and investment programmes. In 2020, both the CEO and Chairman again took part in our partnership with Teach for All, which focuses on improving educational equity for young people from disadvantaged backgrounds. The Board received regular updates on COVID-19 infection rates and considered operations in the context of local community situations, receiving reports from management on the deployment of Company resources to help communities across our global operations with their COVID-19 response. As well as focusing on the COVID-19 response, the CSC considered key aspects of community engagement, including charitable fundraising for local communities, and received updates from management on projects in communities in Brazil and Austria. Read more about communities on page 74.
Supply chain Strong relationships with our suppliers are vital for the effective running of our operations. We rely on our suppliers to deliver services and materials, the availability of which impacts our ability to operate. We want to ensure that we are not only able to guarantee delivery on demand, but also that we are part of a sustainable supply chain.	Successful, efficient and resilient supply chain management has been particularly important in 2020. We adapted quickly to issues arising due to COVID-19 and ensured consistent and frequent engagement with our suppliers via digital communications tools (with physical meetings being less practical in the current environment). The Company has followed up in critical supply areas with a specific action plan to enable mitigation of potential supply interruptions.	Supplier audit and engagement reports were considered in the CSC's deliberation of the Modern Slavery Act statement, particularly in light of heightened scrutiny in the UK on this subject. This Committee also considers the California Transparency in Supply Chains Act Statement for recommendation to the Board. In particular, the Board considered the importance of fair treatment of suppliers, especially smaller suppliers, in respect of accounts payables during the COVID-19 pandemic and directed management with this in mind.

Topics raised	Outcomes
• COVID-19 • Business restructuring • Career-related issues • Workforce remuneration • Production halts and plant closures • Diversity	• We established a task force of employees from health and safety, sales operations, supply chain, HR and the works councils in response to the outbreak of the global pandemic and swiftly implemented protocols to protect the health and safety of our colleagues. • The Board held ongoing dialogue with management regarding the organisational restructuring, and considered employee KPIs, particularly relating to voluntary and regrettable turnover, average retirement age and diversity statistics. Results from Pulse surveys also provided useful insight to inform decision-making. • We have implemented various initiatives to prepare our employees for the digital future and attract new talent — read more on page 39.
• COVID-19 • Skills and employment programmes • Protecting existing programmes and partners	• We pivoted much of our community investment in response to COVID-19 towards emergency relief, particularly to hospitals, key workers and relief agencies. • We launched initiatives to help communities to withstand the economic consequences of the pandemic. These range from skills training and employment programmes to establishing nano-businesses. • We continue to provide financial support to existing projects, to protect partners and to maintain environmental programmes. • Employees are encouraged to volunteer in our programmes.
• Demand volatility is currently the main issue, with suppliers requesting enhanced forecasting of RHI Magnesita demand to ensure stability of supplies • COVID-19 • Climate action • Safety	• The Company is implementing a range of innovative, integrated, digital supply chain management initiatives and investing in digitalisation of its procurement systems. This project is aimed at delivering a more integrated process of managing demand, purchases and invoicing. • Management will progress supplier audits and engagement further in 2021. • The Board considered and approved the Modern Slavery Act statement for publication, following recommendation from the CSC, and this can be found on our website. • Accounts payable processes took account of the size of suppliers and relationship with the Company.

See Engaging with stakeholders
Page 65

Sustainability governance

The global challenges of COVID-19 and climate change are profoundly changing both the way businesses operate and what stakeholders expect of them. Companies must not only strive to build back better from the pandemic, they must also help business partners and communities do the same.

Our performance in ESG rankings

AA	Silver
MSCI	ecovadis
Prime (C+)	B
ISS ESG	CDP DISCLOSURE INSIGHT ACTION

Online

The GRI index is available on our website.

rhimagnesita.com/gri

As we accelerate execution of RHI Magnesita's business strategy, we must do so in a way that prepares our business to succeed in a zero-carbon and more circular economy. In addition, we aim to support broader recovery among business partners and host communities, helping to create a fairer, more resilient and sustainable society.

To do so, we are embedding sustainability deep into our business, weaving it into our purpose, culture and business processes. We aim to be a valued employer, a preferred business partner and a trusted member of our communities. As the global leader in refractories, we aim to lead the industry in sustainability, too.

The following chapters show how we are integrating environment, social and governance (ESG) issues into our business. This chapter and our Corporate Sustainability Committee (CSC) report on page 97 discuss how sustainability is governed in RHI Magnesita; the following chapters describe our progress in addressing climate and other environmental challenges (pages 68 to 71) and social issues (pages 72 to 75).

Materiality

We focus on the sustainability challenges that are most material to our business and our stakeholders. To identify and prioritise issues, we rely on formal stakeholder consultations (not conducted in 2020), as well as ongoing informal engagement with internal and external stakeholders (as detailed on page 65) and close monitoring of the issues.

In addition to the multi-faceted challenges posed by COVID-19, the material issues we currently focus on are:

- Health and safety
- Climate change
- Recycling
- Diversity
- NOx and SOx emissions

For each of these issues, we have set targets to 2025 (on page 67) and discuss our progress in this report. In addition, we continue work on other social and environmental issues including: anti-bribery and corruption, sustainable supply chain, human rights, forests and biodiversity, water usage and community investment.

Engaging with stakeholders

Two main topics dominated the discussions we held on sustainability issues with stakeholders in 2020: COVID-19 and climate change. Below is an overview by stakeholder group of our engagement on these issues during the year. In addition, our Board of Directors engages directly with stakeholder groups; details can be found on pages 60 to 63 in Stakeholder engagement.

Investors — Climate change was the leading sustainability issue raised by investors in 2020. We held constructive discussions on our climate strategy, recycling and investment in emerging technologies. Our progress in building female leadership and protecting biodiversity were also raised. RHI Magnesita gained a B for its CDP climate submission in 2020 and is rated AA by MSCI, Silver by Eco-Vadis and Prime (C+) by ISS ESG rankings.

Customers — Climate action and COVID-19 — both in terms of safety and business continuity — were the sustainability issues raised the most in 2020. Since our customers are high-emitting industries in hard-to-abate sectors, we work together to reduce emissions in their operations and value chain. This has included piloting our new low-carbon bricks and mobile recycling solutions, as well as rolling out technologies to reduce energy use and emissions in production. As part of the new Inno Challenge, our innovation accelerator programme, we will explore how to further support customers' climate strategies (see further detail on page 70). In addition, our safety integration project is developing shared commitments and processes.

Employees — COVID-19 and our business restructuring were the topics on which we engaged most with employees in 2020. We ramped up internal communications to ensure employees understood COVID-19 safety protocols as well as how and why we are accelerating our strategy to transform our business. As we streamlined operations, we worked with unions, works councils and other employee representatives to develop the most equitable solutions for affected employees. Our global survey provided valuable feedback from employees and yielded a 79% engagement score, exceeding both the global benchmark and the benchmark for manufacturing.

Suppliers and contractors — COVID-19, climate and safety were the three sustainability issues on which we engaged most in 2020. We continue to work with suppliers to better understand emissions in our supply chain so as to drive them down. On safety, we have extended coverage to contractors on our sites and continue our safety integration project.

Communities — COVID-19 was the main focus of engagement and support in 2020. Since our sites lie in relatively remote locations, we engage directly with local communities. The COVID-19 relief we provided ranged from medical supplies and equipment to hospitals to emergency food and cash donations to relief efforts. We are now exploring how to support longer-term rebuilding efforts. In Brazil, for example, we have set up schemes to train people in technical fields, while also creating an income-generating project for female entrepreneurs.

Multilateral partnerships are another way we work to address the biggest sustainability challenges. To advance carbon capture and usage technologies, for example, we also work with universities, research institutions and industry partnerships like the European Cement Research Academy.

Sustainability governance
continued

Governance structure

The Corporate Sustainability Committee of the Board (see page 97) oversees our sustainability strategy and progress. This Board Committee, the CEO and Executive Management Team are regularly updated by our Sustainability Steering Committee, the senior management body responsible for identifying risks, driving progress against key objectives and targets and embedding sustainability throughout our business.

Standards and reporting

We follow leading sustainability standards and frameworks. As a participant in the UN Global Compact, we have committed to support the UN Sustainable Development Goals.

As we work to decarbonise our business, we make annual climate submissions to the CDP and gained a B rating in 2020. We are also a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD).

On social sustainability, we report our diversity progress to the Hampton-Alexander Review. We are also members of Business for Societal Impact (formerly LBG, the London Benchmarking Group) and use this globally recognised methodology to measure our impacts on society.

Our integrated management system covers environment (ISO 14001), energy efficiency (ISO 50001), occupational health and safety (ISO 45001) and quality (ISO 9001).

We aim to communicate our sustainability progress in an open and transparent manner. This report, together with a GRI Content Index, comprise our **GRI Report** and is available on our website. This report was prepared in accordance with the GRI Standards (Core option). In addition, this report serves as our **Communication on Progress** to the UN Global Compact (self-assessed as Active). Our contributions to the UN Sustainable Development Goals (SDGs) are covered in the GRI Index. Our reporting adheres to the legislative requirements in the UK and the Netherlands in implementing the EU Non-Financial Reporting Directive.

Ethics and compliance

As participants in the UN Global Compact, we have committed to integrate the UN Global Compact's 10 principles into our business strategy and operations. In addition to environment (see page 68), these include human rights, labour rights and anti-corruption. Our new digital compliance portal is helping to strengthen our compliance processes.

RHI Magnesita has zero tolerance of bribery and corruption in our own operations or our value chain. Our Code of Conduct and Supplier Code of Conduct, both available on our website, make clear that our employees and business partners must fully comply with anti-bribery and corruption laws. All office-based employees in RHI Magnesita are required to complete online training on business ethics.

As participants in the UN Global Compact, we must bring to life our commitment to internationally recognised human rights and labour rights in our business, supply chain and beyond. More than 66% of our employees are covered by unions, works councils or collective bargaining. Our Supplier Code of Conduct explicitly includes human rights and labour rights provisions and we are implementing a new tool to ensure that suppliers commit to this. The Board considers and approves annual statements for publication, available on our website, in accordance with the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act.

An independently operated hotline allows confidential and anonymous reporting of any concerns about our business or suspected wrongdoing. We publicise the contact details for the hotline both online and throughout our business. The Board and the Audit & Compliance Committee review reports, as well as independent investigations and follow-up. In 2020, we received 62 reports; more detail can be found on page 100 of the Audit Committee report.

We support the UN Sustainable Development Goals (SDGs) and have identified these as the goals our business is best placed to actively support.

Progress against sustainability targets

Material issue	Targets by 2025 vs 2018 baseline year	Progress in 2020		2018	2019	2020
1. CO_2 emissions	Reduce by 15% per tonne of product — Scope 1, 2, 3 (raw materials)	Production slowdowns led to a 22% drop in absolute emissions vs 2018 but an 0.4% increase in carbon intensity due to the more energy-intensive nature of reduced production	Absolute (t CO_2)	5,372,000	4,612,000	4,203,000
			Relative (t CO_2/t)[1]	1.81	1.73	1.82
2. Energy	Reduce by 5% per tonne of product	Total energy consumption fell 20% vs 2018 but there was a 3.5% increase in energy intensity due to the more energy-intensive nature of reduced production	Absolute energy consumption (GWh)	5,700	5,200	4,600
			Relative (MWh / t)[2]	1.86	1.84	1.92
3. Recycling	Increase use of secondary raw materials to 10%	Use of SRM increased to 5%	Use of secondary raw materials	3.8%	4.6%	5.0%
4. Diversity	Increase women on our Board and in senior leadership to 33%	Women now account for 25% of senior leadership and 25% of our Board	Board	7%	23%	25%
			EMT and direct reports	12%	17%	25%
5. Safety	Maintain LT IF at <0.5 (goal: zero accidents)	Lost time injury frequency (LTIF) improved 56% over 2019 while total recordable injury frequency (TRIF) improved 40%	per 200,000 hours worked	0.43	0.28	0.13
6. NOx and SOx emissions	Reduce by 30% by 2027 (vs 2018), starting with China by 2021	30% reduction in NOx and SOx achieved in China already; work now focuses on US operations	China — target achieved 2021	North America — target 2025	South America — target 2027	Europe — target 2027

1 A change in production volume reporting system has led to an adjustment to the 2018 baseline and KPI.
2 Change in both plant footprint and production volume reporting system have led to an adjustment of the 2018 baseline year and KPI.

Climate and environment

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

Preparing to succeed in a net zero and circular economy is vital if we are to emerge stronger from the pandemic. To ensure this is central to our recovery, one of the Group's key corporate projects is a strategic initiative that aims to drive down RHI Magnesita's emissions to net zero.

Innovation and digitalisation are helping to decarbonise our business. In 2020, spending on R&D and Technical Marketing amounted to €62 million. We have since committed to invest a further €50 million over the next four to five years in new and emerging technologies.

Our immediate target is to reduce Scope 1, 2 and 3 (raw materials) emissions by 15% by 2025. In addition, we are exploring how we could develop a longer-term target aligned with the Paris Agreement. To do so, we are participating in a two-year Science Based Targets Initiative programme supported by the Austrian Government and WWF.

We are a supporter of the Taskforce on Climate-related Financial Disclosures (TCFD) and have developed a roadmap to implement its recommendations (see table). Since 2019, we have participated in the CDP (formerly the Carbon Disclosure Project) and were awarded a B rating in 2020.

In 2020, total emissions fell for a second consecutive year, marking a 22% reduction from our baseline year of 2018. Scope 1, 2 and 3 emissions (raw materials) fell by 9% over the previous year. Nevertheless, carbon intensity increased during the same period (from 1.73 tonnes per tonne of product in 2019 to 1.82 in 2020). This was due to the economic slowdown reducing our capacity utilisation.

Our carbon emissions

	Absolute emissions (thousand tonnes of CO_2)			Relative emissions (t CO_2 per tonne of product)[1]			
	2018	2019	**2020**	2018	2019	**2020**	Change vs 2018 (base year)[2]
Scope 1	2,629	2,265	**2,110**	0.89	0.85	**0.91**	3.0%
of which geogenic emissions	1,413	1,188	**1,143**	0.48	0.45	**0.49**	3.8%
of which fuel-based emissions	1,165	1,045	**932**	0.39	0.39	**0.40**	2.7%
of which other emissions	51	32	**35**	0.02	0.01	**0.02**	-11.9%
Scope 2	207	190	**143**	0.07	0.07	**0.06**	-11.3%
Scope 3 (raw materials)	2,536	2,157	**1,950**	0.85	0.81	**0.84**	-1.3%
Total	5,372	4,612	**4,203**	1.81	1.73	**1.82**	0.4%

1 A change in production volume reporting system has led to an adjustment to the 2018 baseline and KPI.
2 Percentage changes stated deviate from relative emissions figures shown due to decimal places used in data presentation.

Case study

Growing customer demand for reduced-carbon brick series

The Lafarge Holcim plant in Austria was the first customer site to pilot our ANKRAL low-carbon (LC) bricks. With a 13% lower carbon footprint, the series is designed to support customers as they reduce emissions in their supply chain.

The ANKRAL LC series includes up to 20% recycled content and its carbon footprint has been independently verified. Following the successful pilot, the bricks are now used at 11 customer sites and we are extending the LC series to meet growing customer demand.

Our ANKRAL LC bricks have a

13%

lower carbon footprint

Official supporter of
TCFD
recommendations

CDP rating
B
for climate submission

Implementing the TCFD recommendations

Governance	• Management role: The Sustainability Steering Committee works with the Executive Management Team and CEO to assess climate risks and opportunities and develop and implement climate strategy. • Board oversight: The Corporate Sustainability Committee regularly reviews climate risks, strategy and performance.
Risk management	Key climate risks include: • Physical risks, such as flooding and resulting disruption to our operations • Transitional risks, such as regulatory frameworks and price of carbon, viability and customer acceptance of emerging technologies as well as our ability to set and meet Paris-aligned targets • These are discussed more fully in our CDP submission, which gained a B rating in 2020
Strategy	Our immediate target is to reduce Scope 1, 2 and 3 (raw materials) emissions by 15% by 2025. We are also exploring how we could develop a longer-term Science-Based Target. The main pillars of our approach are: • Recycling — decreasing the carbon footprint of our raw materials and building the circularity of our business • Carbon capture and usage — investing in emerging technologies and partnerships to address our geogenic emissions (emitted during processing of raw magnesite) • Fuel switch — reducing the carbon intensity of energy by changing to lower-carbon or renewable energy sources • Energy efficiency — reducing our relative use of energy through efficiency projects • Innovative customer solutions — helping customers reduce their much larger CO_2 emissions, thereby gaining competitive advantage
Metrics and targets	• Our immediate target is to reduce Scope 1, 2 and 3 emissions (raw materials) per tonne by 15% by 2025. • We are exploring how to develop a longer-term target aligned to the Paris Agreement. • We measure our carbon emissions using the GHG Protocol.

Climate governance

Our climate strategy is overseen by the Corporate Sustainability Committee of the Board. At every quarterly meeting, the Committee reviews climate risks, strategy and performance.

At operational level, the Sustainability Steering Committee works with the Executive Management Team and CEO to assess climate risks and opportunities and to develop and implement our climate strategy. Carbon is increasingly integrated into decision-making processes, such as our strategic network optimisation (SNO) tool and investment planning process, along with energy efficiency and air emissions.

Climate risk

Climate change poses strategic and operational risks to our business, as well as opportunities. The main climate risks have been identified as physical and transitional risks.

Physical risks include:

- Increased severity of extreme weather events, such as flooding or droughts
- Resulting disruptions to operations and supply chain

Transitional risks include:

- Regulations: the price of carbon and changeability in regulatory frameworks
- Technology: the viability of our emerging technologies
- Marketplace: customer acceptance of new technologies
- Reputation: our ability to set and meet targets aligned with the Paris Agreement

Our climate strategy and overall risk management processes (covered on pages 48 to 49) aim to mitigate these risks. By taking a leadership role in our industry, we aim to capitalise on opportunities too. For example, our innovative solutions help customers to reduce CO_2 emissions in their production processes and supply chain. We also work with others to discover whether emerging technologies can successfully capture and manage our process emissions and convert them into useful products.

Climate strategy

To drive down carbon emissions, we focus on the following areas:

- **Recycling** — decreasing the carbon footprint of our raw materials and building the circularity of our business
- **Carbon capture and usage** — investing in partnerships and technologies that have the potential to significantly reduce the geogenic emissions from processing raw materials
- **Fuel switch** — reducing the carbon intensity of the energy we use
- **Energy efficiency** — reducing our relative use of energy and associated emissions
- **Innovative customer solutions** — enabling customers to reduce their direct emissions, further helping to address emissions in our value chain

Recycling

Recycling plays a significant role in achieving our 2025 emissions reduction target; it also develops the circularity of our business. By using more secondary raw material (SRM) content, we will reduce the geogenic CO_2 emissions from the processing of virgin materials. At present, more than half of our Scope 1 emissions result from processing raw magnesite and other materials.

Our target is to reach 10% SRM content in refractories by 2025. Doing so could avoid up to 300,000 tonnes of CO_2 emissions and 150,000 tonnes of landfill per year.

Our new ANKRAL LC series includes up to 20% recycled content and has a 13% lower carbon footprint which has been independently verified. Following a successful pilot with Lafarge Holcim, the refractories are already in use at 11 customer sites and we are expanding the ANKRAL LC series portfolio. We also continue to increase the recycled content in recipes across our business.

Climate and environment
continued

We now have — or are in the process of setting up — recycling facilities in every region of our business. These include facilities on our sites and customer sites, as well as new mobile treatment facilities that visit customer sites to remove and process waste refractories.

We are also pioneering new technologies to maximise the quality and quantity of secondary raw material available for recycling. These include automated sorting of brick qualities, mineral processing techniques to remove impurities and new processes to stabilise or remove contaminants. In 2020, recycled content reached 5% despite COVID-19 leading to SRM supply challenges.

Lastly, we are developing ways to include primary material previously discarded as waste. Our new rotary kiln in Brumado will use this waste magnesite ore, for example, almost halving the amount of magnesite ore we extract from the local mine and extending the life of the mine by over 70 years. In 2020, our business generated 107,000 tonnes of waste, or 0.05 tonnes per tonne of production. Most of this waste is non-hazardous ceramic and mineral waste from production and mines.

Carbon capture and usage

We are actively pursuing technologies that could potentially capture and use CO_2 from industrial processes. We have now identified the most advanced carbon capture and usage (CCU) technologies on which we will focus. Value chain studies are being combined with bench and industrial-scale trials with initial results showing promise.

Around the world, we have set up partnerships with universities, research institutes, companies and industry platforms to develop these technologies as well as a value chain for the captured CO_2. Partners include Imperial College in the UK, the European Cement Research Association (ECRA), Norwegian research institute SINTEF and the Federal University of São Carlos in Brazil.

We have committed to a €50 million programme to invest in new and emerging technologies and to pilot these technologies in our plants. For example, we are working with a technology partner to capture geogenic CO_2 emissions directly in our kilns. By separating this source of CO_2 emissions from gases that result from fuel combustion, the technology allows efficient capture without the subsequent need to filter. Trials have taken place using raw material from Hochfilzen and Breitenau, with industrial trials starting in 2021.

Innovative customer solutions

Our customers account for a significant proportion of global carbon emissions. Steel and cement industries — which account for 80% of our customers — represent up to 13% of global CO_2 emissions. Enabling such high emitters to reduce their emissions is therefore another priority.

Digitalisation and innovation are facilitating customer solutions that yield production efficiencies while also increasing the lifespan of our refractories. These solutions are expected to reduce CO_2 emissions on both counts.

During 2020, our digital solutions gained traction with customers. For example:

- **Automated Process Optimisation** (APO) is a market-leading technology that digitally supervises kilns, thereby reducing the need for energy-intensive stoppages to conduct maintenance checks. Three major customers already use this technology with trials taking place in another three.
- **Remote Assist uses augmented reality** (AR) technology to provide customers with technical assistance remotely, thereby reducing on-site visits and transportation emissions. Fast-tracked to support customers during COVID-19 when on-site visits became more challenging, the technology is already used to service customers at 20 sites.

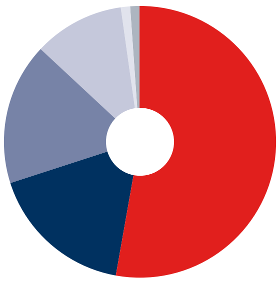
Reducing the carbon intensity of energy

To reduce the carbon intensity of the energy we use, we are switching to lower-carbon sources of energy, where feasible.

In 2020, we signed a contract for 100% of electricity used by our German operations to come from low-carbon or renewable sources. Starting in 2021, this switch will reduce our Scope 2 emissions by an estimated 10%. In Austria, we already source 100% of our electricity from renewable sources. Similar initiatives at other locations are being actively explored.

Where viable, we are switching from petroleum coke and oil to natural gas, the cleanest fossil fuel. Cost, availability of gas supply and supply capacity continue to present challenges, however. In 2020, gas accounted for 53% of fuel used by our business.

Our energy use by source



Natural gas	53%
Fuel oil	17%
Coal and coke	17%
Electricity	11%
Diesel	1%
LPG	1%

At present, renewables are not a viable primary source of energy for our business, given the high temperatures and quantities required in production. Nevertheless, we continue to explore other options. We have also installed solar PV panels at our Leoben R&D centre and our mine in Brumado, where they replaced diesel generators.

Our energy use

	2018	2019	**2020**	vs base year
Total energy consumption (GWh)	5,700	5,200	**4,600**	-19.3%
(MWh / t sold)[1]	1.86	1.84	**1.92**	3.5%

1 Energy efficiency projects were partially implemented but energy savings were outweighed by low utilisation rates. In addition, the change in both plant footprint and production volume reporting system have led to an adjustment of the 2018 baseline year and KPI.

Increasing energy efficiency

New tools and technologies are contributing to our energy efficiency. For example, our Strategic Network Optimisation (SNO) tool ensures that we use our global production network efficiently. Carbon emissions are integrated into this tool, helping to keep relative emissions as low as possible.

In addition, innovative technologies are reducing both the duration and temperature of our production processes which, in turn, improve our energy efficiency. For example, bricks used in the production of ultra-low-carbon interstitial-free steel were previously fired at temperatures of up to 1,800°C. By contrast, our new binder system only requires a tempering treatment at 200°C, reducing CO_2 emissions by 700 kg per tonne of production. Other new energy-saving initiatives include a control system at our rotary kiln at Contagem and a heat exchanger for the hot water heating system at our Marktredwitz plant. Energy efficiency projects are expected to save 25GWh a year.

Nevertheless, COVID-19 meant that we were not able to fully implement all planned energy efficiency projects. In addition, low utilisation of our plants led to a 3.5% decrease in energy efficiency compared to 2018 (see page 67). In 2020, we used 4.6 TWh of energy.

Responsible use of air, land and water

In addition to climate change, we recognise the scale and urgency of other environmental challenges: unprecedented biodiversity losses, the global challenge of air pollution and growing water shortages. These issues have major implications for human health, too. We work to reduce the impact we have on air, land and water wherever we operate and aim to be a responsible user of these shared resources.

Reducing NOx and SOx emissions

We continue to reduce emissions of nitrogen oxides (NOx) and sulphur oxides (SOx) across our business. One year ahead of schedule, we have met our 30% reduction target in China. We will achieve the same reduction in our US operations by 2025 and across our entire business by 2027. Starting in 2021, we will introduce process optimisation to reduce NOx emissions in York.

Protecting biodiversity

We aim to protect biodiversity across our business. In Brazil, the tree nursery at our Brumado site grows native species and planted more than 5,000 trees in 2020, as well as donating many more to community groups (see further detail on page 75). Similarly, our Eskişehir site planted a further 2,000 trees on land bordering our mine and production site in 2020, bringing the total they have planted to date to 198,500.

We recognise the threat posed by biodiversity losses and are exploring how we can further protect biodiversity across our business.

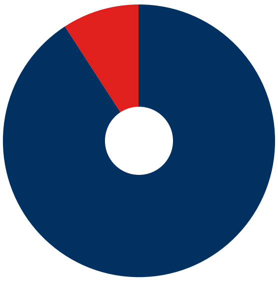
Water

Although the refractory industry is not water-intensive, we are working to minimise water withdrawals and enhance our water efficiency. All production sites have been assessed for scarcity, with results showing that 10 sites operate in regions of Mexico, Brazil, India, China and France where this is or might soon become a risk.

Based on these assessments, we are developing mitigation plans. In India, for example, we have launched industrial rainwater harvesting pits at our Clasil site. We estimate that this system will harvest 50,000m³ of water per year. In addition to protecting our site from flooding, the water recharges the aquifer. Although there is minimal wastewater from production, all wastewater from the site's facilities is treated and used for irrigation. The site also provides potable water to local communities.

Across our business, RHI Magnesita used 12.5 million m³ of water in 2020, of which 1.1 million m³ was in water-scarce areas.

Our water use



- Water consumption in non-scarce areas 91%
- Water consumption in water scarce areas 9%

Our people

COVID-19 and digitalisation are fundamentally changing the world of work. From remote working to virtual leadership, new skills, roles and structures are required.

As we transform our business to emerge stronger from COVID-19, we will only succeed if we bring our people along on the journey, too. To do so, we are embedding a new organisational structure and culture to maintain employee engagement. We are also equipping our people with vital new skills. Our first priority, however, is to ensure that employees and contractors remain safe and healthy during the pandemic.

Health and safety

A safe workplace is a fundamental right for our employees and contractors. In 2020, this has meant a focus on both COVID-19 and occupational safety.

Early in the pandemic, we established tight entry controls to all sites, as well as a testing and monitoring service that has since been rolled out globally. Employees who could work remotely did so and only business-critical travel was allowed. Other measures include increased cleaning and disinfection, new hygiene stations and social distancing requirements. Since it is critical that employees understand and comply with these measures, we also increased internal communications. Driven by local, regional and global crisis committees, these communications range from more signage at every site to a new app channel to provide COVID-19 related updates.

Regrettably, there have been two COVID-19 related deaths: an employee and a contractor, both in Mexico.

In 2020, our occupational safety programme showed a 56% improvement in lost time injury frequency (LTIF) compared to 2019. We also continued to reduce accidents, with a 40% drop in total recordable injury frequency (TRIF) and a slight reduction in accident severity.

RHI Magnesita believes that the only acceptable goal is Zero Accidents. We also believe that this is achievable. In 2020, we experienced five calendar months with Zero Lost Time Accidents. There were no serious accidents or fatalities in relation to occupational safety.

As we build a strong safety culture, we continue to focus on:

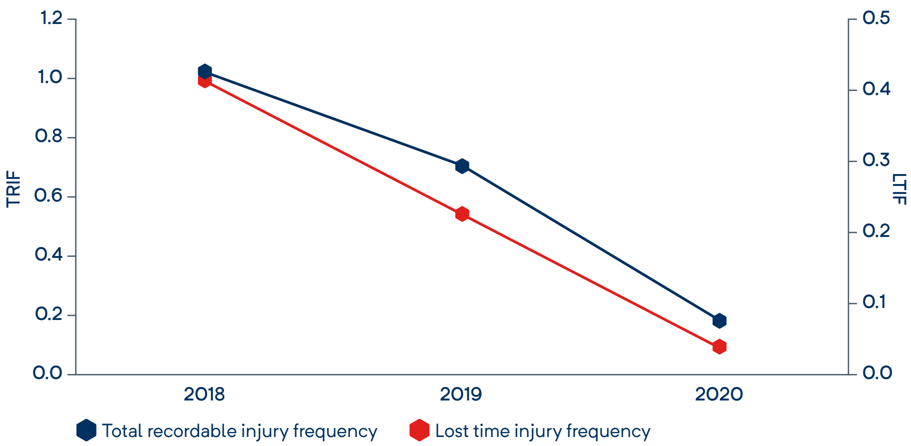
- Risk assessments to identify hazards and prevent accident and injury.
- Mitigating unsafe situations to prevent accidents and learn from near-misses.
- Measuring the timeliness and effectiveness of mitigation measures.
- Investigations and root cause analyses, sharing results across the organisation.

Since unsafe behaviours are responsible for most accidents at work, we use the POST safety observation programme to focus on behaviour-based safety.

Contractors are now included in our LTIF data, as are employees contracted to work at customer sites. As part of our new safety integration project, we work with customers to develop shared training and reporting practices and in 2021 we will integrate systems to include all employees on Company and customer sites.

We have now transitioned our safety certification from OHSAS 18001 to Occupational Health and Safety Management Systems standard ISO 45001.

Our safety performance



Case study

Radenthein becomes central training hub for the digital future

As the most technologically advanced plant in the global refractory industry, our Radenthein plant will now serve as our central training hub. In 2020, the digital flagship plant launched apprentice training initiatives. Already the training hub for our German-speaking region, the plant has launched a new apprenticeship in Process Technology. In addition, the plant participates in the pilot Apprenticeship and Studies programme, the first such project in Austria. More than one million Euros have been invested in expanding the Radenthein training facility.

Global engagement score

79%

Our culture

To support the transformation of our business, we launched our new organisational culture in 2020. With customer focus at its core, the four supporting pillars of our new culture are innovation, openness, pragmatism and performance. This builds on the same core values as before. Since it is a key focus area in our leadership journey, we continue embedding our new culture in day-to-day behaviours.

Engaging employees

Given the challenges of COVID-19 and pace of business change, we are making extra efforts to engage with employees. In addition to new communications channels, our business leaders now speak with employees through virtual town halls and videos. We also offer assistance ranging from home-working guidance to psychological support.

We seek feedback with periodic employee surveys. In our most recent global survey, the engagement index stood at 79%. This score is based on six criteria: satisfaction, recommendation probability, pride to work for RHI Magnesita, belief in our future direction, team motivation and willingness to go the extra mile. Our score compares positively to a global benchmark of 73% and 74% for manufacturing industries.

To return stronger from the pandemic, we have streamlined our organisation with a focus on the operations network. Inevitably, this had an impact on jobs, despite efforts to minimise redundancies. We worked with unions and works councils, which represent 66% of our workforce, to minimise the number of people affected and to reach the best possible solutions. Throughout the process, we endeavoured to communicate transparently and to treat every employee with respect.

Promoting diversity

To be agile and unleash innovation, we need the broadest range of talent and perspectives, especially in our leadership. In late 2020, we relaunched our diversity strategy, underlining its importance in our new organisational design. Diversity is also woven into our new cultural themes. To drive progress, we have set up six regional diversity steering committees while a global steering committee reports to the Corporate Sustainability Committee of the Board.

Our first three priorities are gender, nationality and generational diversity. To promote female senior leadership, we have committed that women will represent 33% of our EMT and direct reports by 2025 — and the same on our Board of Directors. Our EMT now comprises 29% women. This means that our senior leadership (EMT and direct reports) is now 25% female. Although this marks a 47% improvement over 2019, it still falls short of our target (see page 67).

We must also develop the next generation of female leaders. During 2020, 10 high-potential female managers were personally invited by the CEO to attend our annual leadership conference. In addition, women account for 30% of our first intake of trainees for our new Refractory Factory. Our new FeMale network already has more than 300 members and our CEO, EMT and Board Directors have participated in the network's monthly global calls to discuss career-related issues.

Our senior leadership should also reflect the geographic diversity of our business. We are therefore working to include greater ethnic diversity in our leadership, as well as representation from each key geographic region.

We are also working to build a multi-generational workforce. While our new trainee programme, the Refractory Factory, will bring young talent into our business, we are also working to increase representation from older age groups.

With a sustained commitment to diversity, we aim to build a highly diverse organisation where everyone feels welcome and valued, regardless of gender, age, nationality, ethnicity, religion, disability, sexuality or any other difference.

People development

As we continue to transform our business, people development assumes even greater importance. We need new skills and new roles to meet the multifaceted challenges ranging from digitalisation to decarbonisation. For example, our Radenthein flagship plant will become the central training hub to help develop the digital skills we need (see page 72).

Our core focus is to equip leaders at all levels to lead in the world of tomorrow. They must manage change and transformation in complex and volatile times; they must also be strong virtual leaders, combining leadership and technology skills to lead remote working teams.

To help build future leaders, in 2020 we launched our new global trainee programme, the Refractory Factory. Over the next two years, 15 high-potential trainees will participate in strategic growth projects, as well as cross-functional and international assignments. We plan to scale up to 50 recruits a year by 2025.

Our talent management system, the People Cycle, has also been further rolled out. The scheme provides performance and potential assessments, a view on cultural fit and allows for succession planning. The People Cycle is also the basis for personal development plans which help RHI Magnesita to promote internal talent.

Women in leadership in 2020

F

Board
3
2019: 3 | 2018: 1

EMT
2
2019: 2 | 2018: 2

Direct reports
12
2019: 12 | 2018: 5

EMT + Direct reports
14
2019: 14 | 2018: 7

M

Board
9
2019: 10 | 2018: 13

EMT
5
2019: 7 | 2018: 7

Direct reports
36
2019: 60 | 2018: 45

EMT + direct reports
41
2019: 67 | 2018: 52

	2018	2019	**2020**	2025 target
Board[1]	7%	23%	**25%**	33%
EMT	22%	22%	**29%**	33%
Direct reports	10%	16%	**25%**	33%
EMT + direct reports	12%	17%	**25%**	33%

1 Percentage of women, excluding Employee Representative Directors.

Our communities

COVID-19 has required businesses around the world not only to pivot their business models but to be equally agile in supporting local communities. Since our sites are often in remote areas, we focus on the communities in the vicinity of our sites, responding to their specific needs. By helping these communities build back a stronger and more sustainable future, we look to ensure our own.

COVID-19 relief

During 2020, we pivoted much of our community investment to provide COVID-19 support, with more than 60% of spending directed to emergency relief.

Our first priority was to support vulnerable communities, as well as hospitals and frontline healthcare workers. Liaising with local authorities to determine specific needs, we provided the following types of support in almost every country of operation:

- **Financial donations** to official relief funds and/or local branches of the International Red Cross/Red Crescent
- **Medical equipment** to hospitals including ventilators and an ambulance
- **Personal protective equipment** (PPE) to frontline healthcare workers
- **Food donations** to foodbanks, vulnerable communities and frontline healthcare workers
- **Sanitation kits** (masks, hand sanitiser and soap) to local communities

Our focus also includes how we can support longer-term efforts to rebuild lives and livelihoods. As community needs evolve, we must be agile, supporting new projects and refocusing existing projects where appropriate.

Education and youth development

With COVID-19 leading to school closures around the world, the knock-on effects on children and families are immense. Employment for young people is another area of major concern given the global recession.

In Brumado, we engaged with local stakeholders on how best to support the nearby community recover from the impact of COVID-19. Due to the pandemic, a significant number of residents lost their livelihoods or left school with limited opportunities. To support them, we launched Project Hexa, a technical training programme in partnership with community leaders and a local non-governmental organisation (NGO). More than 100 participants are taking part in this programme, which combines theoretical and practical education. On completion, they will be equipped to work in construction. With more than 300 people required for the construction phase of our new rotary kiln in Brumado, we have requested that the contractor hire a significant proportion from this group.

We have launched a similar programme in Contagem, too. Designed to help young people aged 17-24 find employment opportunities, Building the Future is a 24-month administrative training programme that recruits from local disadvantaged communities. The assistance we provide to participants extends beyond education to include practical, financial and psychological support. On completion, the participants receive a professional qualification and practical experience in our operations.

Science, technology, engineering and mathematics (STEM) remains a key focus for our programmes. For example:

- In Germany, our Niederdollendorf plant has initiated a new schools programme to offer internships and job advice to help those seeking technical positions.
- In China, the new RHI Magnesita Green Cup competition, which is run together with local universities, fosters innovation in tackling environmental issues.
- In Austria, we support a new youth sustainability competition, with finalists pitching start-up ideas to a panel of investors on television.

Case study

Supporting entrepreneurship

In Brazil, we have launched Sewing Love, a new income-generating project for women whose livelihoods were lost due to COVID-19. Located across five cities, an initial group of 50 women sewed fabric masks, producing 81,000 in 2020. We provided the materials and purchased the masks, distributing them to employees and community groups. The project has already expanded to 90 participants, including local nano-business owners.

In addition, we have teamed up with leading business school Fundação Dom Cabral to help these small business entrepreneurs gain the skills and knowledge to develop successful and sustainable businesses.

We also continue our partnership with Teach for Austria, part of a global network of NGOs tackling educational inequity around the world. Although we could not yet expand to other countries as planned, our pilot project in Austria trains graduates to teach in low-income schools. In 2020, this programme pivoted to support the Ministry of Education's summer schools, which were designed to prevent Austrian schoolchildren from falling behind.

Environmental protection

We recognise the critical role of trees and forests in mitigating climate change and protecting biodiversity. In addition to planting trees on our sites (see page 71), we plant trees in our local communities. For example, we provided 4,000 trees to the nature park near our German plant of Niederdollendorf in 2020, following large-scale loss of trees due to drought. We also support two local biodiversity projects: a UN-recognised initiative to conserve endangered varieties of apple trees at a local orchard and a project to conserve insect habitats.

Other initiatives include fruit and vegetable gardens that generate income for local communities, river clean-ups and environmental education projects. In 2020, employee volunteers at 10 sites supported these and COVID-19 relief programmes.

Chairman's introduction to corporate governance

Dear Shareholder,

When I wrote to you in early 2020, I noted that this would be a challenging year and it has indeed proven to be so, but we are proud of how we have navigated the global crisis, brought about by the COVID-19 pandemic. After quickly ensuring safe working conditions for our employees, the Company was able to demonstrate resilience and agility for existing and new customers. I am pleased to report that we have successfully concluded the year in a stronger position than we originally thought possible in January, being able to return value to our shareholders in the form of an interim dividend and share buyback programme, as well as being able to propose a final dividend of €1.00 per share. In order to succeed, we identified opportunities to accelerate our strategy, achieving structural reductions and introducing variability in our costs to design a business which is well-placed to thrive in an evolving and volatile world. Given the extent of change involved, taking such decisions was not always easy, but we have grappled with many different perspectives in order to improve the profitability and resilience of the Company.

In our 2020 Board programme we devoted considerable time to the deliberation of the Company's strategy. This involved detailed presentations from the Executive Management Team and senior managers, as well as reviewing extensive market analysis alongside consideration of key Company strengths to help us define our direction and ambitions for the next five years. As part of the Board strategic session, we also reviewed our key principal and emerging risks, while assessing the systems and processes we have in place to manage and mitigate such. And not least, we gave deep consideration to our Company culture and purpose and how these assist in the delivery of our strategy. You can read more of my comments on these items in our Q&A on pages 8 to 11. A more detailed overview of the matters discussed and debated by the Board at its meetings during the year is presented on pages 85 and 86.

Corporate governance and the focus of our investors continues to evolve to address the challenges of our world and of business in general. In the aftermath of one of the biggest crises to affect business and society as a whole, we believe it is right that companies are taking time to examine their place in that world as well as their responsibility to provide broader contributions beyond traditional profitability and shareholder returns. At RHI Magnesita, we recognise the role we play in the lives of our employees, customers, suppliers, shareholders and the communities in which we operate. The views and opinions of these stakeholder groups were central to our discussions on strategy and purpose in 2020, and played an immutable part in every Board discussion and decision. You can read more about our purpose on page 39 and about our stakeholder engagement on pages 60 to 63. Throughout the year we have held various meetings with shareholders on many different topics, not least on corporate governance. You can read more about these meetings on page 60.

As we reported to shareholders in July, Jim Leng stood down from the Board at the end of September 2020. As in our communication at that time, I would like to record the Board's appreciation for Jim's passion, commitment and extensive contributions to the Company. Andrew Hosty and Celia Baxter have also indicated that they do not intend to seek re-election at our Annual General Meeting ("AGM") in 2021 at the end of their three-year term. We have benefited greatly from Celia's significant remuneration experience and wise counsel, guiding and informing our approach in a listed environment. Andrew's substantial scientific and health and safety knowledge has been highly valuable to us, particularly in his guidance of management on key operational matters. We sincerely thank them for their commitment and guidance since listing. Full details of our Board and Executive succession planning and recruitment of new members can be found on page 96.

I am pleased to note that all our Committees have undertaken extensive work in 2020 to contribute to our Board decisions and discussions, specifically on topics of sustainability, particularly in respect of environmental matters, whistleblowing, remuneration and diversity. The reports from each Board Committee can be found on pages 94 to 102.

The report of our compliance in respect of each of the UK Corporate Governance Code 2018 (the UKCGC) and the Dutch Corporate Governance Code 2016 (the "DCGC" and together "the Codes") can be found on page 78. Our corporate governance as a Board has remained a focus in 2020 and we have closely considered the changes to our Board in the context of independence. It is important to us that, whilst we individually as Directors have a duty to exercise independent judgement, the Board as a whole can be viewed as independent by our stakeholders. With changes in our Board composition and historical factors contributing to the assessment against independent criteria in these Codes, we found that, whilst we still largely meet the independence requirements of each Code as we have done in previous years, we wanted to do more and took the decision to change our Articles of Association at the upcoming AGM to give the casting vote to the Deputy Chairman and Senior Independent Director to give assurance to stakeholders that independence would always prevail in Board decision-making.

Our AGM, in June 2020, was held as a virtual meeting owing to the restrictions presented by COVID-19. It was important to us to ensure we remained available to shareholders, that all investors should be able to attend and submit votes on the day as well as by proxy. The virtual meeting was designed to be as close as possible to a physical meeting, with investors being provided with the ability to submit questions as usual. To our pleasant surprise, we found that a virtual AGM resulted in enhanced shareholder engagement, with a larger number of attendees than in previous years. We will be communicating the details of our 2021 AGM very shortly and, circumstances allowing, our intention is to embrace technology in order to continue to engage with as many shareholders as possible.

Finally, with the exception of Celia and Andrew, all Directors will seek re-election at our AGM on 10 June 2021 and we look forward to engaging with our shareholders at that event.

Herbert Cordt
Chairman of the Board of Directors

> In a challenging year, our Board has responded with flexibility, embracing change and providing constructive engagement with our Executive Management Team to drive the business towards a new future.

Herbert Cordt
Chairman of the Board of Directors

Corporate governance statement

Compliance with the Dutch Corporate Governance Code ("DCGC") and the UK Corporate Governance Code ("UKCGC")

The Board has applied the principles of, complies with and intends to continue to comply with the requirements of both the DCGC and the UKCGC to the fullest extent possible. A limited number of deviations from these Codes are set out with explanations below.

Deviations from the UK Corporate Governance Code in 2020

As disclosed in last year's report, the Company did not comply with provision 9 of UKCGC which states that the Chairman of the Board should be independent on appointment. The Chairman is not considered to be independent for the purposes of the UKCGC, having served on the Board of RHI AG for more than nine years, prior to the merger. This also means the Company is not compliant with provision 19. The Board, led by the Senior Independent Director, believes that Herbert Cordt continues to demonstrate integrity, objective judgement and independence of character, and that his experience as Chairman of RHI AG's supervisory board is valuable to the Company, providing continuity and corporate memory.

Deviations from the Dutch Corporate Governance Code in 2020

As disclosed in last year's report, the Company did not comply with best practice provision 2.2.2 of the DCGC which recommends that, in case of a one-tier board, a Non-Executive Director should be appointed for a period of four years. The appointment of the Non-Executive Directors (other than Employee Representative Directors) has been made on the basis of nominations for three-year terms, subject to performance and annual re-election at the AGM, which was consistent with the UKCGC at the time of appointments. The Board considers that the three-year term still remains within the spirit of the new UKCGC and does not propose to make changes to the existing Non-Executive appointments.

Corporate governance declaration

In complying with the requirements of the DCGC, the Company publishes this corporate governance statement including its compliance with the DCGC. The information required to be included in this corporate governance statement can be found in the following chapters, sections and pages of this Annual Report (the "Annual Report") and are deemed to be included and repeated in this statement:

- the information concerning compliance with the DCGC can be found on page 78;
- the information concerning the Company's main features of the internal risk management and control systems relating to the financial reporting process can be found on pages 48 to 51;
- the information regarding the functioning of the General Meeting and its main authorities and the rights of the Company's shareholders and holders of depositary interests in respect of shares in the Company and how they can be exercised can be found on pages 76 to 126;
- the information regarding the composition and functioning of the Board and its Committees can be found on pages 94 to 126;
- the diversity policy with regard to the composition of the Board and their Committees, can be found on pages 95 and 96; and
- the information concerning the disclosure of the following items, where they exist, may be found on pages 79 to 87:
  - participations in the Company for which a disclosure obligation exists;
  - special control rights attached to shares and the name of the person entitled to such rights;
  - any limitation of voting rights, deadlines for exercising voting rights and the issue of depository interests for shares with the co-operation of the Company;
  - the regulations in respect of the appointment and dismissal of Executive Directors and Non-Executive Directors and amendments to the Articles of Association;
  - the powers of the Board, in particular to issue shares and to acquire own shares by the Company; and
  - the number of shares without voting rights and the number of shares which do not give any, or only a limited, right to share in the profits or reserves of the Company, with an indication of the powers which they confer.

Listing Rules information

Certain information is required to be published by the Listing Rules (LR 9.8.4C R and LR 9.8.4 R) and this information can be found in the Annual Report as set out in the table below:

1.	Interest capitalised	n/a
2.	Publication of unaudited financial information	n/a
3.	Details of long-term incentive schemes	Pages 110, 112, 115, 120-121
4.	Waiver of emoluments by a Director	Page 124
5.	Waiver of future emoluments by a Director	n/a
6.	Non pre-emptive issues of equity for cash	n/a
7.	Item (6) in relation to major subsidiary undertakings	n/a
8.	Parent participation in a placing by a listed subsidiary	n/a
9.	Contracts of significance	n/a
10.	Provision of services by a controlling shareholder	Refer to Note 61
11.	Shareholder waiver of dividends	n/a
12.	Shareholder waiver of future dividends	n/a
13.	Agreements with controlling shareholders	Refer to Note 61

Major shareholdings

At 28 February 2021, the Company is aware of the following persons holding directly or indirectly at least 3% of the issued and outstanding shares in the capital of the Company:

Shareholder	Number of shares	% based on
MSP Stiftung[1]	13,333,340	27.48%
Fidelity Management & Research Company LLC	2,483,166	5.12%
E. Prinzessin zu Sayn-Wittgenstein Berleburg[2]	2,088,461	4.30%
K.A. Winterstein[3]	2,088,461	4.30%
W. Winterstein[4]	1,590,000	3.28%
BlackRock Inc	1,695,591	3.50%
Fidelity Worldwide Investment (FIL)	1,477,771	3.05%

1 Held directly by MSP Stiftung. MSP Stiftung is a foundation under Liechtenstein law, whose founder is Mag. Martin Schlaff.

2 The interest is held through Chestnut Beteiligungsgesellschaft mbH ("Chestnut"). Ms. Sayn-Wittgenstein made an agreement with Mr. Winterstein which allows Chestnut to exercise the voting rights of Silver Beteiligungsgesellschaft mbH ("Silver") in the Issuer. Ms. Sayn-Wittgenstein and Mr. Winterstein share a family relationship.

3 The interest is held through Silver. Ms. Sayn-Wittgenstein made an agreement with Mr. Winterstein which allows Chestnut to exercise the voting rights of Silver in the Issuer. Ms. Sayn-Wittgenstein and Mr. Winterstein share a family relationship.

4 Held in part directly and in part indirectly through FEWI Beteiligungsgesellschaft mbH.

There are no restrictions on voting and profit rights and no holders of any securities with special control rights. Depositary interests in respect of the Company's shares have been issued by the Company with the Company's co-operation, which can be settled electronically through, and held in the system of, CREST. The depositary interest holders hold the beneficial ownership in the shares instead of legal title. Computershare Company Nominees Limited holds the legal title to the underlying shares.

Shares may be issued pursuant to a resolution of the General Meeting or of the Board, if and insofar as, the Board has been designated for that purpose by a resolution of the General Meeting. Such designation shall be as set out in the Company's Articles of Association. The Company shall notify each issuance of shares in the relevant calendar quarter to the Dutch Trade Register, stating the number of shares issued.

Transactions with majority shareholders

There have been no transactions between the Company and MSP Stiftung within the meaning of best practice provision 2.7.5 of the DCGC. Since there are no other legal or natural persons who hold at least 10% of the shares in the capital of the Company, no declaration in accordance with best practice provision 2.7.5 of the DCGC has to be published.

Outline of anti-takeover measures and response to Brexit

No anti-takeover measures have been implemented. In 2019, the Company acquired a secondary listing on the Vienna Stock Exchange (Wiener Börse) to extend regulatory protections to its shareholders, which could have been lost as a result of the UK's exit from the European Union (EU).

Following the end of the Brexit transition period on 31 December 2020, the UK ceased to be a host member state of the Company under the EU Transparency Directive. Austria has therefore become the sole host member state while the Netherlands continues to be RHI Magnesita's home member state. The UK's Disclosure Guidance and Transparency Rules (DTRs) are based on the EU Transparency Directive and so there are no significant changes required to the Company's reporting of annual and interim financial results. The main change to the Company's ongoing disclosure and reporting obligations relates to the market abuse regime. In certain circumstances, the Company will be notifying disclosures to both the Austrian regulator, as the competent authority in the EU, and the UK regulator, as competent authority in the UK. With the Company's primary listing remaining on the London Stock Exchange, our Investor Relations team will continue to follow UK listed company practice.

Share buyback

Under the authority given by shareholders at the Annual General Meeting (AGM) in 2020 to purchase a maximum of 10% of the issued share capital of the Company at the date of acquisition, the Company commenced a share buyback programme on 16 December 2020 to return value to shareholders. The buyback of €50 million ordinary shares remains ongoing at the date of publication, and will end no later than 16 December 2021. It is being conducted on a non-discretionary basis with Barclays Bank Ireland PLC, which makes the share purchases on the Company's behalf, independently of, and uninfluenced by, the Company. The purchases are being made on market terms and the average price per share is disclosed in each daily report. The overall average price will be disclosed in next year's report.

Corporate governance structure

Corporate governance statement
continued

As at 28 February 2021, the Company has purchased 563,163 ordinary shares, which are being held in Treasury, and represent 1.14% of the issued share capital (excluding shares held in Treasury) at the date of acquisition. The remaining amount authorised under the resolution passed at the AGM 2020, as at 28 February 2021, is 8.86%. This will expire at the end of the 2021 AGM or the date which falls 15 months from the 2020 AGM.

The share buyback is expected to result in earnings accretion for our shareholders as a result of the reduction of shares in issue, excluding treasury shares. Before engaging on the programme of share buybacks, the Board discussed the risks and benefits of such a programme and closely considered the medium-term liquidity, leverage profile, outlook and going concern of the Company with detailed presentations from management and consultations with our corporate brokers. The matter was considered in the context of shareholder returns, within the Group's broader capital allocation strategy, and deemed to be in the best interests of a sustainable company, its shareholders and its other stakeholders.

Board and Committee structure

The Company has a one-tier board structure, with a Board consisting of both Executive Directors and Non-Executive Directors (collectively the "Directors" or the "Board"). As at the date of this Annual Report, the provisions of Dutch law that are commonly referred to as the "large company regime" (*structuurregime*) do not apply to the Company.

The Board has four Board Committees to ensure a strong governance framework for decision-making and assessment of performance against the Company's strategy: the Audit & Compliance Committee (the "Audit Committee"), the Remuneration Committee, the Corporate Sustainability Committee and the Nomination Committee. The Terms of Reference of these Committees can be found on our website and the reports of each Committee, including membership and attendance at meetings in 2020, can be found on pages 94, 97, 98 and 102.

Board visit

One Board session per annum is usually held at a location other than the Vienna headquarters and as such, the Board had intended to travel to Dalian, China in April 2020 to meet with local management, plant employees, see local operations, meet customers and local government officials in order to gain further insight into our growing Chinese operations. This trip had to be postponed in 2020 as a result of COVID-19, and every attempt will be made to complete a Board trip in 2021.

In spite of this missed opportunity, the Board received detailed presentations from the Chinese team in the Board strategy session, in September 2020, and other Board meetings, giving oversight of the Chinese industry and market, and engaging on operational topics such as manufacturing execution systems.

Culture and purpose

In a year of significant change, our culture was a guiding factor in how projects were executed, and decisions taken, in recognition that culture is a bedrock to the success of integration, delivery of synergies and a sustainable company.

The Company relaunched its cultural values in 2020. The values were not changed significantly but were augmented to ensure the business's central focus on our customers was reflected in each of the four pillars. The Board also considered the Company's purpose statement as part of its strategy session in September, which is reflected throughout this Annual Report, demonstrating the Company's place within our wider environment and society. Directors considered the perspectives of customers, employees and the Company's impact on the world as part of its discussions to refine the corporate purpose.

Read more about our culture and purpose on **Page 39**

Culture has been an integral element of Board discussions in 2020 and the Board and its Committees use many sources to assess culture. Given that culture can arguably best

Our culture

be described as "the way we do things around here", it is difficult to use quantitative metrics that accurately communicate the culture to the Board. Nonetheless, data used by the Directors to measure culture include whistleblowing reports, employee engagement survey results, health and safety reports, responses to Internal Audit reports and the corresponding outstanding actions, workforce remuneration and attrition levels throughout the annual cycle. Directors engage directly with management, which enables their assessment of management culture.

Culture continues to be a central part of performance evaluations for employees and the Company's internal communications are underpinned by our cultural values. The Board considered the extent to which cultural values were promoted and embodied as part of all succession planning decisions. Given the multiple global locations of operations, local culture is also discussed by the Board when considering the impact and likely success of initiatives. The compliance reports to Directors refer to culture, hand in hand with training and Code of Conduct compliance levels. The internal audit reports to the Audit Committee demonstrate that organisational culture is a key factor in achieving good audit results and, where there are improvements, culture is a focus to enable successful implementation. Culture is considered in discussions to identify trends and challenges facing the business. The Corporate Sustainability Committee specifically considers behaviour and culture as key success factors of health and safety campaigns — see details on page 72 and 97.

The consideration of culture at Board level has led the understanding of performance in teams such as supply chain management, finance and sales, as well as on the ground in our plants and operations. The Board has considered the culture of different teams, and discussed with management how that culture has contributed to decision-making and performance levels of the business. The Board continues to consider how best to effectively measure and assess culture at Board level. The following key cultural themes determine the actions of the Company and specifically feed into performance reviews across the Group, succession planning and risk management:

Whistleblowing

Potential concerns about business ethics or any matters can be reported by all stakeholders to an independently operated, confidential and anonymous whistleblowing hotline, available across all our key operating locations and in the main languages used within the Company. Contact details are publicised throughout the business and are available externally on the website. All reports are assessed by the Head of Internal Audit, Risk & Compliance and then addressed on a case by case basis, typically engaging senior leaders from Legal and HR. The Board routinely reviews this process and the reports arising from its operation, ensuring there are arrangements in place for the appropriate and independent investigation of these cases and that follow-up actions to address the root causes are completed.

The Audit Committee report contains more details on
Pages 98 to 101

Board workforce engagement

RHI Magnesita's corporate structure has, from the beginning, included Employee Representative Directors as a requirement from the merger in 2017. These Directors, Michael Schwarz and Franz Reiter, have been on the Board from 2017 and they play an active role at Board meetings, representing views of the workforce and holding management to account with the combined benefit of nearly 80 years of experience at the frontline of operations. The information and discussions at Board meetings helps their support of the workforce and provides a mutually beneficial link between colleagues and the Board. Specific details are included in the Board stakeholder engagement report on pages 60 to 63.

Board composition

The Board is composed of 14 Directors which includes two Executive Directors, two Employee Representative Directors and 10 Non-Executive Directors, seven of whom are deemed independent (as set out in the table on page 82), thereby constituting a Board which is composed of at least half Non-Executive Directors (excluding the Chairman) considered by the Board to be independent. The size of the Board provides varied perspectives, allowing for balanced and healthy debate.

The Nomination Committee seeks to ensure the right balance of skills, knowledge and experience on the Board, taking account of the business model, long-term strategy and the sectors and geographic locations in which the Group operates. The Board is structured so that the following experience and capabilities are present in one or more of its Directors:

- knowledge and understanding of the business and products of the Company and its subsidiaries and the markets and geographies in which the Company and its subsidiaries operate, in particular the trends and future developments of these markets and geographies;
- an international background and geopolitical exposure;
- broad board experience, including knowledge of corporate governance issues at main board level as appropriate for the Company with reference to its size and international spread of activities;
- understanding of corporate social responsibility and sustainability matters;
- practical experience in, and relating to, financing and accounting and/or experience in relation to International Financial Reporting Standards (IFRS), as well as in the areas of risk management and internal controls;
- understanding of the markets where the Company is active, in particular emerging markets;
- science, technology and innovation expertise;
- experience and understanding of human resources and remuneration related matters; and
- personal qualities such as impartiality, integrity, tolerance of other points of view, ability to challenge constructively and act critically and independently.

The Nomination Committee considers that all of these aspects are present in a number of the Directors and well represented across the Board. The Board continues to pursue a policy of having at least a third of the seats on the Board held by women. It is expected that this will be achieved during 2021. The Nomination Committee continues to explore paths to build gender diversity. The Board is committed to encouraging diversity to deliver long-term sustainable success for the Company and will continue to pursue its programme in this regard.

Read about Board diversity in the Nomination Committee report on
Pages 94 to 96

The Board has considered the independence of the Non-Executive Directors, including potential conflicts of interest, and the table on page 82 sets out those Directors considered independent. Each of these Directors has also confirmed that there is no reason why they should not continue to be considered independent.

Corporate governance statement
continued

At the date of this Annual Report, the Board is composed as follows:

Name	Position	Year of birth	Date of appointment	Expiry/ reappointment date
Herbert Cordt	Chairman[1]	1947	20 June 2017	2021 AGM
Stefan Borgas	Executive Director (CEO)[4,5]	1964	20 June 2017	2021 AGM
Ian Botha	Executive Director (CFO)[4,5]	1971	6 June 2019	2021 AGM
David Schlaff	Non-Independent Non-Executive Director[4,5]	1978	6 October 2017	2021 AGM
Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg	Non-Independent Non-Executive Director[4,5]	1965	6 October 2017	2021 AGM
John Ramsay	Deputy Chairman and Senior Independent Director[2,3]	1957	6 October 2017	2021 AGM
Celia Baxter	Independent Non-Executive Director[2,3]	1958	6 October 2017	2021 AGM
Janet Ashdown	Independent Non-Executive Director[2,3]	1959	6 June 2019	2021 AGM
Andrew Hosty	Independent Non-Executive Director[2,3]	1965	6 October 2017	2021 AGM
Wolfgang Ruttenstorfer	Independent Non-Executive Director[6]	1950	20 June 2017	2021 AGM
Karl Sevelda	Independent Non-Executive Director[2,3]	1950	6 October 2017	2021 AGM
Fiona Paulus	Independent Non-Executive Director[2,3]	1959	6 June 2019	2021 AGM
Michael Schwarz	Employee Representative Director[4,5]	1966	8 December 2017	8 December 2021
Franz Reiter	Employee Representative Director[4,5]	1962	26 October 2017	26 October 2021

1 Herbert Cordt was a member of the supervisory board of RHI AG and thus not deemed to be independent on appointment within the meaning of the UKCGC but independent on appointment within the meaning of the DCGC, due to a difference in independence requirements under the respective codes.

2 Independent within the meaning of the UKCGC.

3 Independent within the meaning of the DCGC.

4 Non-Independent within the meaning of the UKCGC.

5 Non-Independent within the meaning of the DCGC.

6 Wolfgang Ruttenstorfer is, as a result of having undertaken a management board role for RHI AG on a temporary basis between June and November 2016, not considered to be independent within the meaning of the DCGC. Notwithstanding this historic role, the Board considers Mr. Ruttenstorfer to be independent for the purposes of the UKCGC.

Individual roles

The Board has documented the matters reserved for its approval including approvals of major expenditure, investments and key policies. This was revisited and revised in 2020 to ensure it reflected the current organisational structure, and provided as much clarity as possible to the Board and the organisation as a whole to enable effective delegation of authority. The roles of Chairman, the CEO, SID and Deputy Chairman have been formally recorded by the Board. All of these documents can be found on the Company website. The composition of the Board has been structured such that no one individual can dominate the decision-making processes of the Board.

Tasks that have not been specifically allocated to a specific Director fall within the power of the Board as a whole. The Directors share responsibility for all decisions and acts of the Board and for the acts of each individual members of the Board, regardless of the allocation of tasks.

Non-Executive roles

The Employee Representative, non-independent and Independent Non-Executive Directors engage with the business of the Board from different perspectives, enabling multifaceted scrutiny to be applied to the Board's decision-making ensuring that the viewpoints of the Company's key stakeholders are represented. All Directors are required to exercise their independent judgement and act in the best interests of the Company, taking into account the interests of its stakeholders, in their decision-making.

Non-Independent Non-Executive Director roles

Herbert Cordt, Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg and David Schlaff are not considered independent under the UKCGC, having been members of the supervisory board of RHI AG for a number of years prior to the merger in 2017 with Magnesita. However, because of that experience, they contribute strongly to the Board's culture and personality, adding valuable insight gained through experience of the markets in which the Group operates and corporate memory. They can constructively challenge the Executive Directors and scrutinise the performance of management in meeting their objectives with the benefit of historical experience of the operations and industry of the business. Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg and David Schlaff can provide an investor perspective to the management team and challenge them accordingly. The detail of all the Directors' independence and the detail of compliance with the criteria of each Code can be found above and on page 78 respectively.

The Chairman's other significant commitments are set out in the table below:

Name of company	Function
CORDT & PARTNER Management- und Finanzierungsconsulting GesmbH.	Managing Partner
Watermill Group Boston	Advisory Board member
Georgetown University's School of Foreign Service for its MSFS Program	Advisory Board member
Quality Metalcraft/Experi-Metal, Inc.	Advisory Board member
Cooper & Turner Group	Advisory Board member

Executive Directors

In accordance with Dutch law, an Executive Director may not be allocated the tasks of: (i) serving as Chairman; (ii) participating in the adoption of resolutions (including any deliberations in respect of such resolutions) related to the remuneration of Executive Directors or instructing an auditor to audit the Company's annual accounts if the General Meeting fails to do so; or (iii) nominating Directors for appointment.

The role of an Executive Director is, amongst other things, to bring commercial and internal perspectives to the boardroom. The Executive Directors, being the CEO and CFO, are responsible for the leadership and management of the Company according to the strategic direction set by the Board.

Information and support for Directors

Upon joining the Board, any new Director is offered a comprehensive and tailored induction programme covering all aspects of the value chain, with visits to key sites and meetings with senior managers and other colleagues or advisers as required. Any new members to Committees are provided with the opportunity for a full and detailed induction, even if they are existing members of the Board. Relevant reference documents are also made available on the Board portal to new Board and Committee members.

In order to build and increase the Non-Executive Directors' appreciation and understanding of the Group's people, businesses and markets, particularly growth markets, senior managers are regularly invited to make presentations at Board meetings. The strategy meeting involved multiple break-out sessions to provide detail on certain areas of business focus such as CO_2 emissions and digitalisation. Training and additional information sessions on areas such as pension funding, risk management, demand planning and cost allocation have been provided by management on a one-to-one basis for Directors throughout the year. Directors also maintain their own individual non-executive training schedule based on their areas of need and interest using the resources available to them from external advisers.

There is an established procedure for Directors to seek independent professional advice in the furtherance of their duties, if they consider this necessary.

The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for legal action brought against its Directors. In line with Dutch best practice and corporate law, at each AGM there is a resolution to release the Directors from liability for the exercise of their respective duties during the financial year.

Company Secretary

Sally Caswell was appointed by the Board as Company Secretary in January 2020. All Directors have access to the advice and services of the Company Secretary, whose responsibilities include ensuring that Board procedures are followed, assisting the Chairman in relation to corporate governance matters and, in conjunction with the General Counsel, ensuring the compliance of the Company with legal and regulatory requirements.

Conflict of interest

Dutch law provides that a Director may not participate in the discussions and decision-making by the Board if such Director has a direct or indirect personal interest conflicting with the interests of the Company or the business connected with it.

Pursuant to the Articles of Association and the rules adopted by the Board (the "Board Rules"), the Board has adopted procedures under which each Director is required to declare the nature and extent of any personal conflict of interest to the other Directors.

Time commitment

On appointment, and each subsequent year, Non-Executive Directors confirm that they have sufficient time to devote to the Company's affairs. In addition, they are required to seek prior approval from the Chairman before taking on any additional external commitments, and the Board is advised of any changes. The Board is satisfied that, having considered the demands of the external appointments of each Non-Executive Director and the time requirements from the Company, all Non-Executive Directors are contributing effectively to the operation of the Board. Whilst the Non-Executive Directors are re-elected each year at the AGM, their letters of appointment state a term of three years.

Board powers, responsibilities and representation

The Board is collectively responsible for the leadership and management of the Company and its business. Its role is to establish the strategy, purpose and values to ensure the Group's long-term and sustainable success. The Board assesses the strategic risks it is willing to take in pursuit of this strategy, ensures sufficient resources, and measures the performance of management against agreed objectives, aligned with the strategy. The Board ensures that appropriate controls and systems are in place to manage risk and considers the Company culture and practices, reviewing alignment with the purpose, values and strategy.

The Board Rules and Matters Reserved to the Board, which are available on the website, set out those matters which are reserved for the Board to consider, including among other items, overall responsibility for strategy and management, major acquisitions and investments, structure and capital, financial reporting and controls, and corporate governance. You can read more about the matters considered by the Board in 2020 on pages 85 and 86.

The Board has delegated responsibility for day-to-day management of the Company to the CEO and his Executive Management Team (the EMT). There is a clear separation of responsibilities between the Board and the EMT, and the main responsibilities of the EMT are to assist the Board with its oversight of strategy, which involves making strategic recommendations to the Board, being accountable for implementing the Board's decisions, and being responsible for directing and overseeing the Company's operations.

The Board has delegated some responsibilities to Committees of the Board, which are outlined in the Committee Terms of Reference, available on the Company website, and summarised in their individual reports on pages 94 to 106. The Chairman of each Committee provides a report to each Board on the matters discussed and resolved upon in the respective Committee meetings.

Each Board Committee has considered the required matters from the respective Terms of Reference and, through the Board evaluation process, has assessed its performance. The composition of the Committees, the number of meetings, attendance at those meetings and key items discussed can be found in each Committee Report on pages 94 to 102.

Corporate governance statement
continued

Pursuant to the Articles of Association, the Board may, if it elects to do so, assign duties and powers to individual Directors and/or committees that are composed of two or more Directors, with the day-to-day management of the Company entrusted to the Executive Directors. Both Executive Directors and Non-Executive Directors must perform such duties as are assigned to them pursuant to the Articles of Association and the Board Rules or a resolution of the Board. Each Director has a duty towards the Company to properly perform the duties assigned to them. Furthermore, each Director has a duty to act in the corporate interests of the Company and its business. Under Dutch law, corporate interest extends to the interests of all stakeholders of the Company, such as shareholders, creditors, employees and other stakeholders.

The Board as a whole is entitled to represent the Company. Additionally, (i) the CEO and the Chairman, (ii) the Senior Independent Director and Deputy Chairman[1] and the Chairman and (iii) two Executive Directors, acting jointly, are also authorised to represent the Company. Pursuant to the Articles of Association, the Board may appoint officers who are authorised to represent the Company within the limits of the specific powers delegated to them.

Board appointment

Pursuant to the Articles of Association, the Directors, other than the Employee Representative Directors, are appointed by the General Meeting by a majority of votes cast, irrespective of the represented capital. The Board makes nominations to the General Meeting for such appointments. A resolution to appoint the Director other than in accordance with a nomination by the Board may be adopted by the General Meeting by an absolute majority of votes cast representing more than one-third of the Company's issued capital.

1 A dual role held by one individual, currently John Ramsay. You can read the role description on our website https://ir.rhimagnesita.com/wp-content/uploads/2019/12/role-of-the-deputy-chairman-and-senior-independent-director.pdf

Non-Executive Directors (other than Employee Representative Directors) will be nominated for a term of three years, subject to satisfactory performance and annual re-appointment by the General Meeting. Employee Representative Directors are appointed for a term of not more than four years. The term of office for each Director (other than Employee Representative Directors) will end on the day of the AGM in the year following appointment. Pursuant to the Articles of Association, Directors may be re-appointed for an unlimited number of terms, but it is anticipated that the Non-Executive Directors (other than Employee Representative Directors) may be nominated for a second term of three years, at the expiry of which they will not ordinarily be considered for re-appointment.

The General Meeting has the power to suspend or remove a Director at any time, by means of a resolution for suspension or removal as outlined in the Articles of Association. The General Meeting is authorised to resolve to amend the Articles of Association, on the proposal of the Board.

Board attendance

Seven Board meetings were planned for the year (2019: also 7), with three meetings held at short notice on specific items. Where short notice was provided, information was provided to all Directors in advance and in the event of representation by another Board member at the meeting, Directors' comments were considered at the meeting in respect of the matters discussed. Given the increased travel restrictions, the Board meetings were held largely via videoconferencing facilities in 2020 and the Board made use of various digital tools to facilitate the meetings.

The table below shows the number of scheduled meetings attended and the maximum number of scheduled meetings which the Directors were eligible to attend. Only in exceptional circumstances would Directors not attend Board and Committee meetings. Similarly, every effort is made to attend ad hoc meetings. None of our Non-Executive Directors have raised concerns over the time commitment required of them to fulfil their duties.

Board attendance 2020	Total attended	Total meetings eligible to attend
Stefan Borgas	10	10
Ian Botha	10	10
Herbert Cordt	10	10
Celia Baxter	10	10
Andrew Hosty	9	10
James Leng	7	8
Stanislaus Prinz zu Sayn-Wittgenstein	10	10
Franz Reiter	10	10
Wolfgang Ruttenstorfer	10	10
David Schlaff	9	10
John Ramsay	10	10
Michael Schwarz	9	10
Janet Ashdown	10	10
Fiona Paulus	10	10
Karl Sevelda	10	10

1 In the year, four Board sub-committees were held to approve matters specifically delegated by the Board in accordance with article 17.5 of the Company's Articles of Association. These are not included in the table above.

2 Three meetings were called on short notice which restricted attendance where Directors had existing commitments.

Board effectiveness

Operation and decision-making of the Board

The Board meets regularly throughout the year with seven Board and Committee sessions, which are usually spread over two days, in person in Vienna. Board meetings can also be convened as deemed necessary by the Chairman or the Senior Independent Director and Deputy Chairman.

In prior years, the Board has held one meeting in the Netherlands, ahead of the AGM, and then another session in an operational location. In 2019 this was in Minas Gerais, Brazil and in 2020 it was planned to be in Dalian, China. In 2020, the Board had one meeting in January where all Directors met in person, with the remainder being held through a combination of in-person attendance and video conferencing. Technology and equipment were developed wherever possible to achieve the best outcomes for attendees in the circumstances and optimise the input from individuals. The structure of the meetings was adjusted to address the needs of those attending on video conference and wherever in-person meeting was permitted under local guidelines, relevant health and safety measures were abided by, such as masks, temperature checks, social distancing, ventilation of the rooms, and COVID-19 testing.

At the end of each Board meeting, the Non-Executive Directors meet without the Executive Directors and management present to enable an open and frank exchange of views and assessment of performance. Additionally, the SID holds a meeting with the other Independent Non-Executive Directors to discuss the Chairman's performance in the course of the year, with input from the externally facilitated review. The Chairman and other Non-Executive Directors hold regular informal, individual, meetings with the Executive Directors and other senior managers in the business, providing the opportunity to raise questions and cover points of interest, which contributes to the development of both the Non-Executive Director and the management members.

Board papers are circulated in advance of meetings, using a secure web-based portal, to allow Directors sufficient time to consider their content prior to the meeting. The Chairman is assisted in this responsibility by the Company Secretary and CEO through the careful preparation of agendas and the timely provision of papers to the Board. The management team continues to take feedback from the Board via the evaluation process on how papers and presentations can be improved to assist the flow of the meeting. An information room within the web portal provides access to useful information, including corporate governance reference materials, analyst reports, and Company finance, treasury and strategy information.

The Board takes the views of its key stakeholder groups into account when challenging management, and in its discussions and decision-making. Inputs to this process include the Company's Net Promoter Score, employee engagement surveys, the Employee Representative Directors' views, regular Investor Relations reports, analyst coverage and views of the two Non-Independent Non-Executive Directors. The Chairman takes care to ensure that each Director has opportunity to comment and be heard, whilst enabling an orderly flow at Board meetings. The Board evaluation in November 2020, which comprised reviews of the Board, its Committees, the Chairman and individual Directors' self-evaluation, confirmed that the Board was functioning effectively and more detail on the Board evaluation process and outcomes can be found on pages 94 to 95.

The Board recognises the importance of balancing stakeholder views whilst acting in the best interests of the Company. In the event of a decision which has a potentially negative impact on a specific stakeholder group, efforts are made to mitigate these — as an example, in the event of a plant closure, which does not benefit a group of employees, a social plan (*transfergellschaft*) is implemented and a transparent communications strategy is implemented to explain the decision. This aligns with the Company values to be open in decision-making and accountable for actions taken. See stakeholder engagement on pages 60 to 63 for more examples of this.

Key areas of Board focus and activity in 2020

Amongst other matters, the Board focused on the following areas in the year:

- Group strategy
  - Held annual strategy meeting session over two days with members of the EMT to develop the Group's future strategic plans. As part of these discussions, the Board considered the global outlook of economic recovery and macroeconomic trends, developments in key markets in each region, structural trends, review of the business model, and the competitive environment for each region and product area.
  - As part of the strategy session, undertook risk management workshop aligned with the strategic opportunities and focused break-out sessions on future opportunities such as digitalisation and technologies. The strategy session also included discussion and approval of the Company's purpose.
  - Received reports throughout the year outlining potential business development opportunities as they arose, including strategic M&A.
- Succession and leadership
  - Reviewed Board Committee membership and received updates from the Nomination Committee.
  - Undertook annual review of all conflicts of interest.
  - Considered the executive management and CEO succession plans and related actions.
  - Considered the 2019 external Board evaluation and the actions relating to the review, including progress against the actions identified in the year. See pages 86 and 87 for further details.

Corporate governance statement
continued

- Financial performance
  - Approved the annual budget.
  - Reviewed and approved the Group's full-year 2019 and half-year 2020 results together with the 2019 Annual Report, including ensuring that it is fair, balanced and understandable and confirming that the Group was a going concern.
  - Received regular financial updates and reviewed ongoing financial performance at every Board meeting.
  - Reviewed the Group's debt, capital and funding arrangements.
  - Reviewed liquidity, cash flow and scenario planning, particularly with reference to the impact from COVID-19.
  - Considered capital allocation and payment of dividends, including the approval of the interim dividend and the share buyback.
  - Appraised the principal risks, mitigating actions and controls in the risk.
  - Received regular updates on the Group's compliance and data protection programmes.
- Sales and operational performance
  - Received updates at each meeting on operational performance, including any impacts to customers and current health and safety compliance levels.
  - Received updates at each meeting on sales performance, particularly with reference to customers and the impacts from COVID-19.
  - Considered individual plant performance and, with reference to the Company's strategy and impacts from COVID-19, took decisions to close or pause production at plants as required.
- Legal and compliance matters
  - Received regular updates on whistleblowing, including an annual review of the process.
  - Considered legal and compliance reports, including review of share dealing processes and updates on any legal developments as they related to the Company.
  - Considered and approved revised share dealing and inside information policies, Matters Reserved to the Board, Board Rules and Delegation of Authority.
- Stakeholder engagement and governance
  - Approved the Notice and business of the AGM.
  - Received regular input from the Employee Representative Directors on the Board and the results of employee surveys throughout the year.
  - Considered the Company culture and reports on the Company values.
  - Received reports on investor engagement at each Board meeting, including verbatim feedback.
  - Received presentations on diversity, the development of recycling initiatives and low-carbon products.
  - Received report on customer satisfaction levels, including Net Promoter Score.
  - Reviewed remuneration of senior management, the Executive Directors and the Group-wide bonus scheme on recommendation from the Remuneration Committee.
  - Received reports from the Remuneration Committee on investor engagement and the new Remuneration Policy.
  - Received regular updates on corporate governance and other matters from the Company Secretary.

Board evaluation

The corporate advisory firm, Lintstock is engaged on a three-year programme to support the Board in its evaluation of its performance. The Company has no other relationship with Lintstock.

Prior to commencing this final stage of the three-year programme, the Board considered the progress made against actions from the previous year under the headings of Board Composition, Stakeholder Engagement, Board Dynamics, Board Support, Management and Focus of Meetings, Strategic Oversight, Risk Management and Internal Control, Succession Planning and Human Resource management, and Board Committees. Whilst progress in some areas has been hampered by COVID-19, such as the recommendation to hold Committee meetings at a site, other recommendations have been met, such as a longer and more detailed Board strategy session which included break-out sessions for the Board and was felt to have greatly improved the quality of discussion. The Board agenda planner and Matters Reserved were also refreshed and improved in response to comments from the Board evaluation in 2019 and the approach to remuneration by the Board was agreed to be more pragmatic and tailored to the needs of the Company.

In this third year of review, Lintstock issued detailed questionnaires to all Directors for their assessment of the Board performance, their own performance, and that of the Chairman. In order to promote an open and frank exchange of views, appropriate arrangements were made to ensure the anonymity of the respondents.

The review covered core areas of the Board and Committee performance, with particular focus on:

- Board composition and diversity;
- stakeholder oversight;
- culture and execution of strategic goals;
- Board dynamics, communication and cohesion;
- support and challenge of the EMT;
- Board support and effectiveness of remote meetings;
- meeting management and focus;
- Board Committee effectiveness;
- quality of discussion and relationships between Directors and management;
- strategic oversight and discussion;
- risk management and internal controls; and
- succession planning, talent management and human resource management.

The review also included a case study on COVID-19, the business's response and the impact on risk management.

A review of the Chairman's performance was also completed as part of this process which supported the SID in leading an assessment of the Chairman's performance with the other Independent Non-Executive Directors.

The Board has considered the 2020 review (with outcomes discussed in the Nomination Committee report on pages 94 and 95) and was pleased to note that, even with the impacts felt from COVID-19 restrictions, the Board was assessed as having maintained or improved its performance from 2019. An action plan, aligned to the outcomes of the 2020 review, to drive further progress through 2021 has been drawn up and progress will be reported in the 2021 Annual Report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Company's Annual Report. The Company's Annual Report comprises, among others, the Strategic Report, the Governance Report, the Consolidated Financial Statements. The Directors are responsible for preparing the Annual Report for each financial year in accordance with applicable law and regulations, including in accordance with IFRS as adopted by the European Union and the relevant provisions of the Dutch Civil Code. The Directors must not approve the Annual Report unless they are satisfied that it gives a true and fair view of the state of affairs of the Company and its consolidated Group companies and of the profit or loss of the Group for that period. In preparing the Annual Report, the Directors are required to:

a) select suitable accounting policies and then apply them consistently;

b) make judgements and accounting estimates that are reasonable and prudent;

c) state whether applicable IFRS as adopted by the European Union and the relevant provisions of the Dutch Civil Code have been followed, subject to any material departures disclosed and explained in the Annual Report; and

d) prepare the Annual Report on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and enable them to ensure that the Annual Report complies with applicable law and, as regards the Consolidated Financial Statements, the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed on page 225, confirm that, to the best of their knowledge:

- the Company's financial statements and the Consolidated Financial Statements, which have been prepared in accordance with IFRS as adopted by the European Union and the relevant provisions of the Dutch Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- the Annual Report gives a true and fair view on the situation on the balance sheet date, the development and performance of the business and the position of the Company and its consolidated Group companies and includes a description of the principal risks and uncertainties that the Company faces; and
- having taken all matters considered by the Board and brought to the attention of the Board during the financial year into account, the Directors consider that the Annual Report, taken as a whole is fair, balanced and understandable. The Directors believe that the disclosures set out in the Annual Report provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

After conducting a review of management analysis, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider it appropriate to adopt the going concern basis in preparing the Annual Report. Directors are also required to provide a broader assessment of viability over a longer period which can be found on page 53 (the "Viability Statement") of the integrated report and accounts. The consolidated financial statements on pages 127 to 225 were approved and signed by the Board on 5 March 2021.

Board of Directors

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Our Board comprises a wide range of experience and skills, as well as broad diversity.

Board Committee member

- N Nomination Committee
- A Audit & Compliance Committee
- S Corporate Sustainability Committee
- R Remuneration Committee
- Chairman of Committee
- ELECT refers to the individual becoming a member of the committee from June 2021

Chairman

1. Herbert Cordt N

Chairman

Appointment date: June 2017
Nationality: Austrian

Herbert was Chairman of the Supervisory Board of RHI AG from 2010 until 2017, as well as Vice-Chairman from 2007 to 2010. He is Managing Partner at Cordt & Partner GmbH, his international boutique corporate finance consultancy, which advises clients on corporate finance matters. In the course of his career he has held a variety of senior executive and managing director positions in telecommunications and financial institutions in European firms, providing a wide range of business acumen and international experience.

Herbert obtained a Doctorate in Law from University of Vienna, graduated from the Diplomatic Academy of Vienna and received a Master's of Science degree in Foreign Service from Georgetown University Washington D.C.

Current external appointments: Watermill Group Boston (Advisor), Cooper & Turner Group (Advisory Board Member), Quality Metalcraft/Experi-Metal, Inc. (Advisory Board Member), CORDT & PARTNER Management und Finanzierungsconsulting GesmbH (Managing Partner), Georgetown University's School of Foreign Service for its MSFS Program (Advisory Board Member).

Senior Independent Director and Deputy Chairman

2. John Ramsay A N

Independent Non-Executive Director

Appointment date: October 2017
Nationality: British

John has held senior financial executive roles across the world, including serving as Chief Financial Officer of Syngenta AG, as well as being their Interim CEO for a period. John started with Syngenta AG as Group Financial Controller in 2000 and prior to that was Finance Head of Asia Pacific for Zeneca Agrochemicals. Earlier in his career he was a Financial Controller of ICI Malaysia and regional controller for Latin America. He started his career working in audit and tax at KPMG and his knowledge in accounting and finance provides valuable practical experience.

John is a Chartered Accountant and also holds an Honours Degree in Accounting.

Current external appointments: Koninklijke DSM N.V. (Supervisory Board Member), G4S plc (Non-Executive Director, Chair of Audit), Croda plc (Chair of Audit and Non-Executive Director).

Chief Executive Officer

3. Stefan Borgas

Chief Executive Officer

Appointment date: June 2017
Nationality: German

Stefan was CEO at RHI AG from December 2016 until October 2017. Prior to that, he was president and CEO at Israel Chemicals Ltd and between 2004 and 2012, he was CEO at Lonza Group. In his early career, he worked at BASF Group, where he held various management positions. Stefan was elected as President of the World Refractories Association for a two-year term in January 2018.

Stefan has a business administration degree from the University Saarbrücken and an MBA from the University of St. Gallen-HSG.

Current external appointments: Afyren SAS (Chairman) and borgas advisory GmbH (owner).

Chief Financial Officer

4. Ian Botha

Chief Financial Officer

Appointment date: June 2019
Nationality: South African/British

Ian enjoyed a highly successful career with FTSE listed Anglo American plc in the related mining and metals industry for over 20 years. Whilst there, he held a variety of international executive roles including as Group Financial Controller and divisional Chief Financial Officer, and most recently as Finance Director of listed Anglo American Platinum. Ian has significant experience in finance and accounting, investor relations, strategy, M&A and governance, as well as excellent business acumen and a track record in financial and performance improvements.

Ian holds a Bachelor's degree in Commerce from the University of Cape Town and is a Chartered Accountant.

Current external appointments: none.

Board members by gender

- Male (75%)
- Female (25%)

Board members by independence

- Independent Non-Executive Directors (50%)
- Non-Independent Non-Executive Directors (21%)
- Executive Directors (14%)
- Employee Representative Directors (14%)

Board members by nationality

- Austrian (36%)
- British (36%)
- German (21%)
- SA/British (7%)

Board members by length of tenure

- 3+ years (79%)
- 1+ year (21%)

Board of Directors
continued

Non-Independent Non-Executive Directors

5. David Schlaff
Non-Independent Non-Executive Director

Appointment date: October 2017
Nationality: Austrian

David was a member of the Supervisory Board at RHI AG from 2010 until 2017. Currently Chief Investment Officer and joint Managing Director at M-Tel, he has key management and supervisory experience in international financial and manufacturing institutions. He has undertaken roles at LH Financial Services Corporation and Forstmann-Leff Associates Inc, and he has held advisory and supervisory board positions at Latrobe Specialty Steel Company and A/S Ventspils Nafta.

David holds a Bachelor's degree in Business Administration from the Interdisciplinary Center Herzliya in Israel.

Current external appointments: M-Tel Holding GmbH (Chief Investment Officer and Joint Managing Director).

6. Stanislaus Prinz zu Sayn-Wittgenstein-Berleburg
Non-Independent Non-Executive Director

Appointment date: October 2017
Nationality: German

Stanislaus was a member of the Supervisory Board of RHI AG between 2001 and 2017. He has been a member of Supervisory Boards for several "Stadtwerke" (municipality owned utilities) and Didier Werke AG as well as undertaking senior executive roles, including CEO and Chief Financial Officer, in the energy industry, and numerous management roles within the EON group. He has also been a Director in the Investment Banking Division, at Deutsche Bank AG. He has deployed industrial knowledge combined with financial detail throughout his career. Over the past five years he has focused on private equity work in a German mid-cap environment.

Stanislaus holds a Sloan Fellows Master's in Business Administration from MIT Sloan School of Management and studied Business Administration and Economics at Université de Fribourg. He is a Chartered Financial Analyst (CFA).

Current external appointments:
Endurance Capital AG (Supervisory Board member), Cognostics AG (Supervisory Board member) and STUV Steinbach & Vollmann Holding GmbH (CEO).

Independent Non-Executive Directors

7. Celia Baxter
R N

Independent Non-Executive Director

Appointment date: October 2017
Nationality: British

Celia was Director of Group Human Resources for Bunzl plc for 13 years. Prior to that she served as Head of Human Resources of Enterprise Oil plc, having been Director of Group Human Resources at Tate & Lyle plc. She started her professional career at the Ford Motor Company where she held several management positions and went on to provide consulting services in Human Resources at KPMG. She now holds a number of non-executive positions which deploy her detailed understanding of international businesses, human resources, remuneration, sustainability and related matters.

Celia holds a PhD and BSc in Botany from the University of Reading.

Current external appointments:
HR Tech LLP (Partner), and Senior plc (Senior Independent Director, Chair of Remuneration) and DS Smith plc (Non-Executive Director and Chair of Remuneration).

8. Janet Ashdown
S R

Independent Non-Executive Director

Appointment date: June 2019
Nationality: British

Janet has had a distinguished career working for BP plc for over 30 years, holding a number of international executive positions throughout the value chain. Until the end of 2012, Janet was CEO of Harvest Energy Ltd and throughout her career has provided leadership through change. Janet also has a wide range of board and committee experience as a Non-Executive Director, including the UK Nuclear Decommissioning Authority, a public body where she chairs the Safety and Sustainability Committee. Her experience in the energy sector has provided her with significant skills in general management, particularly in environmental and sustainability matters.

Janet holds a BSc in Energy Engineering from Swansea University.

Current external appointments:
Nuclear Decommissioning Authority UK (Non-Executive Director and Chair of Safety & Sustainability), Victrex plc (Non-Executive Director, Chair of Remuneration) and Marshalls plc (Senior Independent Director, Chair of Remuneration).

9. Wolfgang Ruttenstorfer
A

Independent Non-Executive Director

Appointment date: June 2017
Nationality: Austrian

Wolfgang was a member of the Supervisory Board of RHI AG from 2012 to 2017, where he acted as the Interim CEO for six months, following the sickness-related absence of the CEO. He started his professional career in oil and gas at OMV, where he became CEO and then Chairman of the Management Board. He has held numerous supervisory board roles, including as Chairman, in industries such as telecommunications, real estate, healthcare and insurance. Wolfgang also served as Secretary of State in the Austrian Federal Ministry of Finance. His varied career brings a wide range of strategic and business management experience.

Wolfgang graduated from the Vienna University of Economics and Business.

Current external appointments:
Flughafen Wien Aktiengesellschaft (Supervisory Board member) and Erne Fittings GmbH (Supervisory Board member).

Board Committee member

- N Nomination Committee
- A Audit & Compliance Committee
- S Corporate Sustainability Committee
- R Remuneration Committee
- Chairman of Committee
- ELECT refers to the individual becoming a member of the committee from June 2021

Independent Non-Executive Directors

10. Karl Sevelda

R N ELECT

Independent Non-Executive Director

Appointment date: October 2017
Nationality: Austrian

Karl progressed to CEO of Raiffeisen Bank International AG after being Deputy CEO and undertaking management roles in the Raiffeisen Bank group where he was responsible for corporate customers and corporate, trade and export finance worldwide. Prior to this, he held several senior management positions in Creditanstalt-Bankverein where he focused on corporate and export finance. Additionally, he has held the position of Secretary to the Federal Minister for Trade and Industry of Austria.

Karl holds a Master's and Doctorate Degree from Vienna University of Economics and Business.

Current external appointments: SIGNA Prime Selection AG (Supervisory Board member), Liechtensteinische Landesbank AG (Non-Executive Director), and Custos Privatstiftung (Management Board member).

11. Andrew Hosty

S

Independent Non-Executive Director

Appointment date: October 2017
Nationality: British

Andrew is an international business leader with over 15 years of non-executive board experience and 30 years of executive and management experience. Throughout his career he has held a number of senior executive roles primarily in specialist materials manufacturing, including Chief Executive of the Sir Henry Royce Institute for Advanced Materials and Chief Operating Officer at Morgan Advanced Materials plc. At the latter company he held a number of senior positions, including CEO of Morgan Ceramics. He was previously a Non-Executive Director of Fiberweb plc and has been President of the British Ceramics Confederation. Andrew provides technological and scientific expertise combined with practical and commercial insights. He also has a detailed understanding of health and safety best practice from his executive career.

Andrew is a Fellow of the Royal Academy of Engineering. He has a PhD in Engineering and a BSc in materials science.

Current external appointments: James Cropper plc (Senior Independent Director), Rights and Issues Investment Trust plc (Non-Executive Director) mOm Incubators Ltd (Non-Executive Director), and Nexeon Limited (Chairman).

12. Fiona Paulus

S A R ELECT

Independent Non-Executive Director

Appointment date: June 2019
Nationality: British

Fiona has over 37 years' global investment banking experience, having held senior management roles with a number of leading international investment banks, such as Credit Suisse, Royal Bank of Scotland, Deutsche Bank and Citigroup. During her career, Fiona has led and managed a variety of global banking businesses, from start-ups to businesses with US$4 billion in total revenues. Additionally, Fiona has advised companies in over 70 countries in the global energy and resources sectors on various strategic initiatives, including M&A, equity and debt financings, and risk management.

Fiona has a BA in Economics from the University of Durham.

Current external appointments: Interpipe Group (Non-Executive Director) and Redcliffe Advice (Managing Director).

Employee Representative Directors

13. Franz Reiter

Employee Representative Director

Appointment date: October 2017
Nationality: Austrian

Franz has been with the Group since 1977 and is Chairman of the Group Works Council at Veitsch-Radex GmbH.

Current external appointments: none.

14. Michael Schwarz

Employee Representative Director

Appointment date: December 2017
Nationality: German

Michael has been with the Group since 1983 and is a member of the works council at RHI Magnesita Deutschland AG.

Current external appointments: none.

Executive Management Team

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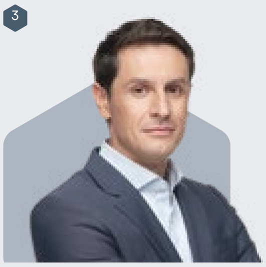
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With its depth of experience and complementary skill sets, our EMT members are able to provide an appropriate mix of perspectives to all strategic discussions.

1. Stefan Borgas
CEO

2. Ian Botha
CFO

For full biographies, see **Page 89**

3. Gustavo Franco
Chief Sales Officer

Gustavo was appointed Chief Sales Officer in January 2020, prior to which he was Senior VP of Process Industries and Minerals. He joined Magnesita in 2001 as a Technical Marketing Engineer, after finishing his Bachelor's degree in Mechanical Engineering at the Federal Center for Technological Education of Minas Gerais and since then has developed his career in the refractory industry.

Over the course of six years, he progressed through various sales managerial roles in South and North America and was part of the Executive Committee of Magnesita Refratários from 2015 to 2017. In 2018 he completed the Senior Executive Programme with the London Business School.

4. Luis Rodolfo Bittencourt
Chief Technology Officer

Luis worked for Magnesita for 31 years and has held several positions in his career in the refractory and mining industry including Mining/Geology Manager, Technical Purchasing Manager, Plant Manager, and R&D VP.

He is currently President of the Brazilian Refractory Producers Association. He holds a Bachelor's degree in mining engineering from the Federal University of Minas Gerais, a Master's degree in Metallurgical Engineering from the University of Utah, and a PhD degree on Ceramic Engineering from the University of Missouri.

5. Gerd Schubert
Chief Operations Officer

After completing his doctorate in mineral engineering at RWTH Aachen, Gerd started his career at Degussa AG, where he held several positions including: manager of a Brazilian plant and Technical Director and Plant Group Manager. Following the acquisition by Ferro Corporation, he managed the production and technology divisions as Global Operations and Restructuring Director.

In early 2014, he took over the function of Chief Operating Officer at the Pfleiderer Group and was appointed to the Management Board of RHI AG as Chief Operating Officer/Chief Technical Officer in January 2017.

6. Simone Oremovic
Executive Vice President People, Projects and Culture Management

Simone joined RHI Magnesita in an executive capacity in November 2017, and her role covers People, Culture, Corporate Communications as well as all global projects for the Group. Simone has 20 years of experience in Human Resources.

She started her career at General Electric where her main focus was on leadership and talent management, as well as Human Resources process. She is a certified Six Sigma Master Black Belt. She has held leading Human Resources roles in Telekom Austria Group, IBM Austria, and Baxter AG. Simone has a degree from the European Business School (Paris) and of the Economic University of Vienna.

7. Ticiana Kobel
General Counsel

Ticiana has extensive legal experience in a wide range of global businesses, such as SR Technics Group and Bühler Group, leading legal departments in manufacturing, aviation, technology, service sector and engineering industries. In these roles, she was in charge of crucial projects pertaining to varied matters, such as spin-offs, sales and acquisitions, and corporate governance issues, and assisted with the design and implementation of compliance functions, mergers and acquisitions, and partnerships.

Ticiana has a law degree with an emphasis in corporate law from the Federal University of Minas Gerais and an LLM in International Economic Law and European Law at the University of Geneva.

Nomination Committee report

Herbert Cordt
Chairman of the Committee

Committee members and meeting attendance

	Attendance in 2020	Member since
Herbert Cordt (Chairman)	5/5	October 2017
Celia Baxter	5/5	October 2017
John Ramsay[1]	1/1	October 2020
James Leng[2]	3/4	October 2017, resigned September 2020

1 John Ramsay was appointed to the Committee from 1 October 2020. He was present at the September meeting as an attendee.

2 James Leng resigned as a Director and so ceased to be a Committee member on 30 September 2020 when he stepped down from the Board.

> The Committee has played a central role in ensuring the right mix of skills and experience are represented on the Board to accelerate our long-term strategy and realise our ambitions.

Herbert Cordt
Chairman of the Committee

Committee purpose, roles and responsibilities

The Committee's purpose is to ensure that the Company has the competencies and depth of skills within the Board and senior executives to meet the demands of a global business and to support the development of the Group's strategy. At the heart of the Committee's work is an ongoing assessment of the Board's collective skills, knowledge, competencies and experience, whilst paying particular attention to independence and diversity.

Roles and responsibilities:

- review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and its Committees and to make recommendations to the Board with regard to any changes;
- succession planning for Directors and other senior executives;
- lead the process for recruitment of any new Directors, including the Chairman, and their recommendation to shareholders;
- assess annually the time commitment required from Non-Executive Directors (NEDs); and
- review the results of the Board performance evaluation process relating to composition of the Board or the effectiveness of any individual Director.

Whilst all Board succession planning, processes and preparations are led by the Nomination Committee, these are important Board topics, and as such Director and other senior executive appointments are agreed by the Board as a whole and the Board is briefed at regular intervals about Committee discussions. More detail on the duties of the Committee can be found in its Terms of Reference on the corporate governance section of our website.

Activities in 2020

The Committee met five times in 2020, covering the roles and responsibilities set out above and in particular, the Committee considered the following matters:

Terms of Reference and Chairman, CEO and SID role descriptions

The Committee's Terms of Reference were reviewed during the year, in addition to the role descriptions of the CEO, Chairman of the Board and the Senior Independent Director and Deputy Chairman. The Committee was satisfied that the Terms of Reference and role descriptions remained appropriate, with no changes being required. These can be found on the on the corporate governance section of the Company's website.

Time commitment from NEDs

An important part of the UKCGC is that the NEDs dedicate sufficient time to meet their Board responsibilities. The Committee considered, as it does annually, the review of time required from the NEDs to fulfil their duties satisfactorily. The Board received confirmations from all Directors that they can commit the time required.

Board evaluation

The Committee takes responsibility for the preparation of the annual Board reviews. The output of the 2019 review was considered by the Board in January 2020. Each committee then reviewed the specifics of the evaluation relating to the respective Committees and agreed actions to improve operations as required.

The 2020 review, the third year in this programme, was externally facilitated by Lintstock. This review included for the first time a self-assessment by Directors which supported the individual performance conversations with the Chairman.

In January 2021, the Board received a presentation of the 2020 review and discussed the findings, noting that certain actions from the 2019 review, such as holding a Corporate Sustainability Committee meeting on site, or augmenting the social interactions of Board members and executive management, were unable to be satisfactorily implemented in 2020 owing to COVID-19 restrictions. These will be carried forward where possible. The 2020 review also favourably commented on successfully implemented actions, such as dedicating more time to strategy discussions, providing additional information updates to the NEDs and changing management reporting formats. Other areas of improvement observed in the 2020 review included oversight of talent development processes, succession planning, monitoring of culture and behaviours, and adjustment by the Board of its priorities and associated risk management in response to COVID-19.

The Board agreed a programme for the year ahead, with a view to further improving its effectiveness.

Some key points considered included:

- increased female representation and more diverse ethnicity;
- increased overview of relationships with stakeholders, such as suppliers and customers;
- sustained focus on execution of strategy, including greater focus on sustainability strategy;
- maintaining oversight of the development of Company culture and continuing to assess metrics to support this oversight; and
- more structured ongoing training sessions for NEDs.

With the advantage of having had externally facilitated reviews by Lintstock for three years, the Directors have been able to consider the trajectory of progress over the period. The Board was satisfied to see sustained improvement in Board effectiveness over the past three years.

Board diversity

The Group has a Diversity & Inclusion Policy, which was established in late 2019 and covers the positive benefits of diversity, the focus areas for RHI Magnesita and the concrete actions to engender diversity across the Company's global operations, such as the elimination of all-male shortlists. Board appointments are made on merit and with reference to the following criteria:

- **Skills and experience:** The skill set and experience required by the Board and the Company at that moment in time. This is established by reference to the Board Profile, approved by the Committee in 2019 and which can be found on the website.
- **Strategy and industry:** The Company's leading position in the refractories industry and its strategy to succeed.
- **Corporate governance and investor expectations:** The Company's inclusion in the FTSE 350 Index and its Dutch registration, both of which require compliance or explanation in respect of the Dutch and UK Corporate Governance Codes.
- **Functions:** The specific functions Directors are required to fulfil on Board Committees, such as financial experience for the Audit & Compliance Committee or Remuneration experience for the Remuneration Committee Chairman position.
- **Diversity:** The Board has committed to achieving 33% female representation by 2021 and looks beyond gender diversity to diversity of ethnicity, nationality, age and thought in its search for new Directors.

The Board currently enjoys a rich mix of nationalities, gender, skills, experience and expertise, and in 2020 female representation on the Board increased to 25%, with half of the Board Committees chaired by women. Female representation on our Executive Management Team (EMT) has grown to 29% during the year, with their direct reports comprising 23% women, representing a 5% improvement on 2019. Notwithstanding the considerable progress that has been made, the Board recognises that it has further progress to make, specifically with regard to the aim of achieving one-third female representation. The Committee has focused on this when considering candidates for the roles to be recommended to shareholders for appointment at the 2021 AGM.

The Chairman and Company Secretary have engaged with the Hampton Alexander Review and have clarified that the Employee Representative Directors, in alignment with the Austrian law applicable to the Company on merger in 2017, are not able to be influenced in terms of appointment and therefore diversity. Therefore, the Committee's view is that it is inappropriate to include them in any calculation of Board diversity.

We are convinced that diversity will play a key role in supporting our business strategy over the long term, for the benefit of the Group and its shareholders. Diversity of nationality, culture and ethnicity are all important considerations for the Committee. The Committee believes that the diversity of nationalities and culture represented amongst the Board and EMT provides a diverse and global perspective, but appreciates that the Company would benefit from further ethnic diversity being represented on the Board. The Company's attentions in regard to ethnic diversity prioritises developing and building a pipeline of diverse talent through opportunities provided throughout the Group. 43% of the EMT are of Brazilian heritage, representing our legacy as a Company and the spread of our operations. The Committee will continue to monitor and consider the Board's progress with regard to diversity as whole. All new Board appointments are, and will continue to be, made on merit and underpinned by the specific skills and experience which candidates can bring to the overall Board composition, but constant consideration will be given to expanding Board diversity over time. The Company expects that the Parker Review, and the Company's reporting to it, will facilitate this tracking of diversity. The Committee and the Board will continue to support the Company's approach in facilitating people development, ensuring that talent, regardless of gender and background, enjoys career progression within the Group. More details on the Group's diversity and inclusion work and the gender balance of those in the senior management and their direct reports can be found on page 73.

Nomination Committee report
continued

Succession planning

Over the course of the year, the Committee received updates from management on the Executive Director and senior management succession planning programme.

The Committee considered the skills and experience of individuals at different levels in the organisation with an indication of their expected time to develop to the next level, and requirements in order to achieve that progression, such as experience of a different business function or additional training. Furthermore, it considered how succession planning would be treated in different scenarios (e.g. in an emergency or in an orderly fashion). A summary of this was provided to the Board for its consideration.

Board succession planning and Committee composition

Since the Committee last reported to shareholders, Jim Leng has resigned from the Board, and Andrew Hosty and Celia Baxter have indicated their intention not to stand for re-election at the end of their three-year terms at the June 2021 AGM. The Board remains very grateful for their extensive contributions to the work of the Company and wishes them all the very best for the future.

Following Jim Leng's resignation, effective 30 September 2020, John Ramsay, who has been with the Company since listing in 2017, was appointed as the Deputy Chairman and Senior Independent Director and as a member of the Nomination Committee. Janet Ashdown, with her extensive remuneration committee experience, was considered by the Committee to be an ideal candidate to join the Remuneration Committee from 1 October 2020, before becoming the Remuneration Chair in June 2021 on Celia's departure.

It is proposed that, from June 2021, Karl Sevelda will join the Nomination Committee and Fiona Paulus will join the Remuneration Committee. Both are Independent NEDs with suitable years of experience on the Board and relevant executive and non-executive experience to contribute significantly to these Committees. Their Committee induction programmes commenced in January 2021. The membership of Board Committees can be seen on pages 89 to 91.

In thinking about future recruitment to the Board, the Committee has taken particular note of previous feedback from Board evaluations to broaden the Board's skill set, experience and gender balance. The Committee considered the skills required for the future for the delivery of the corporate strategy, such as digital experience and additional financial or auditing experience, and as well as the diversity of the Board to engender constructive debate and a varied mix of ideas. Egon Zehnder, signatory to the Voluntary Code of Conduct for Executive Search Firms, has been engaged to recruit additional Directors based on the Board Profile. The recruitment is particularly focused on financial acumen and technological expertise to align with the Company's strategic aims. Egon Zehnder is providing a list of only female candidates, in support of meeting our target of one-third female representation on the Board in 2021 and, wherever possible, the Board is consciously looking for diverse ethnicity from these candidates.

Herbert Cordt
Chairman of the Committee

Corporate Sustainability Committee report

Janet Ashdown
Chairman of the Committee

Committee members and meeting attendance

	Attendance in 2020	Member since
Janet Ashdown (Chairman)	3/3	June 2019
Andrew Hosty	3/3	June 2019
Fiona Paulus	3/3	June 2019

During 2020, the Committee ensured RHI Magnesita continued to progress on climate protection, safety and diversity, while overseeing the Group's COVID-19 strategy on safety, health and wellbeing.

Janet Ashdown
Chairman of the Committee

Committee purpose, roles and responsibilities

The role and purpose of the Committee is to support the Board and act as an advisory body to ensure the long-term sustainability of the business.

- The Committee ensures that the Group's activities generate sustainable value, not only for customers and shareholders, but also for employees, suppliers and communities in which the Group operates.
- On behalf of the Board, the Committee oversees the effective management of risks associated with climate change, health and safety, along with other ESG risks.

More detail on the duties of the Committee can be found in the Terms of Reference on the corporate governance section of our website.

Activities in 2020

The Corporate Sustainability Committee met three times during 2020. In addition to addressing the responsibilities outlined above, the Committee discussed the following:

- **COVID-19**: Closely monitored RHI Magnesita's management of employee safety, reviewing safety protocols to protect employees and contractors, infection rates and sharing of best practice across the Group. Reviewed Company emergency support to local communities.
- **Climate change**: Approved RHI Magnesita's latest climate submission to the CDP, which gained a B, the highest in the global refractory industry. Assessed progress against emissions reduction target and reviewed the Company's first comprehensive climate risk assessment. Agreed that RHI Magnesita will become a Supporter of the Taskforce on Climate-related Financial Disclosures (TCFD). Reviewed recycling and new carbon capture and usage (CCU) projects that are designed to facilitate transition to a low-carbon economy.
- **Safety**: Continued strong focus on occupational safety, leading to a 56% improvement in lost time injury frequency (LTIF) and a 40% reduction in total recordable injury frequency (TRIF) compared to 2019.
- **Diversity:** Ensured that female representation among senior leadership improved despite restructuring. Gender diversity in senior leadership, for example, improved to 25% in 2020.

In addition to our industry-leading score from CDP, the Committee was pleased to note that RHI Magnesita has been rated AA by MSCI, Silver by Eco-Vadis and Prime (C+) by ISS ESG rankings.

Read more on sustainability on **Pages 64 to 75**

Janet Ashdown
Chairman of the Committee

Audit Committee report

John Ramsay
Chairman of the Committee

Committee members and meeting attendance

	Attendance in 2020	Member since
John Ramsay (Chairman)	7/7	October 2017
Fiona Paulus	7/7	September 2019
Wolfgang Ruttenstorfer	7/7	October 2017

The Audit Committee effectively delivered scrutiny, insight and challenge to respond to the demands of 2020 and ensure the continued improvement of corporate governance standards within the Group.

John Ramsay
Chairman of the Committee

Committee purpose, roles and responsibilities

The purpose of the Audit Committee is to ensure the integrity and transparency of corporate reporting, the quality of work and independence of the external auditor and to evaluate the robustness of internal controls and risk management processes.

The Committee's main roles and responsibilities are:

- advising the Board on the Group's overall risk appetite, tolerance, current risk exposures and future risk mitigation strategy;
- supervising the recording, management and submission of financial information by the Group and advising the Board on whether, taken as a whole, the reported financial information is fair, balanced and understandable;
- supervising the functioning of the Internal Audit department, and in particular, review and approve the annual Internal Audit work plan and taking note of the findings and considerations of the Internal Audit department;
- supervising the relationship with the external auditor, including in particular, assessing its independence, effectiveness, remuneration and non-audit related work for the Group;
- supervising the compliance with recommendations and observations of the internal auditor and the external auditor;
- supervising the financing of the Group and the policy of the Group on tax planning;
- reviewing the adequacy and effectiveness of the Group's Compliance function; and
- recommending the appointment of an external auditor by the Annual General Meeting (AGM).

More detail on the duties of the Committee can be found in the Terms of Reference on the corporate governance section of our website.

Activities in 2020

The Committee met seven times in 2020. Due to COVID-19 limitations video conferencing was used for some members and attendees during these meetings.

Discussions at the meetings covered the responsibilities outlined above, with a particular focus on the impact of COVID-19 on the risk profile of the Group, the management of the reorganisation and changes to the operating model undertaken in 2020 and the issues arising in 2020.

The Chairman, the Chief Executive Officer, the Head of Financial Reporting, the Head of Internal Audit, Risk and Compliance and the General Counsel attend the Audit Committee meetings and the Company Secretary acts as Secretary to the Committee. The Chairman of the Committee has had regular private discussions with the External Auditor, the Head of Internal Audit, Risk and Compliance and the Chief Financial Officer during the year.

Specific areas of scrutiny for the Committee in 2020 included:

Impact of COVID-19 on the risk profile, viability statement and going concern evaluation

The Committee received extensive management presentations and input from the External Auditors covering scenario modelling for the projected financial impact of COVID-19. The Committee scrutinised the rationale for the scenarios, the range of the impact assessment and the conclusions. Additional material was presented to the Committee showing the detailed impact on the going concern status and the financing of the Group. The clarity, consistency and communication of the COVID-19 modelling developed by management was endorsed by the Committee. This analysis was used by the Committee as a key input to the going concern evaluation.

The ability of the Group to continue as a going concern depends upon continued access to sufficient financing facilities. Judgement is required in the estimation of future cash flows and compliance with the debt covenant in future years. The Committee assessed the forecast levels of net debt, headroom on existing borrowing facilities, compliance with the debt covenant and the debt maturity profile. This analysis covered the period to 31 December 2022 and considered a range of downside sensitivities, including the impact of lower production volumes and higher costs. In these discussions the Committee sought the opinion of the External Auditor and ensured that the External Auditor challenged management sufficiently on the breadth, depth, and variety of scenarios, as well as sought confirmation that sufficient substantiation to the key assumptions in the scenarios was validated. The Committee concluded it was appropriate to adopt the going concern basis.

The Committee also considered potential impacts of COVID-19 on the external financial reporting timeline in the context of regulator statements. The Committee concurred with management in seeking to maintain the planned schedule of reporting to enhance stakeholder transparency.

Impact of the reorganisation on the finance structure

The Committee received a detailed explanation from management on the impact of the reorganisation on each part of the finance structure. The Committee raised a series of challenges to ensure that the changes planned did not adversely impact the effectiveness of financial management in the Group. A specific session was held with the Committee to address talent development, succession planning, experience levels and professional competencies of each member of the finance leadership team in the revised structure. The Committee endorsed the approach, but recognised the scale of the changes being undertaken and therefore will continue to monitor the impacts into 2021.

Production Optimisation Plan impact on financial statements

The Group is extending the Production Optimisation Plan established in 2019 in order to further increase competitiveness and reduce its cost base. Building upon approaches used in 2019, the Committee reviewed the management judgements involved in the determination of the amounts and timing of impairments and restructuring provisions. In these discussions the Committee typically discussed management's positions with and sought the opinion of the External Auditor. Following consideration, the Committee concluded that these judgements were appropriate. The disclosures on impairments and other restructuring expenses can be found in Note 38 to the financial statements.

Alternative performance measures: Adjusted EBITA and Adjusted EPS

RHI Magnesita continues to use a number of alternative performance measures ("APMs"), which reflect the way in which management assesses the underlying performance of the business. Read more about APMs on page 238. The Group's APM policy defines criteria for calculation of Adjusted EBITA and Adjusted EPS. The Committee considered both the overall policy and the use of each APM, as well as the impact that they may have on the clarity and understandability of the financial statements together with regulatory positioning on such reporting. A robust discussion led by the Committee reviewed each of the adjustments made in Adjusted EBITA and Adjusted EPS and concluded that their use is appropriate.

Compliance with Market Abuse Regulations (MAR)

The Committee reviewed the findings of an independent expert report into the Group's compliance with MAR. Whilst not identifying any breaches of MAR, the Committee challenged management as there were clear areas for improvement against internal policies. Management proposed a corrective action plan, which included the submission to the Committee of an annual report of MAR compliance and an internal training programme.

Investigation into mismanagement of business in Mexico

Internal Audit undertook an investigation into an employee and his engagement with a sales agent in Mexico. Together, they engaged in theft of Company funds over a significant period of time (see further details in Our internal control system on pages 50 and 51). The performance of the investigation, outcomes, root causes and the decisions over possible criminal proceedings against the individuals concerned, were examined in depth by the Committee. This showed that, even though there was and remains zero-tolerance of misappropriation of assets, the outflow of Company funds was not material in any year. The Committee discussed and agreed the corrective actions, including dismissal of the employee, were appropriately taken by management to ensure internal controls were re-enforced and strict adherence to the Company's Code of Conduct reiterated. A particular concern of the Committee was thematic internal control failures within locally autonomous business operations. The Committee received detailed management plans showing how the continued focus on the Code of the Conduct, developments in corporate culture, plans for a global process framework and increased scrutiny of empowered local operations would address the root causes of such cases described above.

Code of Conduct developments

The Committee reviewed progress of the implementation of the Code of Conduct (Code) that was rolled out across the Group starting in 2017 (see further detail on page 66). The Committee received updates on governance of the Code, ethical risk assessments performed, and training provided. Throughout 2020, the Committee made enquiries to assess the culture in place across the Group and the links between behavioural and leadership culture and Code of Conduct breaches. The Committee assessed the work being conducted to mitigate the risk of bribery and corruption and, specifically, work to assess risk from use of agents, approving plans to strengthen risk mitigation in this area. The continued importance of this work was emphasised by the Committee in discussions and the risk appetite applied to the related risks.

Audit Committee report
continued

Pension scheme liabilities

The Committee requested a comprehensive presentation to gain insight into the various pension schemes in geographies across the Group and specific updates on the funding and liabilities of the schemes. Following a series of questions, discussions and individual sessions, the Committee gave positive feedback on the quality of the information produced and the management of the pension schemes.

Treasury and foreign exchange risk management

The Committee reviewed the treasury policy and requested additional reporting in relation to the management of foreign exchange risk considering the increased volatility in 2020. Subsequent challenge from the Committee resulted in the proposed risk approach being endorsed and the foreign exchange risk position being more clearly presented to the Committee.

Tax strategy

The Committee reviewed and challenged the tax strategy and received updates on tax compliance, significant tax matters and ongoing tax projects. The Committee considered and scrutinised management's risk assessment related to the Netherlands tax position, associated likely scenarios regarding EU tax harmonisation impacts and taxation impacts over the transferring of business activities. The Committee endorsed the current tax strategy and will continue to monitor the progress of the projects impacting the tax position.

Information security risks

The Committee identified increasing information security risks as a key area of focus, particularly as specified in the Dutch Corporate Governance Code. Cyber and information security risk is included amongst the Group's principal risks on pages 54 to 59. Multiple presentations were received by the Committee to both inform the Committee of the emerging risks (e.g. the dark web) and outline the internal controls. The investment and risk mitigation plans were discussed and challenged. Valuable insight was provided by the Committee in this complex area from their awareness of experiences of other companies in this field. The Committee were assured that the risks were being appropriately mitigated.

Potential changes in corporate governance regulatory framework

The Committee has sought to pay close attention to and encouraged management focus on the wider regulatory changes under discussion relating to the external audit profession and corporate governance more generally. Given that many of these changes are prompted by corporate failures, the Committee emphasised the importance of all learnings and best practices being applied within the Group. Management and PricewaterhouseCoopers Accountants N.V. (PwC) have shared briefings and engaged in discussion with the Committee on proposals within the UK, Netherlands and globally. The Committee sought to clarify how the combination of the range of government-led reviews being undertaken would impact the Group and continues to monitor this situation.

Control issues raised by External Auditors

The Committee discussed the Internal Control recommendations raised by the External Auditors in their interim reporting with management to gain an understanding of the scale and nature of the recommendations made and the potential impact on the wider assessment of the effectiveness of internal controls. The Committee welcomed enhancements in the reporting received from the External Auditor following previous Committee feedback. The majority of the issues were judged to be typical of a company still completing the system changes and process developments necessitated by the major corporate merger of 2017. The Committee monitored the good progress made by management in 2020 in addressing these internal control recommendations.

Captive insurance plans

The Committee received a wide-ranging overview of the insurance strategy and challenged the proposals for a captive insurance scheme before endorsing the management proposals.

Core Audit Committee activity performed in 2020 included:

Whistleblowing programme

The whistleblowing programme, which is monitored by the Audit Committee and overseen by the Board of Directors, is designed to enable employees, customers, suppliers, managers, or other stakeholders to raise concerns on a confidential basis where conduct is deemed to be in violation of our Code of Conduct or contrary to our values.

The Committee discussed with management the downward trend in whistleblower reports since 2019 to assess whether this was the result of improved effectiveness of the Code of Conduct or potentially the result of the new way of working, in light of the pandemic. Management confirmed the 2019 whistleblower matters contained a number of cases related to the Group Bonus Scheme. The Committee also discussed elevated whistleblowing reports received from China in 2020 at the time of the reorganisation. The Committee accepted management's explanation that these were attributable to specific one-time local factors.

The Committee made enquiries of management in relation to the reports received on the whistleblowing programme in order to conclude its effectiveness during 2020.

Risk management

Risk management is the responsibility of the Board and is integral to the achievement of the Group's objectives. The Board establishes the system of risk management, setting risk appetite and maintaining the system of internal control to manage risk within the Group. The Group's system of risk management and internal control is monitored by the Audit Committee under delegation from the Board. Details of the Group's risk management approach, risk appetite and principal risks are outlined in the Risk, viability, and internal control section of the Annual Report on pages 48 to 59.

The Committee receives quarterly reports on risk management and made enquiries to management to assess and monitor the effectiveness of the approach. The Committee also includes risk-based challenge in all its subject matter deep dives performed in 2020.

Reviewing the results of Internal Audit work and the 2020 plan

The Committee reviewed the effectiveness and resources of the Internal Audit department and concluded that the Internal Audit function is effective and has adequate resources. In 2020 the Committee paid particular attention to the proposed merger of Internal Audit, Risk and Compliance into a single department. The Committee assessed the benefits and risks of this approach and emphasised the importance of safeguards being maintained to protect Internal Audit independence in line with best practices from the Institute of Internal Auditors. After a full consideration and a series of briefings the Committee endorsed the proposal.

Based on the reports received on the results of Internal Audit work, the Committee satisfied itself that the 2020 plan was on track and discussed areas where control improvement opportunities were identified further. The Committee also reviewed progress in completion of agreed management actions. The Committee reviewed the proposed 2021 Internal Audit plan, assessing whether the plan addressed the key areas of risk for the business units and the Group. The Committee approved the plan, having discussed the scope of work and its relationship to the Group's risks.

External audit

The Group's External Independent Auditor, PricewaterhouseCoopers Accountants N.V. (PwC), was first appointed as the Group auditor following the Company's first appointment process at the AGM held on 4 October 2017, shortly before the listing of the newly formed RHI Magnesita. PwC has performed this role in each subsequent year. PwC will be proposed for re-appointment at the 2021 AGM.

In assessing the performance of PwC, the Committee discussed and agreed with PwC three key areas of continued focus:

- Further enhancing the proactivity and responsiveness of communication;
- Global alignment on audit approach; and
- Adherence to shortened reporting timelines for 2020.

The Committee also enquired into assurance that the same level of audit quality would be delivered through a primarily remote auditing model, due to restricted travel during the pandemic, compared to more conventional methods. Having discussed the proposals from PwC to address these issues, the Committee approved the audit plan together with the audit fee. This process involved active discussion of the audit approach, (the assessment of work conducted on) key audit matters, materiality level and audit risks. The Committee considered and challenged the document presented describing the rationale and work performed by PwC in reaching their assessment of key audit matters and key risks.

The Committee received updates during the year on the external audit process, including how the Auditor had challenged the Group's assumptions on the issues noted in this report. The External Auditors had unrestricted access to, and attended all, Committee meetings in 2020. They also had private meetings with the Committee in the absence of management. They were asked for their input and opinion on a range of topics throughout the year.

External Auditor's independence

The External Auditor reports to the Committee on the actions taken to comply with professional and regulatory requirements, as well as best practice designed to ensure its independence. Following due review and scrutiny, the Committee recommended that PwC and Esther van der Vleuten should continue as the External Independent Auditor and designated auditor for the financial year 2020.

In 2020, the Group reviewed its non-audit services policy to strengthen the External Auditor's independence. The policy is consistent with the applicable EU Directive, Dutch and UK legislation and guidance, including recommendations set out in the Financial Reporting Council's (FRC's) Guidance on Audit Committees (2016) and the requirements of the FRC's Revised Ethical Standard (2019).

The definition of permitted non-audit services corresponds with the European Commission's recommendations on the auditor's independence and with the Ethical Standards issued by the Audit Practices Board in the UK. Non-audit work, non-pervasive to the Group, by a local (non-Dutch) PwC firm, is only undertaken where there is commercial sense, where pre-approval is obtained from the Committee and when the ultimate Responsible Independence Partner at PwC Netherlands has approved the allowance of such non-audit work abroad. During 2020, very limited non-audit work to local RHI Magnesita entities for a total of €0.1 million (2019: €0.5 million) was performed by local PwC offices. Non-audit fees represented are disclosed in Note 59 of the financial statements.

The Group confirms compliance during the year with the provisions of the Competition and Markets Authority Order on mandatory tendering for the appointment of the External Auditor and Audit Committee responsibilities.

Fair, balanced and understandable financial statements

The Group's financial statements should be fair, balanced, understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Audit Committee and the Board are satisfied that the 2020 Annual Report meets this requirement, with appropriate weight having been applied to both positive and negative developments throughout the year.

In justifying this statement, the Audit Committee has taken into consideration the preparation process for the Annual Report and Accounts, including:

- detailed timetable and instructions are provided to all contributors;
- updates and/or revisions to regulatory reporting requirements are continuously monitored and provided to contributors;
- early-warning meetings are conducted between the finance function and the Auditor in advance of the year-end reporting process;
- external advisers provide advice to management and the Audit Committee on best practice regarding the preparation of the Annual Report;
- Audit Committee meetings were held in Q1 2021 to review and approve the draft 2020 Annual Report and Accounts in advance of the final sign-off by the Board;
- review of significant accounting matters as explained in the notes to the Consolidated Financial Statements; and
- conclusions drawn by the External Auditor concerning key audit matters contributing to their audit opinion, specifically impairments and taxation, were considered by the Audit Committee.

Audit Committee performance evaluation

An internal evaluation of the performance of the Audit Committee has been undertaken in 2020. This review concluded that the Audit Committee has been operating effectively. Further improvements in the Committee performance were enabled in 2020 by the implementation of additional review and feedback stages by management to improve the quality and discussion of the papers submitted to the Committee. An assessment made by the Committee of the improved quality of Committee discussions has been shared with management. Plans to implement additional training for Committee members have been postponed due to COVID-19 and will be enacted when possible.

John Ramsay
Chairman, Audit Committee

Remuneration Committee report

Celia Baxter
Chairman of the Committee

Committee members and meeting attendance

	Attendance in 2020	Member since
Celia Baxter (Chairman)	8/8	October 2017
Karl Sevelda	8/8	October 2017
Janet Ashdown[1]	1/1	October 2020
James Leng[2]	6/7	October 2017

1 Janet Ashdown was appointed to the Committee from 1 October 2020. She was present at the September meeting as an attendee.

2 James Leng resigned as a Director and so ceased to be a Committee member on 30 September 2020 when he stepped down from the Board.

The Remuneration Committee continues to pursue remuneration objectives which align the interests of management with those of shareholders and the wider stakeholder group.

Celia Baxter
Chairman of the Committee

Committee purpose, roles and responsibilities

The Remuneration Committee's purpose is to develop a reward package for Executive Directors and senior managers that supports our vision and strategy as a Group, and to ensure the rewards are performance based, encourage long-term shareholder value creation and take account of the remuneration of the whole workforce.

More detail on the duties of the Committee can be found in the Terms of Reference on the corporate governance section of our website.

Committee membership and operation

Celia Baxter is the Chairman of the Committee, and Janet Ashdown and Karl Sevelda are current members of the Committee. James Leng was a member of the Committee until 30 September 2020 and Janet Ashdown joined the Committee on 1 October 2020. All Committee members are Independent Non-Executive Directors (NEDs) within the meaning of the UK and Dutch Corporate Governance Codes. The Company Secretary is the secretary to the Committee. Other individuals, such as the Chief Executive Officer, the Executive Vice President People, Projects & Communications (who is responsible for Human Resources) and external professional advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary. No individual is present when their own remuneration is discussed. The Committee meets at least three times a year and at such other times as the Chairman of the Committee shall require or as the Board may direct.

Activities in 2020

The key activities and decisions taken through the year were:

- Reviewing and consulting with shareholders on the realignment of our reference markets for the Executive Directors' pay, using the DACH region as the more relevant market than the UK, being the key region where we compete for talent.
- Approving the remuneration arrangements for joiners and leavers in the Executive Management Team.
- Considering the impact of COVID-19 on the business when deciding on the appropriate approach for bonus and the long-term incentive awards in terms of selecting performance measures, targets and grant size for 2020 bonus and LTIP awards and bonus payments for 2020.
- Reviewing Dutch Remuneration Reporting requirements.
- Reviewing and amending the Terms of Reference of the Committee.
- Reviewing, consulting with shareholders on and revising our Remuneration Policy for 2021-2024.
- Considering the outturn of the 2019 and 2020 bonus, the 2018 LTIP and reviewing the 2021 bonus and LTIP KPIs and targets.
- Undertaking a review of the performance of the Committee.

Annual remuneration statement

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Committee report for the financial year ended 31 December 2020, which sets out our implementation in 2020 of the remuneration policy that was approved by shareholders at the Annual General Meeting (AGM) in June 2018. Our remuneration policy is due for renewal this year and will be put to shareholders for approval at our AGM in June 2021. Therefore, this year's Remuneration Report also sets out on pages 107 to 116 the proposed new Remuneration Policy (the "Remuneration Policy") and reasons for our revisions.

RHI Magnesita, being incorporated and registered in the Netherlands making it subject to Dutch corporate law and having its primary listing on the London Stock Exchange, is required to comply with both UK and Dutch reporting requirements and their respective Corporate Governance Codes. Our Remuneration Report is therefore presented on this basis and, recognising transparency of reporting, includes certain additional voluntary disclosures. This letter on pages 103 to 105, the summary on page 106 and the Annual Report on Remuneration on pages 117 to 126 will also be presented for approval by an advisory vote at our AGM in June 2021.

Remuneration is closely aligned with our strategy, culture and operations

Our Remuneration Policy continues to be closely aligned with, and flexible enough, to support our strategy, culture and operations. Our bonus structures and targets for management throughout the Company are aligned to those of the executive and senior management. This provides a clear line of sight of Company objectives, supports our organisational culture, fosters teamworking, and incentivises appropriate behaviours and the reward for our workforce. The Directors led the Company's strategy review process in September 2020, which supported the subsequent agreement of bonus KPIs which are directly aligned with the three pillars of our strategy. Furthermore, in order to support achievement of our 2025 strategy to reduce carbon emissions, putting us on the path towards net zero carbon emissions and assisting in the reduction of our customer's carbon footprint, we have introduced a new performance condition "Use of Secondary Raw Material" for our 2021 LTIP award. This aligns to our strategic target to reach 10% of secondary raw material content by 2025. You can read more about this on page 126.

The combination of businesses in 2017 to form RHI Magnesita has resulted in a business with an enlarged portfolio of products and services, greater proximity to customers through a broader geographical footprint, technology leadership, as well as more effective raw material integration. At the time of the combination, we developed bonus plans that incentivise growth, cash flow generation and the achievement of synergy targets and strategic projects. The Remuneration Policy provides the flexibility to change bonus KPIs and for 2020 our management team focused on maintaining profits and liquidity to reflect the unstable economic environment due to COVID-19. Given the successful completion of the merger synergy programme in 2019, the Committee removed the synergy metric for the 2020 annual bonus.

Our long-term incentive plan (LTIP) rewards the creation of shareholder value and profitability. Total shareholder return (TSR) and EPS were implemented as LTIP KPIs in 2020 to incentivise the creation of long-term value. Due to the difficulty of setting targets, because of the COVID-19, Economic Profit Growth was removed as a measure for 2020. LTIP awards vest after a three-year performance period to the extent targets are met, with a further two-year holding period for the Executive Management Team.

Our response to COVID-19

As a result of COVID-19, 2020 has been an unprecedented year, with the impacts of the pandemic evident in all aspects of our lives as well as within the business. Throughout the Group, the safety and wellbeing of our workforce has been our foremost priority, thereby enabling us to support our customers in maintaining production of the essential materials upon which we all rely. The Executive Directors took the decision to waive the 20% salary increase they were awarded in 2020 from 1 April 2020 until 31 July 2020. During this time, members of the EMT waived between 10% and 15% of their salary, the Chairman and Non-Executive Directors waived 10% of their fees and employees globally saw a reduction in their earnings due to reduced working. The Committee is very grateful for the responsible actions being taken by the Executive Directors and members of the EMT, as well as all of our employees at this difficult time. In considering performance against targets and vesting levels of the 2020 bonus and LTIP, the Committee has taken the new economic context into account, with reference to the wider workforce and the expectations of other stakeholders, such as investors, suppliers and customers. At the same time, it has sought to balance this with the need to provide fair reward and meaningful incentivisation for management for the long-term sustainability of the business.

RHI Magnesita's performance during 2020

As laid out in the financial review, amidst a year of high volatility and extreme uncertainty, the Group has successfully maintained resilient margins, a strong balance sheet and solid cash flow generation. The Group recorded in 2020: revenue of €2,259 million, a decline of 23% against the prior year; adjusted EBITA of €260 million, a reduction of 36% compared to 2019; and resilient operating cash flow of €290 million compared to €359 million in 2019. Furthermore, management took quick and decisive action at the onset of the pandemic to ensure the health and safety of our employees and took the opportunity to extend strategic initiatives to further reduce costs and support profitability to prime the business for the eventual market recovery. It has been within this context that the Committee has considered the annual bonus scheme, the 2020 outturn and the 2021 targets, as well as reviewing 2018 LTIP performance and 2021 targets.

Annual remuneration statement
continued

Incentive outcomes for the year

As set out in the Annual Report on Remuneration, our remuneration outcomes for the year were as follows:

Annual bonus plan

The formulaic outcome results in a Maximum annual bonus for the CEO and CFO. This is as a result of adjusted EBITA €260 million and €290 million of operating cash flow. Further details of our performance against 2020 bonus targets can be seen on page 119.

The Committee reviewed the formulaic outcome of the bonus taking into account the overall performance of the Company and wider market and stakeholder context. No adjustments have been made to the targets as a result of COVID-19. Following its review, the Committee agreed that it was appropriate to scale back the bonus amount payable. Taking all relevant factors into consideration it determined that a "Target" level of bonus (50% of the Maximum) was fair and appropriate taking into account the wider business and stakeholder context and shareholder experience, as set out below, while rewarding the Executives for their resilience and business performance in the year. Bonuses payable to the wider workforce based on the same performance criteria were also subject to the same level of scaleback.

Targets were set slightly later in the year than they would normally be due to lack of visibility of market and business outlook and this has been a factor in considering the level of scale back. The targets set were based on prevailing market conditions and business outlook. They focused on driving revenue and liquidity in the face of an uncertain future and were seen as very challenging (and no less so than the targets set in previous years). The Committee notes that the EBITA for the year is a reduction on prior year but taken with our cash position and overall liquidity determined this represents good underlying business performance demonstrating the business's ability to survive the crisis, a conclusion which is supported by our share price.

The CEO and CFO have managed the business exceptionally well over a very challenging period and as a result good business performance has resulted in a high level of bonus becoming payable. The Committee, in deciding the adjustment to the formulaic bonus outcome, has noted that the Company has not received any UK government support or COVID-19 specific benefits from other governments and there has been no capital raised from shareholders. The final dividend for FY 2019 was cancelled to preserve financial flexibility but dividend payments have now resumed. The Committee has noted that with the dividend cash remaining in the business and the other actions taken by management there has been robust share price recovery from the initial COVID-19 related fall and continued share price performance. Members of the Board and the Executive Management Team waived a proportion of their salary and employees globally saw a reduction in their earnings due to reduced working. In terms of wider employee experience there have been limited furloughs and some redundancies although these have been part of wider restructuring and not COVID-19 related cuts.

LTIP

The first LTIP award was made in 2018, following Admission, based on three performance conditions. The performance period of this award was the three financial years 2018, 2019 and 2020 with the TSR performance condition being measured to 31 January 2021. More details are available on page 120. Unfortunately, none of the performance targets have been met and the awards will therefore lapse.

LTIP awards granted in the year

LTIP awards were made to the CEO and CFO on 8 April 2020 at normal grant levels of 200% of salary for the CEO and 150% of salary for the CFO. The Committee carefully considered appropriate performance measures, taking into account the economic and business outlook. The measures for the 2020 awards of 50% cumulative EPS and 50% absolute TSR to support management's focus on delivering material increases in the share price (plus dividends) and sustained aggregate EPS over the performance period. The Committee felt that in these uncertain times the narrower focus on the absolute (rather than relative) total shareholder return and on total cumulative EPS over the three years provides a significantly simpler incentive, better aligned with shareholders' interests. The prevailing share price used to calculate the number of shares subject to the awards was lower as a result of the COVID-19 pandemic than the share price when awards were made the previous year. The Committee carefully considered investor guidance and whether awards levels should be scaled back to reflect the lower share price. The Committee agreed that awards would not be scaled back but that it would review the level of vesting and vesting value and consider at that time whether it was appropriate to scale back vesting levels to avoid a "windfall gain". Details of the awards and performance conditions can be found on page 120.

Our Remuneration Policy for 2021-2024

The Remuneration Policy is largely unchanged from the policy approved by shareholders in 2018, to the extent there are no proposed amendments to the remuneration structure or increases to quantum. Further to our communication to key shareholders in early 2020, about updating the Company's reference market to the DACH region from the UK, we have made some minor changes to the policy to ensure consistency with this. In reviewing the current policy, the Committee has considered best practice, changes to Dutch law, which we as an N.V. are governed by, and expectations of institutional investors. There are only two substantive matters that we need to address, namely:

- **Post-employment shareholding requirements:** The Committee has carefully considered the UK Corporate Governance Code's requirement for a post-employment shareholding and determined that this should be achieved by ensuring that the holding periods for annual bonus shares and the LTIP continue post cessation of employment. The Committee retains the flexibility to adjust the requirement in certain exceptional circumstances, such as death or ill health.
- **Pension alignment:** Our incumbent Executive Directors' pension allowance is already aligned to that of the workforce in their country of appointment. As previously reported, new Executive Directors will be offered a pension contribution rate as a percentage of salary that is aligned with the contribution available to the majority of the workforce in the country of appointment, with the pension capped at this amount. The policy has been amended to formally reflect these conditions.

In addition, some limited wording changes are being made to provide additional information and clarity. We are also formally incorporating explanatory wording on the approach to reviewing the policy, as required by Dutch law following implementation of the Shareholder Rights' Directive, which was included in the 2019 Annual Report on Remuneration. The changes proposed to our Remuneration Policy for 2021-2024 are set out at the beginning of the Remuneration Policy section on pages 107 to 112.

Implementation of the Remuneration Policy for 2021

The base salaries of the CEO and CFO were increased by 2.5% with effect from 1 January 2021. Both of these executives are employed in Austria and this compares with an average of 2.5% for the majority of Austrian-based employees.

Annual bonus maximum opportunity for 2021 is unchanged from 2020 at 150% of salary. The bonus metrics and weightings were reviewed for 2021. The bonus will continue to be based on EBITA and operating cash flow recognising that both these metrics continue to reflect our priorities and the Remuneration Policy, which requires a minimum of 70% to be weighted to financial metrics. In addition, an element of the bonus will once again be focused on achievement of our strategic priorities, including an ESG measure, as drivers of future profitability and growth. The targets and performance against them will be disclosed retrospectively in the 2021 Remuneration Report, provided they are not considered to be commercially sensitive at that time.

The quantum of the CEO's and CFO's LTIP awards remain unchanged with a face value of 200% and 150% of salary, respectively. The awards will be made in March 2021 based on the share price at that time. Executives will receive the award shares in 2026 (subject to a three-year vesting period and two-year holding period) if performance targets are met. The performance targets that will determine vesting of the share awards, will continue to be based on absolute TSR and Adjusted EPS targets reflecting the ongoing focus of management to deliver material increases in the share price (plus dividends) and sustained EPS growth. In addition, the Committee decided to include a third ESG-related performance measure, the "Use of Secondary Raw Material" to support the focus of management on achieving the 2025 Strategy to reduce carbon emissions. The performance targets are set out on page 126. The Committee is comfortable, taking into account the economic and market uncertainty as well as the business outlook, that the targets are as challenging as those set for prior LTIP awards. The Committee has the ability to scale back the level of vesting if it considers the outcome to be reasonably unacceptable, or to avoid any "windfall gain" or if it is not reflective of the underlying performance of the Company.

Our conversation with our shareholders

The Committee values shareholder feedback as part of its policy decision process. Shareholders' views, whether directly or indirectly expressed, together with relevant proxy agency guidance and emerging trends, are carefully considered when reviewing reward design and determining outcomes. The Committee consulted during the year with our larger shareholders on the changes proposed to our Remuneration Policy, who were overall supportive of the limited changes proposed. We believe that this Remuneration Policy and its implementation for 2021, as well as the remuneration outcomes for 2020, remain strongly aligned to the Company's strategy, the complex structure of the business and the long-term shareholder interests. The Committee believes that the remuneration policy has operated as intended during the year and that the discretion exercised by the Committee is appropriate.

At the 2021 AGM, shareholders will be asked to vote on both the Remuneration Policy and the Remuneration Report. I hope that the Committee will have your support. As Committee Chairman, I continue to be available to engage with shareholders wishing to discuss remuneration matters.

Celia Baxter
Chairman of the Remuneration Committee

Remuneration Committee report
continued

At a glance: Operation of remuneration policy for the financial year ending 31 December 2020

Policy element	Stefan Borgas (CEO)	Ian Botha (CFO)
Base salary from 1 January 2020	€1,026,000[1]	€600,000[1]
% increase from prior year	20%	20%
Retirement allowance	Allowance of 15% of base salary	Allowance of 15% of base salary
Annual bonus	Up to 150% of base salary	Up to 150% of base salary
Annual bonus metrics	Adjusted EBITA (60%) and operating cash flow (40%) measured on a constant currency basis. The Committee used its discretion to review the underlying performance of the Company and taking into account wider stakeholder considerations and determine whether there should be any adjustment to the formulaic outcome.	
Amount paid for threshold performance	0%	0%
Amount paid for target performance	75% of salary (50% of maximum annual bonus)	
Actual bonus result for 2020 performance	Bonus paid €769,500 (50% of maximum) Formulaic outcome €1,539,000 (100% of maximum)[3]	Bonus paid €450,000 (50%) of maximum) Formulaic outcome €900,000 (100% of maximum)[3]
Payment of bonus in shares	50% of annual bonus in excess of target after tax is used by the executive to acquire shares that are held for a minimum of three years	
LTIP award	200% of base salary	150% of base salary
LTIP metrics	50% of the award: absolute TSR 50% of the award: Adjusted EPS (cumulative for the three-year performance period)	
Payment for threshold performance	25%	
Performance period and post-vesting holding period	3 years and 2 years respectively	
Malus and clawback	Malus applies to the period prior to vesting for LTIP awards and payment of the annual bonus Clawback applies to cash bonus and LTIP awards for a period of three years following the date of vesting and three years following any cash payment	
Dividends on vested awards	Participants are eligible for dividend equivalents on performance shares awarded under the LTIP	
Shareholding requirement	200% of base salary to be met within five years	
Shareholding as % of salary at 2020 year end	70%	53%[2]

1 Stefan Borgas and Ian Botha waived their 20% salary increase from 1 April 2020 to 31 July 2020. As a result, the actual salaries received for the year 1 January to 31 December 2020 were €969,000 and €566,667 respectively.

2 Calculated assuming a tax rate of 50%.

3 See page 119 for details of discretion applied by the Committee to adjust the formulaic bonus outcome.

Directors' Remuneration Policy

This Directors' Remuneration Policy will be presented to shareholders at the June 2021 AGM. Subject to shareholder approval, the policy will be effective from 1 January 2021 and is intended to operate for the three-year period to January 2024.

Approach and considerations in determining and reviewing the Directors' Remuneration Policy

Our Directors' Remuneration Policy was initially formed in 2018 and has been reviewed and updated to this current policy which is being brought to shareholders at our 2021 AGM.

The review process that the Committee has followed, and that will be followed for subsequent policy reviews, is set out below.

- The Committee has considered market and governance developments (including the UK and Dutch Corporate Governance Codes and UK and Dutch regulation) as well as wider pay context, such as pay ratios and Group reward arrangements.
- The Committee has considered the guidelines of shareholder representative bodies and proxy agencies and investor expectations.
- The Committee has consulted with shareholders in advance of our 2021 AGM and the wider RHI Magnesita Board of Directors, including our Employee Representative Directors, and carefully considered feedback received.
- All changes to the existing policy are being brought to the 2021 AGM for shareholder approval and are set out below.

Mission, values and long-term value creation

The policy is aligned to and supports our cultural values which are set out below:

- Innovative
- Open
- Pragmatic
- Performing

The mission of the Company is "Taking innovation to 1200°C and beyond". Achieving our mission requires high-performing senior management and the Policy is designed to motivate them to perform to a high standard and reach the stretching goals set. In addition, the remuneration arrangements for the Executive Directors contribute to long-term value creation by:

- providing a fair and appropriate level of fixed remuneration that does not result in over-reliance on variable pay and undue risk-taking, thereby encouraging the executives to focus on sustained long-term value creation;
- providing a balance of short- and long-term incentives to ensure there is focus on short-term objectives that will over time build to create long-term value creation as well as long-term goals;
- requiring executives to acquire and retain shares in the Company;
- offering long-term incentives where the reward is delivered in shares which aligns executives to shareholder interests and value as well as the performance of the Company over the longer term;
- requiring performance measures in our long-term incentive to be measured over the longer term and for shares to be held post-vesting for a further two-year period; and
- incorporating metrics focused on long-term shareholder value, such as total shareholder return and reduction of both our and our customers' carbon emissions through the increased use of secondary raw material.

Factors considered in reviewing the Policy

The Committee has considered as part of its review, and is comfortable that, the Remuneration Policy and its implementation are fully consistent with the factors set out in Provision 40 of the 2018 UK Corporate Governance Code (set out below) and the aspects in section 3.1.2 of the Dutch Corporate Governance Code which comprise: long-term value creation, scenario analyses, ratio of fixed to variable remuneration components, market price of shares, terms and conditions governing share and share option awards.

- Clarity: The Policy and the way it is implemented is clearly disclosed in this policy section of the Remuneration Report and the Annual Statement and supporting reports, with full transparency of all elements of Directors' remuneration.
- Simplicity: The Policy is simple and straightforward, based on a mix of fixed and variable pay. The annual bonus and LTIP include performance conditions which are aligned with key strategic objectives and drivers of the RHI Magnesita business.
- Risk: The Committee believes that the performance targets in place for the incentive schemes provide appropriate rewards for stretching levels of performance without driving behaviour which is inconsistent with the Company's risk profile. Potential reward is aligned with market levels of peer companies and the reputational risk from a perception of "excessive" pay-outs is limited by the maximum award levels set out in the Policy and the Committee's discretion to adjust formulaic remuneration outcomes. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.
- Predictability: The Policy includes full details of the individual limits in place for the incentive schemes as well as "scenario charts" which set out potential pay-outs in the event of different levels of performance, based on a number of reasonable assumptions. Any discretion exercised by the Committee in implementing the Policy will be fully disclosed.
- Proportionality: The link between the delivery of strategy, long-term performance, shareholder return and the remuneration of the Executive Directors is set out in the Remuneration Report.
- Alignment to culture: As explained above and in the rest of this report, the approach to Directors' remuneration is consistent with the Group's culture and values.

Directors' Remuneration Policy
continued

Summary of changes to be made from the current Directors' Remuneration Policy

The changes that have been made to the Policy that will be brought to shareholders at the 2021 AGM are as follows and are shown as relevant emboldened in the policy table for Executive Directors.

Policy element	Current policy and reason for change	Policy to be approved at 2021 AGM
Base salary	Reference to salaries being set at mid-market levels. To provide clarification of approach.	Reference changed to market competitive levels.
Pension	Does not provide that Executive Director pension contribution is to be aligned to the workforce. Requirement of UK Corporate Government Code.	Executive Directors will be offered a pension contribution rate as a percentage of salary that is aligned with that available to the majority of the workforce in the country of appointment and pension is capped at this amount.
Share ownership requirement	200% of salary requirement level set out in Annual Report on Remuneration. Best practice to be included in the Policy.	200% of salary now included in Policy.
Post-employment shareholding requirement	None Requirement of UK Corporate Governance Code.	Holding periods for annual bonus shares and long-term incentive awards continue post cessation of employment in respect of any bonus shares acquired with 2021 bonus and LTIP awards granted in 2021 and future years, thereby providing a post-employment shareholding requirement.
Additional background and explanatory wording	N/A Dutch law and clarity of wording.	Background and explanatory wording has been added for example on the approach to reviewing the Policy as required by Dutch law following implementation of the Shareholder Rights' Directive.

Policy table for Executive Directors			
Element and purpose	How it operates	Maximum opportunity	Performance-related framework and recovery
Base salary To assist in the recruitment and retention of appropriate talent. To provide a fair fixed level of pay commensurate for the role ensuring no over-reliance on variable pay.	Salaries are paid monthly and reviewed annually. The Company's policy is to set salaries at **market competitive levels** taking into account salaries at companies of a similar size by market capitalisation, revenue and any other factors considered relevant by the Committee, such as international business mix and complexity. Decisions on salary are influenced by: • The performance and experience of the individual; • The performance of the Group; • The individual's role and responsibilities and any change in those responsibilities; • Pay and employment conditions of the workforce across the Group including salary increases; • Rates of inflation and market-wide increases across international locations; and • The geographic location of the Executive Director.	There is no prescribed maximum annual base salary or salary increase.	Salaries will be reviewed by the Committee annually taking into account the various factors noted in the "How it operates" section of the policy.
Retirement allowance To provide competitive retirement benefits for recruitment and retention purposes.	Executive Directors may participate in a defined contribution plan, and/or receive cash in lieu of all or some of such benefit. Only base salary is pensionable. **The pension will be set at a rate aligned to the majority of the workforce in the country of the Executive Director's appointment, structured as required by the local regulation in the country of appointment, and in line with industry norms.**	**Pension is capped at the rate applicable to the majority of employees in the country of appointment for the Executive Directors (currently Austria where it is 15% of salary).**	None
Other benefits To provide a competitive benefit package for recruitment and retention purposes as well as to support the personal health and wellbeing of the Executive Director.	Benefits currently provided include: private health insurance, life insurance, car/car allowance and fuel allowance. Additional benefits and tax payable as a result of reimbursement of reasonable business expenses may be provided from time to time if the Committee decides payment of such benefits and tax is appropriate and in line with market practice.	There is no maximum level of benefits provided to an Executive Director.	None

Policy table for Executive Directors continued			
Element and purpose	How it operates	Maximum opportunity	Performance-related framework and recovery
Annual bonus To provide focus on the short-term performance of the Company and to provide a reward for achieving short-term personal, strategic and financial Company performance. To provide a mechanism for alignment with longer- term performance and shareholder objectives. The requirement for Executive Directors to acquire shares with their bonus aligns them to the "development of the market price of the shares" in the Company as provided in the Dutch Corporate Governance Code.	The annual bonus is based on the Group's performance as set and assessed by the Committee on an annual basis. The annual bonus is paid in cash and the Executive Directors are required to acquire shares in the Company with 50% of the amount paid in excess of target (after tax) which will be held for a minimum period of three years.	Up to 150% of base salary. Target potential opportunity is 50% of maximum opportunity.	Details of the performance targets set for the year under review and performance against them will normally be provided each year in the Annual Report on Remuneration. If, for reasons of commercial sensitivity, the targets cannot be disclosed then they will be disclosed in the following year. Performance will normally be measured over a one-year period. Targets will be based on the Group's annual financial and non-financial performance for the particular performance year. At least 70% of the bonus will be subject to financial performance metrics. The Committee may scale back the bonus that is payable if it considers the outcome to be reasonably unacceptable or if it is not representative of the underlying performance of the Company and/or there have been regulatory, environmental or health and safety issues that the Committee considers are of such severity that a scale back of the bonus is appropriate. For the financial targets, not more than 25% of the maximum potential bonus opportunity will be payable for achieving threshold performance rising on a graduated scale to 100% for maximum performance. Threshold performance being the level of performance required for the bonus to start paying. In relation to strategic targets, the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale. Vesting may therefore take place in full if specific criteria are met in full. Payments under the annual bonus plan may be subject to clawback/malus for a period of three years from payment in the event of a material misstatement of the Company's financial results, an error in calculating the level of grant or level of vesting or payment, a failure of risk management including the liquidation of the Group, if the participant has been guilty of fraud or gross misconduct or the Company has been brought into disrepute. The clawback/malus provisions as set out above do not limit Article 2:135 of the Dutch Civil Code.

Directors' Remuneration Policy
continued

Policy table for Executive Directors continued			
Element and purpose	How it operates	Maximum opportunity	Performance-related framework and recovery
Awards granted under the RHI Magnesita Long-Term Incentive Plan (LTIP awards) To incentivise and reward execution of the longer-term business strategy. To provide alignment to shareholders and the longer-term performance of the Company and to recognise and reward value creation over the longer term. The "development of the market price of the shares" in the Company is, as required by the Dutch Corporate Governance Code, taken into account by providing a long-term incentive using shares as the delivery mechanism. In addition, part of the award is determined by total shareholder return which is a measure of share price performance.	LTIP awards may take the form of nil-cost options or conditional awards. Awards are normally made annually. Awards normally vest after three years subject to performance and continued service. Where Executive Directors cease employment or are under notice prior to the three-year vesting date, different rules may apply. Shares resulting from the exercise of an option or vesting of a conditional award cannot be sold until five years have elapsed from the date of award, other than to pay tax. To the extent an award vests, the Committee may permit dividend equivalents to be paid either in the form of cash or shares representing the dividends that would have been paid on those shares during the vesting period (and where the award is a nil-cost option to the fifth anniversary of award). Dividend equivalents are payments in cash or shares equal to the value of the dividends that would have been paid during the period referred to above, on the number of shares that vest.	200% of salary (face value of award) annually (normal limit), where the face value is the market value of the shares subject to an award at the time it is awarded. In exceptional circumstances on recruitment, 250% of salary (face value of award).	Awards vest based on three-year (or longer) performance measured against a range of challenging targets set and assessed by the Remuneration Committee. The Committee will determine the specific metrics and targets that will apply to each award prior to the date of award subject to the vesting of at least 25% of an award being determined by total shareholder return. The targets for each award will be set out in the Annual Report on Remuneration. In relation to financial targets, not more than 25% of the total award will vest for threshold performance rising on a graduated scale to 100% for maximum performance, threshold performance being the level of performance required for the LTIP award to start to vest. In relation to strategic targets, the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale and so vesting may take place in full if specific criteria are met in full. The Committee may scale back the level of vesting if it considers the outcome to be reasonably unacceptable or if it is not reflective of the underlying performance of the Company and/or there have been regulatory, environmental or health and safety issues that the Committee considers are of such severity that a scale back of the LTIP award is appropriate. LTIP may be subject to clawback/malus for three years from the date of vesting in the event of a material misstatement of the Company's financial results, an error in calculating the level of grant or level of vesting or payment, a failure of risk management including the liquidation of the Group, if the participant has been guilty of fraud or gross misconduct or the Company has been brought into disrepute. The clawback/malus provisions as set out above do not limit Article 2:135 of the Dutch Civil Code.
Share ownership To increase alignment between management and shareholders and to promote the longer-term performance of the Company.	Requirement for the Executive Directors is to normally retain all of the shares acquired from annual bonus payments following expiry of the three-year holding period and normally 50% of vested performance shares (net of tax) following the two-year holding period until the shareholding requirement is achieved. **Executive Directors are expected to hold 200% of salary in shares.** The Committee normally expects this requirement to be met within five years of appointment and, for the CEO, 7 June 2018 being the date of approval of the Company's first Directors' Remuneration Policy. **Holding periods for annual bonus shares and long-term incentive awards continue post cessation of employment in respect of bonus shares acquired with 2021 bonus and LTIP awards granted in 2021 and future years, thereby providing a post-employment shareholding requirement.**	**200% of salary**.	None.

The table below sets out the remuneration policy for the Non-Executive Directors (including the Chairman).

Policy table for Non-Executive Directors			
Element and purpose	How it operates	Maximum opportunity	Performance-related framework and recovery
To provide fees reflecting the time commitments and responsibilities of each role to enable recruitment of the right calibre of Non-Executive Directors who can further the interests of the Group through their experience, stewardship and contribution to the strategic development of the Group.	The Non-Executive Directors are paid a basic fee. Supplemental fees may be paid for additional responsibilities and activities, including for a Committee Chairman and member of the main Board Committees and the Senior Independent Director. The cash fee is normally paid quarterly in arrears. The Chairman's fee is inclusive of all of his responsibilities. Reasonable expenses incurred by the Non-Executive Directors in carrying out their duties may be reimbursed by the Company including any personal tax payable by the Non-Executive Directors as a result of reimbursement of those expenses. The Company may also pay an allowance in lieu of expenses if it deems this is appropriate. Fees are reviewed periodically.	There is no prescribed maximum annual fee or fee increase. The Board is guided by the general increase in the non-executive market and the Group's global workforce, but may decide to award a lower or higher fee increase to recognise, for example, an increase in the scale, scope or responsibility of the role and/or take account of relevant market movements.	None.

Performance criteria

The Committee assesses annually, at the beginning of the relevant performance period, which performance measures, or combination and weighting of performance measures, are most appropriate for both annual bonus and any LTIP awarded to reflect the Company's strategic initiatives for the performance period. The Committee has the discretion to change the performance measures for awards granted in future years based upon the strategic plans of the Company, as it will do for 2021's award. The Committee sets what it considers are demanding targets for variable pay in the context of the Company's trading environment and strategic objectives and considering the Company's internal financial planning, and market forecasts. Any non-financial goals will be well defined.

The short-term financial and non-financial criteria of our variable remuneration may, as noted above, vary from year to year to ensure alignment with the strategic plans of the Company. Set out below is a summary of the measures for 2021 and other measures that have been used since 2018 and may be incorporated again (in addition to other measures) for future incentives:

Annual bonus

Financial criteria

- Adjusted EBIT and EBITA are a reflection of the Company's operating profits, operating performance and business efficiency supporting the value of RHI Magnesita for the shareholders. They reflect the way in which management assesses the underlying performance of the business, excluding certain non-recurring items from the adjusted figures.
- Operating cash flow supports the Company's capacity to expand its operations or investment in additional assets/acquisitions, as well as dividends paid to shareholders. It is calculated by taking adjusted EBITDA plus changes in working capital and in other assets/liabilities minus capex spend.

Non-financial criteria

- Strategic deliverables supporting financial targets such as adjusted EBIT or EBITA and operating cash flow with initiatives and strategic projects, such as enhancing the current business model or Company's footprint and an Environmental Social and Governance (ESG) measure relating to CO_2 emissions reduction.

LTIP

Financial criteria

- TSR — combination of movements in share price and dividends earned on shares reflecting the total return earned by holding the Company's shares.
- Adjusted EPS — reflects the income statement in a clear way and takes the equity structure into account; the Board believes adjusted EPS to be one of the indicators which demonstrates the value created for its shareholders.
- Economic Profit Growth — measures value creation, considering all economic resources employed within the business, taking into account the costs of making and selling a product/service.

Non-financial criteria

- Use of Secondary Raw Material — measures the rate at which secondary raw material is used in our production network compared to virgin raw materials. Despite this not being a wholly financial target, this will nonetheless be independently verified by an external provider.

The criteria listed above directly link to the Company's strategy, long-term interests and sustainability. Performance targets are set at a level to maintain good financial health. This enables the Company to perform well, deliver shareholder returns and invest sustainably to achieve strategic deliverables. The assessment of the fulfilment of performance criteria for the annual bonus and for LTIP awards is set out on pages 119 and 120.

Directors' Remuneration Policy
continued

Discretions retained by the Committee

The Committee operates the Group's variable pay plans according to their respective rules. In administering these plans, the Committee may apply certain operational discretions.

These include the following:

- determining the extent of vesting based on the assessment of performance;
- determining the status of leavers and, where relevant, the extent of vesting;
- determining the extent of vesting of LTIP awards under share-based plans in the event of a change of control;
- making appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- adjusting existing targets if events occur that cause the Committee to determine that the targets set are no longer appropriate and that amendment is required so the relevant award can achieve its original intended purpose, provided that the new targets are not materially less difficult to satisfy.

The Committee also retains discretion to make non-significant changes to the Policy without reverting to shareholders (for example, for regulatory, tax, legislative or administrative purposes).

Executive Directors' service contracts and payments for loss of office

Service contracts and letters of appointment are available for inspection at the Company's registered office.

Service contracts and loss of office

It is the Company's policy that notice periods for Executive Directors will not exceed 12 months and the service contracts for the Executive Directors are terminable by either the Company or the Executive Director on 12 months' notice.

Service contracts and loss of office

Name	Position	Date of appointment	Notice period
Stefan Borgas	CEO	20 June 2017	12 months
Ian Botha	CFO	1 April 2019	12 months

The Committee's policy in relation to termination of service contracts is to deal with each case on its merits having regard to the circumstances of the individual, the termination of employment, any legal advice received and what is in the best interests of the Company and its shareholders.

An Executive Director's service contract may be terminated early (other than for cause) by payment in lieu of salary in equal monthly instalments over the notice period. The Company may include pension contributions and benefits within the payment in lieu of notice if this is deemed appropriate or is specifically provided for in the service contract. Unless a contract specifically provides otherwise, all payments would discontinue or reduce to the extent that alternative employment is obtained. There are no enhanced provisions on a change of control and there are no specific severance arrangements.

An Executive Director's service contract may be terminated without notice for certain events such as gross misconduct in which case no payments or compensation beyond sums accrued to the date of termination will be paid.

The Company may also pay outplacement costs, legal costs and other reasonable relevant costs associated with termination and may settle any claim or potential claim relating to the termination.

Treatment of variable pay awards on termination

Annual bonuses and LTIP awards are non-contractual and are dealt with in accordance with the rules of the relevant plans.

At the discretion of the Committee, in certain circumstances, for example, to incentivise short-term retention and completion of key business deliverables, and where poor performance is not relevant to the cessation, a pro rata bonus may become payable at the normal payment date for the period of employment with financial performance targets based on full-year performance. Where the Committee decides to make a payment, the rationale will be fully disclosed in the Annual Report on Remuneration.

The default treatment for share-based awards is that any unvested award will lapse on termination of employment or, in certain circumstances, on the executive giving notice. However, under the rules of the LTIP under which awards will be made, in certain prescribed circumstances, such as death, injury, ill-health, retirement with the Company's agreement, redundancy, leaving the Group because the employer company or business leaves the Group or where the Committee determines otherwise, awards are eligible to vest subject to the performance conditions being met over the normal performance period (or a shorter period where the participant has died) and with the award being reduced (unless the Committee considers, in exceptional circumstances, a different treatment is appropriate) by an amount to reflect the proportion of the performance period not actually served.

Approach to recruitment and promotions

The recruitment package for a new Director will be set in accordance with the terms of our Policy. On recruitment, the salary may be set below the normal market rate, with phased increases as the Director demonstrates performance within the Company. Annual bonus opportunity will reflect the period of service for the year.

The normal annual LTIP award limit is 200% of salary face value in a financial year (face value being the market value of the shares subject to an award at the time it is awarded). A higher limit of 250% of salary (face value) is included for use in exceptional circumstances for the Company to be able to attract and secure the right candidate if required. A LTIP award may be made shortly after an appointment if the usual annual award date has passed.

With internal appointments, any variable pay element awarded in respect of the candidate's prior role will normally be allowed to continue according to its terms.

The Policy enables the Committee to include those benefits it deems appropriate for an Executive Director. On recruitment, this may include benefits such as relocation, housing or schooling expenses. In arriving at a benefits package, the Committee's prevailing consideration will be to pay only what is considered necessary and appropriate, taking into account the importance of securing the right candidate for the job, acting in the best interests of the Company's shareholders and limiting certain benefits to a specified period where possible.

On recruitment, the Company may compensate for incentive pay (or benefit arrangements) foregone from a previous employer. Replacement share awards would be made under the Company's LTIP and any subsequently adopted share plans using the separate specific limit for these purposes of 250% of salary (face value) or as necessary and as permitted under the Listing Rules. The new awards would take account of the structure of awards being forfeited (cash or shares), quantum foregone, the extent to which performance conditions apply, the likelihood of meeting any existing performance conditions and the time left to vesting.

Policy for Executive Directors on external appointments

Subject to Board approval, Executive Directors may accept external non-executive positions and retain the fees payable for such appointments.

Non-Executive Directors

Letters of appointment and policy on recruitment

All Non-Executive Directors have letters of appointment for a fixed period of three years, subject to reappointment each year at the AGM. No additional compensation is payable on termination, with fees being payable to the date of termination. The appointments are terminable by either party on three months' written notice.

On appointment of a new Non-Executive Director, the fee arrangement will be set in accordance with the approved remuneration policy in force at that time.

Name	Position	Date of initial appointment	Period of current term
Herbert Cordt	Non-Independent Non-Executive Director, Chairman	20 June 2017	3 years
David Schlaff	Non-Independent Non-Executive Director	6 October 2017	3 years
Stanislaus Prinz zu Sayn-Wittgenstein	Non-Independent Non-Executive Director	6 October 2017	3 years
John Ramsay	Independent Non-Executive Director	6 October 2017	3 years
Celia Baxter	Independent Non-Executive Director	6 October 2017	3 years
Janet Ashdown	Independent Non-Executive Director	6 June 2019	3 years
Andrew Hosty	Independent Non-Executive Director	6 October 2017	3 years
Wolfgang Ruttenstorfer	Independent Non-Executive Director	20 June 2017	3 years
Karl Sevelda	Independent Non-Executive Director	6 October 2017	3 years
Fiona Paulus	Independent Non-Executive Director	6 June 2019	3 years
Michael Schwarz	Employee Representative Director	8 December 2017	8 December 2021[1]
Franz Reiter	Employee Representative Director	26 October 2017	26 October 2021[1]

1 Mr Schwarz and Mr Reiter are the Employee Representative Directors and have been selected in accordance with the applicable local law provisions by the employee representatives. They are appointed for a term of not more than four years.

How the views of shareholders and employees are taken into account

Owing to the Board members' wide range of experience and backgrounds, and with employee representatives' members and shareholders represented in person, there is ample opportunity for stakeholder feedback on the Policy and its implementation on an ongoing basis.

The Committee formally consults directly with employees on executive pay via the Employee Representative Directors appointed to the Board. Other engagement activities include employee surveys, CEO calls, regular town hall meetings and an active CEO Channel, as part of the MyRHIMagnesita app, where employees can ask questions on any issues including executive pay. The Committee receives periodic updates from the CEO and the Executive VP People, Projects and Communications, which include employee feedback received on remuneration practices across the Group. No substantive questions have been raised on executive remuneration. The Committee takes due account of the overall approach to remuneration and the remuneration structures for employees in the Group when setting pay for the Executive Directors.

There are representatives of two of the Company's major shareholders on the Board and thus regular consultation on all elements of remuneration is ongoing. The Committee Chairman seeks feedback from shareholders on any substantive remuneration matters and any consultation exercise would typically cover over 70% of shareholders. The Committee appreciates the opportunity to have a clear exchange of views and engage with shareholders. This feedback, best practice in the market, and any views also received from time to time, as well as guidance from shareholder representative bodies more generally, will be considered as part of the Company's annual review of remuneration policy and implementation of that policy. The Committee has engaged with shareholders regarding the Policy for which approval will be sought at the 2021 AGM and investors are supportive of the Policy proposals.

In addition to this, the website provides an important tool for investor engagement. It contains a wide range of information on our Company and has a section dedicated to investors, which includes certain remuneration information, such as our LTIP rules, our investor calendar, financial results, presentations, press releases, with news relating to RHI Magnesita financial and operational performance and contact details.

Remuneration market data for companies of a comparable size and complexity to the Company was considered as part of the Committee's formulation of the Policy. This remuneration data was only one of many factors considered by the Committee.

The Committee has taken note of the views of the Executive Directors with regard to the amount and structure of their remuneration and the provisions of 3.1.2 of the Dutch Corporate Governance Code (matters that should be taken into consideration when formulating the remuneration policy) have been brought to their attention.

Directors' Remuneration Policy
continued

How the Executive Directors' Remuneration Policy relates to the wider Group

The Policy described above applies specifically to the Company's Executive and Non-Executive Directors. The Committee is aware of and provides feedback on the wider Group remuneration structures. The Company's policy is for the Policy and structure to be cascaded as far as practicable to the senior management team and for the overriding principles to be taken into account for the Group-wide policy.

Base salaries for the whole Group are operated under broadly the same policy as for the Executive Directors and are reviewed annually.

The key difference between the Policy and the wider Group's policy is that the Executive Directors' packages (and the senior management team to a lesser extent) are weighted more to variable pay. From 2019 on, the bonus structure and targets are the same for Executive Directors and for all eligible white-collar employees. All our employees take part in annual discretionary bonus schemes, which are based on the same metrics as those applicable to the Executive Directors as shown in Annual Report on Remuneration.

Our approach is to incentivise our employees to focus on and contribute to the Company's key goals.

LTIP awards are awarded to those employees identified as having the greatest potential to influence Group-level performance. Given the cost of operating such a plan, the Committee considers this is the right approach and in the best interests of the Company and its shareholders.

A comparison of the remuneration structure between the wider workforce and the Board is illustrated in the table below.

Competitive pay and cascade of incentives

Organisational level	Number of employees	Maximum bonus as percentage of salary	Maximum proportion of bonus payable in cash (% of maximum award)	Maximum proportion of bonus deferred in shares (% of maximum award)	Maximum LTIP award based on annual salary
Executive Directors	2	150%	75%[1]	25%[1]	150-200%
Executive Management Team	5	80-140%	85%[2]	15%[2]	80-150%
Senior leaders	c.25	40%	100%	0%	20-50%
Functional Directors	c.100	30%	100%	0%	0%
Senior managers	c.400	25%	100%	0%	0%
Managers	c.400	20%	100%	0%	0%
Specialists	c.1,400	10%	100%	0%	0%
Professionals	c.1,700	5%	100%	0%	0%
Other bonused employees	c.7,600	various[3]	100%	0%	0%

1 Half of annual bonus in excess of target, after tax, is used by the executive to acquire shares that must be held for a minimum of three years.
2 EMT members are required to acquire shares in the Company with 30% of the amount above target (after tax) which must be held for a minimum of three years.
3 Various local bonus programmes are in place for the operational, administrative and blue-collar employees of the Company.

Summary of remuneration structure for employees below the Board

Element	Policy features for the wider workforce	Comparison with Executive Director remuneration
Salary Read more on **Page 108**	Salary is the basis for a competitive total reward package for all employees, and we conduct an annual salary review for all employees. As we determine salaries in this review, we take account of comparable pay rates from market references, skills, knowledge and experience of each individual, individual performance, and the overall budget we set for each country. In setting the budget each year, we forecast inflation, unions and collective agreements and business context related to such things as growth plans, workforce turnover and affordability.	We review the salaries of our Executive Directors and executive team annually. The primary purpose of the review is to stay aligned with relevant market comparators and stay competitive, as well as to ensure any increases are aligned with the wider workforce in Europe and North America, except in exceptional circumstances.
Pensions and benefits Read more on **Page 108**	We offer market-aligned benefits packages reflecting normal practice in each of the countries where we operate.	We have differences in the Executive Directors' benefits to reflect market practice and role differentiation. Our incumbent Executive Directors' pension allowance (and that for new appointments) is aligned to that of the workforce in their country of appointment.
Annual bonus and LTIP Read more on **Pages 109 and 110**	Our white-collar global workforce participates in an annual cash bonus plan. The plan is based on our Company KPIs. This structure places equal emphasis on the importance of an employee's personal contribution to the success of RHI Magnesita. We operate different bonus plans for those employees of our business where remuneration models in the market are markedly different, such as sales and production areas.	Annual bonuses for Executive Directors are directly related to the same performance measures and outcomes as the wider workforce. LTIPs are provided to our senior executives and senior roles who have influence on the overall performance of the Company.

Directors' Remuneration Policy
continued

Pay ratios

The Dutch Corporate Governance Code recommended from the financial year 2018, and the UK Directors' Reporting Regulations required from 2019, that the Committee report pay ratios including changes from the prior year as part of its determination of executive pay and wider executive remuneration decisions. The total employee remuneration figure used for the ratio below is for all employees in all Group companies and includes countries with significantly lower levels of pay than Europe and the United States. RHI Magnesita only has around 100 employees in the UK and falls below the required threshold for UK pay ratio reporting requirements. As UK employees represent less than 1% of RHI Magnesita's employees, the Committee considers that the above approach is appropriate in the circumstances.

RHI Magnesita is positioned around the median CEO pay ratio of other basic materials and industrial companies of a similar size listed on the FTSE. The Committee, however, is aware that as currently no long-term incentives have vested, if the 2019 LTIP vests in 2022 the CEO pay ratio is likely to increase.

Pay ratios have been a component taken into account when reviewing the Remuneration Policy for approval at the 2021 AGM. These were as follows:

Pay ratio	2020	2019	2018
CEO	**41:1**[1]	34:1	49:1
CFO	**25:1**	16:1[2]	N/A[3]

1 The pay ratio has risen due to the increase in base salary and bonus payment for the CEO and CFO in 2020.
2 CFO pay ratio is lower as Ian Botha joined the Company on 1 April 2019; with the full salary and bonus, the ratio would be 21:1.
3 Ian Botha, CFO, joined the Company on 1 April 2019 and so the pay ratio for 2018 has not been calculated.

The proportion of fixed and variable remuneration

To support the Policy's objectives to deliver long-term sustainable success of the Company, the remuneration package of our Executive Directors includes a mix of fixed and variable remuneration. The proportion for 2021 is approximately 40% for fixed pay and 60% variable remuneration on a target basis. Variable pay is split between the annual bonus, with 50% of payment over target being held in shares, and long-term incentive.

Remuneration scenarios for Executive Directors

The Policy provides that a significant proportion of remuneration is determined by Group performance. The graph below illustrates how the total pay opportunities vary under three different performance scenarios: minimum, target and maximum. We have also shown an assumed share price appreciation of 50% for the LTIP award during the performance period under the maximum payment scenario.

Assumptions

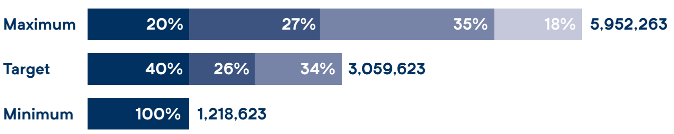
Minimum: Fixed pay only (base salary, pension and benefits, excluding relocation benefits).

Target: Fixed pay plus 50% of 2021 maximum annual bonus opportunity for the CEO and CFO with 50% vesting of the 2021 LTIP award.

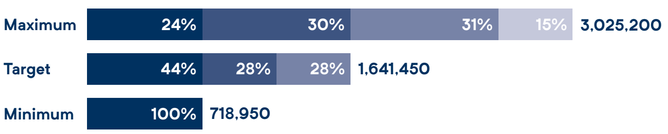
Maximum: Fixed pay plus maximum annual bonus opportunity and 100% vesting of 2021 LTIP award with an assumed share price appreciation of 50% for the LTIP award during the performance period.

As required under the Dutch Corporate Governance Code, scenario analyses have been carried out as part of the formulation of the Policy and to establish that the policy results in appropriate and fair levels of remuneration, including that the level and ratio of fixed to variable pay does not encourage inappropriate risk-taking or over-reliance on variable pay while ensuring there is sufficient alignment to investors, the long-term performance of the Company and development of the market value of the shares of the Company.

CEO
Values in €



CFO
Values in €



Fixed pay · Annual bonus · Long-term incentives · Share price appreciation 50%

Annual report on remuneration

The following section provides details of how the Company's Directors were paid during the financial year to 31 December 2020.

As a Dutch incorporated and registered and UK listed company, RHI Magnesita is required to comply with both UK and Dutch reporting requirements, including the UK and Dutch Corporate Governance Codes.

The Committee together with the Board has determined to provide certain additional voluntary disclosures recognising the importance of transparency of reporting. This Annual Report is compiled on this basis.

The Remuneration Committee members, activities and meetings during the year are set out on page 102, along with the Committee's purpose, roles and responsibilities and are thereby included in this part of the report by reference.

Advisers

Korn Ferry is a signatory to the UK Remuneration Consultants Group's Code of Conduct ("Code of Conduct"), and was appointed by the Committee in 2017 having submitted a proposal which demonstrated their skills and experience in executive remuneration. Korn Ferry provides advice to the Committee on matters relating to executive remuneration.

The Committee was satisfied that the advice provided by Korn Ferry was objective and independent having noted their commitment to the Code of Conduct. Korn Ferry's fees for advice to the Committee in 2020 were £85,582. Korn Ferry's fees were charged on the basis of the time spent advising the Committee.

Korn Ferry provided other human capital related services during the year to a separate part of the business, but these services were carried out by a team wholly separate to the remuneration advisory team. The Committee is comfortable that the controls in place at Korn Ferry do not result in the potential for any conflicts of interest to arise.

Statement of voting at AGM

At last year's AGM, held on 18 June 2020, votes on the business pertaining to remuneration, were cast as follows:

Resolutions	Votes for	% of votes cast	Votes against	% of votes cast	Total votes validly cast	Total votes cast as a % of the relevant shares in issue	Number of votes withheld
Advisory vote on Annual Report on Remuneration	30,616,066	81.17%	7,100,330	18.83%	37,784,288	76.37%	67,892

The total voting rights of the Company on the day on which shareholders had to be on the register in order to be eligible to vote was 49,077,705. A "Vote withheld" is not a vote in law and is not counted in the calculation of the % of shares voted "For" or "Against" a resolution.

Directors' remuneration policy

The Director's remuneration policy was approved by shareholders on 7 June 2018:

Resolutions	Votes for	% of votes cast	Votes against	% of votes cast	Total votes validly cast	Total votes cast as a % of the relevant shares in issue	Number of votes withheld
Directors remuneration policy	27,139,139	99.51%	134,556	0.49%	27,273,696	60.85%	1

Annual report on remuneration
continued

Single total figure table (audited)

The following table shows a single total figure of remuneration in respect of qualifying services for the 2020 financial year for each Executive and Non-Executive Director of the Company, together with comparative figures for 2019.

	Salary[2]		Taxable benefits[3]		Pension		Bonus[4]		LTIP		Total remuneration		Total fixed remuneration		Total variable remuneration	
Director[1]	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Executive Directors																
Stefan Borgas	**€969,000**	€855,000	**€8,823**	€8,823	**€145,539**	€128,250	**€769,500**	€498,354	–	–	**€1,892,862**	€1,490,427	**€1,123,362**	€992,073	**€769,500**	€498,354
Ian Botha[5]	**€566,667**	€375,000	**€21,277**	€56,755	**€85,110**	€56,268	**€450,000**	€218,576	–	–	**€1,123,054**	€706,599	**€673,054**	€488,023	**€450,000**	€218,576
Non-Executive Directors																
Herbert Cordt	**£227,167**	£220,000	–	–	–	–	–	–	–		**£227,167**	£220,000	**£227,167**	£220,000	–	–
Celia Baxter	**£90,287**	£87,500	–	–	–	–	–	–	–		**£90,287**	£87,500	**£90,287**	£87,500	–	–
Andrew Hosty[6]	**£77,333**	£80,465	–	–	–	–	–	–	–		**£77,333**	£80,465	**£77,333**	£80,465	–	–
James Leng[7]	**£78,403**	£102,500	–	–	–	–	–	–	–		**£78,403**	£102,500	**£78,403**	£102,500	–	–
Stanislaus Prinz zu Sayn-Wittgenstein	**£67,087**	£65,000	–	–	–	–	–	–	–		**£67,087**	£65,000	**£67,087**	£65,000	–	–
John Ramsay[8]	**£93,163**	£82,500	–	–	–	–	–	–	–		**£93,163**	£82,500	**£93,163**	£82,500	–	–
Wolfgang Ruttenstorfer	**£74,820**	£72,500	–	–	–	–	–	–	–		**£74,820**	£72,500	**£74,820**	£72,500	–	–
David Schlaff	**£67,087**	£65,000	–	–	–	–	–	–	–		**£67,087**	£65,000	**£67,087**	£65,000	–	–
Karl Sevelda	**£74,820**	£72,500	–	–	–	–	–	–	–		**£74,820**	£72,500	**£74,820**	£72,500	–	–
Janet Ashdown	**£87,163**	£82,500	–	–	–	–	–	–	–		**£87,163**	£82,500	**£87,163**	£82,500	–	–
Fiona Paulus	**£79,943**	£72,034	–	–	–	–	–	–	–		**£79,943**	£72,034	**£79,943**	£72,034	–	–
Franz Reiter[9]	–	–	–	–	–	–	–	–	–		–	–	–	–	–	–
Michael Schwarz[9]	–	–	–	–	–	–	–	–	–		–	–	–	–	–	–

1 All amounts are disclosed in the currencies in which the relevant elements of pay are set. Actual payment may be made in the currency where the recipient resides using the exchange rate at the time of payment.

2 As set out in the 2019 Remuneration Report, at the beginning of 2020 the Committee consulted with our key shareholders regarding realignment of our reference markets for Executive Directors' pay, using the DACH region as the more relevant market than the UK mainly being the key market where we compete for talent. As a result, the base salaries of the CEO and CFO were each increased by 20%. The new annual salary was for the CEO €1,026,000 and for the CFO €600,000. However, as a result of the COVID-19 pandemic, the Executive Directors waived this 20% salary increase for a four-month period from 1 April 2020. All Non-Executive Directors took a voluntarily salary/fee reduction of 10% for a four-month period from 1 April 2020, therefore all the amounts shown including pension are post-waiver.

3 Benefits in 2020 for Stefan Borgas comprise a car benefit of €8,823 for the year and for Ian Botha a car benefit of €16,114 and € 5,163 relocation costs for the year.

4 The Committee, with the agreement of the Executive Directors, determined that the annual bonus payments would be capped at Target payment being 75% of salary — see page 119 for more details.

5 Ian Botha joined the Company on 1 April 2019 and therefore his annual salary was prorated accordingly in 2019, from an annual salary of €500,000. The 2019 disclosure of his total remuneration and fixed remuneration were overstated by €18 and therefore has been restated in the above table.

6 Andrew Hosty stepped down from the Audit Committee on 24 September 2019, therefore the fees decreased.

7 James Leng stepped down from his Board duties on 30 September 2020, therefore his fee was prorated accordingly.

8 John Ramsay took on additional roles of Deputy Chairman and Senior Independent Director and Nomination Committee member in 2020, therefore his fees increased.

9 Employee Representative Directors attending Board meetings do not receive remuneration for that role, they are remunerated as employees of the Group.

No loans, advances or guarantees have been provided to any Director. No long-term incentives vested during the year and so there was no impact of share price appreciation.

Executive Directors' external appointments

Stefan Borgas was a non-executive director of SCR-Sibelco NV from 1 January 2020 until 30 September 2020 when he stepped down from his duties. His retained fees for the period were €50,000.

In October 2020, Stefan Borgas was appointed as Chairman of the Board of Directors of AFYREN SAS and for the period until 31 December 2020 he retained fees of €8,750 and shares with a nominal value of €100,000.

2020 annual bonus performance against targets (audited)

The targets set for the annual bonus and performance against them are set out below. Owing to the lack of visibility arising from the emerging COVID-19 crisis, the Committee set bonus targets on 20 May 2020 as announced to the market at the time. These targets focused on financial measures to drive earnings and cash flow, thereby preserving the Group's balance sheet strength and financial liquidity, in the face of an uncertain future. Through 2020, the Company demonstrated its resilience and accelerated the delivery of its strategy (you can read more about this on pages 24 to 25). As set out in the Chairman's letter, the Committee noted the strong performance of the Executive Directors and the business over the year in very difficult market and economic conditions, which had resulted in a formulaic annual bonus payment of 100% of maximum (150% of salary). The Committee noted that the EBITA for the year is a reduction on prior year but taken with the Company's cash position and overall liquidity determined that this represented good underlying business performance demonstrating the business's ability to survive the crisis. However, the Committee also noted the wider economic and social environment, stakeholder context and investor expectations. As a result, the Committee, with the agreement of the Executive Directors, determined that the annual bonus payments would be capped at Target payment being 75% of salary, which is €769,500 for Stefan Borgas (CEO) and €450,000 for Ian Botha (CFO). The Committee is comfortable that this bonus payment represents a fair level of reward for the performance achieved by the Executive Directors and the business.

					2020 outcome					
					CEO			CFO		
	Threshold (0% vests)	Target (50% vests)	Maximum[3] (100% vests)	Actual performance	% of element	% of salary	Payout (€)[4]	% of element	% of salary	Payout (€)[4]
Measure and weighting										
Adjusted EBITA[1] (60%)	€200m	€230m	€260m	€260m	100%	90%	923,400	100%	90%	540,000
Operating cash flow[2] (40%)	€190m	€220m	€240m	€290m	100%	60%	615,600	100%	60%	360,000
Total formulaic outcome					**100%**	**150%**	**1,539,000**	**100%**	**150%**	**900,000**
Actual bonus paid (after Committee discretion applied, as described above)					**50%**	**75%**	**769,500**	**50%**	**75%**	**450,000**

1 At constant currency.
2 Operating cash flow at constant currency. EBITA without restructuring expenses + CapEx + change in working capital + cash tax.
3 The maximum CEO and CFO annual bonus in 2020 was 150% of salary.
4 Although the formulaic outcome is at maximum the actual scaled back bonus payable is at Target and is therefore payable wholly in cash.

					2019					
	Threshold (0% vests)	Target (50% vests)	Maximum[4] (100% vests)	Actual performance	CEO (% of total for each element)	CEO payment (% of salary) maximum total payout[5]	CEO cash bonus based on €855,000 salary[6]	CFO (% of total for each element)	CFO payment (% of salary) maximum total payout[5]	CFO cash bonus based on €375,000 part year salary[6]
Measure and weighting										
Operating EBIT[1] (35%)	€440.1m	€481.0m	€521.9m	€381.8m	0%	0%	€0	0%	0%	€0
Free cash flow FCF2 (30%)	€247.9m	€273.0m	€298.1m	€285.1m	74.0%	33.3%	€284,726	74.0%	33.3%	€124,880
Net synergy tracking[3] (10%)	€35.0m	€38.0m	€45.0m	€42.0m	78.6%	11.8%	€100,768	78.6%	11.8%	€44,196
Strategic objectives (25%)	50%	100%	150%	82.5%	35.2%	13.2%	€112,860	35.2%	13.2%	€49,500
Total					38.9%	58.3%	€498,354	38.9%	58.3%	€218,576

1 At constant currency and without restructuring expenses.
2 Operating cash flow at constant currency. EBITDA without restructuring expenses + CapEx + change in working capital + cash tax.
3 Synergies are (financial) benefits achieved through the merger of the two companies.
4 The maximum CEO annual bonus in 2019 was 150% of salary and the maximum for the CFO was 150% of salary earned in the year.
5 Bonus achievement % of maximum opportunity (150%).
6 The CEO and CFO are required to purchase shares in the Company to the value of 50% of any bonus paid net of tax, for performance above Target and to hold the shares for a minimum period of three years.

No bonuses were awarded to Non-Executive Directors, other than to the Employee Representative Directors in relation to their employment activities.

Annual report on remuneration
continued

LTIP awards where vesting is based on performance periods ending during the financial year ending 31 December 2020 (audited)

LTIP awards vesting

The LTIP awards[3] granted on 7 June 2018 and vesting in 2021 were based on performance to 31 January 2021[1,2]. The performance targets for these awards and actual performance against those targets were as follows:

Metric	Weighting	Threshold target (25% vests)	Stretch target (100% vests)	Actual	% vesting
Relative TSR vs FTSE 350 Index[2]	33.33%	Equal to Index	Index +25%	0.92%	0%
Adjusted EPS[1]	33.33%	€5.20 per share	€6.50 per share	€3.28	0%
EBIT[1]	33.33%	€390m	€440m	€ 120.6m	0%
Total	**100%**				**0%**

1 The performance period for EPS and EBIT performance conditions is the three financial years until 31 December 2020.
2 For the TSR performance condition, the performance period is the three financial years and one calendar month until 31 January 2021.
3 Awards are structured as nil cost options.

The details for the LTIPs vesting in 2021 are shown below:

Executive	Grant date	Vest date	Number of shares at grant	Number of shares to vest	Dividend equivalent on shares to vest €	Estimated value €
Stefan Borgas	7 June 2018	7 June 2021	28,594	0	0	0

Ian Botha, CFO, joined RHI Magnesita on 1 April 2019 and therefore did not receive a 2018 LTIP award.

LTIP awards awarded during the financial year ending 31 December 2020 (audited)

During the year, the CEO received an LTIP award of 200% of salary and the CFO received an LTIP award of 150% of salary.

Details of the LTIP award and the performance targets that will determine the extent to which the award vests are set out below.

Director	Scheme	Basis of award	Date of award	Percentage of salary award	Share price used[1]	Face value €000	Percentage vesting at threshold performance	Number of shares	End of performance period[2]
Stefan Borgas	LTIP	Annual award[3]	8 April 2020	200%	€22.7	2,052	25%	90,396	8 April 2023
Ian Botha	LTIP	Annual award[3]	8 April 2020	150%	€22.7	900	25%	39,647	8 April 2023

1 The face value of the awards was calculated using the average closing price for the five trading days prior to the award being granted being £19.976 converted to € (using average FX rate over the same five-day period of €1.0881 to £1 = €22.7).
2 For the TSR element, measured from date of grant to third anniversary on 8 April 2023 with a two-month average before each date and for the EPS element, three financial years until 31 December 2022.
3 Awards are structured as nil cost options.

The share price at the time awards were made was lower than when the 2019 awards were made as a result of the COVID-19 pandemic market conditions. The Committee determined that awards levels would not be scaled back at the time of award but that it would review the level of vesting and vesting value and consider at that time whether it was appropriate, reflective of the underlying financial performance of the Company, and reasonable to scale back vesting levels to avoid a "windfall gain".

For 2020, the performance measures have been updated to recognise and support the focus of management in delivering material increases in the share price (plus dividends) and aggregate EPS over the three-year performance period. The Committee believes that taking into account the market and economic outlook and uncertainty, the narrower focus on the absolute (rather than relative) total shareholder return and on total cumulative EPS over the three years provides a significantly simpler incentive, better aligned with shareholders' interests.

Performance measure	Weighting	Threshold (25% vesting)	Intermediate (75% of vesting)	Maximum (100% vesting)	Performance period[1]
Absolute TSR	50%	30%	50%	70% and above	1 January 2020 to 8 April 2023
Adjusted EPS (cumulative for the three-year performance period)	50%	€6.50	€8.00	€9.50	2020 to 2022 (+2-year holding period post vesting)

1 For the TSR element, measured from the date of grant to the third anniversary on 8 April 2023 with a two-month average before each date and for the EPS element, three financial years until 31 December 2022.

2 Awards vest on a straight-line basis between threshold intermediate and maximum.

Performance targets for 2019 LTIP awards

Set out below are the performance targets for the 2019 LTIP awards[1].

Performance measure	Weighting	Threshold (25% vests)	Maximum (100% vests)	Performance period
Relative TSR[2]	33.3%	50th percentile	75th percentile and above[3]	
Adjusted EPS (final year of performance period)	33.3%	€7.80 per share	€9.00 per share	2019 to 2021 (+2-year holding period post vesting)
Cumulative economic profit	33.3%	€600 m	€670 m	

1 Awards are structured as nil cost options.

2 Measured against the FTSE 350, excluding sectors with limited direct relevance to RHI Magnesita.

3 Awards vest on a straight-line basis between threshold and maximum.

Directors' interests in RHI Magnesita's LTIP

The table below details outstanding share awards including the annual LTIP awards granted to the CEO and CFO during 2020.

	Scheme	Award date	Share price used €	Share awards held at 1 January 2020	Awarded during the year	Vested during the year	Share awards lapsed during the year	Share awards held at 31 December 2020	Total share value at award (face value) €	Vesting date
Stefan Borgas	Performance shares	7 June 2018	57.773	28,594	—	—	—	28,594	1,652,000[1]	7 June 2021[5]
	Performance shares	19 August 2019	44.534	38,397	—	—	—	38,397	1,709,972[2]	19 August 2022
	Performance shares	8 April 2020	22.7		90,396			90,396	2,052,000[4]	8 April 2023
Ian Botha	Performance shares	19 August 2019	44.534	16,840		—	—	16,840	750,000[2]	19 August 2022
	Performance shares	19 August 2019	44.534	16,841		—	—	16,841	750,000[2]	19 August 2022
	Performance shares	8 April 2020	22.7		39,647			39,647	900,000[4]	8 April 2023
	Conditional award	26 November 2019	45.202	16,592	—	—	—	16,592	750,000[3]	26 November 2022

1 The face value of the awards was calculated using the average closing price for the five trading days prior to the LTIP award being granted being £50.62 converted to € (using average FX rate over the same five-day period of €1.14 to £1 = €57.773).

2 The face value of the awards was calculated using the average closing price for the five trading days prior to the LTIP award being granted being £41.06 converted to € (using average FX rate over the same five-day period of €1.0846 to £1 = €44.534).

3 The face value of the awards was calculated using the average closing price for the five trading days prior to the LTIP award being granted being £38.73 converted to € (using average FX rate over the same five-day period of €1.167 to £1 = €45.202).

4 The face value of the awards was calculated using the average closing price for the five trading days prior to the award being granted being £19.976 converted to € (using average FX rate over the same five-day period of €0.881 to £1 = €22.7).

5 Following the testing of the performance conditions, this award has now lapsed.

Annual report on remuneration
continued

Statement of Directors' shareholding and share interests (audited)

Under the share ownership requirements set out in the Directors' Remuneration Policy, the Executive Directors are normally required to build and maintain over five years a shareholding equivalent to at least 200% of salary. At the 2020 year end, the Executive Directors each held shares in the Company as detailed below. Shares are valued using the Company's closing middle market share price on 31 December 2020 of £35.06.

The table below shows how each Director complies with the shareholder guidelines at 31 December 2020:

	Shares held at 31 December 2020	Shares held by connected persons	Shares held at 31 December 2019	Unvested and subject to a service requirement only	Unvested and subject to performance conditions	Shareholding requirement	Current shareholding % salary	Requirement met?
Executive Directors								
Stefan Borgas	18,600[1]	1,150	13,600	—	157,387	200% salary	70%[1]	No
Ian Botha	—	—	—	16,592	73,328	200% salary	53%[2]	No
Non-Executive Directors								
Herbert Cordt	350,000	—	—	—	—	—	—	—
Celia Baxter	1,002	—	1,002	—	—	—	—	—
Andrew Hosty[3]	389	—	389	—	—	—	—	—
James Leng[4]	—	—	—	—	—	—	—	—
Stanislaus Prinz zu Sayn-Wittgenstein[5]	—	—	—	—	—	—	—	—
Franz Reiter	—	—	—	—	—	—	—	—
Wolfgang Ruttenstorfer	—	—	—	—	—	—	—	—
David Schlaff[6]	—	—	—	—	—	—	—	—
John Ramsay	2,130	—	2,130	—	—	—	—	—
Michael Schwarz	—	—	—	—	—	—	—	—
Janet Ashdown	—	—	—	—	—	—	—	—
Fiona Paulus	—	—	—	—	—	—	—	—
Karl Sevelda	1,000	—	—	—	—	—	—	—

1 Includes shareholdings of connected persons.

2 Includes unvested shares which are subject to a service requirement and assumes a tax rate of 50%.

3 In the course of 2020, the AFM register was updated to reflect the correct figure of 389. The disclosed 2019 figure of 379 shares has been re-stated as above.

4 Position as at date of ceasing to be a Director on 30 September 2020 (not 31 December 2020).

5 2,088,461 interests are held through Chestnut Beteiligungsgesellschaft mbH ("Chestnut"). Ms. Sayn-Wittgenstein made an agreement with Mr. Winterstein which allows Chestnut to exercise the voting rights of Silver Beteiligungsgesellschaft mbH ("Silver") in the Issuer. Ms. Sayn-Wittgenstein and Mr. Winterstein share a family relationship. 2,088,461 interests held through Silver. Ms. Sayn-Wittgenstein made an agreement with Mr. Winterstein which allows Chestnut to exercise the voting rights of Silver in the Issuer. Ms. Sayn-Wittgenstein and Mr. Winterstein share a family relationship. 1,590,000 interests held in part directly and in part indirectly through FEWI Beteiligungsgesellschaft mbH.

6 13,333,340 interests are held directly by MSP Stiftung. MSP Stiftung is a foundation under Liechtenstein law, whose founder is Mag. Martin Schlaff.

There were no changes in the Directors' shareholdings and share interests between the end of the year and 5 March 2021.

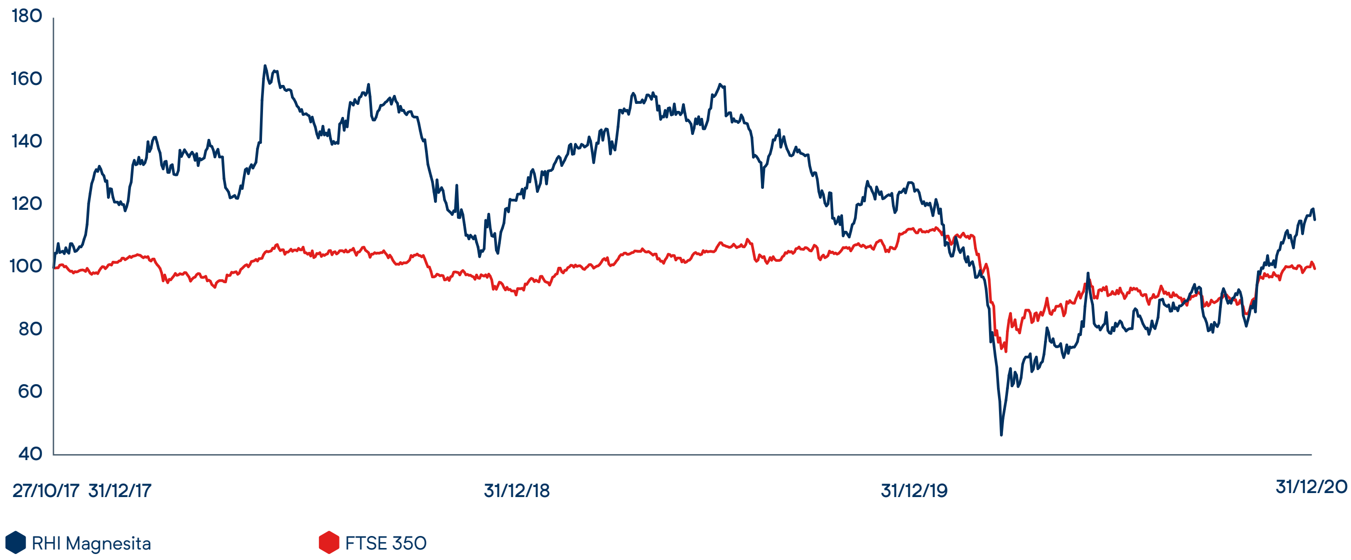
Review of past performance and CEO remuneration table (unaudited)

Share price performance

The closing middle market price of the shares at 31 December 2020 was £35.06 (2019: £38.48). During 2020, the shares traded in the range of £14.30 to £38.20.

RHI Magnesita total shareholder return

The graph below compares the total shareholder return of the Company with the FTSE 350 Index over the 38-month period from Admission to 31 December 2020. This is considered an appropriate comparator for RHI Magnesita because it is a constituent of this index.



Source: Datastream (Thomson Reuters).

Remuneration of the CEO

	2017	2018	2019	**2020**
Single figure of total remuneration[1]				
Stefan Borgas	€476,981	€2,073,350	€1,490,427	**€1,892,862**
Annual bonus pay-out as % of maximum[2, 3]				
Stefan Borgas	83.16%	88.04%	38.9%	**50%**
Long-term incentive vesting rates as % of maximum[4]				
Stefan Borgas	N/A	N/A	N/A	**0%**

1 The 2017 single figure of total remuneration relates to the period 27 October 2017 to 31 December 2017.

2 The 2017 annual bonus pay-out as a % of maximum relates to bonus targets set prior to the merger of the two companies that now form RHI Magnesita.

3 The percentage of maximum shown for the 2020 annual bonus is the amount paid to the CEO. The formulaic bonus outcome is 100% of maximum.

4 A long-term incentive plan was introduced when the Company was formed in October 2017. The first award vests in 2021 based on a performance period ending 31 December 2020 (and to 31 January 2021 for the TSR element).

Annual percentage change in remuneration of the CEO (unaudited)

The table below illustrates the percentage change in annual salary, benefits and bonus between 2019 and 2020 for the CEO and the average for all Austrian employees of the Company. The CEO is an Austrian-based employee; therefore, the Committee feels that a comparator based on all Austrian employees is appropriate for the purposes of this analysis.

	Salary change (2019 to 2020)	Benefits change (2019 to 2020)	Annual bonus change (2019 to 2020)
CEO	13.3%[1]	12.6%	54.4%
Average of employees	5.1%	10.6%	31.0%

1 Stefan Borgas waived his 20% of base salary increase from 1 April 2020 to 31 July 2020. As a result, his base salary for the year 1 January to 31 December 2020 was €969,000 which equals a salary increase of 13.3%. The benefits for Stefan comprise of company car, insurance and the pension (which remained unchanged at 15% of salary).

Annual report on remuneration
continued

Directors' and employee remuneration over time (unaudited)

The table below shows the Directors' total remunerations' year on year change (on a full-time equivalent basis):

Year	Total remuneration in FY 2020	% change 2019 to 2020	% change from 2018 to 2019[1]
Executive Directors[2]			
Stefan Borgas[3]	**€1,892,862**	27%	–28.1%
Ian Botha[4]	**€1,123,054**	N/A[5]	N/A[5]
Non-Executive Directors			
Herbert Cordt	**£227,167[6]**	3.2%	–
Celia Baxter	**£90,287[6]**	3.1%	6.1%
Andrew Hosty[7]	**£77,333[6]**	–3.9%	3.8%
James Leng[8]	**–[5]**	N/A[5]	–
Stanislaus Prinz zu Sayn-Wittgenstein	**£67,087[6]**	3.2%	–
John Ramsay	**£93,163[6]**	12.9%	6.4%
Wolfgang Ruttenstorfer	**£74,820[6]**	3.2%	–
David Schlaff	**£67,087[6]**	3.2%	–
Karl Sevelda	**£74,820[6]**	3.2%	–
Janet Ashdown	**£87,163[6]**	N/A[5]	N/A[5]
Fiona Paulus	**£79,943[6]**	N/A[5]	N/A[5]
Franz Reiter[9]	**–**	–	–
Michael Schwarz[9]	**–**	–	–
Company performance			
Adjusted EPS	**3.28**	-41.1%	4.8%
Reported EBIT in € million	**120.6**	-55.8%	–4.4%
Operating cash flow in € million	**290**	1.7%	–23.0%
Average remuneration (on a full-time equivalent basis)			
Employees of the Company[10]	**€76,562**	7.7%	4.1%[11]

1 For notes on the change from 2018 to 2019, please see the 2019 Annual Report.

2 The Executive Directors waived 20% of basic salary and the Non-Executive Directors took a voluntary fee reduction of 10 % for a four-month period from 1 April 2020. The amounts above reflect this reduction compared to the table below which shows the 2020 annual salaries/fees without reduction.

3 The basic salary of Stefan Borgas increased from €855,000 to €1,026,000 (20%) based on performance and due to realignment of our reference markets for Executive Directors' pay, using Germany as the more relevant market than the UK being the key market where we compete for talent, and the bonus outturn also increased for 2020.

4 Ian Botha was appointed from 1 April 2019 and therefore in 2019 received a prorated salary of €375,000. The full-year annual salary in 2019 was €500,000. In 2020 the basic salary increased to €600,000 (20%) based on performance and due to re-alignment of our reference markets for Executive Directors' pay, using the DACH region as the more relevant market than the UK being the key market where we compete for talent.

5 Where the incumbent did not serve for the full year, the calculation has not been made as it is unrepresentative.

6 The base fee for the Chairman and Non-Executive Directors was not increased in 2018 and therefore in 2020, Non-Executive Director fees were increased by 6.8% in line with the average employee base pay increase in 2018 and 2019.

7 Andrew Hosty stepped down from the Audit Committee on 24 September 2019, therefore his fees decreased.

8 James Leng ceased to be a Director on 30 September 2020.

9 Employee Representative Directors attending Board meetings do not receive remuneration for that role, they are remunerated as employees of the Group.

10 The group of RHI Magnesita employees covers the parent company, namely all employees within the Austrian subsidiaries.

11 The disclosure on average remuneration last year was overstated. The correct 2019 figure should have been € 71,071 and therefore the change to 2018 has been re-stated above.

Relative importance of spend on pay (unaudited)

The following table sets out the change in dividends and overall spend on pay in the financial year ended 31 December 2019 compared with the financial year ended 31 December 2020.

	2019 € million	**2020 € million**	Percentage change
Total gross employee pay	629.7	**575.6**	–8.6%
Dividends[1]	24.5	**73.5**	200%

1 Dividend is not time apportioned.

Payments to past Directors (audited)

There were no payments to past Directors in the period 1 January to 31 December 2020. James Leng retired from the Board on 30 September 2020 and received fees to that date.

Payments for loss of office (audited)

No payments were made to any Director in respect of loss of office in the period 1 January to 31 December 2020.

2021 remuneration (unaudited)

Set out below is how the Directors' Remuneration Policy will be implemented during 2021.

Salaries and fees for 2021

Directors' salaries and fees (on a full-time equivalent basis)

Subject to approval at the 2021 AGM, the Directors' salaries and fees will be increased in alignment with the general workforce increases (2.5%) from 1 January 2021. Owing to rounding, the exact percentages of increase differ but is never more than 2.5% which was the average increase of the Austrian workforce.

	2020	**2021[1,2]**	Percentage change
Executives			
Stefan Borgas	€1,026,000	**€1,052,000**	2.5%
Ian Botha	€600,000	**€615,000**	2.5%
Non-executives			
Chairman (inclusive of all Committee fees)	£235,000	**£241,000**	2.5%
Non-Executive Directors	£69,400	**£71,100**	2.4%
Deputy Chairman/Senior Independent Director	£26,700	**£27,300**	2.2%
Chairmen of Audit Committee and Remuneration Committee	£18,700	**£19,100**	2.1%
Membership of the Audit and Remuneration Committees	£8,000	**£8,200**	2.4%
Chairmen of Nomination Committee (unless held by the Chairman) and Corporate Sustainability Committee	£18,700	**£19,100**	2.1%
Membership of the Nomination and Corporate Sustainability Committee	£5,300	**£5,400**	1.9%

1 These are the 2020 annual fees and salaries without the four-month fee and salary reduction voluntarily taken during the year as shown in the table on the previous page.

2 Fee and salary increases are rounded to the nearest 100.

The Company does not contribute to defined benefit pension schemes on behalf of Executive Directors or Non-Executive Directors.

Annual bonus for 2021

The maximum potential annual bonus opportunity for FY 2021 remains at 150% of salary for both the CEO and CFO. The Committee has set bonus KPIs for 2021 which continue the focus on key financial measures and reintroduce strategic measures which track the delivery of the Company's strategy and will grow the value of the business over the medium term.

Performance criteria	Weighting 2020	**2021**
Adjusted EBITA	60%	**35%**
Operating cash flow	40%	**35%**
Strategic deliverables[1]	–	
Increase global value market share		**10%**
Reduce conversion cost		**10%**
Reduce CO_2 emissions		**10%**

1 The specific targets relating to the 2021 bonus have not been disclosed at this stage as they are considered by the Committee to be commercially sensitive and it is not considered in the interests of shareholders to disclose further details on a prospective basis. Details will be provided on a retrospective basis in next year's Annual Report on Remuneration.

The bonus for 2020 focused on the financial measures to drive revenue and liquidity in the face of an uncertain future bought about by COVID-19. For 2021, the Committee has reintroduced a strategic element to the bonus once again to provide drivers for profitability aligned with the Company's refreshed strategy. The CEO and the CFO are required to use 50% of any bonus earned in excess of target (net of tax) to acquire shares in the Company that will be held for a minimum of three years.

Annual report on remuneration
continued

2021 LTIP awards

The CEO will be granted a LTIP award over shares with a value at grant of 200% and the CFO 150% of salary. Taking into account the ongoing market and economic outlook and uncertainty, the Committee decided to retain the focus on absolute (rather than relative) total shareholder return, and total cumulative EPS. As outlined earlier in this report, the Committee recognises the importance of attaining our targets for the reduction of carbon emissions. A third measure has therefore been included for 2021, the "Use of Secondary Raw Material", which is a key element to achieving this reduction. The measures and the targets are set out below.

Performance measure	Weighting	Threshold (25% vesting)	Intermediate (75% of vesting)	Maximum (100% vesting)	Performance period
TSR[1]	25%	13%	20%	25%	2021 to 2023 (+2-year holding period post vesting)
Adjusted EPS (cumulative for the three-year performance period)	50%	€12.00	€14.50	€16.89	
Use of Secondary Raw Material[3]	25%	6.5%	7.5%	8.0%	

1 Measured from date of grant to third anniversary with a two-month average before each date.

2 Awards vest on a straight-line basis between threshold intermediate and maximum.

3 Use of secondary raw material as a percentage of total raw materials used, evaluated at the end of 2023 based on the current production network (and excluding any changes in raw material usage due to any future M&A activity).

This report was reviewed and approved by the Board on 5 March 2021 and signed on its behalf by order of the Board.

Celia Baxter
Chairman of the Remuneration Committee

Financial Statements

Consolidated Statement of Financial Position

as of 31.12.2020

in € million	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Goodwill	(10)	110.8	117.5
Other intangible assets	(11)	265.7	319.0
Property, plant and equipment	(12)	958.6	1,106.8
Investments in joint ventures and associates	(13)	16.3	19.5
Other non-current financial assets	(14)	14.5	15.4
Other non-current assets	(15)	26.6	39.5
Deferred tax assets	(16)	199.2	181.9
		1,591.7	**1,799.6**
Current assets			
Inventories	(17)	477.4	602.7
Trade and other current receivables	(18)	351.8	432.7
Income tax receivables	(19)	27.7	17.3
Other current financial assets	(20)	0.3	0.1
Cash and cash equivalents	(21)	587.2	467.2
Assets disposal groups	(5)	16.6	0.0
		1,461.0	**1,520.0**
		3,052.7	**3,319.6**

in € million	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Equity			
Share capital	(22)	49.5	49.5
Group reserves	(23)	596.6	774.4
Equity attributable to shareholders of RHI Magnesita N.V.		646.1	823.9
Non-controlling interests	(24)	20.0	20.8
		666.1	**844.7**
Non-current liabilities			
Borrowings	(25)	983.0	983.5
Other non-current financial liabilities	(26)	88.8	105.1
Deferred tax liabilities	(16)	45.0	54.0
Provisions for pensions	(27)	303.6	328.1
Other personnel provisions	(28)	70.5	75.8
Other non-current provisions	(29)	62.6	98.5
Other non-current liabilities	(30)	4.8	7.3
		1,558.3	**1,652.3**
Current liabilities			
Borrowings	(25)	131.5	71.5
Other current financial liabilities	(26)	44.0	31.9
Trade payables and other current liabilities	(31)	522.7	614.0
Income tax liabilities	(32)	25.8	35.4
Current provisions	(33)	86.4	69.8
Liabilities disposal groups	(5)	17.9	0.0
		828.3	**822.6**
		3,052.7	**3,319.6**

Consolidated Statement of Profit or Loss

from 01.01.2020 to 31.12.2020

in € million	Note	2020	2019
Revenue	(34)	2,259.0	2,922.3
Cost of sales	(35)	(1,708.9)	(2,205.1)
Gross profit		**550.1**	**717.2**
Selling and marketing expenses	(36)	(110.9)	(126.2)
General and administrative expenses	(37)	(198.3)	(209.2)
Restructuring and write-down expenses	(38)	(113.8)	(112.1)
Other income	(39)	19.7	34.9
Other expenses	(40)	(26.2)	(31.3)
EBIT		**120.6**	**273.3**
Interest income	(41)	5.9	9.1
Interest expenses on borrowings		(20.1)	(28.4)
Net expense on foreign exchange effects and related derivatives	(42)	(42.8)	(17.2)
Other net financial expenses	(43)	(29.7)	(38.7)
Net finance costs		**(86.7)**	**(75.2)**
Share of profit of joint ventures and associates	(13)	7.6	1.5
Profit before income tax		**41.5**	**199.6**
Income tax	(44)	(13.9)	(50.8)
Profit after income tax		**27.6**	**148.8**
attributable to shareholders of RHI Magnesita N.V.		24.8	139.0
attributable to non-controlling interests	(24)	2.8	9.8

in €			
Earnings per share – basic	(51)	0.51	2.82
Earnings per share – diluted		0.50	2.81

Consolidated Statement of Comprehensive Income

from 01.01.2020 to 31.12.2020

in € million	Note	2020	2019
Profit after income tax		**27.6**	**148.8**
Currency translation differences			
Unrealised results from currency translation	(6)	(227.8)	(7.6)
Deferred taxes thereon	(44)	39.9	3.9
Current taxes thereon		3.7	2.4
Unrealised results from net investment hedge	(55)	15.8	(2.9)
Deferred taxes thereon		(2.0)	0.5
Current taxes thereon		(2.0)	0.2
Reclassification to profit or loss	(40)	0.3	3.7
Cash flow hedges			
Unrealised fair value changes	(54)	(3.6)	(7.4)
Deferred taxes thereon	(44)	0.9	1.9
Reclassification to profit or loss	(54)	0.0	(0.7)
Items that will be reclassified subsequently to profit or loss, if necessary		**(174.7)**	**(6.0)**
Remeasurement of defined benefit plans			
Remeasurement of defined benefit plans	(27)	(0.7)	(37.1)
Deferred taxes thereon	(44)	0.6	9.1
Share of other comprehensive income of joint ventures and associates	(13)	0.0	(0.1)
Items that will not be reclassified to profit or loss		**(0.1)**	**(28.1)**
Other comprehensive income after income tax		**(174.8)**	**(34.1)**
Total comprehensive income		**(147.2)**	**114.7**
attributable to shareholders of RHI Magnesita N.V.		(147.5)	103.4
attributable to non-controlling interests	(24)	0.3	11.3

Consolidated Statement of Cash Flows

from 01.01.2020 to 31.12.2020

in € million	Note	2020	2019
Cash generated from operations	**(47)**	**366.6**	**470.4**
Income tax paid less refunds		(47.6)	(67.8)
Net cash inflow from operating activities		**319.0**	**402.6**
Investments in property, plant and equipment and intangible assets		(156.9)	(156.1)
Investments in subsidiaries net of cash acquired		(8.5)	(0.5)
Investments in securities		0.0	(0.4)
Cash inflows from sale of subsidiaries net of cash disposed of		0.0	2.5
Cash inflows from the sale of property, plant and equipment		10.5	1.4
Cash inflows from the sale of securities and shares		0.0	40.9
Dividends received from joint ventures and associates		10.8	13.4
Investment subsidies received		0.0	0.2
Interest received	(49)	6.0	8.3
Cash inflows from non-current receivables		0.2	0.0
Net cash (outflow) from investing activities		**(137.9)**	**(90.3)**
Acquisition of treasury shares		(2.7)	(18.8)
Acquisition of non-controlling interests		0.0	(44.6)
Dividend payments to shareholders of the Group		(49.1)	(74.2)
Dividend payments to non-controlling interests		(1.1)	(1.3)
Proceeds from borrowings and loans		97.6	432.0
Repayments of borrowings and loans		(23.7)	(550.4)
Changes in current borrowings		7.4	(2.8)
Interest payments	(49)	(30.5)	(49.8)
Repayment of lease obligations		(15.8)	(14.3)
Interest payments from lease obligations		(1.3)	(1.2)
Cash flows from derivatives		1.5	(14.4)
Net cash (outflow) from financing activities	**(48)**	**(17.7)**	**(339.8)**
Total cash flow		**163.4**	**(27.5)**
Change in cash and cash equivalents		**163.4**	**(27.5)**
Cash and cash equivalents at beginning of year		467.2	491.2
Foreign exchange impact		(41.4)	3.5
Cash and cash equivalents at year-end[1)]	(21)	589.2	467.2

1) thereof shown under assets held for sale € 2.0 million

Consolidated Statement of Changes in Equity

from 01.01.2020 to 31.12.2020

		Group reserves										
						Accumulated other comprehensive income						
in € million	Share capital	Treasury shares	Additional paid-in capital	Mandatory reserve	Retained earnings	Cash flow hedges	Defined benefit plans	Currency translation	Accumulated other comprehensive income/expenses relating to disposal groups	Equity attributable to shareholders of RHI Magnesita N.V.	Non-controlling interests	Total equity
Note	(22)	(23)	(23)	(23)	(23)	(23)	(23)	(23)			(24)	
31.12.2019	**49.5**	**(18.8)**	**361.3**	**288.7**	**379.6**	**(11.0)**	**(145.6)**	**(79.8)**	**-**	**823.9**	**20.8**	**844.7**
Profit after income tax	**-**	**-**	**-**	**-**	**24.8**	**-**	**-**	**-**	**-**	**24.8**	**2.8**	**27.6**
Currency translation differences	-	-	-	-	-	-	-	(177.3)	7.9	(169.4)	(2.5)	(171.9)
Market valuation of cash flow hedges	-	-	-	-	-	(2.7)	-	-	-	(2.7)	-	(2.7)
Remeasurement of defined benefit plans	-	-	-	-	-	-	(0.1)	-	(0.1)	(0.2)	-	(0.2)
Other comprehensive income after income tax	**-**	**-**	**-**	**-**	**-**	**(2.7)**	**(0.1)**	**(177.3)**	**7.8**	**(172.3)**	**(2.5)**	**(174.8)**
Total comprehensive income	**-**	**-**	**-**	**-**	**24.8**	**(2.7)**	**(0.1)**	**(177.3)**	**7.8**	**(147.5)**	**0.3**	**(147.2)**
Dividends	-	-	-	-	(24.5)	-	-	-	-	(24.5)	(1.1)	(25.6)
Shares repurchased	-	(2.7)	-	-	-	-	-	-	-	(2.7)	-	(2.7)
Share-based payment expenses	-	-	-	-	(3.1)	-	-	-	-	(3.1)	-	(3.1)
Transactions with shareholders	**-**	**(2.7)**	**-**	**-**	**(27.6)**	**-**	**-**	**-**	**-**	**(30.3)**	**(1.1)**	**(31.4)**
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**

		Group reserves									
						Accumulated other comprehensive income					
in € million	Share capital	Treasury shares	Additional paid-in capital	Mandatory reserve	Retained earnings	Cash flow hedges	Defined benefit plans	Currency translation	Equity attributable to shareholders of RHI Magnesita N.V.	Non-controlling interests	Total equity
Note	(22)	(23)	(23)	(23)	(23)	(23)	(23)	(23)		(24)	
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	**-**	**-**	**-**	**-**	**139.0**	**-**	**-**	**-**	**139.0**	**9.8**	**148.8**
Currency translation differences	-	-	-	-	-	-	-	(1.4)	(1.4)	1.6	0.2
Market valuation of cash flow hedges	-	-	-	-	-	(6.1)	-	-	(6.1)	(0.1)	(6.2)
Remeasurement of defined benefit plans	-	-	-	-	-	-	(28.0)	-	(28.0)	-	(28.0)
Share of other comprehensive income of joint ventures and associates	-	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Other comprehensive income after income tax	**-**	**-**	**-**	**-**	**-**	**(6.1)**	**(28.1)**	**(1.4)**	**(35.6)**	**1.5**	**(34.1)**
Total comprehensive income	**-**	**-**	**-**	**-**	**139.0**	**(6.1)**	**(28.1)**	**(1.4)**	**103.4**	**11.3**	**114.7**
Dividends	-	-	-	-	(98.8)	-	-	-	(98.8)	(1.3)	(100.1)
Issue of ordinary shares related to the integrated tender offer of Magnesita	1.2	-	55.8	-	-	-	-	-	57.0	-	57.0
Shares repurchased	-	(18.8)	-	-	-	-	-	-	(18.8)	-	(18.8)
Disposal of benefit plans	-	-	-	-	1.2	-	(1.2)	-	-	-	-
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 payment expenses	-	-	-	-	4.1	-	-	-	4.1	-	4.1
Transactions with shareholders	**1.2**	**(18.8)**	**55.8**	**-**	**(110.4)**	**0.1**	**(3.3)**	**(4.6)**	**(80.0)**	**(75.3)**	**(155.3)**
31.12.2019	**49.5**	**(18.8)**	**361.3**	**288.7**	**379.6**	**(11.0)**	**(145.6)**	**(79.8)**	**823.9**	**20.8**	**844.7**

Notes

to the Consolidated Financial Statements 2020

PRINCIPLES AND METHODS

1. General

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

The Company and its subsidiaries, associates and joint ventures (the "Group") are a global industrial group whose core activities comprise of the development and production, sale, installation and maintenance of high-grade refractory products and systems used in industrial high-temperature processes exceeding 1,200°C. The Group supplies customers in the steel, cement, lime, glass and non-ferrous metals industries. In addition, the Group's products are used in the environment (waste incineration), energy (refractory construction) and chemicals (petrochemicals) sectors.

The shares of RHI Magnesita N.V. are listed on the Main Market of the London Stock Exchange and are included in the FTSE 250 Index, with a second listing on the Vienna Stock Exchange.

RHI Magnesita N.V. was incorporated on 20 June 2017 and became the ultimate parent of the RHI Magnesita Group as of 26 October 2017, after completing the corporate restructuring of RHI AG. Until then, RHI AG was the ultimate parent of the Group. This restructuring represented a common control transaction that had no impact on the Consolidated Financial Statements, except for the reclassification of individual equity components.

The financial year of RHI Magnesita N.V. and the Group corresponds to the calendar year. If the financial years of subsidiaries included in the Consolidated Financial Statements do not end on 31 December due to local legal requirements, a special set of financial statements are prepared for the purpose of consolidation. The reporting date of the Indian subsidiaries is 31 March.

For the following German entities the exemption clause pursuant to section 264 paragraph 3 HGB (German commercial Code) was applied: RHI Urmitz AG & Co. KG (Koblenz), Magnesita Refractories GmbH (Wiesbaden), RHI Dinaris GmbH (Wiesbaden), RHI GLAS GmbH (Wiesbaden), RHI Magnesita Services Europe GmbH (Cologne), RHI Refractories Site Services GmbH (Wiesbaden), RHI Sales Europe West GmbH (Coblenz), RHI Magnesita Deutschland AG (Wiesbaden).

The Consolidated Financial Statements for the period from 1 January 2020 to 31 December 2020 were drawn up in accordance with all International Financial Reporting Standards (IFRSs) mandatory at the time of preparation as adopted by the European Union (EU). The presentation in the Consolidated Statement of Financial Position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or within a longer normal business cycle or if the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Inventories as well as trade receivables and trade payables are generally presented as current items. Deferred tax assets and liabilities as well as assets and provisions for pensions and termination benefits are generally presented as non-current items.

The Consolidated Statement of Profit or Loss is drawn up in accordance with the cost of sales method.

With the exception of specific items such as derivative financial instruments and plan assets for defined benefit obligations, the Consolidated Financial Statements are prepared on a historical cost basis unless otherwise stated.

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

The global economic downturn due to the COVID-19 pandemic during 2020 resulted in a reduction of revenue for the Group as the economic activities in the Steel and Industrial Segments are closely linked to the global economy. 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 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 the need 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 has adequate resources to continue in operational existence for the foreseeable future.

The preparation of the Consolidated Financial Statements in accordance with generally accepted accounting principles under IFRS, as adopted by the EU, requires the use of estimates and assumptions that influence the amount and presentation of assets and liabilities recognised as well as the disclosure of contingent assets and liabilities as of the reporting date and the recognition of income and expenses during the reporting period. Although these estimates reflect the best knowledge of management based on experience from comparable transactions, the actual values recognised at a later date may differ from these estimates.

All amounts in the Notes and tables are shown in € million, unless indicated otherwise. For computational reasons, rounding differences may occur.

The Annual Report was authorised for issue on 7 March 2021 and is subject to adoption at the Annual General Meeting of shareholders on 10 June 2021.

2. Initial application of new financial reporting standards

In 2020, the Group has applied for the first time a number of new standards and interpretations as well as amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

Standard	Title	Publication (EU endorsement)[1]	Effects on RHI Magnesita Consolidated Financial Statements
Amendments of standards			
IAS 1, IAS 8	Definition of Material	31.10.2018 (29.11.2019)	No material effect
IFRS 3	Business Combinations	22.10.2018 (21.04.2020)	No effect
Various	Amendments to References to the Conceptual Framework in IFRS Standards	29.03.2018 (29.11.2019)	No effect
IFRS 16	Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions	28.05.2020 (29.10.2020)	No effect
IFRS9, IAS 39, IFRS7	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	26.09.2019 (15.01.2020)	No material effect

1) According to EU Endorsement Status Report of 12.02.2021.

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

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

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

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

RHI Magnesita has evaluated the effect of applying the amendment to IFRS 16 Leases "COVID-19-Related Rent Concessions" with the conclusion that the company will not make use of the practical expedient and that there is no effect to be expected to the Group.

Notes
continued

3. New financial reporting standards not yet applied
The IASB issued further standards, amendments to standards and interpretations, whose application is, however, not yet mandatory as at 31 December 2020. 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	01.01.2023	Not relevant
Amendments of standards				
IAS 1	Classification of Liabilities as Current or Non-current	23.01.2020	01.01.2023	No material effects expected
IFRS 3, IAS 16, IAS 37	Amendments to IFRS 3 Business Combinations; IAS 16 Property Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020	14.05.2020	01.01.2022	No material effects expected
IFRS 4	Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9	25.06.2020	01.01.2021	Not relevant
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2	27.08.2020	01.01.2021	No material effects expected
IAS 1	Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	12.02.2021	01.01.2023	No material effects expected
IAS 8	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	12.02.2021	01.01.2023	No material effects expected

1) According to EU Endorsement Status Report of 12.02.2021.

IFRS 7, IFRS 9, IAS 39, IFRS 16, IFRS 4 "Interest Rate Benchmark Reform"
In 2019 RHI Magnesita has elected to early adopt the Phase 1 amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR) issued in September 2019 and is still applying the Phase 1 amendments in the financial statements of 2020. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period and to the amount accumulated in the cash flow hedge reserve at that date. The Phase 1 amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform by assuming that the interest rate benchmark is not altered as a result of the IBOR reform. The reliefs stipulated in the IBOR reform should not cause hedge accounting to terminate in general. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In August 2020 the Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were issued. The Phase 2 amendments focus on the treatment of accounting impacts arising from the actual transition from the currently used to an alternative benchmark interest. Due to the remaining uncertainty regarding the alternative benchmark to be used, RHI Magnesita has elected not to adopt the Phase 2 amendments early. RHI Magnesita's risk exposure that is directly affected by the IBOR reform concerns its USD 200 million floating-rate debt with a remaining term until 2023. RHI Magnesita has hedged this debt with an interest rate swap, and it has designated the swap in a cash flow hedge of the variability in cash flows of the debt, due to changes in USD LIBOR that is the current benchmark interest rate. Further information is provided under Note (55).

The precise structure of the replacement of the USD LIBOR remains somewhat uncertain after 2021, although it might be possible that the use of LIBOR could be extended for a certain period as there is still ongoing discussion on its replacement rate. The most likely alternative benchmark interest, the Secured Overnight Financing Rate or SOFR, does not yet have term rates available. This uncertainty regarding the replacement of USD LIBOR represents a possible source of ineffectiveness because this might affect the hedged item (the floating-rate debt) and the hedging instrument (the interest rate swap used to hedge the debt) at a different time and have a different financial impact on the hedged item and the hedging instrument. Management expects that the hedged debt will move to the same alternative benchmark rate as the swap as a most likely scenario. Therefore, no material effect on the Group is expected.

The EURIBOR is expected to remain active as the benchmark rate in the Euro area and consequently the risk of discontinuation before 2023 is relatively small, thus the interest rate swap of €290.3 million and its corresponding underlying hedged item, a floating-rate debt, both maturing in 2023, would most likely remain unaffected. Even in the unlikely scenario of precocious discontinuation of the EURIBOR, Management considers that the hedged debt would move to the same alternative benchmark rate as the swap.

RHI Magnesita is continuing to closely monitor the developments of the IBOR reform and is in regular communication with the banks to minimise any mismatches going forward.

4. Other changes in comparative information

Consolidated Statement of Financial Position

Suppliers with debit balance and creditors with credit balance have been repositioned within trade and other current receivables amounting to €5.0 million and trade payables and other current liabilities amounting to €5.0 million. Previously shown under other current receivables respectively other current payables, they are now shown within trade receivables and trade payables in order to improve disclosure and display their operative character. The comparative figures have been adjusted accordingly.

Segment reporting

Segment assets include trade receivables and inventories, which are available to the operating segments and are reported to the management for control and measurement, as well as property, plant and equipment, goodwill and other intangible assets, which are allocated to the segments based on the capacity of the assets provided to the segments. The assets that contribute to the raw material production for internal use are now allocated to the segment based on their relative revenue contribution. This results in a more transparent reporting of the revenue generated by the segments' assets. The comparative figures for segment assets as well as the segmentation for depreciation and amortisation charges have been adjusted accordingly, resulting in an increase in property, plant and equipment, goodwill and other intangible assets of €213.2 million as well as an increase in depreciation and amortisation charges of €16.6 million in the Steel segment.

5. Methods of consolidation

Subsidiaries

Subsidiaries are companies over which RHI Magnesita N.V. exercises control. Control exists when the company has the power to decide on the relevant activities, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Notes
continued

The main operating companies of the RHI Magnesita Group and their core business activities are as follows:

Name and registered office of the company	Country of core activity	Core business activity
RHI Magnesita Deutschland AG, Germany	Germany	Production
Magnesit Anonim Sirketi, Turkey	Turkey	Mining, production, sales
Magnesita Mineração S.A., Brazil	Brazil	Mining
Magnesita Refractories Company, USA	USA	Mining, production, sales
Magnesita Refractories GmbH, Germany	Germany	Production
Magnesita Refratários S.A., Brazil	International	Production, sales
RHI Magnesita Trading B.V., Netherlands	International	Procurement, sales, supply chain
Orient Refractories Limited, India	India	Production, sales
RHI Canada Inc., Canada	Canada	Production, sales, provision of services
RHI Magnesita GmbH, Austria	International	Sales, R&D, financing
RHI GLAS GmbH, Germany	International	Sales
RHI Refractories (Dalian) Co., Ltd., PR China	PR China	Production
RHI US Ltd., USA	USA	Production, sales, provision of services
RHI-Refmex, S.A. de C.V., Mexico	Latin America	Sales
Veitsch-Radex GmbH & Co OG, Austria	Austria	Mining, production

The acquisition method is used to account for all business combinations. The purchase price for shares is offset against the proportional share of net assets based on the fair value of the acquired assets and liabilities at the date of acquisition or when control is obtained. Intangible assets which were previously not recognised in the separate Financial Statements of the company acquired are also measured at fair value. Intangible assets identified when a company is acquired, including for example technology, mining rights and customer relations, are only measured separately at the time of acquisition if they are identifiable and are in the control of the company and a future economic benefit is expected.

For acquisitions where less than 100% of shares in companies are acquired, IFRS 3 allows an accounting policy choice whereby either goodwill proportionate to the share held or goodwill including the share accounted for by non-controlling interests can be recognised. This accounting policy choice can be exercised individually for each acquisition. For the acquisition of Magnesita, non-controlling interests have been measured at their proportionate share of Magnesita's identifiable net assets.

If a business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains and losses arising from such remeasurement are recognised in profit or loss.

After completing the purchase price allocation, the determined goodwill is allocated to the relevant cash-generating unit and tested for impairment. In accordance with the provisions of IFRS 3, negative goodwill is immediately recognised in profit or loss in other income after renewed measurement of the identifiable assets, liabilities and contingent liabilities.

Net assets of subsidiaries not attributable to RHI Magnesita N.V. are shown separately in equity as non-controlling interests. The basis for non-controlling interests is the equity after adjustment to the accounting and measurement principles of the RHI Magnesita Group and proportional consolidation entries.

Transaction costs which are directly related to business combinations are expensed as incurred. Contingent consideration included in the purchase price is recorded at fair value at initial consolidation.

When additional shares are acquired in entities already included in the Consolidated Financial Statements as subsidiaries, the difference between the purchase price and the proportional carrying amount in the subsidiary's net assets is offset against shareholders' equity. Gains and losses from the sale of shares are recorded in equity unless they result in a loss of control.

All intragroup results are fully eliminated.

In accordance with IAS 12, deferred taxes are calculated on temporary differences arising from the consolidation. Subsidiaries are deconsolidated on the day control ceases.

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

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

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

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

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

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

In the period from February to December 2020, MORCO generated revenue of €8.2 million and profit after income tax of €1.1 million. If the acquisition had been carried out at 1 January 2020, consolidated revenue would have amounted to €9.0 million and profit after income tax to €1.2 million.

IFRS 5 Disposal Groups
In line with the Group's raw material strategy, the Group entered into an agreement in December 2020 to sell its ownership interest in RHI Normag AS, Porsgrunn, Norway and Premier Periclase Limited, Drogheda. The transaction does not result in the discontinuation of a major line of business or a geographical area of operations, and, therefore, does not qualify as a discontinued operation. The assets and liabilities of the disposal group are consequently presented separately from other assets and liabilities in the Statement of Financial Position in accordance with IFRS 5. The sale was completed on 1 February 2021 (see Note 63).

Notes
continued

The following assets and liabilities were reclassified as held for sale in relation to the disposal group as at 31 December 2020:

in € million	31.12.2020
Non-current assets	5.6
Inventories	7.0
Trade receivables and other current assets	2.0
Cash and cash equivalents	2.0
Assets classified as held for sale	**16.6**
Non-current liabilities	9.4
Current liabilities	8.5
Liabilities directly associated with assets classified as held for sale	**17.9**

A write-down expense of €18.7 million was recognised in respect to the non-current assets of the disposal group upon classification as held for sale, which was determined by reference to the fair value of the consideration less cost of disposal (Level 3). Write-down expenses are recorded in restructuring costs in the Consolidated Statement of Profit or Loss. Of these losses, €4.6 million relate to the reportable segment Steel and €14.1 million relate to the reportable segment Industrial.

Joint ventures and associates
Shares in joint ventures and associates are accounted for using the equity method. A joint venture is a joint arrangement between the RHI Magnesita Group and one or several other partners whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement.

An associate is an entity over which the RHI Magnesita Group has significant influence. Significant influence is the power to participate in the investee's financial and operating policy decisions without control or joint control. There is the rebuttable presumption that if a company holds directly or indirectly 20% of the shares of the investee or has other possibilities (e.g. through seats in the supervisory board) to influence the company's financial and operating policy decisions it has significant influence over the investee.

At the date of acquisition, a positive difference between the acquisition costs and the share in the fair values of identified assets and liabilities of the joint ventures and associates is determined and recognised as goodwill. Goodwill is shown as part of investments in joint ventures and associates in the Statement of Financial Position.

The carrying amount of investments accounted for using the equity method is adjusted each year to reflect the change in equity of the individual joint venture or associate that is attributable to the RHI Magnesita Group. Unrealised intragroup results from transactions are offset against the carrying amount of the investment on a pro-rata basis upon consolidation, if material.

RHI Magnesita examines at every reporting date whether there exist any objective indications of an impairment of the shares in joint ventures and associates. If such indications exist, an impairment loss is determined as the difference between the recoverable amount and the carrying amount of the joint ventures and associates and is recognised in profit and loss in the item share of profit of joint ventures and associates.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. If the equity-accounted investment subsequently reports profits, the entity resumes recognising its share of profits only after those profits equal or exceed its share of losses not recognised.

The Financial Statements of the companies accounted for using the equity method are prepared in accordance with uniform accounting and measurement methods throughout the Group.

6. Foreign currency translation

Functional currency and presentation currency

The Consolidated Financial Statements are presented in Euro, which represents the functional and presentation currency of RHI Magnesita N.V.

The items included in the Financial Statements of each Group company are based on the currency of the primary economic environment in which the company operates (functional currency).

Foreign currency transactions and balances

Foreign currency transactions in the individual Financial Statements of Group companies are translated into the functional currency based on the exchange rate in effect on the date of the transaction. Gains and losses arising from the settlement of such transactions and the measurement of monetary assets and liabilities in foreign currencies at the closing rate are recognised in profit or loss under net expense on foreign exchange effects and related derivatives. Unrealised currency translation differences from monetary items which form part of a net investment in a foreign operation are recognised in other comprehensive income in equity. When a non-derivative financial instrument is designated as the hedging instrument in a net investment hedge in a foreign operation, the effective portion of the foreign exchange gains and losses is recognised in the currency translation difference reserve within equity. Non-monetary items denominated in foreign currency are carried at historical rates.

If foreign companies are deconsolidated, the currency translation differences are recycled to the Statement of Profit or Loss as part of the gain or loss from the sale of shares in subsidiaries. In addition, when monetary items cease to form part of a net investment in a foreign operation or when in case of a net investment hedge the foreign operation is disposed, the currency translation differences previously recognised in other comprehensive income are reclassified to profit or loss.

Group companies

The Annual Financial Statements of foreign subsidiaries that have a functional currency differing from the Group presentation currency are translated into Euros as follows:

Assets and liabilities are translated at the closing rate on the reporting date of the Group, while monthly income and expenses and consequently the profit or loss for the year as presented in the Statement of Profit or Loss are translated at the respective closing rates of the previous month. Differences resulting from this translation process and differences resulting from the translation of amounts carried forward from the prior year are recorded under other comprehensive income without recognition to profit or loss. Monthly cash flows are translated at the respective closing rates of the previous month. Goodwill and adjustments to the fair value of assets and liabilities related to the purchase price allocations of a subsidiary outside the European currency area are recognised as assets and liabilities of the respective subsidiary and translated at the closing rate.

RHI Magnesita has evaluated the effect of applying IAS 29 “Financial Reporting in Hyperinflationary Economies” in Argentina with the conclusion that the effect on the Consolidated Financial Statements is considered immaterial to the Group.

Notes
continued

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 € =	31.12.2020	31.12.2019	2020	2019
Argentine Peso	ARS	103.47	67.09	79.35	52.94
Brazilian Real	BRL	6.38	4.51	5.83	4.41
Canadian Dollar	CAD	1.57	1.46	1.53	1.49
Chilean Peso	CLP	875.28	842.57	904.32	792.03
Chinese Renminbi Yuan	CNY	8.03	7.81	7.89	7.73
Indian Rupee	INR	89.83	79.90	84.13	78.84
Mexican Peso	MXN	24.45	21.19	24.48	21.74
Norwegian Krone	NOK	10.50	9.88	10.76	9.86
Pound Sterling	GBP	0.90	0.85	0.89	0.88
Swiss Franc	CHF	1.08	1.09	1.07	1.11
South African Rand	ZAR	17.97	15.78	18.72	16.24
US Dollar	USD	1.23	1.12	1.14	1.12

1) Arithmetic mean of the monthly closing rates.

7. Principles of accounting and measurement

Goodwill

Goodwill is recognised as an asset in accordance with IFRS 3. It is tested for impairment at least once each year, or when events or a change in circumstances indicate that the asset could be impaired.

In accordance with IFRS 3, negative goodwill is recognised in the Statement of Profit or Loss immediately after a reassessment of the initial measurement of the identified assets, liabilities and contingent liabilities.

Other intangible assets

Mining rights were recognised in the course of the purchase price allocation for Magnesita and are amortised based on the depletion of the related mines. Depletion is calculated based on the volume mined in the period in proportion to the total estimated volume.

Customer relations were recognised in the course of purchase price allocations of acquired subsidiaries and are amortised on a straight-line basis over their expected useful life.

Research costs are expensed in the year incurred and included in general and administrative expenses.

Development costs are only capitalised if the allocable costs of the intangible asset can be measured reliably during its development period. Moreover, capitalisation requires that the product or process development can be clearly defined, is feasible in technical, economic and capacity terms and is intended for own use or sale. In addition, future cash inflows which cover not only normal costs but also the related development costs must be expected. Capitalised development costs are amortised on a straight-line basis over the expected useful life, however, with a maximum useful life of ten years. Amortisation is recognised in cost of sales.

The development costs for internally generated software are expensed as incurred if their primary purpose is to maintain the functionality of existing software. Expenses that can be directly and conclusively allocated to individual programmes and represent a significant extension or improvement over the original condition of the software are capitalised as production costs and added to the original purchase price of the software. These direct costs include the personnel expenses for the development team as well as a proportional share of overhead costs. Software is predominantly amortised on a straight-line basis over a period of four years.

Purchased intangible assets are measured at acquisition cost, which also includes acquisition-related costs, less accumulated amortisation and impairments. Intangible assets with a finite useful life are amortised on a straight-line basis over the expected period of useful life. The following table shows useful lives of the Group's main classes of intangible assets:

Customer relationships	6 to 15 years
Patents	7 to 18 years
Brand rights	20 years
Land use rights	30 to 65 years
Software	4 years

Property, plant and equipment
Property, plant and equipment is measured at acquisition or construction cost, less accumulated depreciation and accumulated impairment losses. These assets are depreciated on a straight-line basis over the expected useful life, calculated pro rata from the month the asset is available for use.

Construction costs of assets comprise direct costs as well as a proportionate share of capitalisable overhead costs and borrowing costs. If borrowed funds are directly attributable to an investment, borrowing costs are capitalised as production costs. If no direct connection between an investment and borrowed funds can be demonstrated, the average rate on borrowed capital of the Group is used as the capitalisation rate due to the central funding of the Group.

Expected demolition and disposal costs at the end of an asset's useful life are capitalised as part of acquisition cost and recorded as a provision. The recognition criteria are a legal or constructive obligation towards a third party and the ability to reliably estimate future cost.

Stripping costs incurred in the development phase to gain access to mines are recognised as a separate other non-current asset. These capitalised prepaid expenses are subsequently depreciated by reference to the actual depletion of the mineral resources of the mine during the production phase.

Land and plant under construction are not depreciated. Depreciation of other material property, plant and equipment is based on the following useful lives in the RHI Magnesita Group:

Factory and office buildings	15 to 50 years
Land improvement	8 to 30 years
Crusher machines and mixing facilities	8 to 20 years
Presses	10 to 12 years
Tunnel, rotary and shaft kilns	50 years
Other calcining and drying kilns	20 to 30 years
Cars, other plant, furniture and fixtures	3 to 35 years

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 eleven years for land and buildings, five years for technical equipment and four years for other equipment, furniture and fixtures. Impacts resulting from extension and termination options, as well as residual value guarantees are immaterial.

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

- 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 as an expense.
- Lease payments for leases for which the underlying asset is of low value will continue to be recognised as an expense.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

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Since 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 principal payments on the liability and finance cost. The finance cost is charged to profit or loss over the lease term 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 payments 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 incremental borrowing rate is based on the German federal bond and the US Government Treasury Yield Curve. Based on these two governmental curves, a spread is determined in relation to the bond rating of RHI Magnesita. This spread is then added with an inflation differential and a country risk premium for each country. The weighted average incremental borrowing rate applied to these lease liabilities was 2.50%.

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.

A lease modification is a change in the scope of a lease or the consideration for a lease, that was not part of the original terms and conditions of the lease. If the modification decreases the scope of the lease, the carrying amount of the Right-of-use asset and the lease liability has to be reduced accordingly. If the modification increases the scope of the lease (consideration is not at a stand-alone price), the carrying amount of the Right-of-use asset and the lease liability has to be increased accordingly.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, office furniture and other small items. Expenses for short-term, low-value and variable lease payments in 2020 amount to €4.5 million (31.12.2019: €9.2 million). The total cash outflow for leases in 2020 amounts to €21.7 million (31.12.2019: €24.6 million).

The residual values and economic useful lives are reviewed regularly and adjusted if necessary.

RHI Magnesita Group reviewed its estimates regarding usage and physical wear and tear of property, plant and equipment on plants and production sites. This reassessment resulted in a decrease of depreciation expenses by €10.2 million in the current reporting period and will continue to result in decreased depreciation expenses in future periods, although quantifying this effect for future periods is impracticable.

When components of plant or equipment have to be replaced at regular intervals, the relevant replacement costs are capitalised as incurred if the criteria per IAS 16 have been met. The carrying amount of the replaced components is derecognised. Regular maintenance and repair costs are expensed as incurred.

Gains or losses from the disposal of property, plant and equipment, which result as the difference between the net realisable value and the carrying amount, are recognised as income or expense in the Consolidated Statement of Profit or Loss.

Impairment of property, plant and equipment, goodwill and other intangible assets
Property, plant and equipment, including Right-of-use assets, and intangible assets, are tested for impairment if there is any indication that the value of these items may be impaired. Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually.

An asset is considered to be impaired if its recoverable amount is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use (present value of future cash flows). If the carrying amount is higher than the recoverable amount, an impairment loss equivalent to the resulting difference is recognised in the Statement of Profit or Loss. If the reason for an impairment loss recognised in the past for property, plant and equipment and for other intangible assets ceases to exist, a reversal of impairment on the amortised acquisition and production costs is recognised in profit or loss.

In the case of impairment losses related to cash-generating units (CGUs) to which goodwill is allocated, the goodwill is reduced first, but not exceeding the accumulated depreciated book value had the impairment not taken place.. If the impairment loss exceeds the carrying amount of goodwill, the difference is apportioned proportionately to the remaining non-current tangible and intangible assets of the CGU on the basis of their carrying amounts. Reversals of impairment losses recognised on goodwill are not permitted and are therefore not considered.

If there is an indication for an impairment of a specific asset or a group of assets, only this specific asset will be tested for impairment. The recoverable amount is determined as the asset's fair value. If the fair value is lower than the carrying amount, an impairment loss is recorded in EBIT. If impairment losses arise due to restructuring, they are recorded in restructuring costs.

Cash-generating units (CGU)
In the Group individual assets do not generate cash inflows independent of one another; therefore, no recoverable amount can be presented for individual assets. As a result, the assets are combined in CGUs, which largely generate independent cash inflows. These units are combined in strategic business units and reflect the market presence and market appearance and are as such responsible for cash inflows. CGUs are determined based on group of assets that can generate cash inflows independent of other assets.

The organisational structures of the Group reflect these units. In addition to the joint management and control of the business activities in each unit, the sales know-how, the knowledge of RHI Magnesita's long-standing customer relationships or knowledge of the customer's production facilities and processes further support these units. Product knowledge is manifested in the application-oriented knowledge of chemical, physical and thermal properties of RHI Magnesita products. The services offered extend over the life cycle of RHI Magnesita products at the customer's plant, from the appropriate installation and support of optimal operations, to environmentally sound disposal with the customer or the sustainable reuse in the Group's production process. These factors determine cash inflow to a significant extent and consequently form the basis for the CGU structures.

The CGUs of the strategic business unit Steel are Linings and Flow Control. These two units are determined according to the production stages in the process of steel production.

In the Industrial Division, each industry line of business (glass, cement/lime, non-ferrous metals and environment, energy, chemicals) forms a separate CGU. All raw material producing facilities with the exception of Norway are combined in one CGU.

The plant in Porsgrunn, Norway, is not included in the raw materials unit, but treated as a separate CGU because a management team was installed specifically for the coordination and implementation of the optimisation measures due to the dimension and the special situation at the Porsgrunn plant. This organisation goes beyond plant management and includes sub-tasks of the administration processes.

Major assumptions
As in the previous year, the impairment test is based on the value in use; the recoverable amount is determined using the discounted cash flow method and incorporates the terminal value. The assumptions were updated considering the latest developments of the COVID-19 pandemic. RHI Magnesita expects an improvement in refractory volume across all geographies and businesses as customer markets improve. Expectations consider the different speed of recovery for the relevant CGUs. Uncertainty regarding future developments arising from COVID-19 and its consequences to economic outlooks, were factored into the cash flow prognosis taking into account potentially lower levels in customer demand and catch-up effects in the mid-term. The group expects to arrive at pre-crisis revenue and cash flow levels in 2023. Furthermore, the effects from the fixed costs reduction measures have been considered.

The detailed planning of the first five years is congruent with the strategic business and financial planning. Based on the detailed planning period, it is geared to a steady-state business development, which balances out possible economic or other non-sustainable fluctuations in the detailed planning period and forms the basis for the calculation of the terminal value. As in the previous year, the terminal value is based on a growth rate derived from the difference of the current and the possible degree of utilisation of the assets.

The net cash flows are discounted using a discount rate that is calculated taking into account the weighted average cost of capital of comparable companies (peer group); the corresponding parameters are derived from capital market information. In addition, country-specific risk premiums are considered in the weighted average cost of capital. The discount rate ranges between 7.4% and 9.5% in the year 2020. In the previous year, the discount rates ranged between 5.4% and 8.9%.

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Composition of estimated future cash flows
The estimates of future cash flows include forecasts of the cash flows from continued use. If assets are disposed at the end of their useful life, the related cash flows are also included in the forecasts.

A simplified statement of cash flows serves to determine the cash flows on the basis of strategic business and financial planning. The forecasts include cash flows from future maintenance investments. Expansion investments are only taken into account in the estimated future cash flows for impairment testing when there has been a significant cash outflow or significant payment obligations have been entered into due to services received and it is sufficiently certain that the investment measure will be completed. Cash flows for other expansion investments are excluded from the DCF model; this applies in particular to expansion investments that have been decided on but that have not begun.

Working capital is included in the carrying amount of the CGU; therefore, the recoverable amount only takes into account changes in working capital.

Basis for Planning
Basis for the impairment test was the 2021 Budget and Long-Term Plan 2022 to 2025, which was approved by the Board, and developed with the growth rates used in the forward-looking business plan. To forecast the CGUs' cash flows, management predicts the growth rate using external sources for the development of the customer's industries and expert assumptions. This includes forecasts about the regional growth of the steel production and the output of the non-steel clients. In combination with the development of the specific refractory consumption, which considers technological improvements, the growth rates for the individual CGUs are determined.

			2020			2019
	Discount rate before Tax	Perpetual annuity growth rate	Goodwill in € million	Discount rate before Tax	Perpetual annuity growth rate	Goodwill in € million
Steel Division - Linings	8.2%	0.9%	84.2	7.9%	0.9%	88.6
Steel Division - Flow Control	8.1%	0.9%	25.0	7.7%	0.9%	27.2

The remaining immaterial portion of goodwill amounting to €1.6 million (31.12.2019: €1.7 million) is allocated to the remaining CGUs, all of them having sufficient headroom.

Result of impairment test
Based on the impairment test conducted at 31 December 2020, the recoverability of the assets was demonstrated for all CGUs, except for the CGU Norway, where the property, plant and equipment of CGU Norway has been fully impaired as a result of impairment testing in previous years.

As in the previous year, no reversals of impairments were made in the financial year 2020.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In general, financial instruments can be classified to be measured subsequently as at amortised cost, at fair value through profit or loss or at fair value through other comprehensive income. Classification of financial assets depends on the contractual terms of the cash flows as well as on the entity's business model for managing the financial assets. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Further information on the Group's financial assets and liabilities, as well as on the fair value measurement is provided under Note (53).

Other financial assets and liabilities
The item other financial assets in the Consolidated Statement of Financial Position of RHI Magnesita includes shares in non-consolidated subsidiaries and other investments, securities, financial receivables and positive fair values of derivative financial instruments.

The item other financial liabilities includes negative fair values of derivative financial instruments as well as liabilities to fixed-term or puttable non-controlling interests and a financial liability relating to the termination of an energy supply contract.

Financial assets are classified as at amortised cost, if the contractual cash flows of the financial asset include solely payments of principal and interest and they are held in order to collect the contractual cash flows. If the contractual cash flows of financial assets include solely payments of principal and interest, but they are held in order to both collect the contractual cash flows and sell the financial asset, then the financial assets are classified as at fair value through other comprehensive income. If the contractual cash flows of financial assets do not solely include payments of principal and interest, then these financial assets are classified as at fair value through profit or loss.

The Group initially recognises securities on the trading date when the entity becomes a party to the contractual provisions of the instruments. All other financial assets and financial liabilities are initially recognised on the date when they are originated. Financial instruments, except for trade receivables, are initially recognised at fair value. Financial assets are derecognised if the entity transfers substantially all the risks and rewards or if the entity neither transfers nor retains substantially all the risks and rewards and has not retained control. Financial liabilities are derecognised when the contractual obligations are settled, withdrawn or have expired.

The group's investment in debt securities is subsequently measured at fair value through profit and loss, as the contractual terms of cash flows do not solely include payments of principal and interest.

The Group's investments in equity securities are of minor importance and are subsequently measured at fair value through profit or loss, since the irrevocable option for subsequent measurement at fair value through OCI was not exercised.

Shares in non-consolidated subsidiaries (RHI Magnesita exercises control but the subsidiary is not-fully consolidated due to materiality reasons), shares in other companies as well as securities are classified as at fair value through profit or loss in the RHI Magnesita Group. For materiality reasons if such financial assets are of minor significance cost serves as an approximation of fair value. Directly attributable transaction costs are recognised in profit or loss as incurred. Securities at fair value through profit or loss are measured at fair value and changes therein, including any interest income, are recognised in profit or loss.

Financial receivables are measured at amortised cost applying the effective interest method. Any doubt concerning the collectability of the receivables is reflected in the use of the lower present value of the expected future cash flows according to the impairment model described below. Foreign currency receivables are translated at the closing rate.

Derivative financial instruments, which do not meet the hedge accounting requirements, must be carried at fair value through profit or loss. In the RHI Magnesita Group, this measurement category includes derivatives related to purchase obligations, forward exchange contracts, embedded derivatives in open orders that are denominated in currencies other than the functional currency of either contracting party as well as interest rate swaps.

Derivative financial instruments relating to purchase obligations are accounted for in accordance with IFRS 9 and concern long-term power supply contracts which provide for the purchase of fixed amounts of electricity at fixed prices. The measurement is made taking into account electricity prices in the futures market. Based on the fixed amounts of electricity, the cash flows for the entire term of the contract are initially determined as the difference between forward rates and contractually fixed prices and discounted at the reporting date using a cost of borrowing rate corresponding to the term. The measurement effects resulting from these electricity derivatives are shown as gain or loss from derivatives from supply contracts in the Statement of Profit or Loss.

The measurement of forward exchange contracts and embedded derivatives in open orders denominated in a currency other than the functional currency of either contracting party is made on a case-by-case basis at the respective forward rate on the reporting date. These forward rates are based on spot rates, including forward premiums and discounts. Unrealised valuation gains or losses and results from the realisation are recognised in the Statement of Profit or Loss in net expense of foreign exchange effects and related derivatives. The underlying transactions for the derivatives are carried at amortised cost.

For derivative financial instruments, which are designated in an effective hedging relationship in accordance with IFRS 9, the provisions regarding hedge accounting are applied. RHI Magnesita has concluded interest rate swaps to hedge the cash flow risk of financial liabilities carrying variable interest. Hedging transactions are shown as part of cash flow hedge accounting. The interest rate swaps as hedging instruments are measured at fair value, which corresponds to the amount which RHI Magnesita would receive or has to pay on the reporting date when the financial instrument is terminated. The fair value is calculated using the interest rates and yield curves relevant on the reporting date. The effective part of the fair value changes is initially recorded in other comprehensive income as an unrealised gain or loss. Only at the time of the realisation of the underlying transaction, the contribution of the hedging instrument is recycled to the Statement of Profit or Loss. Ineffective parts of the cash flow hedges are recognised immediately in the Statement of Profit or Loss. If the hedged transaction is no longer expected to take place, the accumulated amount previously recorded in other comprehensive income is reclassified to the Statement of Profit or Loss.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge are recognised in Other Comprehensive Income and presented in the currency translation difference reserve within equity while any gains or losses relating to the ineffective portion are recognised in the Statement of Profit or Loss. On disposal of the foreign operation, the cumulative amount of any such gains or losses recorded in Other Comprehensive In-

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come is reclassified to the Statement of Profit or Loss. The Group uses a loan to hedge its exposure to foreign exchange risk on its investments in foreign subsidiaries.

Capital shares of non-controlling interests in subsidiaries with a fixed term are recognised under other financial liabilities in the Consolidated Statement of Financial Position in accordance with IAS 32. The liabilities are measured at amortised cost. The share of profit attributable to non-controlling interests is recognised under other net financial expenses in the Statement of Profit or Loss. Dividend payments to non-controlling interests reduce liabilities.

Furthermore, the RHI Magnesita Group has entered into purchase obligations with non-controlling shareholders of a subsidiary. Based on these agreements, the shareholders receive the right to tender their shares at any time on previously defined conditions. In this case, IAS 32 provides for carrying a liability in the amount of the probable future exercise price. The difference between the estimated liability and the carrying amount of the non-controlling interest was recognised to equity at the time of initial recognition without affecting profit or loss. Subsequently, the liability for puttable non-controlling interests is measured at amortised cost and changes are recorded in net finance costs.

Impairment of financial assets
Impairment of certain financial assets is based on expected credit losses (ECL). Expected credit losses are defined as the difference between all contractual cash flows the entity is entitled to according to the contract and the cash flows that the entity expects to receive. The measurement of expected credit losses is generally a function of the probability of default, loss given default and the exposure at default.

RHI Magnesita recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables and contract assets by applying the simplified approach. The expected credit losses on these financial assets are generally estimated using a provision matrix based on the Group's historical credit loss experience for customer groups located in different geographic regions. Forward-looking information is incorporated in the determination of the applicable loss rates for trade receivables. For the Group, the general economic development of the countries in which it sells its goods and services is the relevant for the determination if adjustment of the historical loss rates is necessary.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

RHI Magnesita makes use of the practical expedient that if a financial instrument has an 'investment grade' rating that it is assumed to be of low credit risk and no significant increase in the credit risk took place and the expected credit loss is calculated using the 12-month ECL. Among other factors the Group considers a significant increase in credit risk to have taken place when contractual payments are more than 30 days past due.

The Group considers the following as constituting an event of default, hence leading to a credit-impaired financial asset:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

In addition to these factors, RHI Magnesita applies the presumption in regard to trade receivables, that a default event has occurred when such receivables are 180 days past due unless the Group has reasonable and supportable information for anything different. 180 days past due are used as an objective evidence of default as this is presumed to reflect the Group's customer industry.

For those financial instruments where objective evidence of default is present an individual assessment of expected credit losses takes place.

Generally, financial instruments are written off when there is no reasonable expectation of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Deferred taxes
Deferred taxes are recognised on temporary differences between the tax base and the IFRS carrying amount of assets and liabilities, tax-loss carryforwards and consolidation entries.

Deferred tax assets are recognised on temporary differences to the extent it is probable that sufficient deferred tax liabilities exist or that sufficient taxable income before the reversal of temporary differences is available for the settlement of deductible temporary differences.

Deferred taxes are recognised on temporary differences relating to shares in subsidiaries and joint ventures, unless the parent company is in a position to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse. No temporary differences are recognised for financial instruments which were issued by subsidiaries to non-controlling interests and which are classified as a financial liability in accordance with IFRS.

The calculation of deferred taxes is based on the tax rate expected in the individual countries at the time the deferred tax asset is realised or the liability is settled and generally reflects the enacted or substantively enacted tax rate on the reporting date. As in the previous year, deferred taxes of the Austrian group companies are determined at the corporation tax rate of 25.0%. Deferred tax assets and liabilities of the Brazilian group companies are measured at 34.0%. Tax rates from 12.5% to 34.0% (31.12.2019: 12.5% to 34.0%) were applied to the other companies.

Deferred tax assets and liabilities are offset if there is an enforceable right to offset current tax receivables against current tax liabilities, and if the deferred taxes relate to income taxes due from/to the same tax authorities.

Inventories
Inventories are stated at the lower of cost or net realisable value as of the reporting date. The determination of acquisition cost of purchased inventories is based on the average cost. Finished goods and work in progress are valued at fixed and variable production cost. The net realisable value is the estimated selling price in the ordinary course of business minus any estimated cost to complete and to sell the goods. Impairments due to reduced usability are reflected in the calculation of the net realisable value.

Trade and other current receivables
Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value and subsequently carried at amortised cost minus any valuation allowances. Valuation allowances are calculated in accordance with the simplified approach of the impairment model for financial instruments (see impairment of financial assets above).

In case of factoring arrangements trade receivables are derecognised if RHI Magnesita transfers substantially all the risks and rewards associated with the financial assets and does not retain control over them.

Receivables denominated in foreign currencies are translated using the closing rate.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, cheques received and cash at banks with an original term of a maximum of three months. Moreover, shares in money market funds, which are only exposed to insignificant value fluctuations due to their high credit rating and investments in extremely short-term money market instruments and can be converted to defined cash amounts within a few days at any time, are also recorded under cash equivalents in accordance with IAS 7.

Cash and cash equivalents denominated in foreign currencies are translated at the closing rate.

Disposal groups held for sale
Non-current assets and disposal groups which can be sold in their present state and whose sale is highly probable are classified as held for sale. Assets and liabilities which are intended to be sold together in a single transaction represent a disposal group held for sale and are shown separately from other assets and liabilities in the Statement of Financial Position.

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Non-current assets and disposal groups which are classified as held for sale are carried at the lower of fair value less costs to sell and carrying amount. Impairments are initially allocated to existing goodwill and then to the non-current assets on a pro-rata basis, based on the carrying amount of each individual asset of the disposal group. Non-current assets are not depreciated as long as they are classified as held for sale.

Borrowings and other financial liabilities
Financial liabilities include liabilities to financial institutions and other lenders and are measured at fair value less directly attributable transaction costs at initial recognition. In subsequent measurements these liabilities are measured at amortised cost applying the effective interest method. Financial liabilities in foreign currency are translated at the closing rate.

A financial liability is derecognised when the obligation under the liability is discharged (by payment or legal release), cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. The difference in the respective carrying amounts is subsequently recognised in the Statement of Profit or Loss, including any costs or fees.

Provisions
Provisions are recognised when the Group incurs a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to meet this obligation, and the amount of the obligation can be reliably estimated.

Non-current provisions are measured at their discounted settlement value as of the reporting date if the discounting effect is material.

If maturities cannot be estimated, they are shown under current provisions.

Provisions for pensions
With respect to post-employment benefits, a differentiation is made between defined contribution and defined benefit plans.

Defined contribution plans limit the company's obligation to the agreed amount of contributions to earmarked pension plans. The related expenses are shown in the functional areas and thus in EBIT.

Defined benefit plans require the company to provide the agreed amount of benefits to active and former employees and their dependents, with a differentiation made between pension systems financed through provisions and pension systems financed by external funds.

For pension plans financed by way of external funds, the pension obligation according to the projected unit credit method is netted against the fair value of the plan assets. If the plan assets are not sufficient to cover the obligation, the net obligation is recognised as a provision for pensions. However, if the plan assets exceed the obligations, the asset recognised is limited to reductions of future contribution payments to the plan and is presented as an other non-current asset on the face of the statement of financial positions.

The present value of defined benefit obligations for current pensions, future pension benefits and similar obligations and the related expenses are calculated separately for each plan annually by independent qualified actuaries in accordance with the provisions of IAS 19. The present value of future benefits is based on the length of service, expected wage/salary developments and pension adjustments.

The expense to be recognised in a period includes current and past service costs, settlement gains and losses, interest expenses from the interest accrued on obligations, interest income from plan assets and administration costs paid from plan assets. The net interest expense is shown separately in net finance costs. All other expenses related to defined benefit plans are allocated to the costs of the relevant functional areas.

Actuarial assumptions required to calculate these obligations, include the discount rate, increases in wages/salaries and pensions, retirement starting age and probability of employee turnover and actual claims. The calculation is based on local demographic parameters.

Interest rates used are the rates on high-quality corporate bonds issued with comparable maturities and currencies are applied to determine the present value of pension obligations. In countries where there is not a sufficiently liquid market for high-quality corporate bonds, the returns on government bonds are used as a basis.

The rates of increase for wages/salaries were based on an average of past years, which is also considered to be realistic for the future.

The fluctuation probabilities were estimated specific to age or seniority.

The retirement age used for the calculation is based on the respective statutory provisions of the country concerned. The calculation is based on the earliest possible retirement age according to the current statutory provisions of the respective country, among other things depending on gender and date of birth.

Remeasurement gains and losses are recorded net of deferred taxes under other comprehensive income in the period incurred.

Other personnel provisions
Other personnel provisions include provisions for termination benefits, service anniversary bonuses, payments to semi-retirees, share-based payments and lump-sum settlements.

Provisions for termination benefits are primarily related to obligations to employees whose employment is subject to Austrian law.

Employees who joined an Austrian company before 31 December 2002 receive a one-off lump-sum termination benefit as defined by Austrian labour legislation if the employer terminates the employment or when the employee retires. The termination payment depends on the relevant salary at the time of the termination as well as the number of years of service and ranges between two and 12 monthly salaries. These obligations are measured in accordance with IAS 19 using the projected unit credit method applying an accumulation period of 25 years. Remeasurement gains and losses are recorded directly to other comprehensive income after considering tax effects.

For employees who joined an Austrian company after 31 December 2002, employers are required to make regular contributions equal to 1.53% of the monthly wage/salary to a statutory termination benefit scheme. The company has no further obligations. Claims by employees to termination benefits are filed with the statutory termination benefit scheme, while the continuous contributions are treated as defined contribution pension plans and included in the personnel expenses of the functional areas.

Service anniversary bonuses are one-time special payments that are dependent on the employee's wage/salary and length of service. The employer is required by collective bargaining agreements or company agreements to make these payments after an employee has reached a certain number of years of uninterrupted service with the same company. Obligations are mainly related to service anniversary bonuses in Austrian and German group companies. Under IAS 19 service anniversary bonuses are treated as other long-term employee benefits. Provisions for service anniversary bonuses are calculated based on the projected unit credit method. Remeasurement gains or losses are recorded in the personnel costs of the functional areas.

Local labour laws and other similar regulations require individual group companies to create provisions for semi-retirement obligations. The obligations are partially covered by qualified plan assets and are reported on a net basis in the Statement of Financial Position.

In 2018, the Remuneration Committee of RHI Magnesita approved a new Remuneration Policy for the members of senior management of the Group. Based on this new long-term incentive programme, share-options are granted. Each reporting date the provisional amount per due date is recognised in equity.

Obligations for lump-sum settlements are based on company agreements in individual companies.

Other provisions
Provisions for warranties are created for individual contracts at the time of the sale of goods or after the service has been provided. The amounts of the provisions are based on the expected or actual warranty claims.

Provisions for restructuring are created providing a detailed formal restructuring plan has been developed and announced prior to the reporting date or whose implementation was commenced prior to the reporting date.

The Group recognises provisions for demolition and disposal costs and environmental damages. RHI Magnesita's facilities and its refractory, exploration and mining operations are subject to environmental and governmental laws and regulations in each of the jurisdictions in which it operates. These laws govern, among other things, reclamation or restoration of the environment in mined areas and the clean-up of contaminated properties. Provisions for demolition and disposal costs and environmental damages include the estimated demolition and disposal costs of plants and buildings as well as environmental restoration costs arising from mining activities, based on the present value of estimated cash flows of the expected costs. The estimated future costs of asset retirements are reviewed annually and adjusted, if appropriate.

A provision for an onerous or unfavourable contract is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Provisions are measured at the present value of the unavoidable costs of meeting the obligation under the contract which exceed the economic benefits expected to arise from that contract.

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Provisions for labour and civil contingencies are recognised for all risks referring to legal proceedings that represent probable loss. Assessment of the likelihood of loss includes analysis of available evidence, including the opinion of internal and external legal advisors of the RHI Magnesita Group.

Trade payables and other current liabilities
These liabilities are initially recognised at fair value, and subsequently measured at amortised cost. Liabilities denominated in foreign currencies are translated at the closing rate.

Government grants
Government grants to promote investments are recognised as deferred income and released through profit or loss over the useful life of the relevant asset distributed on a straight-line basis.

Grants that were granted as compensation for expenses or losses are recognised to profit or loss in the periods in which the subsidised expenses are incurred. In the RHI Magnesita Group, they mainly include grants for research and employee development. Grants for research are recorded as income in general and administrative expenses.

Revenue, income and expenses
Revnue from contracts with customers
Revenue from the sale of goods and services is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The transaction price is the expected consideration to be received, to the extent that it is highly probable that there will not be a significant reversal of revenue in future periods. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The average credit term is 60 days upon transfer of goods or service. The Group applies the practical expedient in IFRS 15 and does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and payment will be one year or less. At contract inception, the Group identifies the goods or services promised in the contract and assesses which of the promised goods or services shall be identified as separate performance obligations. Promised goods or services give rise to separate performance obligations if they are capable of being distinct. Revenue is recognised as control is transferred, either over time or at a point of time. Control is defined as the ability to direct the use of and obtain substantially all of the economic benefits from an asset.

Regarding delivery contracts of refractory products the goods promised are distinct and control of the goods is passed to the customer typically when physical possession has been transferred to the customer. The transport service does not give rise to a separate performance obligation to which a part of revenue would have to be allocated, as this service is performed before control of the products is transferred to the customer.

In consignment arrangements, RHI Magnesita Group ships products to a customer but retains control of the goods until a predetermined event occurs. Revenue is not recognised on delivery of the products to the customer if the delivered products are held on consignment, but generally when the withdrawal of the products from the consignment stock occurs. Most of the products within consignment arrangements have a high stock turnover rate.

The Group provides services (e.g. supervision, installation) that are either sold separately or bundled together with the sale of products to a customer. Contracts for bundled sales of products and installation services are comprised of two performance obligations as the promises to transfer products and to provide services are capable of being distinct and separately identifiable in the context of the contract. Accordingly, the allocation of the transaction price is based on the relative stand-alone selling prices of the product and services. Revenue from services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Contracts for bundled sales of refractory products and non-refractory products (e.g. machines) provided to the customer free of charge comprise two performance obligations that are separately identifiable. Consequently, the Group allocates the transaction price based on the relative stand-alone selling prices of these performance obligations and allocates revenue to the non-refractory product which is delivered free of charge.

For contracts in the Steel segment with variable payment arrangements (transaction price depends on the customer's production performance) management has determined that the promise to transfer each of the products and services to the customer is not separately identifiable from all the other promises in the context of such contracts. Therefore, only one single performance obligation exists – the performance of a management refractory service. Further information is provided under Note (9). With regards to these contracts, revenue is recognised over time on the basis using the output-oriented method (e.g. quantity of steel produced in the customer aggregate serviced).

Expected penalty fees from guaranteed durabilities when using refractory products are considered as a variable consideration in the form of a contract or a refund liability. Based on the expected value method, the amount of the variable consideration is estimated. The estimation of the variable consideration is not subject to a constraint as the Group has significant experience with promising durabilities. Once the uncertainty related to guaranteed durabilities ceases to exist, a significant reversal of revenue is highly unlikely. All other warranties guarantee that the transferred products correspond to the contractually agreed specifications and are classified as assurance type warranties. Consequently, no separate distinct performance obligation to the customer exists.

If transfer of goods or services to a customer is performed before the customer pays consideration or before payment is due, a contract asset, excluding any amounts presented as a receivable is recognised. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer.

If a customer pays consideration before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made, or the payment is due (whichever comes first). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

Contract costs are the incremental costs of obtaining a contract and must be recognised as an asset if the company expects to recover those costs. As a practical expedient, RHI Magnesita expenses such costs when incurred, if the amortisation period would be 12 months or less.

In general, the term of customer contracts in accordance with IFRS 15 is no longer than one year. Therefore, the Group decided, as a practical expedient, not to disclose the remaining performance obligations for contracts with original expected duration of less than one year.

Further income and expenses
Expenses are recognised in the Statement of Profit or Loss when a service is consumed, or the costs are incurred.

Interest income and expenses are recognised in accordance with the effective interest method.

Dividends from investments that are not accounted for using the equity method are recognised to profit and loss at the time the legal claim arises.

Current income taxes are recognised according to the local regulations applicable to each company. Current and deferred income taxes are recognised in the Statement of Profit or Loss unless they are related to items which were recorded directly in equity or in other comprehensive income. In such a case, income taxes are also recorded in equity or other comprehensive income.

Since 2020 RHI Magnesita N.V., Vienna branch, Austria, acts as the head of a corporate tax group in Austria. Until 31 December 2019 RHI Magnesita GmbH, Vienna, Austria, acted as the head of a corporate tax group in Austria. According to the group and tax compensation agreement, the members of the group have to pay a positive tax compensation of 20% of the taxable profit to the head of the Group if the result is positive, as long as tax loss carry forwards exist with the head of the group; subsequently 25% of the taxable profit have to be paid. In case of a tax loss of the group member, the head of the group has to pay a negative tax compensation to the member of the group, with a rate of 12.5% being applied insofar as the loss can be utilised within the group. In case the losses of a group member were compensated (negative tax allocation payment) and this group member generates taxable income within the next three years (after compensation), the positive tax allocation amounts to 12.5%. In case of a loss in the tax group, an unused tax loss of a group member is retained and offset against future taxable profits of the group member. When the contract is terminated, a compensation payment is agreed for unused tax losses of a group member, which were allocated to the head of the group.

In Germany, RHI Magnesita Deutschland AG, Wiesbaden, acts as the head of a tax group for corporate and trade tax purposes. The seven tax group members are obliged to transfer their profit or loss to Didier-Werke Aktiengesellschaft based on a profit or loss transfer agreement. Additionally, Didier-Werke Aktiengesellschaft, Wiesbaden, acts as the head of a tax group for VAT purposes with ten German tax group members. Furthermore, Rearden G Holdings Eins GmbH, Hagen, acts as the head of a two-level structure tax group with four group members for corporate, trade tax and VAT purposes.

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8. Segment reporting
The RHI Magnesita Group comprises the operating segments Steel and Industrial. The segmentation of the business activities reflects the internal control and reporting structures and is regularly reported to the Chief Executive Officer.

The Steel segment specialises in supporting customers in the steel-producing and steel-processing industry. The Industrial segment serves customers in the glass, cement/lime, non-ferrous metals and environment, energy, chemicals industries. The main activities of the two segments consist of market development, global sales of high-grade refractory bricks, mixes and special products as well as providing services at the customers' sites.

The globally located manufacturing sites, which extract and process raw materials, are combined in one organisational unit. The allocation of manufacturing cost of the production plants to the Steel and Industrial Divisions is based on the supply flow.

Statements of Profit or Loss up to gross profit are available for each segment. The gross profit serves the management of the RHI Magnesita Group for internal performance management. Selling and marketing expenses, general and administrative expenses, restructuring and write-down expenses, other income and expenses, profit of joint ventures, net finance costs and income taxes are managed on a group basis and are not allocated.

Segment assets include trade receivables and inventories, which are available to the operating segments and are reported to the management for control and measurement, as well as property, plant and equipment, goodwill and other intangible assets, which are allocated to the segments based on the capacity of the assets provided to the segments. All other assets are not allocated. The recognition of segment assets is determined on the basis of the accounting and measurement methods applied to the IFRS Consolidated Financial Statements.

Data on revenue by country are disclosed by the sites of the customers. Data on non-current assets (goodwill, intangible assets and property, plant and equipment) are disclosed on the basis of the respective locations of the companies of the RHI Magnesita Group.

9. Critical accounting judgments and key sources of estimation uncertainty
The RHI Magnesita Group used forward-looking assumptions and estimates, especially with respect to business combinations, non-current assets, valuation adjustments to inventories and receivables, provisions and income taxes to a certain extent in the application of accounting and measurement methods.

The estimates are based on comparable values in the past, plan data and other findings regarding transactions to be accounted. The actual values may ultimately deviate from the assumptions and estimates made. The resulting changes in value of assets, liabilities, revenue and expenses are accounted for in the reporting period in which the change is made and in the affected future reporting periods.

Critical accounting judgments
Revenue recognition
For customer contracts in the Steel segment with variable payment arrangements where the transaction price depends on the customer's production performance, (e.g. quantity of steel produced) management has determined that the commitment to transfer each of the products and services to the customer is not separately identifiable from the other commitments in the context of such contracts. The customer expects complete refractory management for the agreed product areas in the steel plant in order to enable steel production. Thus, only one performance obligation, performance of a management refractory service, exists.

Trade payables subject to supply chain finance arrangements
RHI Magnesita participates in supply chain finance arrangements whereby raw material suppliers may elect to receive a discounted early payment of their invoice from a bank rather than being paid in line with the agreed contractual payment terms. The Group settles the amount owed to the bank. The invoice due date as well as the value of the original liability remains unaltered. RHI Magnesita assesses that these arrangements do not modify the terms of the original trade payable, and therefore financial liabilities subject to supply chain finance arrangements continue to be classified as trade payables.

There are no other critical accounting judgments made in the preparation of the Consolidated Financial Statements.

Key sources of estimation uncertainty
Business combinations (initial consolidation)
Estimates relating to the calculation of fair values of acquired assets, liabilities and contingent liabilities are required within the context of business combinations.

If intangible assets are identified, estimates are necessary for the determination of fair values by means of discounted cash flows, including the duration, amount of future cash flows, and discount rate. When determining the fair value of land, buildings and technical plant, above all the estimate of comparability of the reference objects with the objects subject to valuation is discretionary.

When making estimates in the context of purchase price allocations on major acquisitions, RHI Magnesita consults with independent experts who accompany the execution of the discretionary decisions and record it in appraisal documents.

Impairment of intangible assets with finite useful lives and property, plant and equipment
Intangible assets with a finite useful life and property, plant and equipment must be tested for impairment when events or a change in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amounts of these assets amounted to €1,222.5 million at 31 December 2020 (31.12.2019: €1,424.0 million). In accordance with IAS 36, such impairment losses are determined through comparisons with the discounted future cash flows expected from the related assets of the cash-generating units (CGUs).

As part of the annual planning process, the impairment test is conducted for the CGUs defined in the RHI Magnesita Group, thus considering all changes resulting from updates of strategic planning. Sensitivity analyses are also performed as part of the impairment test. In their calculation one of the main parameters is changed as follows: increase in the discount rate by 10%, reduction in the form of the contribution margin by 10% and reduction of the growth rate in terminal value by 50%. In all CGUs, these simulations do not result in impairments. Likewise, in all CGUs a reduction of the discount rate by 10%, an increase in profitability in the form of the contribution margin by 10% and an increase in the growth rate in terminal value by 50% do not result in reversals of impairments.

Impairment of goodwill and other intangible assets with indefinite useful life
The effect of an adverse change by plus 10% in the estimated interest rates as of 31 December 2020 or by minus 10% in the contribution margin would not result in an impairment of goodwill recognised (carrying amount 31.12.2020: €110.8 million, 31.12.2019: €117.5 million) nor in an impairment charge to intangible assets with indefinite useful lives (carrying amount at 31.12.2020: €1.8 million and 31.12.2019: €1.8 million).

Intangible assets and property, plant and equipment
Management uses its experience to estimate the remaining useful life of an asset. The actual useful life of an asset may be impacted by an unexpected event that may result in an adjustment to the carrying amount of the asset.

Provisions for pensions and termination benefits
The present value of pension and termination benefit obligations depends on several factors, which are based on actuarial assumptions such as interest rates, future salary and pension increases as well as life expectancy. Due to the long-term nature of these obligations, these assumptions are subject to significant uncertainties.

The following sensitivity analysis shows the change in present value of the pension and termination benefit obligations if one key parameter changes, while the other influences are maintained constant. In reality, it is rather unlikely that these influences do not correlate. The present value of the pension obligations for the sensitivities shown was calculated using the same method as for the actual present value of the pension obligations (projected unit credit method).

			31.12.2020		31.12.2019
in € million	Change of assumption in percentage points or years	Pension plans	Termination benefits	Pension plans	Termination benefits
Present value of the obligations		523.3	46.4	557.9	52.0
Interest rate	+0.25	(16.2)	(1.3)	(17.1)	(1.4)
	(0.25)	16.9	1.4	17.4	1.4
Salary increase	+0.25	1.6	1.3	1.1	1.4
	(0.25)	(1.5)	(1.3)	(1.2)	(1.3)
Pension increase	+0.25	12.5	-	11.6	-
	(0.25)	(11.0)	-	(11.4)	-
Life expectancy	+1 year	21.3	-	21.0	-
	(1) year	(20.7)	-	(20.7)	-

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These changes would have no immediate effect on the result of the period as remeasurement gains and losses are recorded in other comprehensive income without impact on profit or loss. The assumptions regarding the interest rate are reviewed semi-annually; all other assumptions are reviewed at the end of the year.

Other provisions
The recognition and measurement of other provisions totalling €145.7 million (31.12.2019: €168.3 million) were based on the best possible estimates using the information available at the reporting date. The estimates take into account the underlying legal relationships and are performed by internal experts or, when appropriate, also by external experts. Despite the best possible assumptions and estimates, cash outflows expected at the reporting day may deviate from actual cash outflows. As soon as additional information is available, the estimates made are reviewed and provisions are also adjusted.

The majority of the provisions refers to an unfavourable contract which was recognised in the course of the acquisition of Magnesita and is mainly based on an estimate of forgone profit margins compared to market conditions.

Income taxes
The calculation of income taxes of RHI Magnesita N.V. and its subsidiaries is based on the tax laws applicable in the individual countries. Due to their complexity, the tax items presented in the Consolidated Financial Statements may be subject to different interpretations by local finance authorities. When determining the amount of the capitalisable deferred tax assets, an estimate is required of future taxable income. Should the future taxable profit deviate by 10% from the assumption made on the reporting date within the planning period defined for the accounting and measurement of deferred taxes, the net position of deferred tax assets amounting to €154.2 million (31.12.2019: €127.9 million) would have to be increased by €0.3 million (31.12.2019: €1.7 million) or reduced by €0.3 million (31.12.2019: €2.0 million).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10. Goodwill

Goodwill developed as follows:

in € million	2020	2019
Carrying amount at beginning of the year	117.5	117.4
Additions initial consolidation	3.8	0.0
Currency translation	(10.5)	0.1
Carrying amount at year-end	**110.8**	**117.5**

11. Other intangible assets

Other intangible assets changed as follows in the financial year 2020:

in € million	Mining rights	Customer relationship	Internally generated intangible assets	Other intangible assets	Total
Cost at 31.12.2019	169.1	109.3	52.4	134.1	464.9
Currency translation	(36.0)	(14.2)	(0.3)	(8.9)	(59.4)
Additions	0.0	0.0	9.9	3.1	13.0
Retirements and disposals	0.0	0.0	0.0	(11.0)	(11.0)
Disposal group IFRS 5	0.0	0.0	0.0	(0.2)	(0.2)
Reclassifications	0.0	0.0	0.0	4.2	4.2
Cost at 31.12.2020	**133.1**	**95.1**	**62.0**	**121.3**	**411.5**
Accumulated amortisation 31.12.2019	8.0	25.2	37.1	75.6	145.9
Currency translation	(1.7)	(3.4)	(0.1)	(3.6)	(8.8)
Amortisation charges	2.2	6.1	3.7	7.4	19.4
Impairment charges	0.0	0.0	0.0	0.3	0.3
Retirements and disposals	0.0	0.0	0.0	(10.8)	(10.8)
Disposal group IFRS 5	0.0	0.0	0.0	(0.2)	(0.2)
Accumulated amortisation 31.12.2020	**8.5**	**27.9**	**40.7**	**68.7**	**145.8**
Carrying amounts at 31.12.2020	**124.6**	**67.2**	**21.3**	**52.6**	**265.7**

Notes
continued

Other intangible assets changed as follows in the previous year:

in € million	Mining rights	Customer relationship	Internally generated intangible assets	Other intangible assets	Total
Cost at 31.12.2018	169.4	108.7	50.5	129.2	457.8
Currency translation	(0.3)	0.6	0.1	0.6	1.0
Additions	0.0	0.0	3.4	6.3	9.7
Retirements and disposals	0.0	0.0	(1.6)	(4.4)	(6.0)
Reclassifications	0.0	0.0	0.0	2.4	2.4
Cost at 31.12.2019	**169.1**	**109.3**	**52.4**	**134.1**	**464.9**
Accumulated amortisation 31.12.2018	4.7	17.8	34.1	66.8	123.4
Currency translation	0.0	(0.1)	0.1	0.4	0.4
Amortisation charges	3.3	7.5	4.5	11.1	26.4
Impairment charges	0.0	0.0	0.0	0.6	0.6
Retirements and disposals	0.0	0.0	(1.6)	(3.3)	(4.9)
Accumulated amortisation 31.12.2019	**8.0**	**25.2**	**37.1**	**75.6**	**145.9**
Carrying amounts at 31.12.2019	**161.1**	**84.1**	**15.3**	**58.5**	**319.0**

Internally generated intangible assets comprise capitalised software and product development costs.

The customer relations of Magnesita have a carrying amount of €66.9 million (31.12.2019: €83.6 million) and a remaining useful life of 8 to 12 years.

Other intangible assets include in particular acquired patents, trademark rights, software, and land use rights. The land use rights have a carrying amount of €21.1 million (31.12.2019: €23.0 million) and a remaining useful life of 17 to 57 years.

There are no restrictions on the sale of intangible assets.

12. Property, plant and equipment

Property, plant and equipment developed as follows in the year 2020 and in the previous year:

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment, machinery	Other plant, furniture and fixtures	Prepayments made and plant under construction	Right-of-use assets	Total
Cost at 31.12.2019	641.3	36.6	1,210.4	321.6	173.5	76.1	2,459.5
Currency translation	(50.8)	(2.1)	(92.3)	(9.2)	(17.1)	(7.6)	(179.1)
Additions	6.3	2.9	13.8	6.7	105.2	24.5	159.4
Additions initial consolidation	2.0	0.0	0.3	0.1	0.0	0.0	2.4
Reassessment / Modification of leases (IFRS 16)	0.0	0.0	0.0	0.0	0.0	2.5	2.5
Retirements and disposals	(5.4)	(0.3)	(61.2)	(10.1)	0.0	(8.6)	(85.6)
Disposal group IFRS 5	(47.8)	0.0	(57.6)	(25.0)	(1.9)	(10.1)	(142.4)
Reclassifications	16.1	(0.2)	26.0	46.8	(94.8)	0.0	(6.1)
Cost at 31.12.2020	**561.7**	**36.9**	**1,039.4**	**330.9**	**164.9**	**76.8**	**2,210.6**
Accumulated depreciation 31.12.2019	283.3	23.6	777.1	237.8	6.0	24.9	1,352.7
Currency translation	(6.6)	(0.6)	(37.8)	(4.9)	(0.3)	(2.8)	(53.0)
Depreciation charges	12.3	1.1	70.6	20.3	0.0	16.0	120.3
Impairment charges	11.2	0.0	26.0	5.1	2.7	1.5	46.5
Retirements and disposals	(2.8)	(0.3)	(57.2)	(7.5)	0.0	(7.1)	(74.9)
Disposal group IFRS 5	(46.3)	0.0	(54.0)	(24.9)	(1.5)	(10.1)	(136.8)
Reclassifications	2.2	0.0	(4.2)	5.0	(5.8)	0.0	(2.8)
Accumulated depreciation 31.12.2020	**253.3**	**23.8**	**720.5**	**230.9**	**1.1**	**22.4**	**1,252.0**
Carrying amounts at 31.12.2020	**308.4**	**13.1**	**318.9**	**100.0**	**163.8**	**54.4**	**958.6**

in € million	Real estate, land and buildings	Raw material deposits	Technical equipment, machinery	Other plant, furniture and fixtures	Prepayments made and plant under construction	Right-of-use assets	Total
Cost at 31.12.2018	618.4	37.5	1,166.9	311.5	132.4	0.0	2,266.7
Initial recognition IFRS 16	0.0	0.0	0.0	0.0	0.0	62.0	62.0
Currency translation	0.4	(0.2)	1.7	0.9	(0.5)	0.5	2.8
Additions	3.4	(1.0)	11.6	7.4	132.2	17.7	171.3
Reassessment / Modification of leases (IFRS 16)	0.0	0.0	0.0	0.0	0.0	(3.9)	(3.9)
Retirements and disposals	(1.5)	(0.5)	(21.2)	(12.8)	(0.8)	(0.2)	(37.0)
Reclassifications	20.6	0.8	51.4	14.6	(89.8)	0.0	(2.4)
Cost at 31.12.2019	**641.3**	**36.6**	**1,210.4**	**321.6**	**173.5**	**76.1**	**2,459.5**
Accumulated depreciation 31.12.2018	261.8	22.5	657.2	230.3	0.1	0.0	1,171.9
Currency translation	0.5	(0.2)	1.5	0.9	0.0	0.1	2.8
Depreciation charges	13.4	1.6	99.0	17.7	0.0	14.5	146.2
Impairment charges	8.9	0.0	38.7	1.1	5.9	10.5	65.1
Retirements and disposals	(1.3)	(0.3)	(19.3)	(12.2)	0.0	(0.2)	(33.3)
Accumulated depreciation 31.12.2019	**283.3**	**23.6**	**777.1**	**237.8**	**6.0**	**24.9**	**1,352.7**
Carrying amounts at 31.12.2019	**358.0**	**13.0**	**433.3**	**83.8**	**167.5**	**51.2**	**1,106.8**

The item prepayments made and plant under construction includes plant under construction with a carrying amount of €147.6 million (31.12.2019: €163.5 million), with the sinterplant and the brickplant in Chizhou, China, representing the largest investment project under construction in 2019 and the expansion of a dolomite plant in Austria, representing the largest investment project under construction in 2020. Information on impairment is provided under Note (9).

Notes
continued

There are no restrictions on the sale of property, plant and equipment.

The Right-of-use assets per category developed as follows as of 31 December 2020:

in € million	Right-of-use assets land and buildings	Right-of-use assets technical equipment and machinery	Right-of-use assets other equipment, furniture and fixtures	Total
Cost at 31.12.2019	39.5	30.0	6.6	76.1
Currency translation	(2.0)	(5.2)	(0.4)	(7.6)
Additions	13.3	10.2	1.0	24.5
Reassessment / Modification of leases (IFRS 16)	2.8	0.0	(0.3)	2.5
Retirements and disposals	(3.4)	(4.1)	(1.1)	(8.6)
Disposal group IFRS 5	(9.8)	(0.2)	(0.1)	(10.1)
Cost at 31.12.2020	**40.4**	**30.7**	**5.7**	**76.8**
Accumulated depreciation 31.12.2019	15.5	7.0	2.4	24.9
Currency translation	(1.1)	(1.4)	(0.3)	(2.8)
Depreciation charges	7.2	6.7	2.1	16.0
Impairment charges	0.0	1.3	0.2	1.5
Retirements and disposals	(2.5)	(3.6)	(1.0)	(7.1)
Disposal group IFRS 5	(9.8)	(0.2)	(0.1)	(10.1)
Accumulated depreciation 31.12.2020	**9.3**	**9.8**	**3.3**	**22.4**
Carrying amounts at 31.12.2020	**31.1**	**20.9**	**2.4**	**54.4**

The Right-of-use assets per category developed as follows as of 31 December 2019:

in € million	Right-of-use assets land and buildings	Right-of-use assets technical equipment and machinery	Right-of-use assets other equipment, furniture and fixtures	Total
Cost at 31.12.2018	0.0	0.0	0.0	0.0
Initial recognition IFRS 16	40.0	17.0	5.0	62.0
Currency translation	0.2	0.2	0.1	0.5
Additions	3.2	12.9	1.6	17.7
Reassessment / Modification of leases (IFRS 16)	(3.9)	0.0	0.0	(3.9)
Retirements and disposals	0.0	(0.1)	(0.1)	(0.2)
Cost at 31.12.2019	**39.5**	**30.0**	**6.6**	**76.1**
Accumulated depreciation 31.12.2018	0.0	0.0	0.0	0.0
Currency translation	0.0	0.0	0.1	0.1
Depreciation charges	5.1	7.0	2.4	14.5
Impairment charges	10.4	0.1	0.0	10.5
Retirements and disposals	0.0	(0.1)	(0.1)	(0.2)
Accumulated depreciation 31.12.2019	**15.5**	**7.0**	**2.4**	**24.9**
Carrying amounts at 31.12.2019	**24.0**	**23.0**	**4.2**	**51.2**

Further detail on IFRS 16 related information is provided under Note (7) and (26).

13. Investments in joint ventures and associates

The following investments in joint ventures and associates are accounted for using the equity method in the RHI Magnesita Consolidated Financial Statements:

in € million	31.12.2020	31.12.2019
Investments in joint ventures	16.3	19.5
Carrying amount at year-end	**16.3**	**19.5**

Joint ventures

The RHI Magnesita Group holds a share of 50% (2019: 50%) in MAGNIFIN Magnesiaprodukte GmbH & Co KG ("MAGNIFIN"), a private company based in St. Jakob, Austria. The company's core business activity is the production and sale of halogen-free flame retardants for plastics. The investment in MAGNIFIN is treated as a financial investment. MAGNIFIN is set up as an independent vehicle. RHI Magnesita has a residual interest in the net assets of the company and accordingly classified its share as a joint venture. There are no listed market prices available.

The following table summarises the income and expenses of MAGNIFIN:

in € million	2020	2019
Revenue	32.1	39.4
Profit before income tax	14.6	20.0
Depreciation	1.6	1.5
Interest expense	0.0	0.1
Other comprehensive (loss)/income	(0.1)	(0.3)
Total comprehensive income	14.5	19.7

Income taxes on the share of profit of MAGNIFIN are ultimately recognised by the head of the tax group, RHI Magnesita N.V., Vienna, Austria, due to the legal form of the joint venture and transferred accordingly to Radex Vertriebsgesellschaft m.b.H. Vienna, Austria (2019: Veitscher Vertriebsgesellschaft m.b.H Vienna), in accordance with the provisions of the tax compensation agreement. The taxable profit of MAGNIFIN for 2020 was offset by 100% with non-capitalised net operating losses (tax losses incurred prior to the tax group) by Radex Vetriebsgesellschaft m.b.H and, therefore, there is no income tax recognised on this share of profit for 2020 (2019: €2.5 million). Radex Vetriebsgesellschaft m.b.H has capitalised all remaining net operating losses due to the positive taxable results forecast in the future derived from MAGNIFIN.

The net assets of MAGNIFIN are shown in the table below:

in € million	31.12.2020	31.12.2019
Non-current assets	7.7	8.3
Current assets (without cash and cash equivalents)	9.3	14.7
Cash and cash equivalents	12.3	13.4
Non-current liabilities and provisions	(3.9)	(3.9)
Current provisions	(1.1)	(1.2)
Trade payables and other current liabilities	(2.7)	(3.2)
Net assets	**21.6**	**28.1**

Notes
continued

The movement in the carrying amount of the share in MAGNIFIN in the RHI Magnesita's Consolidated Financial Statements is shown below:

in € million	2020	2019
Proportional share of net assets at beginning of year	**14.1**	**14.3**
Share of profit	7.7	10.5
Share of other comprehensive income (remeasurement losses)	(0.1)	(0.1)
Dividends received	(10.9)	(10.5)
Other changes in value	0.1	(0.1)
Proportional share of net assets at year-end	**10.9**	**14.1**
Goodwill	4.9	4.9
Carrying amount of investment at year-end	**15.8**	**19.0**

In the course of the acquisition of Magnesita in 2017 the Group acquired interests in an immaterial joint venture with a carrying amount of €0.5 million as of 31 December 2020 (31.12.2019: €0.5 million). The Group's share of the profit after income tax, other comprehensive income and total comprehensive income in 2020 amounts to less than €0.1 million (2019: less than €0.1 million).

Associates
As part of the acquisition of Magnesita in 2017 the Group acquired two immaterial associated companies with a carrying amount of €0.0 million as of 31 December 2020 (31.12.2019: €0.0 million). The Group's share of the profit after income tax and total comprehensive income for 2020 amounts to €0.0 million. In 2019 the Group's share of the profit after income tax and total comprehensive income amounted to €0.7 million.

In 2019 the Group 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 was fully written off, which resulted in a €9.6 million impairment in 2019, shown in result of joint ventures and associates.

The other immaterial associated company Krosaki Magnesita Refractories has been liquidated in March 2020.

14. Other non-current financial assets

Other non-current financial assets consist of the following items:

in € million	31.12.2020	31.12.2019
Interests in subsidiaries not consolidated	0.6	0.7
Marketable securities and shares	13.5	13.8
Other non-current financial receivables	0.4	0.9
Other non-current financial assets	**14.5**	**15.4**

Accumulated impairments on investments, securities and shares amounted to €3.7 million (31.12.2019: €3.5 million).

15. Other non-current assets

Other non-current assets include the following items:

in € million	31.12.2020	31.12.2019
Tax receivables	14.5	27.4
Prepaid stripping costs	8.4	6.9
Judicial deposits	2.9	4.5
Plan assets from overfunded pension plans	0.2	0.2
Prepaid expenses	0.6	0.5
Other non-current assets	**26.6**	**39.5**

Prepaid expenses for stripping costs arising from mining raw materials in a surface mine are included in non-current assets due to the planned use of the mine.

Tax receivables relate to input tax credits, which are expected to be utilised in the medium term.

16. Deferred taxes

Deferred taxes are related to the following significant balance sheet items and loss carryforwards:

	31.12.2020		2020	31.12.2019		2019
in € million	Deferred tax assets	Deferred tax liabilities	(Expense)/Income	Deferred tax assets	Deferred tax liabilities	(Expense)/Income
Property, plant and equipment, intangible assets	36.5	117.4	11.2	26.5	136.4	30.2
Inventories	20.7	3.9	(5.5)	27.8	3.5	(6.0)
Trade receivables, other assets	25.1	4.1	20.8	21.0	11.7	8.5
Pensions and other personnel provisions	70.5	0.8	(5.3)	78.7	0.0	(1.9)
Other provisions	26.3	0.4	11.8	25.2	5.5	(4.8)
Trade payables, other liabilities	24.8	11.7	(36.6)	24.2	5.2	3.0
Tax loss carried forward	88.6	0.0	16.8	86.8	0.0	(7.1)
Offsetting	(93.3)	(93.3)		(108.3)	(108.3)	
Deferred taxes	**199.2**	**45.0**	**13.2**	**181.9**	**54.0**	**21.9**

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continued

As of 31 December 2020, subsidiaries that generated tax losses in the past year or the previous year recognised net deferred tax assets on temporary differences and tax loss carryforwards of €116.3 million (31.12.2019: €61.5 million). Deferred tax assets have been recognised because the companies concerned are expected to generate taxable income in the future.

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

Tax loss carryforwards totalled €413.8 million in the RHI Magnesita Group as of 31 December 2020 (31.12.2019: €494.5 million). A significant part of the tax loss carryforwards originated in Brazil and Austria where their deduction can be carried forward indefinitely. Furthermore, there are substantial tax loss carryforwards in China expiring within the next five years. The annual compensation of tax loss carryforwards in Austria is limited to 75% and to 30% in Brazil's respective taxable profits. Deferred taxes were not recognised on tax losses of €115.3 million (31.12.2019: €212.7 million). Of these losses, €0.4 million will expire in 2022,€5.2 million in 2023, €6.9 million in 2024, €1.2 million in 2025, €0.2 million in 2027, €0.3 million in 2028 (31.12.2019: €0,1 million in 2020, €0,4 million in 2022, €25,4 million in 2023, €7.8 million in 2024, €1.0 million in 2027 and €1.8 million in 2028), while the remainder will be carried forward indefinitely.

Besides, no deferred tax assets were recognised for temporary differences totalling €89.7 million (31.12.2019: €1.4 million) as it is not sufficiently probable that they can be used. €82.5 million of those temporary differences relate to plant sales in Norway and Ireland and €6.5 million are in connection with plant closures in Germany. The temporary deductible differences can be carried forward indefinitely.

Taxable temporary differences of €721.0 million (31.12.2019: €965.0 million) and temporary deductible differences of €456.0 million (31.12.2019: €545.0 million) were not recognised on shares in subsidiaries because the corresponding distributions of profit or the sale of the investments are controlled by the Group and are not expected in the foreseeable future.

The maturity structure of deferred taxes is shown in the table below:

			31.12.2020			31.12.2019
in € million	Current	Non-current	Total	Current	Non-current	Total
Deferred tax assets	69.1	130.1	199.2	140.6	41.3	181.9
Deferred tax liabilities	(3.1)	(41.9)	(45.0)	(9.0)	(45.0)	(54.0)

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

in € million	31.12.2020	31.12.2019
Raw materials and supplies	92.7	134.5
Work in progress	102.5	123.9
Finished products and goods	272.2	334.0
Prepayments made	10.0	10.3
Inventories	**477.4**	**602.7**

Inventories include €1.4 million (31.12.2019: €2.8 million) carried at net realisable value. Net impairment losses amount to €1.4 million (2019: € 8.0 million).

There are no restrictions on the disposal of inventories.

18. Trade and other current receivables

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

in € million	31.12.2020	31.12.2019
Trade receivables	254.3	320.7[1]
Contract assets	1.8	1.9
Other taxes receivable	58.4	84.9
Receivables from joint ventures and associates	1.1	2.1
Prepaid expenses	4.2	2.3
Receivables from property transactions	1.6	2.7
Emission rights	2.0	1.7
Receivables from employees	8.9	3.4
Prepaid transaction costs related to financial liabilities	2.3	0.0
Receivables from non-consolidated subsidiaries	0.2	0.2
Other current receivables	17.0	12.8
Trade and other current receivables	**351.8**	**432.7**
thereof financial assets	255.6	324.2
thereof non-financial assets	96.2	108.5

1) Adjusted to reflect the changes in presentation.

RHI Magnesita entered into factoring agreements and sold trade receivables to financial institutions. The balance sold totalled € 177.6 million as of 31 December 2020 (31.12.2019: € 223.0 million). The trade receivables have been derecognised as substantially all risks and rewards as well as control have been transferred. Payments received from customers in the period between the last sale of receivables and the reporting date are recognised in current borrowings.

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

19. Income tax receivables

Income tax receivables amounting to €27.7 million (31.12.2019: €17.3 million) are mainly related to tax prepayments and deductible with-holding taxes.

20. Other current financial assets

This item of the Consolidated Statement of Financial Position consists of the following components:

in € million	31.12.2020	31.12.2019
Derivatives in open orders	0.0	0.1
Forward exchange contracts	0.3	0.0
Other current financial assets	**0.3**	**0.1**

Accumulated impairments on other current financial receivables amounted to €0.6 million (31.12.2019: €0.6 million).

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continued

21. Cash and cash equivalents
This item of the Consolidated Statement of Financial Position consists of the following components:

in € million	31.12.2020	31.12.2019
Cash at banks	571.2	391.2
Money market funds	14.8	74.7
Cheques	1.0	1.2
Cash on hand	0.2	0.1
Cash and cash equivalents	**587.2**	**467.2**

Cash and cash equivalents include restricted cash totalling €21.6 million at 31 December 2020 (31.12.2019: €23.3 million). Restricted cash is mainly related to cash and cash equivalents at subsidiaries (mainly in Brazil, India and China) to which the company only has limited access due to foreign exchange and capital transfer controls. €12.2 million (31.12.2019: €13.0 million) are accounted for by subsidiaries with non-controlling interests.

22. Share capital
As at 31 December 2020 the authorised share capital of RHI Magnesita N.V. amounts to €100,000,000 divided into 100,000,000 ordinary shares, of which 49,008,955 (31.12.2019: 49,077,705) fully paid-in ordinary shares are issued and outstanding, taking into consideration the treasury shares amounting to 468,750 (31.12.2019: 400,000). All outstanding RHI Magnesita shares grant the same rights. The shareholders are entitled to dividends and have one voting right per share at the Annual General Meeting. There are no RHI Magnesita shares with special control rights.

23. Group reserves
Treasury shares
During August and September 2019 RHI Magnesita N.V. purchased a total of 400,000 of its ordinary shares of one Euro nominal value each pursuant to its £20 million share repurchase programme to satisfy awards made under employee performance share plans.

On 16 December 2020 RHI Magnesita initiated a share buyback programme to repurchase up to 4,947,770 ordinary shares of one Euro nominal value each, up to the value of €50 million in total. The programme will end no later than 16 December 2021. Until 31 December 2020 the company acquired additional 68,750 shares in treasury equalling €2.7 million.

Additional paid-in capital
At 31 December 2020 as well as at 31 December 2019, additional paid-in capital comprised premiums on the issue of shares less issue costs by RHI Magnesita N.V.

Mandatory reserve
The articles of association stipulate a mandatory reserve of €288,699,230.59 which was created in connection with the merger. No distributions, allocations or additions may be made and no losses of the company may be allocated to the mandatory reserve.

Retained earnings
Retained earnings includes the result of the financial year and results that were earned by consolidated companies during prior periods, but not distributed.

Accumulated other comprehensive income
Cash flow hedges includes gains and losses from the effective part of cash flow hedges less tax effects. The accumulated gain or loss from the hedge allocated to reserves is only reclassified to the Statement of Profit or Loss if the hedged transaction also influences the result or is terminated.

Defined benefit plans include the gains and losses from the remeasurement of defined benefit pension and termination benefit plans taking into account tax effects. No reclassification of these amounts to the Statement of Profit or Loss will be made in future periods.

Currency translation includes the accumulated currency translation differences from translating the Financial Statements of foreign subsidiaries, unrealised currency translation differences from monetary items which are part of a net investment in a foreign operation, net of related income taxes, as well as the effective portion of foreign exchange gains or losses when a non-financial instrument is designated as the hedging instrument in net investment hedge in a foreign operation.

24. Non-controlling interests

Non-controlling interests in Orient Refractories Ltd.

Non-controlling interests hold a share of 33.5% (31.12.2019: 33.5%) in the listed company Orient Refractories Ltd. (in the following "ORL"), based in New Delhi, India. ORL is allocated to the Steel segment.

Based on the net assets of the company, the carrying amount of the non-controlling interests is determined as follows:

in € million	31.12.2020	31.12.2019
Non-current assets	29.1	30.4
Current assets	56.1	52.1
Non-current liabilities	(3.5)	(3.7)
Current liabilities	(23.0)	(17.8)
Net assets before intragroup eliminations	**58.7**	**61.0**
Intragroup eliminations	(0.1)	(0.2)
Net assets	**58.6**	**60.8**
Percentage of non-controlling interests	33.5%	33.5%
Carrying amount of non-controlling interests	**19.6**	**20.4**

The aggregate Statement of Profit or Loss and Statement of Comprehensive Income are shown below:

in € million	2020	2019
Revenue	77.0	90.8
Operating expenses, net finance costs and income tax	(68.6)	(79.1)
Profit after income tax before intragroup eliminations	**8.4**	**11.7**
Intragroup eliminations	0.1	0.2
Profit after income tax	**8.5**	**11.9**
thereof attributable to non-controlling interests of ORL	2.8	4.0

in € million	2020	2019
Profit after income tax	8.5	11.9
Other comprehensive income/(loss)	(7.5)	0.0
Total comprehensive income	**1.0**	**11.9**
thereof attributable to non-controlling interests of ORL	0.3	4.0

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continued

The following table shows the summarised Statement of Cash Flows of ORL:

in € million	2020	2019
Net cash flow from operating activities	8.1	11.9
Net cash flow from investing activities	(3.5)	(9.1)
Net cash flow from financing activities	(3.2)	(3.9)
Total cash flow	**1.4**	**(1.1)**

Net cash flow from financing activities includes dividend payments to non-controlling interests amounting to €1.1 million (2019: €1.3 million).

In addition, non-controlling interests hold a share of 33.5% in one immaterial subsidiary acquired in 2019. The carrying amount of the non-controlling interests amounts to €0.4 million as of 31 December 2020 (31.12.2019: €0.4 million).

Accumulated other comprehensive income attributable to non-controlling interests
The development of accumulated other comprehensive income attributable to non-controlling interests is shown in the following table:

in € million	Currency translation
Accumulated other comprehensive income 31.12.2019	**(1.8)**
Unrealised results from currency translation	(2.5)
Accumulated other comprehensive income 31.12.2020	**(4.3)**

25. Borrowings

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

Borrowings have the following contractual remaining terms:

	Total	Remaining term		
in € million	31.12.2020	up to 1 year	2 to 5 years	over 5 years
Syndicated & Term Loan	613.0	40.6	572.4	0.0
Bonded loans ("Schuldscheindarlehen")	400.0	0.0	100.0	300.0
Other credit lines and other loans	88.2	83.4	4.8	0.0
Accrued interest	4.4	4.4	0.0	0.0
Total liabilities to financial institutions	**1,105.6**	**128.4**	**677.2**	**300.0**
Other financial liabilities	11.9	4.3	7.6	0.0
Capitalised transaction costs	(3.0)	(1.2)	(1.7)	(0.1)
Borrowings	**1,114.5**	**131.5**	**683.1**	**299.9**

	Total	Remaining term		
in € million	31.12.2019	up to 1 year	2 to 5 years	over 5 years
Syndicated & Term Loan	584.0	15.3	568.7	0.0
Bonded loans ("Schuldscheindarlehen")	400.0	0.0	100.0	300.0
Other credit lines and other loans	55.0	50.8	4.2	0.0
Accrued interest	4.1	4.1	0.0	0.0
Total liabilities to financial institutions	**1,043.1**	**70.2**	**672.9**	**300.0**
Other financial liabilities	15.6	2.3	13.1	0.2
Capitalised transaction costs	(3.7)	(1.0)	(2.7)	0.0
Borrowings	**1,055.0**	**71.5**	**683.3**	**300.2**

In January 2020 RHI Magnesita has refinanced its USD 400.0 million revolving credit facility in order to further strengthen the capital structure and extend the debt maturity. The new revolving fully unutilised credit facility has been converted to EUR and increased to €600.0 million. Additionally, in December the final maturity has been further extended to 2026. As of 31 December 2018, USD 210.0m of the RCF was utilised, which was fully repaid during 2019 and was unutilised on 31 December 2019 (USD 400m fully unutilised).

RHI Magnesita strengthened its financial liquidity by signing a new €60.0 million 2-year revolving credit facility guaranteed by the Austrian export credit agency (OeKB) in April 2020, which was part of the Austrian government's COVID-19 support program. The interest rate is the OeKB refinancing rate plus a margin between 0.5% and 0.7%, according to Group Leverage. RHI Magnesita borrows currently at the lowest margin of 0.5%. The final maturity of the loan is March 2022. Cash inflows from the new term loan in the amount of €60.0 million are shown in the Consolidated Statement of Cash Flows in proceeds from borrowings and loans.

In 2019 RHI Magnesita signed a €100.0 million 5-year term loan guaranteed by the Austrian export credit agency (OeKB). The interest rate is floating and is based on EURIBOR plus a margin between 0.4% and 1.3%, according to Group Leverage. The final maturity of the loan is February 2024.

In July and October 2019 RHI Magnesita took out a Schuldscheindarlehen ("SSD") bonded loan in one tranche of €280.0 million and another of €20.0 million respectively. With the proceeds from the new and lower interest bearing SSD bonded loans, the Group repaid €116.0 million of the extinguished legacy SSD bonded loans.

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Net debt excluding lease liabilities/adjusted EBITDA is the main financial covenant of the loan agreements and is shown under Note (56). Compliance with the covenants is measured on a semi-annual basis. Covenant ratio is limited at 3.5. Breach of covenants leads to an anticipated maturity of loans. In order to provide additional flexibility during the COVID-19 pandemic, the covenant ratio was renegotiated in the course of the second quarter 2020 and was extended to 5.0x for the testing period of 31 December 2020 and 30 June 2021. During 2020 and 2019, the Group met all covenant requirements.

For liabilities of €1,032.8 million (31.12.2019: €1,008.1 million), lenders have a termination option in the case of a change of control. In the event that certain reasons for termination exist, the lenders may declare the loan due with immediate effect and demand immediate repayment of the principal including interest, as well as the payment of other amounts payable that may have been incurred.

Considering interest swaps, 53% (31.12.2019: 59%) of the liabilities to financial institutions carry fixed interest and 47% (31.12.2019: 41%) carry variable interest.

The following table shows fixed interest terms and conditions, taking into account interest rate swaps, without liabilities from deferred interest:

Interest terms fixed until	Effective annual interest rate	Currency	31.12.2020 Carrying amount in € million	Interest terms fixed until	Effective annual interest rate	Currency	31.12.2019 Carrying amount in € million
2021	EURIBOR + margin	EUR	380.7	2020	EURIBOR + margin	EUR	389.9
	LIBOR + margin	USD	15.3		LIBOR + margin	USD	15.9
	Interbank Deposit Certificate (CDI) + Margin	CNY	19.9		Interbank Deposit Certificate (CDI) + margin	CNY	14.0
	Various - Variable rate	Var.	3.3		Various - variable rate	Var.	0.2
	Variable rate + margin	EUR	94.0				
2022	1.74%	EUR	62.0	2022	1.74%	EUR	62.0
	4.60%	EUR	3.0		4.60%	EUR	3.0
2023	0.28%	EUR	290.3	2023	0.28%	EUR	305.5
	3.09%	USD	162.6		3.09%	USD	178.5
2024	3.10%	EUR	35.0	2024	3.10%	EUR	35.0
2026	1.10%	EUR	27.0	2026	1.10%	EUR	27.0
2029	1.52%	EUR	8.0	2029	1.52%	EUR	8.0
			1,101.1				**1,039.0**

In some cases, the terms to maturity of the contracts are substantially longer than the period during which interest terms are fixed.

26. Other financial liabilities

Other financial liabilities include the negative fair value of derivative financial instruments as well as lease liabilities, fixed-term and puttable non-controlling interests in Group companies and a liability due to the settlement of a power supply contract in Norway. This item of the Consolidated Statement of Financial Position consists of the following items:

			31.12.2020			31.12.2019
in € million	Current	Non-current	Total	Current	Non-current	Total
Derivatives from supply contracts	1.6	0.0	1.6	5.9	18.0	23.9
Interest rate swaps	0.0	18.3	18.3	0.0	14.8	14.8
Derivatives in open orders	1.8	0.0	1.8	0.6	0.0	0.6
Derivative financial liabilities	**3.4**	**18.3**	**21.7**	**6.5**	**32.8**	**39.3**
Lease liabilities	**12.2**	**44.6**	**56.8**	**13.8**	**48.1**	**61.9**
Power supply contract Norway	**15.5**	**0.0**	**15.5**	**0.0**	**0.0**	**0.0**
Fixed-term or puttable non-controlling interests	12.9	25.9	38.8	11.6	24.2	35.8
Other financial liabilities	**44.0**	**88.8**	**132.8**	**31.9**	**105.1**	**137.0**

Additional explanation on derivative financial instruments is provided under Note (54).

27. Provisions for pensions

The net liability from pension obligations in the Consolidated Statement of Financial Position is as follows:

in € million	31.12.2020	31.12.2019
Present value of pension obligations	523.3	557.9
Fair value of plan assets	(240.2)	(248.0)
Deficit of funded plans	**283.1**	**309.9**
Asset ceiling	20.5	18.0
Net liability from pension obligations	**303.6**	**327.9**
thereof assets from overfunded pension plans	0.0	0.2
thereof pensions	303.6	328.1

The present value of pension obligations by beneficiary groups is as follows:

in € million	31.12.2020	31.12.2019
Active beneficiaries	101.0	115.3
Vested terminated beneficiaries	72.9	74.6
Retirees	349.4	368.0
Present value of pension obligations	**523.3**	**557.9**

Notes
continued

The calculation of pension obligations is based on the following actuarial assumptions:

in %	31.12.2020	31.12.2019
Interest rate	1.7%	2.3%
Future salary increase	2.4%	2.6%
Future pension increase	1.7%	2.1%

These are average values which were weighted with the present value of the respective pension obligation.

The calculation of the actuarial interest rate for the European currency area is based on a yield curve for returns of high-quality corporate bonds denominated in EUR with an average rating of AA, which is derived from pooled index values. The calculation of the actuarial interest rate for the USD and GBP currency area is based on a yield curve for returns of high-quality corporate bonds denominated in USD and GBP with an average rating of AA, which is derived from pooled index values. Where there are very long-term maturities, the yield curve follows the performance of bonds without credit default risk. The interest rate is calculated annually at 31 December, taking into account the expected future cash flows which were determined based on the current personal and commitment data.

The calculation in Austria was based on the AVÖ 2018-P demographic calculation principles for salaried employees from the Actuarial Association of Austria. In Germany, the Heubeck 2018 G actuarial tables were used as a basis. In the other countries, country-specific mortality tables were applied.

The main pension regulations are described below:

The Austrian group companies account for €111.8 million (31.12.2019: €122.0 million) of the present value of pension obligations and for €23.0 million (31.12.2019: €23.2 million) of the plan assets. The agreed benefits include pensions, invalidity benefits and benefits for surviving dependents. Commitments in the form of company or individual agreements depend on the length of service and the salary at the time of retirement. For the majority of commitments the amount of the company pension subsidy is limited to 75% of the final remuneration including a pension pursuant to the General Social Insurance Act (ASVG). RHI Magnesita has concluded pension reinsurance policies for part of the commitments. The pension claims of the beneficiaries are limited to the coverage capital required for these commitments. Pensions are predominantly paid in the form of annuities and are partially indexed. For employees joining the company after 1 January 1984, no defined benefits were granted. Rather, a defined contribution pension model is in place. In addition, there are commitments based on the deferred compensation principle, which are fully covered by pension reinsurance policies, and commitments for preretirement benefits for employees in mining operations.

The pension plans of the German group companies account for €155.2 million (31.12.2019: €160.4 million) of the present value of pension obligations and for €0.7 million (31.12.2019: €0.7 million) of plan assets. The benefits included in company agreements comprise pensions, invalidity benefits and benefits for surviving dependents. The amount of the pension depends on the length of service for the majority of the commitments and is calculated as a percentage of the average monthly wage/salary of the last 12 months prior to retirement. In some cases, commitments to fixed benefits per year of service have been made. The pensions are predominantly paid in the form of annuities and are adjusted in accordance with the development of the consumer price index for Germany. The pension plans are closed for new entrants, except one contribution-based plan. There is no defined contribution model on a voluntary basis. Individual commitments have been made, with major part of them being retired beneficiaries.

The pension plan of the US group company Magnesita Refractories Company, York, USA, accounts for €86.0 million (31.12.2019: €87.5 million) of the present value of pension obligations and for €70.2 million (31.12.2019: €67.8 million) of the plan assets. The pension plan is a non-contributory defined benefit plan covering a portion of the employees of the company. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective 21 June 1999, the company offered the participants the opportunity to elect to participate in a single enhanced defined contribution plan. Participants who made this election are no longer eligible for future accruals under this plan. All benefits accrued as of the date of transfer will be retained. Employees hired after 21 June 1999 and employees that did not meet the plan's eligibility requirements as of 21 June 1999 are not eligible for this plan. The pensions are predominantly paid in the form of annuities and are adjusted annually based on the US consumer price index. The company's contributions for the year ended 31 December 2020 met, or exceeded, the minimum funding requirements of ERISA.

The pension plan of the UK group company Magnesita Refractories Ltd., Dinnington, United Kingdom, accounts for €63.7 million (31.12.2019: €63.5 million) of the present value of pension obligations and holds €84.2 million (31.12.2019: €81.5 million) of assets, although only €63.7 million (31.12.2019: €63.5 million) of the plan assets are reflected on the balance sheet due to the application of IFRIC 14 (asset ceiling). The company sponsors a funded defined benefit pension plan for qualifying UK employees. The plan is administered by a separate board of trustees which is legally separate from the company. The trustees are composed of representatives of both the employer and employees, plus an independent professional trustee. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits. Under the plan, employees are entitled to annual pensions on retirement at age 65.

The pension liabilities of the Brazilian group company Magnesita Refratários S.A. account for €52.3 million (31.12.2019: €72.5 million) of the present value of pension obligations and for €26.9 million (31.12.2019: €39.9 million) of the plan assets. The pension plan qualifies as an optional benefit plan. Employees are entitled to contribute to the plan, with the company contributing 1.5 times this value. The agreed benefits include pensions, invalidity benefits and benefits for surviving dependents. Commitments in the form of company or individual agreements depend on the length of service and salary at the time of retirement. For the majority of commitments, the amount of the company pension obligation is limited to 75% of the final remuneration. At retirement the employee may choose to receive up to 25% of his/her amount at once or receive it on a pro-rata base with different options of monthly quotes.

The following table shows the development of net liability from pension obligations:

in € million	2020	2019
Net liability from pension obligations at beginning of year	**328.1**	**302.2**
Currency translation	(13.2)	0.3
Pension cost	10.3	12.2
Remeasurement losses	0.6	36.9
Benefits paid	(18.6)	(18.2)
Employers' contributions to external funds	(3.6)	(4.9)
Reclassifications	0.0	(0.4)
Net liability from pension obligations at year-end	**303.6**	**328.1**

The present value of pension obligations developed as follows:

in € million	2020	2019
Present value of pension obligations at beginning of year	**557.9**	**506.6**
Currency translation	(34.7)	5.2
Current service cost	4.6	3.7
Interest cost	10.9	16.5
Remeasurement (gains)/losses		
from changes in demographic assumptions	(1.0)	(1.4)
from changes in financial assumptions	24.3	60.1
due to experience adjustments	(8.6)	0.4
Benefits paid	(30.6)	(33.1)
Employee contributions to external funds	0.5	0.5
Reclassifications	0.0	(0.6)
Present value of pension obligations at year-end	**523.3**	**557.9**

Notes
continued

The movement in plan assets is shown in the table below:

in € million	2020	2019
Fair value of plan assets at beginning of year	**248.0**	**223.9**
Currency translation	(22.9)	5.8
Interest income	6.0	9.1
Administrative costs (paid from plan assets)	(0.4)	(0.5)
Income/(expense) on plan assets less interest income	17.4	19.5
Benefits paid	(12.0)	(14.9)
Employers' contributions to external funds	3.6	4.9
Employee contributions to external funds	0.5	0.5
Transfer	0.0	(0.3)
Fair value of plan assets at year-end	**240.2**	**248.0**

The changes in the asset ceiling are shown below:

in € million	2020	2019
Asset ceiling at beginning of year	**18.0**	**19.5**
Currency translation	(1.0)	1.0
Interest expense	0.4	0.6
Losses/(gains) from changes in asset ceiling less interest expense	3.0	(3.1)
Asset ceiling at year-end	**20.4**	**18.0**

At 31 December 2020 the weighted average duration of pension obligations amounts to 13 years (31.12.2019: 12 years).

The following amounts were recorded in the Consolidated Statement of Profit or Loss:

in € million	2020	2019
Current service cost	4.6	3.7
Gains on settlement	0.0	(0.1)
Interest cost	10.9	16.7
Interest income	(6.0)	(9.2)
Interest expense from asset ceiling	0.4	0.6
Administrative costs (paid from plan assets)	0.4	0.5
Pension expense recognised in profit or loss	**10.3**	**12.2**

The remeasurement results recognised in other comprehensive income are shown in the table below:

in € million	2020	2019
Accumulated remeasurement losses at beginning of year	**168.0**	**131.4**
Remeasurement losses on present value of pension obligations	14.7	59.2
Income on plan assets less interest income	(17.4)	(19.5)
Losses/(gains) from changes in asset ceiling less interest expense	3.0	(3.1)
Accumulated remeasurement losses at year-end	**168.3**	**168.0**

The present value of plan assets is distributed to the following classes of investments:

			31.12.2020			31.12.2019
in € million	Active market	No active market	Total	Active market	No active market	Total
Insurances	0.0	41.0	41.0	0.0	40.2	40.2
Equity instruments	5.5	35.4	40.9	4.1	31.0	35.1
Debt instruments	60.5	38.0	98.5	17.7	44.2	61.9
Cash and cash equivalents	2.1	6.5	8.6	38.1	4.0	42.1
Other assets	48.7	2.5	51.2	65.8	2.9	68.7
Fair value of plan assets	**116.8**	**123.4**	**240.2**	**125.7**	**122.3**	**248.0**

The present value of the insurances to cover the Austrian pension plans corresponds to the coverage capital. Insurance companies predominantly invest in debt instruments and to a low extent in equity instruments and properties.

Plan assets do not include own financial instruments of the Group or assets utilised by the RHI Magnesita Group.

RHI Magnesita works with professional fund managers for the investment of plan assets. They act on the basis of specific investment guidelines adopted by the pension fund committee of the respective pension plans. The committees consist of management staff of the finance department and other qualified executives. They meet regularly in order to approve the target portfolio with the support of independent actuarial experts and to review the risks and the performance of the investments. In addition, they approve the selection or the extension of contracts of external fund managers.

The largest part of the other assets is invested in pension reinsurance, which creates a low counterparty risk towards insurance companies. In addition, the Group is exposed to interest risks and longevity risks resulting from defined benefit commitments.

The Group generally endows the pension funds with the amount necessary to meet the legal minimum allocation requirements of the country in which the fund is based. Moreover, the Group makes additional allocations at its discretion from time to time. In the financial year 2021, RHI Magnesita expects employer contributions to external plan assets to amount to €3.1 million and direct payments to entitled beneficiaries to €22.5 million. In the previous year, employer contributions of €3.7 million and direct pension payments of €21.1 million had been expected for the financial year 2020.

28. Other personnel provisions

Other personnel provisions consist of the following items:

in € million	31.12.2020	31.12.2019
Termination benefits	46.4	52.0
Service anniversary bonuses	19.4	21.0
Legacy share-based payment program	0.1	0.0
Semi-retirements	4.6	2.8
Other personnel provisions	**70.5**	**75.8**

Provisions for termination benefits

Provisions for termination benefits were based on the following weighted average measurement assumptions:

in %	31.12.2020	31.12.2019
Interest rate	0.9%	1.3%
Future salary increase	3.5%	3.4%

Notes
continued

The interest rate for the measurement of termination benefit obligations in the Euro area was determined taking into account the company specific duration of the portfolio.

Provisions for termination benefits developed as follows in the financial year and the previous year:

in € million	2020	2019
Provisions for termination benefits at beginning of year	**52.0**	**55.5**
Currency translation	(0.1)	0.1
Current service cost	1.3	1.5
Past service cost	0.0	(0.7)
Interest cost	0.6	1.1
Remeasurement losses/(gains)		
from changes in financial assumptions	2.1	2.1
due to experience adjustments	(1.9)	(1.8)
Benefits paid	(7.5)	(5.8)
Gain on settlement	(0.1)	0.0
Provisions for termination benefits at year-end	**46.4**	**52.0**

Payments for termination benefits are expected to amount to €2.9 million in the year 2021. In the previous year, the payments for termination benefits expected for the year 2020 amounted to €5.8 million.

The following remeasurement gains and losses were recognised in other comprehensive income:

in € million	2020	2019
Accumulated remeasurement losses at beginning of year	**27.5**	**27.2**
Remeasurement losses/(gains)	0.1	0.3
Accumulated remeasurement losses at year-end	**27.6**	**27.5**

At 31 December 2020 the weighted average duration of termination benefit obligations amounts to 12 years (31.12.2019: 11 years).

Provisions for service anniversary bonuses
The measurement of provisions for service anniversary bonuses is based on an average weighted interest rate of 0.5% (31.12.2019: 0.8%) and considers salary increases of 3.5% (31.12.2019: 3.4%).

Provisions for semi-retirement
The funded status of provisions for obligations to employees with semi-retirement contracts is shown in the table below:

in € million	31.12.2020	31.12.2019
Present value of semi-retirement obligations	7.8	6.3
Fair value of plan assets	(3.2)	(3.5)
Provisions for semi-retirement obligations	**4.6**	**2.8**

External plan assets are ring-fenced from all creditors and exclusively serve to meet semi-retirement obligations.

29. Other non-current provisions

The development of non-current provisions is shown in the table below:

in € million	Onerous/unfavou rable contracts	Labour and civil contingencies	Demolition/disposal costs, environmental damages	Other	Total
31.12.2019	**77.5**	**10.2**	**10.7**	**0.1**	**98.5**
Currency translation	(21.6)	(3.2)	(1.7)	0.0	(26.5)
Reversals	(7.4)	(1.0)	(1.4)	(0.1)	(9.9)
Additions	0.0	0.7	2.9	0.0	3.6
Additions interest	8.3	0.0	0.2	0.0	8.5
Reclassifications	(11.6)	0.0	0.0	0.0	(11.6)
31.12.2020	**45.2**	**6.7**	**10.7**	**0.0**	**62.6**

In November 2017, RHI Magnesita sold a plant located in Oberhausen, Germany, in order to satisfy the conditions imposed by the European Commission in connection with their approval of the Acquisition of Control of Magnesita. As RHI Magnesita is obligated to provide raw materials at cost, the Group has recognised a provision for unfavourable contracts as part of the purchase price allocation to reflect the foregone profit margin. The non-current portion of this contract obligation amounts to €45.2 million as of 31.12.2020 (31.12.2019: €71.2 million).

The provision for labour and civil contingencies primarily comprises labour litigation provisions against RHI Magnesita totalling 301 cases amounting to €5.2 million (31.12.2019: €8.0 million).

The provision for demolition and disposal costs and environmental damages primarily includes provisions for the estimated costs of mining site restoration of several mines in Brazil amounting to €2.3 million (31.12.2019: €3.9 million) and various sites in the United States amounting to €5.3 million (31.12.2019: €6.3 million).

30. Other non-current liabilities

Other non-current liabilities consist of the following items:

in € million	31.12.2020	31.12.2019
Deferred income for subsidies received	3.1	5.8
Liabilities to employees	0.8	1.4
Miscellaneous non-current liabilities	0.9	0.1
Other non-current liabilities	**4.8**	**7.3**
thereof financial liabilities	0.0	0.0
thereof non-financial liabilities	4.8	7.3

Notes
continued

31. 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	31.12.2020	31.12.2019
Trade payables	318.6	360.7[1]
Contract liabilities	46.2	45.5
Liabilities to employees	88.8	87.5
Taxes other than income tax	27.0	49.7
Dividend liabilities	0.4	25.0
Payables from property transactions	9.9	17.0
Payables from commissions	5.6	8.2
Liabilities to joint ventures and associates	0.7	0.7
Liabilities to non-consolidated subsidiaries	1.2	0.7
Other current liabilities	24.3	19.0
Trade payables and other current liabilities	**522.7**	**614.0**
thereof financial liabilities	337.6	412.3
thereof non-financial liabilities	185.1	201.7

1) Adjusted to reflect the changes in presentation.

Trade payables include an amount of €43.5 million (31.12.2019: €67.4 million) for raw material purchases subject to supply chain finance arrangements.

Contract liabilities mainly consist of prepayments received on orders. In 2020 €45.5 million revenue was recognised related to contract liabilities recognised as at 31 December 2019.

The item liabilities to employees primarily consists of obligations for wages and salaries, payroll taxes and employee-related duties, performance bonuses, unused vacation and flextime credits.

Other current liabilities include €0.6 million (31.12.2019: €1.3 million) investment reimbursement obligation to the former subsidiary Dolomite Franchi S.p.A., and other accrued expenses.

32. Income tax liabilities
Income tax liabilities amounting to €25.8 million (31.12.2019: €35.4 million) primarily include income taxes for the current year and previous years, which domestic and foreign tax authorities have not definitively assessed. Considering many factors, including the interpretation and jurisprudence on the respective tax laws and previous experiences, adequate liabilities were recognised.

33. Current provisions

The development of current provisions is shown in the table below:

in € million	Restructuring costs	Demolition/ disposal costs, environmental damages	Warranties	Onerous/unfavourab le contracts	Other	Total
31.12.2019	**31.8**	**5.4**	**9.3**	**17.8**	**5.5**	**69.8**
Currency translation	(0.8)	0.0	(0.4)	(3.4)	(0.2)	(4.8)
Utilised	(23.8)	(0.2)	(3.4)	(10.2)	(1.5)	(39.1)
Reversals	(1.1)	(0.1)	(1.5)	(3.3)	(0.6)	(6.6)
Additions	47.4	1.4	5.9	2.0	0.5	57.2
Reclassifications	0.0	1.3	0.0	11.6	(1.3)	11.6
Disposal groups	(0.1)	0.0	0.0	(1.6)	0.0	(1.7)
31.12.2020	**53.4**	**7.8**	**9.9**	**12.9**	**2.4**	**86.4**

Provisions for restructuring costs amounting to €53.4 million as of 31 December 2020 (31.12.2019: €31.8 million) primarily consist of estimated benefit obligations to employees due to termination of employment and dismantling costs. Thereof, €15.4 million relate to a project to review the Group's cost base on a long-term basis with the objective to streamline RHI Magnesita's organisation to preserve liquidity and restore profitability. Further €22.5 million relate to the plant closure in Mainzlar, Germany, €9.2 million to the plant closure in Kruft, Germany, €2.6 million (31.12.2019: €12.1 million) to the plant closure in Hagen, Germany, and €1.2 million (31.12.2019: €4.0 million) to the partial shut-down of the plant in Trieben, Austria.

The item demolition and disposal costs, environmental damages includes an amount of €2.5 million (31.12.2019: €2.5 million) which refers to the former site in Aachen, Germany. It is assumed that this provision will be used up within the next 12 months.

Provisions for warranties include provisions for claims arising from warranties and other similar obligations from the sale of refractory products.

Provisions for contract obligations include the current portion of the Oberhausen supply contract obligation amounting to €7.6 million (31.12.2019: €10.4 million). The amortisation of this provision led to an income of €13.1 million in 2020 (31.12.2019: €15.5 million). Furthermore, provisions for other unfavourable contracts amount to €2.0 million (31.12.2019: €3.5 million). Provisions for unfavourable contracts related to contracts for logistics services and the procurement of raw materials totalling €4.9 million (31.12.2019: €3.9 million) were reclassified to held for sale (IFRS 5) as of 31 December 2020.

The item other provisions includes a provision for the legacy share-based remuneration programme of the members of the former Management Board of RHI AG of €0.9 million (31.12.2019: €1.9 million).

In addition, provisions for legal proceedings amounting to €0.3 million (31.12.2019: €0.7 million) are included in the item other provisions. It is currently uncertain when precisely the cash outflow is due.

Furthermore, several provisions, which are individually immaterial and cannot be allocated to one of the above-mentioned categories, are included in other provisions. A large part of these costs is expected to be paid within 12 months.

Notes
continued

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

34. Revenue
Revenue is essentially generated by product deliveries and by performing management refractory services. The distribution of revenue by product group, division and country is given in the explanations to segment reporting under Note (50).

35. Cost of sales
Cost of sales comprises the production cost of goods sold as well as the purchase price of merchandise sold. In addition to direct material and production costs, it also includes overheads including depreciation charges on production equipment, amortisation charges of intangible assets as well as impairment losses and reversals of impairment losses of inventories. Moreover, cost of sales also includes the costs of services provided by the Group or services received.

36. Selling and marketing expenses
This item includes personnel expenses for the sales staff as well as depreciation charges and other operating expenses related to the market and sales processes.

37. General and administrative expenses
General and administrative expenses primarily consist of personnel expenses for the administrative functions, legal and other consulting costs, expenses for research and non-capitalisable development costs.

Research and development expenses totalled €37.8 million (2019: €35.0 million), of which development costs amounting to €7.2 million (2019: €9.0 million) were capitalised. Income from research grants amounted to €3.9 million (2019: €4.4 million) in 2020. Amortisation and impairment of development costs amounting to €3.6 million (2019: €4.4 million) are recognised under cost of sales.

38. Restructuring and write-down expenses

Production Optimisation Plan

The Group continued the Production Optimisation Plan initiated in 2019 throughout 2020, which led to €46.5 million (2019: €46.7 million) of restructuring expenses and €28.1 million (2019: €51.5 million) of non-current asset write-downs. Thereof €19.1 million (2019: €45.3 million) are allocated to Segment Steel and €9.0 million (2019: €6.2 million) are allocated to Segment Industrial. They are outlined below:

Restructuring expenses related to the plant closure in Mainzlar, Germany, amounting to €30.8 million. Thereof, €21.4 million relate to termination of employment costs and €7.7 million refer to write-down expenses amounted on non-current assets, of which €2.5 million are attributable to Segment Steel and €5.2 million are attributable to Segment Industrial.

Further, restructuring expenses for the plant closure in Kruft, Germany, amounting to €17.7 million have been recognised. These expenses mainly relate to termination of employment costs amounting to €8.2 million and write-down expenses recognised on non-current assets amounting to €7.8 million, of which €6.8 million are attributable to Segment Steel and €1.0 million to Segment Industrial.

Write-down expenses recognised on non-current assets amounting to €15.6 million relate to the plant Refratec in Brazil, of which €12.3 million are attributable to Segment Steel and €3.3 million to Segment Industrial.

In the current reporting period additional restructuring expenses for the plant closure in Hagen, Germany, amounting to €11.2 million (2019: €55.3 million) have been recognised. These expenses mainly refer to termination of employment costs and other costs incurred in the course of the closure of the plant.

For the partial shut-down of the plant in Trieben, Austria, additional restructuring expenses amounting to €1.6 million (2019: €13.7 million) have been recognised in 2020, which mainly result from costs incurred in the course of the closure of the plant and the write-down of the remaining assets.

The sale of the plant in Burlington, Canada, resulted in a gain from disposal in the amount of €6.0 million and asset write-downs of €1.5 million. Further, termination of employment costs amount to €1.2 million.

The Production Optimisation Plan is expected to be completed in 2021.

The recoverable amounts of the assets written down due to restructurings were determined at their fair value less cost of disposal. Except for land that is available for resale, the fair value less cost of disposal is generally determined by reference to an asset's scrap value (Level 3 fair value). Scrap value is determined to be zero, unless otherwise stated. The FVLCOD is determined with reference to publicly available pricing information in Germany. The FVLCOD of the land exceeds their carrying amount.

Organisational restructuring

Management is conducting a detailed and far-reaching review of the Group's cost base on a long-term basis, to make sure the business is right-sized and prepared for the challenges and opportunities ahead. In 2020 these plans included reduction in the first three levels of management by 20% and the implementation of the new structure on 1 August 2020. As a result, restructuring expenses in the amount of €22.2 million have been recognised and are related to termination of employment costs. As this project is still ongoing, further restructuring expenses are to be expected in 2021.

Divestment Norway and Ireland

During the year the Group initiated a divestment process for the plants in Drogheda, Ireland, and Porsgrunn, Norway, which was completed in February 2021. As a result, write-down expenses on non-current assets amounting to €18.7 million were recognised. Thereof, €4.6 million are attributable to Segment Steel and €14.1 million are attributable to Segment Industrial. In 2019 write-down expenses amounting to €13.9 million resulted from the impairment testing Norway according to IAS 36, of which €9.3 million were allocated to Segment Steel and €4.6 million were allocated to Segment Industrial.

Other

Restructuring costs further include the settlement gain on a logistics services contract in the Porsgrunn plant, Norway, amounting to €3.3 million. The settlement of the contract was a pre-requisite for the divestment of the plant.

Notes
continued

Summary of restructuring and write-down expenses recognised in the current reporting period:

in € million	2020
Plant closure Mainzlar	(30.8)
Plant closure Kruft	(17.7)
Plant closure Refratec	(15.6)
Plant closure Hagen	(11.2)
Plant closure Trieben	(1.6)
Plant closure Evergem	(1.0)
Plant closure Burlington	3.3
Production Optimisation Plan	**(74.6)**
Organisational restructuring	(22.2)
Divestment Norway and Ireland	(19.5)
Other	2.5
Restructuring and write-down expenses	**(113.8)**

39. Other income
The individual components of other income are:

in € million	2020	2019
Amortisation of Oberhausen provision	13.1	15.5
Income from the disposal of non-current assets	1.8	1.9
Income from the reversal of provisions	0.5	4.6
Miscellaneous income	4.3	12.9
Other income	**19.7**	**34.9**

40. Other expenses
Other expenses include:

in € million	2020	2019
Result from derivatives from supply contracts	(9.6)	(3.0)
Expenses for strategic projects	(6.9)	(9.0)
Losses from the disposal of non-current assets	(6.4)	(4.3)
Result from deconsolidation – recycling currency translation differences	(0.3)	(3.7)
Miscellaneous expenses	(3.0)	(11.3)
Other expenses	**(26.2)**	**(31.3)**

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

Expenses for strategic projects amounting to €6.9 million (2019: €9.0 million) mainly include legal and consulting fees related to organisational streamlining and M&A.

41. Interest income

This item includes interest on cash at banks and similar income amounting to €5.2 million (2019: €8.7 million), interest income on financial receivables amounting to €0.0 million (2019: €0.2 million) and interest income on securities and shares amounting to €0.7 million (2019: €0.2 million).

42. Foreign exchange effects and related derivatives

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

in € million	2020	2019
Foreign exchange gains	147.1	83.3
Gains from related derivative financial instruments	1.9	14.6
Foreign exchange losses	(190.4)	(83.4)
Losses from related derivative financial instruments	(1.4)	(31.7)
Net expense on foreign exchange effects and related derivatives	**(42.8)**	**(17.2)**

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

43. Other net financial expenses

Other net financial expenses consist of the following items:

in € million	2020	2019
Interest income on plan assets	5.9	8.6
Interest expense on provisions for pensions	(11.2)	(16.7)
Interest expense on provisions for termination benefits	(0.6)	(1.2)
Interest expense on other personnel provisions	(0.2)	(0.3)
Net interest expense personnel provisions	**(6.1)**	**(9.6)**
Unwinding of discount of provisions and payables	(9.6)	(12.9)
Interest expense on non-controlling interests	(3.7)	(3.9)
Interest expense on lease liabilities	(1.3)	(1.2)
Gains from the disposal of securities and shares	0.0	0.9
Reversal of impairment losses on securities	0.0	0.8
Impairment losses on securities	(0.2)	0.0
Expenses from the valuation of put options	(1.6)	(0.5)
Other interest and similar expenses	(7.2)	(12.3)
Other net financial expenses	**(29.7)**	**(38.7)**

Notes
continued

44. Income tax
Income tax consists of the following items:

in € million	2020	2019
Current tax expense	(27.1)	(72.7)
Deferred tax (expense)/income relating to		
temporary differences	(3.7)	29.8
tax loss carryforwards	16.9	(7.9)
	13.2	21.9
Income tax	**(13.9)**	**(50.8)**

The current tax expense of the year 2020 includes tax expenses for previous periods of €2.5 million (2019: €8.4 million) and income from income tax relating to prior periods of €8.3 million (2019: €1.7 million).

In 2020 the income tax income for prior periods mainly includes income from revised tax returns in the Netherlands amounting to €3.8 million and income from a change in estimate of prior-year tax provisions in Germany amounting to €1.4 million. In 2019 income tax expenses for prior periods mainly include exit value expenses out of an ongoing transfer of functions between related parties amounting to €1.8 million and tax audit expenses in APAC and Italy amounting to € 1.2 million.

In addition to the income taxes recognised in the Statement of Profit or Loss, tax income totalling €41.1 million (2019: €18.0 million), which is attributable to other comprehensive income, was also recognised in other comprehensive income.

The reasons for the difference between the income tax expense, which would result from the application of the Austrian corporate tax rate of 25% on the profit before income tax, and the income tax reported are shown below:

in € million	2020	2019
Profit before income tax	**41.5**	**199.6**
Income tax expense calculated at 25% (2019: 25%)	**10.4**	**49.9**
Different foreign tax rates	0.3	(4.4)
Expenses not deductible for tax purposes, non-creditable taxes	14.6	17.2
Non-taxable income and tax benefits	(5.0)	(22.5)
Tax losses and temporary differences of the financial year not recognised	6.4	9.9
Utilisation of previously unrecognised loss carryforwards and temporary differences	(3.4)	(2.5)
Recognition of previously unrecognised loss carryforwards and temporary differences	(14.2)	(13.3)
Change in valuation allowance on deferred tax assets	0.3	0.6
Deferred taxes not usable due to plant sale	16.0	0.0
Deferred tax expense due to tax rate changes	(6.6)	(0.6)
Deferred income tax relating to prior periods	0.4	8.5
Current income tax relating to prior periods	(5.9)	7.6
Other	0.6	0.5
Recognised tax expense	**13.9**	**50.8**
Effective tax rate (in %)	**33.5%**	**25.5%**

In 2020 expenses not deductible for tax purposes included non-deductible voluntary leave payments in Austria of €1.7 million, non-deductible expenses for a share sale of €0.2 million, € 4.9 million in Brazil, mainly due to taxation on foreign income of Brazilian controlled subsidiaries and non-deductible expenses due to thin capitalisation of €1.1 million in Argentina.

Non-taxable income and tax benefits include non-taxable portions of a capital gain of €0.8 million or statutory adjustments of €0.7 million. On tax losses and temporary differences €3.1 million of potential deferred tax assets have not been recognised in Luxembourg and in Brazil and €2.9 of tax losses and temporary differences resulted from plant closures and could not be recognised due to limited planned taxable income in future years. Previously unrecognised tax loss carryforwards of €2.6 million could be utilised in China. Because of an increase in the planned future taxable income previously unrecognised deferred tax assets could now be recognised leading to an additional tax income of €2.3 million in the Netherlands and €2.4 million in China. Furthermore, a restructuring in Austria led to €9.4 million of deferred tax assets being recognised due to increased planned taxable income. Deferred tax assets had to be impaired for €16.0 million in Norway due to the sale of the company holding those tax assets.

Due to tax rate changes in Brazil from 15,25% to 34% in relation to the SUDENE tax regime an amount of €6.5 million increased the income from deferred income taxes. In 2019 tax expense due to tax rate changes relates mainly to an Indian company, where the tax rate changed from 34,94% to 27,83%, leading to an additional expense of €1,5 million and to an American company where the tax rate changed from 23,66% to 24,2%, leading to an additional income of €0,7 million.

45. Expense categories

The presentation of the Consolidated Statement of Profit or Loss is based on the function of expenses. The following tables show a classification by expense category for 2020 and the previous year:

in € million	Cost of sales	Selling and marketing expenses	General and administrative expenses	Other income/ expenses	Restructuring and write-down income/expenses	Total 2020
Changes in inventories, own work capitalised	21.7	0.0	(2.4)	0.0	0.0	19.3
Cost of materials	1,004.4	0.9	7.8	0.0	0.0	1,013.1
Personnel costs	313.6	76.1	126.5	0.0	59.3	575.5
Depreciation and amortisation charges	115.7	3.6	20.3	0.0	0.0	139.6
Write-down expenses	0.0	0.0	0.0	0.0	52.1	52.1
Other income	(1.7)	0.0	(3.8)	(19.7)	(7.2)	(32.4)
Other expenses	255.2	30.3	49.9	26.2	9.6	371.2
Total	**1,708.9**	**110.9**	**198.3**	**6.5**	**113.8**	**2,138.4**

Cost of materials includes expenses for raw materials and supplies and purchased goods of €827.9 million (2019: €1,049.6 million) as well as expenses for services received, especially energy, amounting to €185.2 million (2019: €223.5 million).

in € million	Cost of sales	Selling and marketing expenses	General and administrative expenses	Other income/ expenses	Restructuring and write-down income/expenses	Total 2019
Changes in inventories, own work capitalised	60.7	0.0	(4.8)	0.0	0.0	55.9
Cost of materials	1,269.6	(0.7)	2.4	0.0	1.7	1,273.0
Personnel costs	412.2	76.9	115.2	0.0	25.3	629.6
Depreciation and amortisation charges	154.1	2.7	15.9	0.0	0.0	172.7
Write-down expenses	0.0	0.0	0.0	0.0	65.4	65.4
Other income	(23.2)	(2.0)	(4.3)	(1.8)	0.0	(31.3)
Other expenses	331.7	49.3	84.8	(1.8)	19.7	483.7
Total	**2,205.1**	**126.2**	**209.2**	**(3.6)**	**112.1**	**2,649.0**

Amortisation charges of intangible assets are largely recognised in cost of sales. Other expenses mainly include freight costs, commissions, travel costs as well as consulting and other outside services.

Notes
continued

46. Personnel costs
Personnel costs consist of the following components:

in € million	2020	2019
Wages and salaries	443.3	489.6
Pensions		
Defined benefit plans	5.1	4.1
Defined contribution plans	6.2	5.9
Termination benefits		
Defined benefit plans	1.7	0.8
Defined contribution plans	1.4	1.4
Other expenses	19.1	15.9
Social security costs	73.7	79.3
Fringe benefits	25.1	32.7
Personnel expenses (without interest expenses)	**575.6**	**629.7**

Personnel costs do not include amounts resulting from the interest accrued on personnel provisions. They amount to €6.0 million (2019: €9.6 million) and are recorded in other net financial expenses.

The expenses for wages and salaries include €3.0 million (2019: €4.1 million) for share based payments.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows how cash and cash equivalents of the Group change through cash inflows and cash outflows during the reporting year. In accordance with IAS 7, cash flows from operating activities, from investing activities and from financing activities are distinguished. Cash flows from investing and financing activities are determined on the basis of cash payment, while cash flow from operating activities is derived from the Consolidated Financial Statements using the indirect method.

The respective monthly changes in items of the Statement of Financial Position of companies that report in foreign currencies are translated at the closing rate of the previous month and adjusted for effects arising from changes in the group of consolidated companies or in other businesses. Therefore, the Statement of Cash Flows cannot be derived directly from changes in items of the Consolidated Statement of Financial Position. As in the Statement of Financial Position, cash and cash equivalents are translated at the closing rate. The effects of changes in exchange rates on cash and cash equivalents are shown separately.

47. Cash generated from operations

in € million	2020	2019
Profit after income tax	27.6	148.8
Adjustments for		
income tax	14.0	50.8
depreciation	120.3	146.2
amortisation	19.4	26.4
write-down of property, plant and equipment and intangible assets	46.8	65.5
income from the reversal of investment subsidies	(0.6)	(0.6)
write-ups/ impairment losses on securities	0.2	8.7
losses from the disposal of property, plant and equipment	0.1	2.8
gains from the disposal of securities and shares	0.0	(0.9)
losses from the disposal of subsidiaries	0.3	3.7
net interest expense and derivatives	36.0	49.6
share of profit of joint ventures and associates	(7.6)	(11.1)
other non-cash changes	23.2	26.0
Changes in working capital		
inventories	64.2	110.9
trade receivables	35.9	30.3
contract assets	(0.1)	0.0
trade payables	(5.8)	(145.0)
contract liabilities	3.1	(19.0)
Changes in other assets and liabilities		
other receivables and assets	13.1	(4.9)
provisions	(4.1)	(8.0)
other liabilities	(19.4)	(9.8)
Cash generated from operations	**366.6**	**470.4**

Other non-cash expenses and income include mainly the net interest expenses for defined benefit pension plans amounting to €6.1 million (2019: €9.6 million), net remeasurement losses of monetary foreign currency positions and derivative financial instruments of €4.3 million (2019: €19.8 million), foreign exchange effects and the amortisation of Oberhausen provision (see Note 39).

Notes
continued

48. Net cash flow from financing activities

The reconciliation of movements of financial liabilities and assets to cash flows arising from financing activities for the current and the prior year is shown in the tables below:

in € million	31.12.2019	Cash changes	Non-cash changes				31.12.2020
			Changes in foreign exchange rates	Disposal group IFRS 5	Interest expense and other changes	Additions and modifications of leases (IFRS 16)	
Liabilities to financial institutions	1,043.1	51.1	(15.1)	0.0	26.5	0.0	1,105.6
Lease liabilities	61.9	(17.1)	(6.7)	(9.6)	1.3	27.0	56.8
Liabilities to fixed-term or puttable non-controlling interests	35.8	(1.6)	(0.8)	0.0	5.4	0.0	38.8
Other financial liabilities and capitalised transaction costs	11.9	(2.6)	(1.7)	0.0	1.3	0.0	8.9
Changes of financial liabilities and assets arising from financing activities	**1,152.7**	**29.8**	**(24.3)**	**(9.6)**	**34.5**	**27.0**	**1,210.1**

in € million	31.12.2018	Cash changes	Non-cash changes				31.12.2019
			Changes in foreign exchange rates	Initial recognition IFRS 16	Interest expense and other changes	Additions and modifications of leases (IFRS 16)	
Liabilities to financial institutions	1,153.6	(161.8)	7.3	0.0	44.0	0.0	1,043.1
Lease liabilities	0.0	(15.5)	0.4	62.0	1.2	13.8	61.9
Liabilities to fixed-term or puttable non-controlling interests	36.3	(5.3)	0.3	0.0	4.5	0.0	35.8
Other financial liabilities and capitalised transaction costs	12.8	(2.1)	0.1	0.0	1.1	0.0	11.9
Trade payables	1.8	(1.8)	0.0	0.0	0.0	0.0	0.0
Changes of financial liabilities and assets arising from financing activities	**1,204.5**	**(186.5)**	**8.1**	**62.0**	**50.8**	**13.8**	**1,152.7**

The reconciliation of the cash impact of net financing in 2020 and 2019 is shown in the tables below:

2020		Reconciliation to cash net finance cost		
in € million	Profit or loss	financing cash movements	other cash and non-cash movements	Cash impact of net financing costs
Interest income	5.9	0.0	(0.1)	6.0
Interest expenses on borrowings	(20.1)	(4.2)	(4.4)	(19.9)
Net expense on foreign exchange effects and related derivatives	(42.8)	0.0	(44.3)	1.5
Other net financial expenses	(29.7)	(3.1)	(22.2)	(10.6)
Net finance costs	**(86.7)**			**(23.0)**

2019		Reconciliation to cash net finance cost		
in € million	Profit or loss	financing cash movements	other cash and non-cash movements	Cash impact of net financing costs
Interest income	9.1	0.0	0.8	8.3
Interest expenses on borrowings	(28.4)	(5.7)	(4.2)	(29.9)
Net expense on foreign exchange effects and related derivatives	(17.2)	0.0	(2.8)	(14.4)
Other net financial expenses	(38.7)	(5.8)	(24.6)	(19.9)
Net finance costs	**(75.2)**			**(55.9)**

Non-cash movements in other net financial expenses are mainly related to net interest expenses on personnel provisions as well as to expenses from the discount on provisions.

49. Total interest paid and interest received

Total interest paid amounts to €31.7 million in the reporting period (2019: €50.5 million), of which €1.0 million (2019: €0.4 million) is included in cash flow from operating activities, €0.2 million (2019: €0.3 million) in cash flow from investing activities and €30.5 million (2019: €49.8 million) in cash flow from financing activities.

Total interest received amounts to €6.1 million for the financial year 2020 (2019: €8.3 million), of which €0.2 million (2019: €0.0 million) are included in cash flow from operating activities and €5.9 million (2019: €8.3 million) in cash flow from investing activities.

Notes
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OTHER DISCLOSURES

50. Segment reporting
Segment reporting by operating company division

The following tables show the financial information for the operating segments for the year 2020 and the previous year:

2020 in € million	Steel	Industrial	Group 2020
Revenue	**1,582.8**	**676.2**	**2,259.0**
Gross profit	**371.4**	**178.7**	**550.1**
EBIT			**120.6**
Net finance costs			(86.7)
Share of profit of joint ventures and associates			7.6
Profit before income tax			**41.5**
Depreciation and amortisation charges	(99.3)	(40.4)	(139.7)
Segment assets 31.12.2020	1,526.0	542.6	2,068.6
Investments in joint ventures and associates 31.12.2020			16.3
Reconciliation to total assets			967.8
			3,052.7
Investments in property, plant and equipment and intangible assets (according to non-current assets statement)	127.9	46.9	174.8

2019 in € million	Steel	Industrial	Group 2019
Revenue	**2,018.0**	**904.3**	**2,922.3**
Gross profit	**466.8**	**250.4**	**717.2**
EBIT			**273.3**
Net finance costs			(75.2)
Share of profit of joint ventures and associates			1.5
Profit before income tax			**199.6**
Depreciation and amortisation charges[1)]	(125.7)	(46.9)	(172.6)
Segment assets 31.12.2019[1)]	1,761.3	707.3	2,468.6
Investments in joint ventures and associates 31.12.2019			19.5
Reconciliation to total assets			831.5
			3,319.6
Investments in property, plant and equipment and intangible assets (according to non-current assets statement)[1)]	129.8	51.2	181.0

1) Adjusted to reflect the changes in presentation.

No single customer contributed 10% or more to consolidated revenue in 2020 and in 2019. Companies which are known to be part of a group are treated as one customer.

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	Steel	Industrial	Group 2020
Shaped products	745.8	477.0	1,222.8
Unshaped products	283.6	139.4	423.0
Management refractory services	481.2	0.0	481.2
Other	72.2	59.8	132.0
Revenue	**1,582.8**	**676.2**	**2,259.0**

In 2019, revenue was classified by product group as follows:

in € million	Steel	Industrial	Group 2019
Shaped products	963.0	613.7	1,576.7
Unshaped products	323.4	187.6	511.0
Management refractory services	628.8	0.0	628.8
Other	102.8	103.0	205.8
Revenue	**2,018.0**	**904.3**	**2,922.3**

Total revenue includes revenue from Solution Business amounting to €618.3 million (2019: €770.3 million). Thereof, €537.5million (2019: €648.5 million) are attributable to Segment Steel and €80.8 million (2019: €121.8 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's 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 €55.2 million (2019: €96.9 million) is transferred over time and an amount of €76.8 million (2019: €108.9 million) is transferred at a point of time.

Notes
continued

Segment reporting by country
Revenue in 2020 is classified by customer sites as follows:

in € million	Steel	Industrial	Group
Netherlands	6.3	6.0	12.3
All other countries			
USA	326.8	57.5	384.3
Brazil	176.3	53.8	230.1
India	161.7	25.9	187.6
PR China	67.2	99.9	167.1
Mexico	82.9	31.1	114.0
Germany	69.8	43.8	113.6
Italy	62.7	23.3	86.0
Russia	59.5	17.9	77.4
Canada	40.0	35.0	75.0
Other countries, each below €55.6 million	529.6	282.0	811.6
Revenue	**1,582.8**	**676.2**	**2,259.0**

Revenue in 2019 is classified by customer sites as follows:

in € million	Steel	Industrial	Group
Netherlands	11.4	5.0	16.4
All other countries			
USA	359.7	55.4	415.1
Brazil	273.3	58.8	332.1
India	206.3	45.5	251.8
PR China	47.6	136.1	183.7
Germany	96.8	74.1	170.9
Mexico	108.1	47.4	155.5
Italy	88.5	26.3	114.8
Canada	47.9	55.2	103.1
Russia	68.8	9.6	78.4
Other countries, each below €52.7 million	709.6	390.9	1,100.5
Revenue	**2,018.0**	**904.3**	**2,922.3**

The carrying amounts of goodwill, other intangible assets and property, plant and equipment are classified as follows by the respective sites of the Group companies:

in € million	31.12.2020	31.12.2019
Brazil	338.2	514.0
Austria	259.4	228.8
USA	220.5	233.2
PR China	177.4	181.9
Germany	139.6	154.0
India	61.6	64.7
Mexico	34.9	38.9
Turkey	28.5	29.4
France	27.5	27.9
Other countries, each below €15.9 million (31.12.2019: €22.1 million)	47.5	70.5
Goodwill, intangible assets and property, plant and equipment	**1,335.1**	**1,543.3**

51. Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing the profit or loss attributable to the shareholders of RHI Magnesita N.V. by the weighted average number of shares outstanding during the financial year.

	2020	2019
Profit after income tax attributable to the owners of the parent (in € million)	25	139.0
Weighted average number of shares for basic EPS	49,075,426	49,220,010
Effects of dilution from share options	363,519	273,969
Weighted average number of shares for dilutive EPS	49,438,945	49,493,979
Earnings per share basic (in €)	**0.51**	**2.82**
Earnings per share diluted (in €)	**0.50**	**2.81**

The weighted average number of shares for basic and dilutive EPS considers the weighted average effect of the newly issued ordinary shares as well the effect of changes in treasury shares during the reporting period. As of 31 December 2020, there are 363,519 diluting options (31.12.2019: 273,969).

52. Dividend payments and proposed dividend

Given the resilient performance of the business and its strong annual cash generation, the Board will recommend a dividend of €1.00 per share for the shareholders of RHI Magnesita N.V for 2020. The proposed dividend is subject to the approval of the Annual General Meeting on 10 June 2021 and was not recognised as a liability in the Consolidated Financial Statements 2020. Together with the already paid interim dividend of €0.50 per share in December, the final proposed dividend for 2020 will amount to €1.50 per share.

On 22 October 2020 the Board declared an interim dividend of €0.50 per share amounting to €24.5m, which is in line with the 2019 interim dividend. The dividend was paid to shareholders on 21 December 2020.

In April 2020 the Board decided not to recommend the payment of a final dividend for 2019 because of the uncertainty relating to COVID-19 and to prudently preserve cash.

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

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

Notes
continued

53. 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	31.12.2020 Carrying amount	31.12.2020 Fair value	31.12.2019 Carrying amount	31.12.2019 Fair value
Other non-current financial assets						
Interests in subsidiaries not consolidated	FVPL	3	0.6	0.6	0.7	0.7
Marketable securities	FVPL	1	13.0	13.0	13.3	13.3
Shares	FVPL	3	0.5	0.5	0.5	0.5
Other non-current financial receivables	AC	–	0.4	–	0.9	–
Trade and other current receivables	AC	–	255.6	–	324.2	–
Other current financial assets						
Derivatives	FVPL	2	0.3	0.3	0.1	0.1
Cash and cash equivalents	AC	–	587.2	–	467.2	–
Financial assets			**857.6**		**806.9**	
Non-current and current borrowings						
Liabilities to financial institutions	AC	2	1,105.6	1,118.3	1,043.1	1,056.6
Other financial liabilities and capitalised transaction costs	AC	2	8.9	–	11.9	–
Non-current and current other financial liabilities						
Lease liabilities	AC	2	56.8	–	61.9	–
Derivatives	FVPL	2	3.4	3.4	24.5	24.5
Interest derivatives designated as cash flow hedges	–	2	18.3	18.3	14.8	14.8
Liabilities to fixed-term or puttable non-controlling interests	AC	2	38.8	38.8	35.8	35.8
Power supply contract Norway	AC	2	15.5	15.5		
Trade payables and other current liabilities	AC	–	337.6	–	412.3	–
Financial liabilities			**1,584.9**		**1,604.3**	
Aggregated according to measurement category						
Financial assets measured at FVPL			14.4		14.6	
Financial assets measured at amortised cost			843.2		792.3	
Financial liabilities measured at amortised cost			1,563.2		1,565.0	
Financial liabilities measured at FVPL			3.4		24.5	

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

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

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

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

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

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

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

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

Regarding the long-term power supply contract that was classified as a derivative since 2015, measurement of this financial instrument is based on the settlement payment and now recognised as other financial liability, see Note (40) and (54).

A detailed analysis on COVID-19 and its impact on the Group is provided under Note (1). The effect on the fair value of financial assets and liabilities as at 31 December 2020 is considered to be immaterial to the Group.

RHI Magnesita takes into account reclassifications in the measurement hierarchy at the end of the reporting period in which the changes occur. 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 and capitalised transaction costs, lease liabilities and liabilities to fixed-term or puttable non-controlling interests are carried at amortised cost in the Consolidated Statement of Financial Position. The fair values of the liabilities to financial institutions are only disclosed in the notes and calculated at the present value of the discounted future cash flows using yield curves that are currently observable (Level 2). The carrying amount of other financial liabilities approximate their fair value at the reporting date.

The 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 31 December 2020 and 31 December 2019.

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Net results by measurement category in accordance with IFRS 9
The effect of financial instruments on the income and expenses recognised in 2020 and 2019 is shown in the following table, classified according to the measurement categories defined in IFRS 9:

in € million	2020	2019
Net loss from financial assets and liabilities measured at fair value through profit or loss	(4.9)	(17.7)
Net gain from financial assets and liabilities measured at fair value through profit or loss designated on initial recognition	0.0	0.5
Net loss from financial assets and liabilities measured at amortised cost	(73.9)	(39.7)

The net gain from financial assets and liabilities measured at fair value through profit or loss includes income from securities and shares, income from the disposal of securities and shares, impairment losses and income from reversals of impairment losses, unrealised results from the measurement of a long-term commodity futures contract, changes in the market value and realised results of forward exchange contracts and embedded derivatives in open orders in a currency other than the functional currency of RHI Magnesita, interest derivatives which do not meet the requirements of hedge accounting in accordance with IFRS 9 and interest income from securities.

The net gain or loss from financial assets and liabilities designated at fair value through profit or loss at initial recognition includes income related to the settlement and measurement of securities and personnel obligations.

The net loss from financial assets and liabilities measured at amortised cost includes interest income and expenses, changes in valuation allowances and losses on derecognition, foreign exchange gains and losses as well as expenses related to the measurement of put options. The net loss is mainly related to financial liabilities measured at amortised cost.

Net finance costs include interest income amounting to €5.9 million (2019: €9.1 million) and interest expenses of €32.6 million (2019: €49.9 million), which result from financial assets and liabilities which are not carried at fair value through profit or loss.

54. Derivative financial instruments

Commodity forward
The RHI Magnesita Group signed a commodity forward contract for electricity for the fusion plant in Porsgrunn, Norway, in November 2011 which has been accounted for as a financial instrument in accordance with IFRS 9 since 31 December 2015 because the "own-use exemption" (exemption for own use in accordance with IFRS 9 no longer applied). Since 30 June 2020, measurement of this financial instrument is based on the settlement payment and recognised as other financial liability, as RHI Magnesita Group terminated its energy supply contract following the closure of the fused magnesia plant in Porsgrunn, Norway. The original contract term was December 2023 and the settlement payment amounts to €24.0 million. The first payment installment was made in July 2020 (€8.5 million), the second in January 2021 (€15.5 million).

The measurement of the entire term of the contract until the end of the year 2023 at market price level lead to a financial liability of €23.9 million at 31 December 2019. The corresponding present value of the cash flows for the agreed electricity supply totalled €59.5 million at 31 December 2019; the present value of the cash flow at market price amounted to €35.6 million.

In addition, Magnesita Refratários S.A., Contagem, Brazil signed a commodity forward contract for electricity in January 2012 which is accounted for as a financial instrument in accordance with IFRS 9 since 1 January 2020 as the "own-use exemption" no longer applies.

The measurement of the entire term of the contract until the end of the year 2021 at market price level leads to a financial liability of €1.6 million at 31 December 2020. The corresponding present value of the cash flows for the agreed electricity supply totals €4.2 million at 31 December 2020; the present value of the cash flow at market price amounts to €2.6 million.

Interest rate swaps
RHI Magnesita has concluded interest rate swaps to hedge the cash flow risk associated to financial liabilities carrying variable interest rates. Variable interest cash flows of financial liabilities were designated as hedged items. The Group has established a hedge ratio of 1:1 and the cash flow changes of the hedged items, which result from the changes of the variable interest rates, are balanced out by the cash flow changes of the interest rate swaps. These hedging measures pursue the objective to transform variable-interest financial liabilities into fixed interest financial liabilities, thus hedging the cash flow from the financial liabilities. Potential hedge ineffectiveness could arise out of the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan or out of differences in critical

terms between the interest rate swaps and the loans. Credit risk may affect hedge effectiveness, however this risk is assessed to be very low at RHI Magnesita as only first class international banks are involved.

In the year 2018, RHI Magnesita concluded an interest rate swap with a nominal volume of €305.6 million maturing in 2023. The interest and compensation payments are due on a quarterly basis. Fixed interest rate amounts to roughly 0.28%, the variable interest rate is based on the EURIBOR. Furthermore, one other interest rate swap has been concluded in 2018, with a nominal volume of USD 200.0 million and a term until 2023. The interest and compensation payments are also due on a quarterly basis. Fixed interest rate amounts to roughly 3.1%, the variable interest rate is based on the USD LIBOR.

The fair values of the interest rate swaps totalled €-18.3 million at the reporting date (31.12.2019: €-14.8 million) and are shown in other non-current financial liabilities in the Consolidated Statement of Financial Position. For the reporting period 2020, €-3.6 million (2019: €-7.5 million) have been recognised in other comprehensive income and an income amounting to €0.0 million (2019:€0.7) has been reclassified from other comprehensive to profit or loss and recognised within other net financial expenses. No ineffectiveness has been recognised in profit and loss.

The financial effect of the hedged item and the hedging instrument for the period 2020 and 2019 is shown as follows:

in € million	Carrying amount	Statement of Financial Position	Change in fair value used for measuring ineffectiveness	Nominal amount
2020	(18.3)	Other non-current financial liabilities	(3.6)	USD 200 million EUR 290.3 million
2019	(14.8)	Other non-current financial liabilities	(7.5)	USD 200 million EUR 305.6 million

in € million	Change in fair value used for measuring ineffectiveness	Nominal amount
2020	3.6	(2.7)
2019	7.5	(5.6)

A hedging relationship with a nominal volume of USD 50.0 million (31.12.2019: USD 50.0 million) with an original maturity until 2020 was early settled in 2019. An income of €0.7 million recognised in other comprehensive income was reclassified to profit or loss and recognised within other net financial expenses in 2019.

Forward exchange contracts

A forward exchange contract was put into place as of 31 December 2020, selling USD 100 million and designed to be renewed on a monthly basis.

The nominal value and fair value of forward exchange contracts as of 31 December 2020 are shown in the table below:

				31.12.2020
Purchase	Sale		Nominal value in million	Fair value in € million
EUR	USD	USD	100.0	0.3
Forward exchange contracts				**0.3**

As of 31 December 2019 there were no open forward exchange contracts.

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55. Financial risk management
Financial risks are incorporated in RHI Magnesita's corporate risk management and are centrally controlled by Corporate Treasury.

None of the following risks have a significant influence on the going concern of the RHI Magnesita Group.

Credit risks
The maximum credit risk from recognised financial assets amounts to €842.2 million (31.12.2019: €806.9 million) and is primarily related to investments with banks and receivables due from customers.

The credit risk with banks related to investments (especially cash and cash equivalents) is reduced as business transactions are only carried out with prime financial institutions with a good credit rating. Individual counterpart exposures limits are assigned to each financial institution based on a matrix composed of the credit rating (S&P or Moody's) and balance sheet assets.

Receivables from customers are hedged as far as possible through credit insurance and collateral arranged through banks (guarantees, letters of credit) in order to mitigate credit and default risk. Credit and default risks are monitored continuously, and provisions are formed for risks that have occurred and are identifiable.

In the following, the credit risk from trade receivables is shown classified by customer industry, by foreign currency and by term.

This credit risk, which is hedged by existing credit insurance, letters of credit and bank guarantees, is shown by customer segment in the following table:

in € million	31.12.2020	31.12.2019[1]
Segment Steel	183.3	209.0
Segment Industrial	71.0	111.7
Trade receivables	**254.3**	**320.7**
Credit insurance and bank guarantees	(83.2)	(140.8)
Net credit exposure	**171.1**	**179.9**

1) Adjusted to reflect the changes in presentation.

The following table shows the carrying amounts of receivables denominated in currencies other than the functional currencies of the Group companies. The carrying amounts of the receivables in the functional currency of the respective Group company are included under other functional currencies:

in € million	31.12.2020	31.12.2019
US Dollar	39.8	75.9
Euro	7.2	10.1
Pound Sterling	6.8	5.2
Other currencies	3.7	3.5
Other functional currencies	196.8	222.8
Trade receivables	**254.3**	**317.5**

The movement in the valuation allowance in respect of trade and other receivables and contract assets during the year and the previous year was as follows.:

in € million	2020		2019	
	Individually assessed – credit impaired	Collectively assessed – not credit impaired	Individually assessed – credit impaired	Collectively assessed – not credit impaired
Accumulated valuation allowance at beginning of year	**32.3**	**1.3**	**29.6**	**1.2**
Currency translation	(1.6)	–	0.3	–
Addition	7.7	–	5.9	–
Use	(6.3)	–	(1.0)	–
Reversal	(2.1)	–	(2.5)	–
Net remeasurement of loss allowance	0.0	(0.7)	–	0.1
Accumulated valuation allowance at year-end	**30.0**	**0.6**	**32.3**	**1.3**

For trade receivables and contract assets, for which no objective evidence of impairment exists, lifetime expected credit losses have been calculated using a provision matrix as shown below:

in € million	Trade receivables – days past due						
31.12.2020	Not past due	less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	more than 180 days	Total
Expected credit loss rate in %	0.02-0.53%	0.03-1.23%	0.08-9.46%	0.15-18.77%	0.26-26.25%	0.91-55.39%	
Gross carrying amount	222.8	13.3	2.80	1.30	2.00	0.2	242.4
Life time expected credit loss	0.30	0.04	0.02	0.03	0.05	0.20	0.6

in € million	Trade receivables – days past due						
31.12.2019	Not past due	less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	more than 180 days	Total
Expected credit loss rate in %	0.04 - 0.65%	0.08 - 1.50%	0.33 - 10.33%	0.90 - 19.71%	1.43 - 26.35%	3.02 - 46.81%	
Gross carrying amount	260.8	20.8	8.0	1.9	1.4	2.8	295.7
Life time expected credit loss	0.4	0.1	0.1	0.1	0.1	0.5	1.3

Liquidity risk

Liquidity risk refers to the risk that financial obligations cannot be met when due. The Group's financial policy is based on long-term financial planning and is centrally controlled and monitored continuously at RHI Magnesita. The liquidity requirements resulting from budget and medium-term planning are secured by concluding appropriate financing agreements. As of 31 December 2020, RHI Magnesita has a committed Revolving Credit Facility (RCF) of EUR 600.0 million, which was fully unutilised (31.12.2019: committed RCF was USD 400.0 million and was also unutilised). The EUR 600.0 million committed RCF is a syndicated facility with multiple international banks and matures in 2026. The subsidiaries of the RHI Magnesita Group are integrated into a clearing process managed by Corporate Treasury and provided with financing limits in order to minimise the need of borrowings for the Group as a whole.

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Non-derivative financial instruments
An analysis of the terms of non-derivative financial liabilities based on undiscounted cash flows including the related interest payments shows the following expected cash outflows:

in € million	Carrying amount 31.12.2020	Cash outflows	Remaining term up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions					
fixed interest	135.0	144.7	2.7	106.2	35.8
variable interest	970.6	994.2	131.2	594.3	268.7
Other financial liabilities and capitalised transaction costs	8.9	11.3	4.4	6.9	0.0
Lease liabilities	56.8	61.8	14.2	32.3	15.3
Liabilities to fixed-term or puttable non-controlling interests	38.8	170.2	12.9	11.9	145.4
Power supply contract Norway	15.5	15.5	15.5	0.0	0.0
Trade payables and other current liabilities	337.6	337.6	337.6	0.0	0.0
Non-derivative financial liabilities	**1,563.2**	**1,735.3**	**518.5**	**751.6**	**465.2**

in € million	Carrying amount 31.12.2019	Cash outflows	Remaining term up to 1 year	2 to 5 years	over 5 years
Liabilities to financial institutions					
fixed interest	135.0	147.4	2.7	108.5	36.2
variable interest	908.1	949.6	76.2	601.7	271.7
Other financial liabilities and capitalised transaction costs	11.9	13.4	2.0	11.2	0.2
Lease liabilities	61.9	79.5	16.2	37.7	25.6
Liabilities to fixed-term or puttable non-controlling interests	35.8	187.8	11.6	13.2	163.0
Trade payables and other current liabilities	412.3	412.3	412.3	0.0	0.0
Non-derivative financial liabilities	**1,565.0**	**1,790.0**	**521.0**	**772.3**	**496.7**

Derivative financial instruments
The remaining terms of derivative financial instruments based on expected undiscounted cash flow as of 31 December 2020 and 31 December 2019 are shown in the table below:

in € million	Carrying amount 31.12.2020	Cash flows	Remaining term up to 1 year	2 to 5 years	over 5 years
Receivables from derivatives with net settlement					
Forward exchange contracts	0.3	0.3	0.3	0.0	0.0
Liabilities from derivatives with net settlement					
Derivatives from supply contracts	1.6	1.6	1.6	0.0	0.0
Interest rate swaps	18.3	9.6	4.7	4.9	0.0
Derivatives in open orders	1.8	1.8	1.8	0.0	0.0

in € million	Carrying amount 31.12.2019	Cash flows	Remaining term up to 1 year	2 to 5 years	over 5 years
Receivables from derivatives with net settlement					
Derivatives in open orders	0.1	0.1	0.1	0.0	0.0
Liabilities from derivatives with net settlement					
Derivatives from supply contracts	23.9	24.6	6.0	18.6	0.0
Interest rate swaps	14.8	15.1	5.0	10.1	0.0
Derivatives in open orders	0.6	0.6	0.6	0.0	0.0

Foreign currency risks

Foreign currency risks arise where business transactions (operating activities, investments, financing) are conducted in a currency other than the functional currency of a company. They are monitored at Group level and analysed with respect to hedging options. Usually the net position of the Group in the respective currency serves as the basis for decisions regarding the use of hedging instruments.

Foreign currency risks are created through financial instruments which are denominated in a currency other than the functional currency (in the following: foreign currency) and are monetary in nature. Important primary monetary financial instruments include trade receivables and payables, cash and cash equivalents as well as financial liabilities as shown in the Consolidated Statement of Financial Position. Equity instruments are not of a monetary nature, and therefore not linked to a foreign currency risk in accordance with IFRS 7.

The majority of foreign currency financial instruments in the RHI Magnesita Group result from operating activities, above all from intragroup financing transactions, unless the foreign exchange effects recognised to profit or loss on monetary items, which represent part of a net investment in a foreign operation in accordance with IAS 21, are eliminated or hedged through forward exchange contracts. Significant provisions denominated in foreign currencies are also included in the analysis of risk.

The following table shows the foreign currency positions in the major currencies as of 31 December 2020:

in € million	USD	EUR	GBP	INR	Other	Total
Financial assets	663.6	72.6	21.8	9.4	40.6	808.0
Financial liabilities, provisions	(358.1)	(98.2)	3.5	0.0	(32.9)	(485.7)
Net foreign currency position	**305.5**	**(25.6)**	**25.3**	**9.4**	**7.7**	**322.3**

The foreign currency positions as of 31 December 2019 are structured as follows:

in € million	USD	EUR	ZAR	CHF	Other	Total
Financial assets	813.8	57.0	12.8	0.8	69.0	953.4
Financial liabilities, provisions	(646.9)	(165.7)	0.0	(11.2)	(34.9)	(858.7)
Net foreign currency position	**166.9**	**(108.7)**	**12.8**	**(10.4)**	**34.1**	**94.7**

The disclosures required by IFRS 7 for foreign exchange risks include a sensitivity analysis that shows the effects of hypothetical changes in the relevant risk variables on profit or loss and equity. In general, all non-functional currencies in which Group companies enter into financial instruments are considered to be relevant risk variables. The effects on a particular reporting period are determined by applying the hypothetical changes in these risk variables to the financial instruments held by the Group as of the reporting date. It is assumed that the positions on the reporting date are representative for the entire year. The sensitivity analysis does not include the foreign exchange differences that result from translating the net asset positions of the foreign group companies into the Group currency, the Euro.

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A 10% appreciation or devaluation of the relevant functional currency against the following major currencies as of 31 December 2020 would have had the following effect on profit or loss and equity (both excluding income tax):

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain/(loss)	Equity	Gain/(loss)	Equity
US Dollar	(42.9)	(33.3)	52.4	40.7
Euro	2.0	12.0	(2.5)	(14.7)
British Pound Sterling	(2.0)	(2.0)	2.4	2.4
Indian Rupee	(0.9)	(0.9)	1.0	1.0
Other currencies	(0.7)	(0.7)	0.9	0.9

The hypothetical effect on profit or loss at 31 December 2019 can be summarised as follows:

	Appreciation of 10%		Devaluation of 10%	
in € million	Gain/(loss)	Equity	Gain/(loss)	Equity
US Dollar	(15.2)	(4.7)	18.6	5.7
Euro	9.9	15.5	(12.1)	(18.9)
South African Rand	(1.2)	(1.2)	1.4	1.4
Swiss Franc	0.9	0.9	(1.2)	(1.2)
Other currencies	(3.0)	(3.0)	3.8	3.9

Net investment hedge
Non-current borrowings as of 31 December 2020 include USD 200.0 million which have been designated as a hedge of the net investments in two subsidiaries in the USA as of 1 July 2019. This borrowing is used to hedge the Group´s exposure to the USD foreign exchange risk on these investments. Gains or losses on the translation of this borrowing are reclassified to Other Comprehensive Income to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness could arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowing. For the reporting period, there was no ineffectiveness to be recorded from net investments hedges.

The impact of the hedging instrument for the period 2020 and 2019 is shown as follows:

in € million	Carrying amount	Statement of Financial Position	Change in fair value used for measuring ineffectiveness	Nominal amount
2020	162.6	Non-current borrowings	15.8	USD 200 million
2019	178.5	Non-current borrowings	(2.9)	USD 200 million

The change in the carrying amount of the non-current borrowing as a result of the foreign currency movements since 1 July 2019 is recognised in Other Comprehensive Income within the currency translation differences.

The impact of the hedged item for the period 2020 and 2019 is shown as follows:

in € million	Change in fair value used for measuring ineffectiveness	Nominal amount
2020	(15.8)	(11.9)
2019	2.9	2.2

The hedging gain or loss recognised in the currency translation differences is also including the corresponding tax effect. The hedging gain or loss recognised before tax is equal to the change in the fair value used for measuring effectiveness.

Interest rate risks

The interest rate risk in the RHI Magnesita Group is primarily related to financial instruments carrying variable interest rates, which may lead to fluctuations in results and cash flows. At 31 December 2020, interest rate hedges amounting to a nominal value of €290,3 million (31.12.2019: €305.6 million) and a nominal value of USD 200.0 million (31.12.2019: USD 200.0 million) existed; a variable interest rate was converted into a fixed interest rate through an interest rate swap. Further information is provided under Note (54). The reduction of interest expense on borrowings in 2020. is predominantly driven by the refinancing of high-interest-bearing debt in 2019.

The exposure to interest rate risks is presented through sensitivity analyses in accordance with IFRS 7. These analyses show the effects of changes in market interest rates on interest payments, interest income and interest expense and on equity.

The RHI Magnesita Group measures fixed interest financial assets and financial liabilities at amortised cost, and did not use the fair value option – a hypothetical change in the market interest rates for these financial instruments at the reporting date would have had no effect on profit and loss or equity.

Changes in market interest rates on financial instruments designated as cash flow hedges to protect against interest rate-related payment fluctuations are considered with hedge accounting have an effect on equity and are therefore included in the equity-related sensitivity analysis. If the market interest rate as of 31 December 2020 had been 25 basis points higher or lower, equity would have been €1.9 million (31.12.2019: €3.1 million) higher or lower considering tax effects.

Changes in market interest rates have an effect on the interest result of primary variable interest financial instruments whose interest payments are not designated as hedged items as a part of cash flow hedge relationships against interest rate risks, and are therefore included in the calculation of the result-related sensitivities. If the market interest rate as of 31 December 2020 had been 25 basis points higher or lower, the interest result would have been €0.1 million (31.12.2019: €0.1 million) lower or higher.

Other market price risk

RHI Magnesita holds certificates in an investment fund amounting to €13.0 million (31.12.2019: €13.3 million) to provide the legally required coverage of personnel provisions of Austrian group companies. The market value of these certificates is influenced by fluctuations of the worldwide volatile stock and bond markets.

In 2020, an energy supply contract with a term until 31 December 2021 was classified as a derivative financial instrument and the fair value of the financial liability amounts to €1.6 million as at 31 December 2020. If the forward prices at 31 December 2020 had been 20% higher or lower, EBIT would have been €0.5 million higher or lower. In contrast, if the borrowing costs relevant for discounting had been 25 basis points higher or lower at the reporting date, the impact on EBIT would have been immaterial.

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56. Capital management
The objectives of the capital management strategy of the RHI Magnesita Group are to continue as a going concern and to provide a capital base to finance growth and investments, to service debt, and to increase shareholders value, including the payment of dividends to shareholders.

The RHI Magnesita Group manages its capital structure through careful monitoring and assessment of the overall economic framework conditions, credit, interest rate and foreign exchange risks and the requirements and risks related to operations and strategic projects.

The capital structure key figures at the reporting date are shown below:

	31.12.2020	31.12.2019
Net debt (in € million)	582.1	649.7
Net gearing ratio (in %)	87.4%	76.9%
Net debt to adjusted EBITDA	1.53x	1.17x

Net debt, which reflects borrowings and lease liabilities net of cash and cash equivalents and marketable securities, is managed by Corporate Treasury. The main task of the Corporate Treasury department is to execute the capital management strategy as well as to secure liquidity to support business operations on a sustainable basis, to use banking and financial services efficiently and to limit financial risks while at the same time optimising earnings and costs.

The net gearing ratio is the ratio of net debt to total equity.

Net debt excluding lease liabilities/adjusted EBITDA is the main financial covenant of loan agreements. 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. It is calculated as follows:

in € million	31.12.2020	31.12.2019
EBIT	120.6	273.3
Amortisation	19.4	26.4
Restructuring and write-down expenses	113.8	112.1
Other operating income and expenses	6.5	(3.6)
Adjusted EBITA	**260.3**	**408.2**
Depreciation	120.3	146.2
Adjusted EBITDA	**380.6**	**554.4**
Total debt	1,114.5	1,055.0
Lease liabilities	56.8	61.9
Cash and cash equivalents [1)]	589.2	467.2
Marketable securities	0.0	0.0
Net debt	**582.1**	**649.7**
Net debt excluding IFRS 16 lease liabilities	**525.3**	**587.8**
Net debt to adjusted EBITDA	**1.53x**	**1.17x**
Net debt to adjusted EBITDA excluding IFRS 16 lease liabilities	**1.38x**	**1.06x**

1) thereof shown under assets held for sale € 2.0 million

In both 2020 and 2019, all externally imposed capital requirements were met. The Group has sufficient liquidity headroom within its committed debt facilities.

RHI Magnesita N.V. is subject to minimum capital requirements according to its articles of association. The articles of association stipulate a mandatory reserve of €288,699,230.59 which was created in connection with the merger.

57. Contingent liabilities

At 31 December 2020, warranties, performance guarantees and other guarantees amount to €48.0 million (31.12.2019: €44.0 million). Contingent liabilities have a remaining term between two months and three years, depending on the type of liability. Based on experiences of the past, the probability that contingent liabilities are used is considered to be low.

In addition, contingent liabilities from sureties of €0.3 million (31.12.2019: €0.3 million) were recorded, of which €0.3 million (31.12.2019: €0.3 million) are related to contingent liabilities to creditors from joint ventures.

Individual administrative proceedings and lawsuits which result from ordinary activities are pending as of 31 December 2020 or can potentially be exercised against RHI Magnesita in the future. The related risks were analysed with a view to their probability of occurrence. The Group is a party to several tax proceedings in Brazil which involve an estimated amount of €169.1 million (31.12.2019: €233.5 million). No provision was recorded to cover the potential disbursements related to such proceedings as, according to IFRS, management classified the risks of loss (based on the evaluation of legal advisors) as possible but not probable. These tax proceedings are as follows:

In 2011, the Brazilian Tax Authorities issued an assessment regarding Corporate Income Taxes on the amortisation of goodwill related to the years 2008 and 2009. The tax authorities disallowed the deductibility of the amortisation of tax goodwill arising from operations with subsidiaries. In 2016, the company was notified of the decision issued by the Administrative Council of Tax Appeals ("CARF"), which cancelled more than 90% of the tax assessment. The CARF's ruling is still subject to appeals filed by both the company and the General Counsel to the National Treasury ("PGFN"). The final ruling for this proceeding is expected within one to two years. As of 31 December 2020, the potential risk amounts to €59.3 million, including interest and penalties (31.12.2019: €81.7 million).

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In 2016, the Brazilian Tax Authorities considered the arguments partially accepted by the CARF in the proceeding started in 2011 to challenge goodwill deductions for the years 2011 and 2012. In December 2016, the company filed a defence against the tax assessment, which was partially granted by the tax authorities. The parties can appeal to the CARF as soon as the formal notice about the first-tier decision occurs. The final decision is expected within three to four years. As of 31 December 2020, the potential risk amounts to €27.7 million, including interest and penalties (31.12.2019: €38.1 million).

In 2019, the Brazilian Tax Authorities extended the goodwill challenge also for the years 2013 to 2018. The company will file a defence against the tax assessment notice. A preliminary first-tier decision by the tax authorities (the Federal Revenue Judgment Office in the city of Belo Horizonte) is expected within one to two years. As of 31 December 2020, the potential risk amounts to €38.8 million (31.12.2019:€53.3 million), including interest and penalties.

In 2013, the Brazilian Tax Authorities raised an assessment notice for allegedly failing to pay social security contributions in the period from January to December 2009. The company has appealed the assessment. Legal opinions demonstrate that the company has solid supporting documentation capable of reversing the assessment. The final decision is expected within one to two years. The potential loss from this proceeding amounts to €3.1 million (including interest and penalties) as at 31 December 2020 (31.12.2019: €4.2 million).

Furthermore, the Brazilian Tax Authorities issued a tax assessment against a former Brazilian holding company. The assessment relates to the offset of federal taxes' credits and debits performed by the company up to and including 2008, which have not been approved by the Tax Authorities. Legal opinions demonstrate that the company's arguments are solidly based on supporting documentation. The final decision is expected within four to five years. As of 31 December 2020, the potential risk amounts to €9.5 million, including interest and penalties (31.12.2019: €12.8 million).

The Brazilian Tax Authorities also issued a tax assessment regarding the Financial Compensation for Exploration of Mineral Resources ("CFEM"). Based on the opinion of its legal advisors, the company appealed against the assessment and the chances of loss in this proceeding were considered "possible" due to the applicable case-law of the Brazilian courts. Additionally, changes in the CFEM legislation mirror the company's interpretation and, therefore, demonstrate its accurateness. The final decision is expected within four to five years. As of 31 December 2020, the potential risk amounts to €10.6 million, including interest and penalties (31.12.2019: €14.0 million).

In addition, the Brazilian Tax Authorities issued a tax assessment for an allegedly incurred use of Income Tax credits relating to the year 2015. Legal opinions obtained demonstrate that the company's arguments are solidly based on substantial supporting documentation. The final decision is expected within four to five years. As of 31 December 2020, the potential risk amounts to €2.5 million (31.12.2019: €3.5 million), including interest and penalties.

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

Since RHI Magnesita is continually adapting its global presence to improve customer service and maintain its competitive advantage, the group leads open discussions with tax authorities, mostly about the transfer of functions between related parties and their exit value. In this regard, disputes may arise, where the group's management understanding differs from the positions of the local authorities. In such cases, when an appeal is available, the group's management judgments are based on a likely outcome approach based on in-house tax experts, professional firms, and previous experiences when assessing the risks. Magnesita Refratários S.A., Contagem, Brazil, is also involved in other minor lawsuits totalling €17.6million (31.12.2019: €25.9 million) which relate to a number of assessments concerning various taxes and related obligations.

Furthermore, Magnesita Refratários S.A., Contagem, Brazil, is party to a public civil action for damages allegedly caused by overloaded trucks in contravention with the Brazilian traffic legislation. In 2017, a decision was rendered in favour of Magnesita in the trial court considering the requests submitted by the Federal Public Attorney's Office to be completely devoid of legal merit. The decision taken by the trial court was subject to appeal by the Public Ministry of Minas Gerais. The final decision is expected in 10 years. The potential loss from this proceeding amounts to €10.6 million as at 31 December 2020 (31.12.2019: €13.3 million).

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

58. Other financial commitments

Capital commitments amount to €49.5 million as at 31 December 2020 (31.12.2019: €5.0 million) and are exclusively due to third parties. They are shown at nominal value.

In addition, the RHI Magnesita Group has purchase commitments related to the supply with raw materials, especially for electricity, natural gas, strategic raw materials as well as for the transport of raw materials within the Group. This results in other financial commitments of the nominal value of €219.2 million at the reporting date (31.12.2019: €175.5 million). The increase in other financial commitments in 2020 compared to the previous year mainly results from raw material purchase contracts concluded in 2020. The remaining terms of the contracts amount to up to four years. Purchases from these arrangements are recognised in accordance with the usual course of business. Purchase contracts are regularly reviewed for imminent losses, which may occur, for example, when requirements fall below the agreed minimum purchase volume or when contractually agreed prices deviate from the current market price level.

59. Expenses for the Group independent auditor

The expensed fees for the activities of the Group independent auditor 'PricewaterhouseCoopers Accountants N.V.' that are included in the Consolidated Statement of Profit or Loss are shown in the following table:

in € million	2020	2019
Audit of the Financial Statements	2.6	3.3
thereof invoiced by PwC Accountants N.V.	1.2	1.1
thereof invoiced by PwC network firms	1.4	2.2
Tax compliance services	0.0	0.3
Other non-audit services	0.1	0.2
Total fees	**2.7**	**3.8**

In 2020, other audit related services, tax compliance services and other non-audit services amounting to €0.1 million (2019: €0.5 million) were performed and invoiced by PwC network firms outside of the Netherlands.

The expensed fees for the audited financial statements in 2020 and 2019 include the half year review procedures.

60. Annual average number of employees

The average number of employees of the RHI Magnesita Group based on full time equivalents amounts to:

	2020	2019
Salaried employees	4,733	4,860
Waged workers	7,831	9,515
Number of employees on annual average	**12,564**	**14,375**

98 full time equivalents of salaried employees work in the Netherlands. In 2019 84 full time equivalents of salaried employees worked in the Netherlands.

61. Transactions with related parties

Related companies include subsidiaries that are not fully consolidated, joint ventures, associates and MSP Foundation, Liechtenstein, as a shareholder of RHI Magnesita N.V. since it exercises significant influence based on its share of more than 25% in RHI Magnesita N.V. In accordance with IAS 24.9v, the personnel welfare foundation of Stopinc AG, Hünenberg, Switzerland, also has to be considered a related company.

Related persons are persons having authority and responsibility for planning, directing and controlling the activities of the Group (key management personnel) and their close family members. Since 26 October 2017, key management personnel comprises of members of

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the Board of Directors of RHI Magnesita N.V. and the Executive Management Team. Before that, members of the Management Board and the Supervisory Board of RHI AG formed the key management personnel.

Related companies
In 2020 and 2019, the Group conducted the following transaction with its related companies:

	Joint ventures		Associates		Non-consolidated subsidiaries	
in € million	2020	2019	2020	2019	2020	2019
Revenue from the sale of goods and services	2.7	3.3	0.0	0.0	0.0	0.0
Purchase of raw materials	2.7	1.6	14.6	15.7	0.1	0.1
Interest income	0.1	0.0	0.8	0.8	0.0	0.0
Asset purchase	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other receivables	0.2	1.3	0.0	0.0	0.2	0.2
Loans granted	0.0	0.0	0.8	0.8	0.0	0.0
Trade liabilities	0.3	0.0	0.9	0.7	0.7	0.7
Dividends received	10.9	10.5	0.0	2.9	0.0	0.0

In 2020 and 2019, the Group charged electricity and stock management costs to the joint venture MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria, and purchased raw materials. In 2020 and 2019, the associate Sinterco S.A., Nameche, Belgium, sold sintered doloma to the RHI Magnesita Group. Furthermore, the Group has a financing receivable of €0.8 million (31.12.2019: €0.8 million) from a loan agreement with Sinterco.

The balances at the end of 2020 are unsecured and will be paid in cash. Before the acquisition of Magnesita the Group had no associates.

To secure a pension claim of a former employee of MAGNIFIN, RHI Magnesita has assumed a surety amounting to €0.3 million (31.12.2019: €0.3 million). A resulting cash outflow is not expected. No guarantees were received.

In 2020 and 2019, no transactions were carried out between the RHI Magnesita Group and MSP Foundation, with the exception of the dividend paid.

A service relationship with respect to the company pension scheme of the employees of Stopinc AG exists between the personnel welfare foundation of Stopinc AG and the fully consolidated subsidiary Stopinc AG. Stopinc AG makes contribution payments to the plan assets of the foundation to cover pension obligations. The pension plan is recognised as a defined benefit plan and is included in Note (27). At 31 December 2020, no current accounts receivable existed (31.12.2019: €0.0 million). In the past reporting period, employer contributions amounting to €0.6 million (2019: €0.6 million) were made to the personnel welfare foundation. At 31 December 2020 a net defined benefit liability of €0.9 million is recognised. At 31 December 2019 the overfunding of the pension plan was recognised as a non-current asset of €0.2 million.

Related persons
Remuneration of key management personnel of the Group, which is subject to disclosure in accordance with IAS 24, comprises the remuneration of the active Board of Directors and the Executive Management Team (EMT) in 2020, in 2019 and in 2018 as well as the former Management Board and Supervisory Board of RHI AG until October 2017.

For the financial year 2020, expenses for the remuneration of the Executive Directors and EMT members, active in 2020, recognised in the Consolidated Statement of Profit or Loss total €9.8 million (2019: €9.8 million including also remuneration of the former Management Board). The expenses, not including non-wage labour costs, amount to €9.1 million (2019: €9.2 million), of which €7.7 million (2019: €6.7 million) were related to current benefits (fixed, variable and other earnings), €0.0 million (2019: €0.0 million) to benefits related to the termination of employment and €1.4 million (2019: €2.5 million) to share-based remuneration. At 31 December 2020, liabilities for performance-linked variable earnings and share-based payments for active members of the former Management Board of

€2.5 million (2019: €2.6 million) are recognised as liabilities. There are no obligations arising from post-employment benefits and legally required termination benefits.

In addition to the variable remuneration, the members of the former Management Board of RHI AG active in 2017 were also entitled to share-based payments. The programme was terminated after RHI AG merged with and into RHI Magnesita N.V. and the provisioned amount will be paid until 2020. In the financial year 2020, a payment of €1.0 million was made in this regard (2019: €1.0 million).

For Non-Executive Directors, remuneration totalling €1.1 million (2019: €1.2 million) was recognised through profit or loss in the year 2020. The compensation paid to the Non-Executive Directors only consists of short-term employee benefits.

Employee representatives acting as Non-Executive Directors of RHI Magnesita N.V. who are employed by the Group, do not receive compensation for their activity as Non-Executive Directors. For their activity as employees in the Company and the activity of their close relatives employed with RHI Magnesita, expenses of €0.2 million (2019: €0.2 million) are recognised.

No advance payments or loans were granted to key management personnel. The RHI Magnesita Group did not enter into contingent liabilities on behalf of the key management personnel.

Directors Dealings reports are published on the websites of RHI Magnesita N.V. and of the London Stock Exchange. The members of the Board of Directors are covered by Directors &Officers insurance at RHI Magnesita.

Detailed and individual information on the remuneration of the Board of Directors is presented in the Annual Report on Remuneration,in the Remuneration Committee report and the Remuneration Policy on pages 102 to 126 of the Annual Report of the RHI Magnesita Group.

Earnings of former members of the former Management Board amounted to €0.7 million (2019: €2.7 million), of which €0.2 million (2019: €0.2 million) are related to share-based remuneration.

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 ordinary course of business, RHI Magnesita had the following transactions with various organisations with which certain members of the Board of Directors are associated. All transactions with related parties are conducted on an arm's-length basis and in accordance with normal business terms.

Until December 2020, Karl Sevelda held a position as a supervisory board member at Siemens AG Austria. Siemens AG Austria is both a supplier and customer of the Group with only immaterial transaction volumes. The related party was not involved in the decision making of any of these transactions.

Furthermore, Fiona Paulus is an independent non-executive board member of Interpipe Group. RHI Magnesita supplied the Interpipe Group with refractory materials amounting to about € 1.9 million in 2020 (2019: € 3.0 million). However, the materiality of these sales is not significant for the Group.

Equity-settled share option plan (LTIP)
The company implemented a share option plan for the members of senior management of the Group starting with 2018 which was approved by shareholders at the Annual General Meeting held on 7 June 2018. The Group operates in three different share option plans, one applicable for the financial year 2020, 2019 and 2018 each.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry rights to dividends but no voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance-based formula approved by the shareholders at the annual general meeting and is subject to approval by the remuneration committee.

The formula rewards employees to the extent of the Group's achievements judged against quantitative criteria which are explained in detail in the Remuneration Committee report.

The vesting period for each share option plan is three years. If the options remain unexercised after a period of seven years from the vesting date the options expire. Options are forfeited if the employee leaves the Group before the options vest.

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LTIP 2020	2020 Number of options	2019 Number of options
As at 1 January	0	0
Granted during the year	370,014	0
Exercised during the year	0	0
Forfeited during the year	(6,495)	0
As at 31 December	**363,519**	**0**
Vested and exercisable at 31 December	0	0

LTIP 2019	2020 Number of options	2019 Number of options
As at 1 January	179,775	0
Granted during the year	4,797	188,856
Exercised during the year	0	0
Forfeited during the year	(15,055)	(9,081)
As at 31 December	**169,517**	**179,775**
Vested and exercisable at 31 December	0	0

LTIP 2018	2020 Number of options	2019 Number of options
As at 1 January	94,194	94,105
Granted during the year	4,256	89
Exercised during the year	0	0
Forfeited during the year	(768)	0
As at 31 December	**97,682**	**94,194**
Vested and exercisable at 31 December	0	0

No options expired or were exercised during the periods covered by the above tables.

The options outstanding at 31 December 2020 have a weighted-average contractual life of 2 years.

The outstanding share options for the LTIP 2018, which were granted on 6 June 2018, will expire on 7 June 2021. The share price at grant date for the 94,105 options was €53.13. The outstanding share options for the LTIP 2019, which were granted on 19 August 2019, will expire on 20 August 2022. The share price at grant date for the 188,856 options was €46.32. The outstanding share options for the LTIP 2020, which were granted on 8 April 2020, will expire on 9 April 2023. The share price at grant date for the 370,014 options was €22.7.

The assessed fair value at grant date of options of the LTIP 2018 as 31 December 2020 was €50.56 per option. The assessed fair value at grant date of options of the LTIP 2019 granted during the year ended 31 December 2020 was €49.12 per option. The assessed fair value at grant date of options of the LTIP 2020 granted during the year ended 31 December 2020 was €18.31 per option. The fair value of share options with non-market performance conditions has been calculated using the Black-Scholes option pricing model. The fair value of options with market-related performance conditions has been measured using the Monte Carlo model. The calculation takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The requirement that the employee has to save in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained. The discount has been determined by estimating the probability that the employee will stop saving based on historical behaviour.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans for 2020, for 2019 and 2018 were as follows:

LTIP 2020 in € million	2020
Fair value at grant date	6.6
Expected volatility (weighted-average)	41.75%
Expected life (weighted-average)	36 Months
Expected dividends	0.5
Risk-free interest rate	0.51%

LTIP 2019 in € million	2020	2019
Fair value at grant date	8.3	8.3
Expected volatility (weighted-average)	30.36%	30.36%
Expected life (weighted-average)	24 Months	36 Months
Expected dividends	0.5	0.5
Risk-free interest rate	0.47%	0.47%

LTIP 2018 in € million	2020	2019
Fair value at grant date	5.0	5.0
Expected volatility (weighted-average)	21.45%	21.45%
Expected life (weighted-average)	12 Months	24 Months
Expected dividends	0.5	0.5
Risk-free interest rate	0.89%	0.89%

For LTIP 2018 none of the performance targets have been met and the awards are therefore expected to lapse. Amounts recognised in equity relating to market-related performance condition will not be subsequently reversed.

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Expenses for share based payments are disclosed in Note (46).

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62. Board of Directors of RHI Magnesita N.V.
The members of the Board of Directors are as follows:

Executive Directors	
Stefan Borgas	Ian Botha

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

Employee Representative Directors	
Franz Reiter	Michael Schwarz

63. Material events after the reporting date
On 1 February 2021, the Group completed the disposal of RHI Normag AS, Porsgrunn, Norway and Premier Periclase Limited, Drogheda, Ireland which were classified as held for sale as at the balance sheet date. The fair value less cost of disposal of the disposal group was determined with reference to the compensation payable to the purchaser. The total gain on loss of control of €6.2 recognised in the Consolidated Statement of Profit or Loss predominantly relates to the recycling of certain components of Other Comprehensive Income of the entities within the disposal group. As at the date of issue of the financial statements, this gain is expected to be partially set off by an expected loss on disposal of €5.5 million, arising from the disposal of certain assets in a related but separate transaction.

The Group continued its share buyback program and acquired from 1 January 2021 until 28 February 2021 additional 479,463 shares in treasury equalling €20.8 million.

On 5 March 2021 RHI Magnesita signed a new €65.0 million 1-year term loan. The interest rate is fixed at 0.1% and the final maturity of the loan is March 2022. The proceeds will be used for general corporate purposes and to repay higher interest-bearing debt.

After the reporting date on 31 December 2020, there were no events of special significance which may have a material effect on the financial position and performance of the RHI Magnesita Group.

Company Financial Statements of RHI Magnesita N.V.

Company Balance Sheet as at 31 December 2020
(before appropriation of result)

in € million	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Property, plant and equipment		0.3	0.0
Non-current financial assets	(A)	480.6	815.3
Securities		0.5	0.0
Deferred tax assets		10.6	7.4
Total non-current assets		**492.0**	**822.7**
Current assets			
Receivables from group companies		165.8	28.5
Other current receivables		0.6	0.0
Cash and cash equivalents	(B)	3.5	0.1
Total current assets		**169.9**	**28.6**
Total assets		**661.9**	**851.3**
EQUITY AND LIABILITIES			
Equity			
Share capital	(C)	49.5	49.5
Additional paid-in capital	(D)	361.3	361.3
Legal and mandatory reserves	(E)	25.7	197.9
Other reserves		206.3	95.0
Treasury shares	(F)	(21.5)	(18.8)
Result for the period	(L)	24.8	139.0
Shareholders' Equity		**646.1**	**823.9**
Current liabilities			
Other current liabilities	(G)	15.8	27.4
Total current liabilities		**15.8**	**27.4**
Total equity and liabilities		**661.9**	**851.3**

Company Statement of Profit or Loss for the period 1 January 2020 to 31 December 2020

in € million	Note	2020	2019
General and administrative expenses	(I)	(18.6)	(14.7)
Result before taxation		**(18.6)**	**(14.7)**
Net financial result	(J)	0.4	(1.5)
Profit before income tax		**(18.2)**	**(16.2)**
Net result from investments	(K)	40.7	147.8
Income tax		2.3	7.4
Net result for the period	**(L)**	**24.8**	**139.0**

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to the Company Financial Statements 2020

Movements in Shareholders' Equity

in € million	Share capital	Treasury shares	Additional paid-in capital	Legal and mandatory reserves: Cash flow hedges	Legal and mandatory reserves: Currency translation	Legal and mandatory reserves: Mandatory reserve	Other reserves: Retained earnings	Net result	Equity attributable to shareholders
31.12.2019	**49.5**	**(18.8)**	**361.3**	**(11.0)**	**(79.8)**	**288.7**	**95.0**	**139.0**	**823.9**
Appropriation of prior year result	-	-	-	-	-	-	139.0	(139.0)	-
Net result	-	-	-	-	-	-	-	24.8	24.8
Shares repurchased	-	(2.7)	-	-	-	-	-	-	(2.7)
Share-based expenses	-	-	-	-	-	-	(3.1)	-	(3.1)
Dividends	-	-	-	-	-	-	(24.6)	-	(24.6)
Net income / (expense) recognised directly in equity	-	-	-	(2.7)	(169.5)	-	-	-	(172.2)
31.12.2020	**49.5**	**(21.5)**	**361.3**	**(13.7)**	**(249.3)**	**288.7**	**206.3**	**24.8**	**646.1**

in € million	Share capital	Treasury shares	Additional paid-in capital	Legal and mandatory reserves: Cash flow hedges	Legal and mandatory reserves: Currency translation	Legal and mandatory reserves: Mandatory reserve	Other reserves: Retained earnings	Net result	Equity attributable to shareholders
31.12.2018	**48.3**	**-**	**305.5**	**(5.0)**	**(73.8)**	**288.7**	**78.7**	**158.1**	**800.5**
Appropriation of prior year result	-	-	-	-	-	-	158.1	(158.1)	-
Net result	-	-	-	-	-	-	-	139.0	139.0
Acquisition with non-controlling interests without change of control	-	-	-	0.1	(4.6)	-	(19.0)	-	(23.5)
Issue of ordinary shares related to the integrated tender offer of Magnesita	1.2	-	55.8	-	-	-	-	-	57.0
Shares repurchased	-	(18.8)	-	-	-	-	-	-	(18.8)
Share-based expenses	-	-	-	-	-	-	4.1	-	4.1
Dividends	-	-	-	-	-	-	(98.8)	-	(98.8)
Net income / (expense) recognised directly in equity	-	-	-	(6.1)	(1.4)	-	(28.1)	-	(35.6)
31.12.2019	**49.5**	**(18.8)**	**361.3**	**(11.0)**	**(79.8)**	**288.7**	**95.0**	**139.0**	**823.9**

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, 1100 Vienna, Austria.

The shares of RHI Magnesita N.V. (ISIN code NL0012650360) are listed on the Main Market of the London Stock Exchange and are included in the FTSE 250 index.

Basis of preparation
The Company financial statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code. The Company uses the option of Section 362, subsection 8, of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements on the basis of the same accounting principles as those applied for the Consolidated Financial Statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU (i.e. only IFRS that is adopted for use in the EU at the date of authorisation) as explained further in the notes to the Consolidated Financial Statements.

Fiscal Unity
For corporate income tax and sales tax purposes, RHI Magnesita NV, Vienna Branch, acts as the head of a corporate tax group in Austria with the following companies:

- RHI Magnesita GmbH
- Veitscher Vertriebsgesellschaft GmbH
- "Veitsch-Radex" Vertriebgesellschaft GmbH
- Refractory Intellectual Property GmbH
- Veitsch-Radex GmbH
- Radex Vertriebsgesellschaft GmbH
- RHI Refractories Raw Material GmbH
- Lokalbahn Mixnitz-St. Erhard Aktien-Gesellschaft

Pursuant to the Collection of State Taxes Act, the company and its subsidiaries are both severally and jointly liable for the tax payable of the combination.

According to the group and tax compensation agreement, the members of the group have to pay a positive tax compensation of 20% of the taxable profit to the head of the Group if the result is positive, as long as tax loss carry forwards exist with the head of the group; subsequently 25% of the taxable profit have to be paid. In case of a tax loss of the group member, the head of the group has to pay a negative tax compensation to the member of the group, with a rate of 12.5% being applied insofar as the loss can be utilised within the group. In case the losses of a group member were compensated (negative tax allocation payment) and this group member generates taxable income within the next three years (after compensation), the positive tax allocation amounts to 12.5%. In case of a loss in the tax group, an unused tax loss of a group member is retained and offset against future taxable profits of the group member. When the contract is terminated, a compensation payment is agreed for unused tax losses of a group member, which were allocated to the head of the group, see Note (7) .

All income and expenses are settled through their intercompany (current) accounts.

Significant accounting policies
Non-current financial assets
Investments in Group companies in the Company Financial Statements are accounted for using the equity method.

Receivables from Group companies
Accounts receivable are measured at fair value and are subsequently measured at amortized cost, less allowance for credit losses. The carrying amount of the accounts receivable approximates the fair value.

Net result from investments
The share in the result of investments comprises the share of the Company in the result of these investments.

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to the Company Financial Statements 2020

Fixed assets
(A) Financial fixed assets

The financial fixed assets comprise investments in:

Name and registered office of the company	Country of core activity	31.12.2020 Share in %	31.12.2019 Share in %
RHI Magnesita Deutschland AG, Wiesbaden, Germany	Germany	12.5	12.5
RHI Refractories Raw Material GmbH, Vienna, Austria	Austria	25.0	25.0
RHI Magnesita GmbH, Vienna, Austria	Austria	100.0	100.0
RHI Magnesita Trading B.V., Rotterdam, Netherlands	Netherlands	100.0	100.0

The investments have developed as follows:

in € million	2020	2019
At beginning of year	815.3	915.5
Transactions with non-controlling interests without change of control	0.0	(23.5)
Capital contributions	0.0	107.0
Changes from currency translation and cash flow hedges	(172.1)	(7.5)
Changes from defined benefit plans	(0.2)	(28.1)
Equity settled transaction	(3.1)	4.1
Dividend distribution	(200.0)	(300.0)
Net result from investments	40.7	147.8
Balance at year-end	**480.6**	**815.3**

The following list, prepared in accordance with the relevant legal requirements (Dutch Civil Code, Book 2, Sections 379), shows all companies in which RHI Magnesita N.V. holds a direct or indirect share of at least 20% (with the exception of the RHISA Employee Trust):

		31.12.2020		31.12.2019	
Ser. no.	Name and registered office of the company	Share-holder	Share in %	Share-holder	Share in %
1.	RHI Magnesita N.V., Arnhem, Netherlands				
	Fully consolidated subsidiaries				
2.	Agellis Group AB, Lund, Sweden	52.	100.0	52.	100.0
3.	Baker Refractories Holding Company, Delaware, USA	39.	100.0	39.	100.0
4.	Baker Refractories I.C., Inc., Delaware, USA	3.	100.0	3.	100.0
5.	Baker Refractories, Las Vegas, USA	39.	100.0	39.	100.0
6.	Betriebs- und Baugesellschaft mit beschränkter Haftung - Bebau, Wiesbaden, Germany	10.	100.0	10.	100.0
7.	D.S.I.P.C.-Didier Société Industrielle de Production et de Constructions, Valenciennes,France	10.	100.0	10.	100.0
8.	Didier Belgium N.V., Evergem, Belgium	67.,101.	100.0	67.,101.	100.0
9.	Didier Vertriebsgesellschaft mbH, Wiesbaden, Germany	10.	100.0	10.	100.0
10.	RHI Magnesita Deutschland AG, Wiesbaden, Germany	1.,52.	100.0	1.,52.	100.0
11.	Dutch Brasil Holding B.V., Arnhem, Netherlands	107.	100.0	107.	100.0
12.	Dutch MAS B.V., Arnhem, Netherlands	10.	100.0	10.	100.0
13.	Dutch US Holding B.V., Arnhem, Netherlands	107.	100.0	107.	100.0
14.	FE "VERA", Dnepropetrovsk, Ukraine	52.	100.0	52.	100.0
15.	Feuerfestwerk Bad Hönningen GmbH, Wiesbaden, Germany	112.	100.0	112.	100.0
16.	GIX International Limited, Dinnington, United Kingdom	113.	100.0	113.	100.0
17.	INDRESCO U.K. Ltd., Dinnington, United Kingdom	16.	100.0	16.	100.0
18.	Intermetal Engineers Private Limited, Mumbai, India	49.	99.9	49.	99.9
19.	INTERSTOP (Shanghai) Co., Ltd., Shanghai, PR China,i.l.	106.	100.0	106.	100.0
20.	Liaoning RHI Jinding Magnesia Co., Ltd., Dashiqiao City, PR China 1)	52.	83.3	52.	83.3
21.	LLC "RHI Wostok Service", Moscow, Russia	52.,70.	100.0	52.,70.	100.0
22.	LLC "RHI Wostok", Moscow, Russia	52.,70.	100.0	52.,70.	100.0
23.	Lokalbahn Mixnitz-St. Erhard Aktien-Gesellschaft, Vienna, Austria	92.	100.0	92.	100.0
24.	LWB Holding Company, Delaware, USA	53.	100.0	53.	100.0

Notes

to the Company Financial Statements 2020

		31.12.2020		31.12.2019	
Ser. no.	Name and registered office of the company	Share-holder	Share in %	Share-holder	Share in %
25.	LWB Refractories Belgium S.A., Liège, Belgium	41.,112.	100.0	41.,112.	100.0
26.	LWB Refractories Beteiligungs GmbH & Co. KG, Wiesbaden, Germany	32.,53.	100.0	32.,53.	100.0
27.	LWB Refractories Hagen GmbH, Wiesbaden, Germany	112.	100.0	112.	100.0
28.	LWB Refractories Holding France S.A.S., Valenciennes, France	112.	100.0	112.	100.0
29.	Magnesit Anonim Sirketi, Eskisehir, Turkey 2)	52.	100.0	52.	100.0
30.	Magnesita Asia Refractory Holding Ltd, Hong Kong, PR China	28.	100.0	28.	100.0
31.	Magnesita Finance S.A., Luxembourg, Luxembourg	46.	100.0	46.	100.0
32.	Magnesita Grundstücks-Beteiligungs GmbH, Wiesbaden, Germany	46.	100.0	46.	100.0
33.	Magnesita International Limited, London, United Kingdom	46.	100.0	46.	100.0
34.	Magnesita Malta Finance Ltd., St. Julians, Malta	35.,112.	100.0	35.,112.	100.0
35.	Magnesita Malta Holding Ltd., St. Julians, Malta	41.,112.	100.0	41.,112.	100.0
36.	Magnesita Mineração S.A., Brumado, Brazil	31.,46.	100.0	31.,46.	100.0
37.	Magnesita Refractories (Canada) Inc., Montreal, Canada	3.	100.0	3.	100.0
38.	Magnesita Refractories (Dalian) Co. Ltd., Dalian, PR China	31.	100.0	31.	100.0
39.	Magnesita Refractories Company, York, USA	24.	100.0	24.	100.0
40.	Magnesita Refractories Mexico S.A. de C.V., Monterrey, Mexico	3.,4.	100.0	3.,4.	100.0
41.	Magnesita Refractories GmbH, Wiesbaden, Germany	112.	100.0	112.	100.0
42.	Magnesita Refractories Ltd., Dinnington, United Kingdom	3.	100.0	3.	100.0
43.	Magnesita Refractories Middle East FZE, Dubai, United Arab Emirates	31.	100.0	31.	100.0
44.	Magnesita Refractories S.C.S., Valenciennes, France	28.,112.	100.0	28.,112.	100.0
45.	Magnesita Refractories S.R.L., Milano, Italy	112.	100.0	112.	100.0
46.	Magnesita Refratários S.A., Contagem, Brazil	11.	100.0	11.	100.0
47.	Magnesita Resource (Anhui) Company. Ltd., Chizhou, PR China	30.	100.0	30.	100.0
48.	Mezubag AG, Freienbach, Switzerland	106.	100.0	106.	100.0
49.	Orient Refractories Limited, Mumbai, India	13.	66.5	13.	66.5
50.	Premier Periclase Limited, Drogheda, Ireland	13.	100.0	13.	100.0
51.	Producción RHI México, S. de R.L. de C.V., Ramos Arizpe, Mexico	85.,113.	100.0	85.,113.	100.0
52.	Radex Vertriebsgesellschaft m.b.H., Leoben, Austria	109.	100.0	109.	100.0
53.	Rearden G Holdings Eins GmbH, Wiesbaden, Germany	31.	100.0	31.	100.0
54.	Refractarios Argentinos S.A.I.C.M., San Nicolás, Argentina	46.,56.	100.0	46.,56.	100.0
55.	Refractarios Magnesita Chile S/A, Santiago, Chile	46.,54.	100.0	46.,54.	100.0
56.	Refractarios Magnesita Colombia S/A, Sogamoso, Colombia	46.	100.0	46.	100.0
57.	Refractarios Magnesita del Perú S.A.C., Lima, Peru	46.,56.	100.0	46.,56.	100.0
58.	Refractory Intellectual Property GmbH & Co KG, Vienna, Austria	59.,70.	100.0	59.,70.	100.0
59.	Refractory Intellectual Property GmbH, Vienna, Austria	70.	100.0	70.	100.0
60.	Reframec Manutenção e Montagens de Refratários S.A., Contagem, Brazil	46.	100.0	46.	100.0
61.	RHI Argentina S.R.L., Buenos Aires, Argentina	13.,113.	100.0	13.,113.	100.0
62.	RHI Canada Inc., Burlington, Canada	113.	100.0	113.	100.0
63.	RHI Chile S.A., Santiago, Chile	16.,113.	100.0	16.,113.	100.0
64.	RHI Clasil Private Limited, Mumbai India 1)	113.	53.7	113.	53.7
65.	RHI Dinaris GmbH, Wiesbaden, Germany	101.	100.0	101.	100.0
66.	RHI Finance A/S, Hellerup, Denmark	70.	100.0	70.	100.0
67.	RHI GLAS GmbH, Wiesbaden, Germany	101.	100.0	101.	100.0
68.	RHI India Private Limited, Navi Mumbai, India	11.,113.	100.0	11.,113.	100.0

		31.12.2020		31.12.2019	
Ser. no.	Name and registered office of the company	Share-holder	Share in %	Share-holder	Share in %
69.	RHI ITALIA S.R.L., Brescia, Italy	70.	100.0	70.	100.0
70.	RHI Magnesita GmbH, Vienna, Austria	1.	100.0	1.	100.0
71.	RHI Magnesita Distribution B.V., Rotterdam, Netherlands	72.	100.0	72.	100.0
72.	RHI Magnesita Trading B.V., Rotterdam, Netherlands	1.	100.0	1.	100.0
73.	RHI Magnesita Vietnam Company Limited, Ho Chi Minh City, Vietnam	83.	100.0	-	-
74.	RHI Magnesita Services Europe Gerbstedt GmbH, Gerbstedt/Hübitz, Germany	75.	100.0	75.	100.0
75.	RHI Magnesita Services Europe GmbH, Kerpen, Germany	10.	100.0	10.	100.0
76.	RHI MARVO S.R.L., Ploiesti, Romania	52.,107.	100.0	52.,107.	100.0
77.	RHI Magnesita Properties MO, LLC, Missouri, USA	108.	100.0		
78.	RHI Normag AS, Porsgrunn, Norway	52.	100.0	52.	100.0
79.	RHI Refractories (Dalian) Co., Ltd., Dalian, PR China	52.	100.0	52.	100.0
80.	RHI Refractories (Site Services) Ltd., Dinnington, United Kingdom	17.	100.0	17.	100.0
81.	RHI Refractories Africa (Pty) Ltd., Sandton, South Africa	52.,104.	100.0	52.,104.	100.0
82.	RHI Refractories Andino C.A., Puerto Ordaz, Venezuela	113.	100.0	113.	100.0
83.	RHI Refractories Asia Pacific Pte. Ltd., Singapore	70.	100.0	70.	100.0
84.	RHI Refractories Egypt LLC., Cairo, Egypt	52.,107.	100.0	52.,107.	100.0
85.	RHI Refractories España, S.L., Oviedo, Spain	10.,12.	100.0	10.,12.	100.0
86.	RHI Refractories France SA, Valenciennes, France 3)	105.	100.0	105.	100.0
87.	RHI Refractories Ibérica, S.L., Oviedo, Spain	105.	100.0	105.	100.0
88.	RHI Refractories Italiana s.r.l., Brescia, Italy; i.l.	105.	100.0	105.	100.0
89.	RHI Refractories Liaoning Co., Ltd., Bayuquan, PR China 1)	52.	66.0	52.	66.0
90.	RHI Refractories Mercosul Ltda., Sao Paulo, Brazil	107.,113.	100.0	107.,113.	100.0
91.	RHI Refractories Nord AB, Stockholm, Sweden	105.	100.0	105.	100.0
92.	RHI Refractories Raw Material GmbH, Vienna, Austria	1.,52.,70.	100.0	1.,52.,70.	100.0
93.	RHI Refractories Site Services GmbH, Wiesbaden, Germany	10.	100.0	10.	100.0
94.	RHI Refractories UK Limited, Bonnybridge, United Kingdom	10.	100.0	10.	100.0
95.	RHI Refratários Brasil Ltda, Contagem, Brazil; i.l.	13.,36.	100.0	13.,36.	100.0
96.	RHI Sales Europe West GmbH, Urmitz, Germany	10.,105.	100.0	10.,105.	100.0
97.	RHI Trading (Dalian) Co., Ltd., Dalian, PR China	52.	100.0	52.	100.0
98.	RHI Ukraina LLC, Dnepropetrovsk, Ukraine	52.,107.	100.0	52.,107.	100.0
99.	RHI United Offices America, S.A. de C.V., Monterrey, Mexico	85.,100.	100.0	85.,100.	100.0
100.	RHI United Offices Europe, S.L., Oviedo, Spain	85.	100.0	85.	100.0
101.	RHI Urmitz AG & Co. KG, Mülheim-Kärlich, Germany	9.,10.	100.0	9.,10.	100.0
102.	RHI US Ltd., Delaware, USA	13.	100.0	13.	100.0
103.	RHI-Refmex, S.A. de C.V., Ramos Arizpe, Mexico	85.,113.	100.0	85.,113.	100.0
104.	RHISA Employee Trust, Sandton, South Africa 4)	.	0.0	.	0.0
105.	SAPREF AG für feuerfestes Material, Basel, Switzerland	113.	100.0	113.	100.0
106.	RHI Magnesita Interstop AG, Hünenberg, Switzerland	10.,52.	100.0	10.,52.	100.0
107.	Veitscher Vertriebsgesellschaft m.b.H., Vienna, Austria	70.	100.0	70.	100.0
108.	Veitsch-Radex America LLC., Delaware, USA	102.	100.0	102.	100.0
109.	Veitsch-Radex GmbH & Co OG, Vienna, Austria	70.,110.	100.0	70.,110.	100.0
110.	Veitsch-Radex GmbH, Vienna, Austria	70.	100.0	70.	100.0
111.	Veitsch-Radex Vertriebsgesellschaft m.b.H., Vienna, Austria	70.	100.0	70.	100.0
112.	Vierte LWB Refractories Holding GmbH, Wiesbaden, Germany	26.,53.	100.0	26.,53.	100.0

Notes

to the Company Financial Statements 2020

		31.12.2020		31.12.2019	
Ser. no.	Name and registered office of the company	Shareholder	Share in %	Shareholder	Share in %
113.	VRD Americas B.V., Arnhem, Netherlands	52.,70.	100.0	52.,70.	100.0
114.	Zimmermann & Jansen GmbH, Wiesbaden, Germany	10.	100.0	10.	100.0
	Subsidiaries not consolidated due to minor significance	.		.	
115.	Dr.-Ing. Petri & Co. Unterstützungsgesellschaft m.b.H., Wiesbaden, Germany	10.	100.0	10.	100.0
116.	Guapare S.A, Montevideo, Uruguay i.l	46.	100.0	46.	100.0
117.	Magnesita Refractories A.B., Stocksund, Sweden	112.	100.0	112.	100.0
118.	Magnesita Refractories PVT Ltd, Mumbai, India	53.,112.	100.0	53.,112.	100.0
119.	Magnesita Refractories S.A. (Pty) Ltd., Sandton, South Africa	41.	100.0	41.	100.0
120.	MAG-Tec Participações Ltda. Ltda., Contagem, Brazil; i.l.	46.	98.7	46.	98.7
121.	MMD Araçuaí Holding Ltda., São Paulo, Brazil, i.l.	46.	100.0	46.	100.0
122.	Refractarios Especiales Y Moliendas S.A., Buenos Aires, Argentina; i.l.	54.	100.0	54.	100.0
123.	Refractarios Magnesita Uruguay S/A, Montevideo, Uruguay	46.	100.0	46.	100.0
124.	RHI Réfractaires Algérie E.U.R.L., Sidi Amar, Algeria	86.	100.0	86.	100.0
	Equity-accounted joint ventures and associated companies	.		.	
125.	Magnesita Envoy Asia Ltd., Kaohsiung, Taiwan	3.	50.0	3.	50.0
126.	MAGNIFIN Magnesiaprodukte GmbH & Co KG, St. Jakob, Austria	52.,128.	50.0	107.,128.	50.0
127.	Sinterco S.A., Nameche, Belgium	53.	70.0	53.	70.0
	Other immaterial investments, measured at cost	.		.	
128.	MAGNIFIN Magnesiaprodukte GmbH, St. Jakob, Austria	52.	50.0	107.	50.0

1) In accordance with IAS 32, fixed-term or puttable non-controlling interests are shown under liabilities.
2) Further shareholders are VRD Americas B.V., Lokalbahn Mixnitz St. Erhard Aktien-Gesellschaft and Veitscher Vertriebsgesellschaft mbH.
3) Further shareholders are RHI Magnesita Deutschland AG, RHI Dinaris GmbH and RHI GLAS GmbH.
4) Controlling influence due to contractual terms and conditions.
i.l. in liquidation

Current assets
(B) Cash and cash equivalents
Cash and cash equivalents are at RHI Magnesita N.V.'s free disposal.

Equity
(C) Share capital
The Company's authorised share capital amounts to €100,000,000, comprising 100,000,000 ordinary shares, each of €1 nominal value. As at 31 December 2020, RHI Magnesita N.V.'s issued and fully paid-in share capital consists of 49,008,955 ordinary shares (31.12.2019: 49,077,705 ordinary shares). For additional information on treasury shares see (F).

(D) Additional paid-in capital
Additional paid-in capital comprises premiums on the issue of shares less issue costs by RHI Magnesita N.V.

(E) Legal and mandatory reserves
Cash flow hedges
The item cash flow hedges include gains and losses from the effective part of cash flow hedges less tax effects. Further information on hedge accounting is included in Note (55) of the Consolidated Financial Statements.

Currency translation
Currency translation includes the accumulated currency translation differences from translating the Financial Statements of foreign subsidiaries as well as unrealised currency translation differences from monetary items which are part of a net investment in a foreign operation, net of related income taxes. If foreign companies are deconsolidated, the currency translation differences are recognised in the Statement of Profit or Loss as part of the gain or loss from the sale of shares in subsidiaries. In addition, when monetary items cease to form part of a net investment in a foreign operation, the currency translation differences of these monetary items previously recognised in other comprehensive income are reclassified to profit or loss.

The cash flow hedges reserve and the currency translation reserve are legal reserves and are restricted for distribution.

Mandatory reserve
The articles of association stipulate a mandatory reserve of €288,699,230.59 which was created in connection with the merger.

No distributions, allocations or additions may be made, and no losses of the Company may be allocated to the mandatory reserve.

(F) Treasury shares
In 2020, the Company repurchased 68,750 shares from the market for a total cash consideration of €2.7 million. In 2019, the Company repurchased 400,000 shares from the market for a total cash consideration of €18.8 million.

Notes

to the Company Financial Statements 2020

Current liabilities
(G) Other current liabilities

in € million	31.12.2020	31.12.2019
Trade payables	1.0	0.5
Payables to group companies	9.4	1.0
Dividend payable	0.0	24.5
Accrued liabilities	5.4	1.4
Total current liabilities	**15.8**	**27.4**

Accrued liabilities include two outstanding disputes relating to the delisting in Austria and the demerger to the Netherlands. As at 31 December 2020, the resulting liabilities are estimated at €0.2 million. The other current liabilities are due in less than one year. The fair value of other current liabilities approximates the book value, due to their short-term character.

(H) Employee benefits

in € million	31.12.2020	31.12.2019
Wages and salaries	9.5	1.1
Social security charges	1.0	0.0
Pension contributions	0.4	0.0
Other employee costs	0.3	0.2
Total wages and salaries	**11.2**	**1.3**

(I) General and administrative expenses

in € million	31.12.2020	31.12.2019
External services/consulting expenses	3.7	5.0
Cost for principal services Austria	2.2	8.3
Personnel expenses	11.2	1.3
Other expenses	1.5	0.1
Total general and administrative expenses	**18.6**	**14.7**

(J) Net financial result
The 2020 net financial result mainly consists of €0.3 million dividends received on shares held.

(K) Net results from investments
In year 2020 the full year results of the investments amount to a profit of €40.7 million (2019: €147.8 million) and are recognised in the Company Statement of Profit or Loss.

(L) Net result for the period
In 2020, there are no differences in the result between the Company Financial Statements and the Consolidated Financial Statements.

Proposed appropriation of result
It is proposed that pursuant to Article 27 clause 1 of the articles of association of the Company the result shown in RHI Magnesita N.V. income statement be appropriated as follows:

in € million	2020
Profit attributable to shareholders	24.8
In accordance with Article 27 clause 1 to be transferred to reserves	0.0
At the disposal of the General Meeting of Shareholders	**24.8**

For 2020, the Board of Directors will propose a dividend of €1.50 per share for the shareholders of RHI Magnesita N.V. The proposed dividend is subject to the approval by the Annual General Meeting on 10 June 2021.

Other notes

Number of employees

The average number of employees of RHI Magnesita N.V. during 2020 amounts to 48 (2019: nil).

Off balance sheet commitments

RHI Magnesita N.V. as an ultimate parent company provided a corporate guarantee of €1,086.5 million for the borrowings of the Group. The Borrowings are as disclosed in Note (25). Additionally €36.0 million of corporate guarantees are issued in favor of customers and suppliers of the Group.

Other information

Information regarding independent auditor's fees, number of employees of RHI Magnesita Group and the remuneration of the Board of Directors is included in Note (59), (60) to (62) of the Consolidated Financial Statements.

The Company has opened a branch in Vienna, Austria and started as of February 2020 to employ staff in the branch office and undertake services.

Material events after the reporting date

There were no material events after the reporting date other than those disclosed in note (63) of the Consolidated Financial Statements.

Notes
to the Company Financial Statements 2020

Vienna, 7 March 2021

Board of Directors

Executive Directors

Stefan Borgas	Ian Botha

Non-Executive Directors

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

Employee Representative Directors

Franz Reiter	Michael Schwarz

Other information

Provisions of the articles of association on profit and distributions
The stipulations of Article 27 and 28 of the Articles of Association concerning profit and distributions are:

27 Profit and distributions
27.1 The Board may resolve that the profits realised during a financial year will fully or partially be appropriated to increase and/or form reserves. With due regard to Article 26.2, a deficit may only be offset against the reserves prescribed by law to the extent this is permitted by law.

27.2 The allocation of profits remaining after application of Article 27.1 shall be determined by the General Meeting. The Board shall make a proposal for that purpose. A proposal to make a distribution of profits shall be dealt with as a separate agenda item at the General Meeting.

27.3 Distribution of profits shall be made after adoption of the annual accounts if permitted under the law given the contents of the annual accounts.

27.4 The Board may resolve to make interim distributions and/or to make distributions at the expense of any reserve of the Company, other than the Mandatory Reserve.

27.5 Distributions on shares may be made only up to an amount which does not exceed the amount of the Distributable Equity. If it concerns an interim distribution, the compliance with this requirement must be evidenced by an interim statement of assets and liabilities as referred to in Section 2:105 paragraph 4 of the Dutch Civil Code. The Company shall deposit the statement of assets and liabilities at the Dutch Trade Register within eight days after the day on which the resolution to make the distribution is published.

27.6 Distributions on shares payable in cash shall be paid in Euro, unless the Board determines that payment shall be made in another currency.

27.7 The Board is authorised to determine that a distribution on shares will not be made in cash but in kind or in the form of shares, or to determine that shareholders may choose to accept the distribution in cash and/or in the form of shares, all this out of the profits and/or at the expense of reserves, other than the Mandatory Reserve, and all this if and in so far the Board has been designated by the General Meeting in accordance with Article 6.1. The Board shall set the conditions under which such a choice may be made.

28 Release for payment
Distributions of profits and other distributions shall be made payable four weeks after adoption of the relevant resolution, unless the Board or the General Meeting at the proposal of the Board determine another date.

Independent auditor’s report

To: the general meeting and the board of directors of RHI Magnesita N.V.

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of RHI Magnesita N.V. together with its subsidiaries (‘the Group’) give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of RHI Magnesita N.V. (‘the Company’) give a true and fair view of the financial position of the Company as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of RHI Magnesita N.V., Arnhem. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the following statements for 2020: the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes to the consolidated financial statements, comprising the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2020;
- the company statement of profit or loss for the period 1 January to 31 December 2020;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section ‘Our responsibilities for the audit of the financial statements’ of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of RHI Magnesita N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the ‘Wet toezicht accountantsorganisaties’ (Wta, Audit firms supervision act), the ‘Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten’ (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

RHI Magnesita N.V. is a worldwide producer of refractory products. Refractory products are used in all the world's high temperature industrial processes. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

The impact from the COVID-19 pandemic on the world-wide economy characterised the financial year 2020. The global disruption impacted many of the Company's customers. This affected the Company's financial results and as a consequence our determination of materiality and our audit approach. Management considered the impact of COVID-19 on the financial statements. Primarily these considerations related to the implementation of a production optimisation plan, possible impairment of goodwill and other intangible assets and the recoverability of deferred tax assets. We have included these items as key audit matters in our auditor's report. In addition, as disclosed in the Company's viability statement the impact of COVID-19 has been included in the board's going concern assessment.

Following the COVID-19 outbreak, auditors are also facing challenges in performing their audits. In response to that, we have considered the impact of the pandemic on our audit approach and in the execution of our audit. The following highlights were part of the overall impact assessment we performed as part of our audit:

- We are working from home for most of the time now. Inquiries and meetings with management were done via video conferencing and the frequency of these inquiries and meetings was increased. Within the team we worked together using virtual audit rooms. The team was reminded of the importance of staying alert to the quality of evidence and to perform sufficient and appropriate tests over the audit evidence obtained to be satisfied that the company's records are complete, accurate and authentic. To be able to obtain sufficient and appropriate audit evidence, it was necessary to perform certain audit procedures, the 'business essentials', physically at our clients. An example is the attendance of inventory counts.

- The impact on the Company's control environment due to remote working. We assessed that the impact of the outbreak, including working in a remote environment, on the effective operation of controls during 2020 was limited.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 9 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the impairment assessment of goodwill and other intangible assets, the recognition and recoverability of deferred tax assets and the accounting for the impact of the production optimisation plan, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered as key audit matters, were the planned divestment of two asset groups (Ireland and Norway), the provision for employee benefits (primarily in Austria and Germany) and the implementation of changes to the Company's IT systems in Brazil and India. In addition, we performed audit procedures on the items marked 'audited' in the remuneration report such as reconciling the disclosed remunerations to underlying supporting documents.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of an international industrial products company. We therefore included experts and specialists in the areas of amongst others, valuations, employee benefits, IT and corporate income taxes in our team.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: €9.7 million.

Audit scope

- We conducted audit work in 14 locations.
- Site visits were not conducted due to the Covid-19 pandemic and related travel restrictions. We have performed alternative procedures such as remote file reviews for Brazil and Austria and held frequent video conferences with teams in Austria, Brazil, USA, Mexico, China, Switzerland and India.
- Audit coverage: 87% of consolidated revenue, 84% of consolidated total assets and 71% of consolidated profit before tax.

Key audit matters

- Accounting for the production optimisation program
- Recognition and recoverability of deferred tax assets
- Valuation of goodwill and other intangible assets

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€9.7 million (2019: €14.0 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 5% of profit before tax adjusted for exceptional items.
Rationale for benchmark applied	We used profit before tax adjusted for exceptional or infrequently occurring items as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax adjusted for exceptional items is an important metric for the financial performance of the Company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €1.2 million and €7.9 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the board of directors that we would report to them misstatements identified during our audit above €0.6 million (2019: € 0.7 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit
RHI Magnesita N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of RHI Magnesita N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focussed on the significant components:

- RHI Magnesita GmbH, Austria
- RHI US Ltd, USA; and,
- Magnesita Refratários S.A., Brazil.

We subjected three components to audits of their complete financial information, as those components are individually financially significant to the Group. We further subjected ten components to complete audits of their financial statements as they include significant or higher risk areas. Additionally, we selected fourteen components for audit procedures to achieve appropriate coverage on financial statement line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	87%
Total assets	84%
Profit before tax	71%

None of the remaining components represented more than 3% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We held individual calls with each of the in-scope component audit teams during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

The group engagement team has previously visited the component teams and local management on a rotational basis. In the current year the group audit team no visits could be performed as a result of the COVID-19 travel restrictions. Therefore, we have performed remote file reviews for Brazil and Austria and held frequent video conferences with teams in Austria, Brazil, USA, Mexico, Switzerland, China and India. For each of these locations we reviewed selected working papers of the respective component auditors.

The group engagement team performed the audit work for the parent company RHI Magnesita N.V. as well as the Integrated Business Services office activities in Spain on areas such as fixed assets, accounts payable and accounts receivable, cash and cash equivalents and aspects of accounts receivable and accounts payable. In addition, the group engagement team performed the audit work over the head-quarter related activities in Vienna. This includes group consolidation, inventory valuation, financial statement disclosures, remuneration disclosures and a number of complex items, such as goodwill impairment testing, share based compensation and compliance of accounting positions taken by the Group in accordance with EU IFRS.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit are:

In respect to fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

In respect to non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with management with the oversight of the board of directors.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Group. We identified provisions of those laws and regulations, generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements such as the financial reporting framework and tax and labour related laws and regulations.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the board of directors that may represent a risk of material misstatement due to fraud. We refer to the key audit matters for examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgments.

Our response to the risks identified

We performed the following audit procedures to respond to the assessed risks:

- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by RHI Magnesita N.V., including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.

- We inquired with executive directors, other members of management and the board of directors as to whether they have any knowledge of (suspected) fraud, their views on overall fraud risks within the Group and their perspectives on the Groups mitigating controls addressing the risk of fraud.
- We assessed the matters reported on the Group's whistleblowing and complaints procedures with the entity and results of management's investigation of such matters.
- With respect to the risk of fraud in revenue we performed testing over the existence of recorded revenue transactions and, where applicable addressed the risk for improperly shifting revenues to an earlier or later period.
- With respect to the risk of bribery and corruption across various countries, we performed specific inquiries with (local) management in order to identify higher risk areas.
- We paid specific attention to agent contracts and related commission expenses recorded by the Company and the Company's agent certification process.
- We incorporated an element of unpredictability in our audit.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements.
- As to the other laws and regulations, we inquired with executive directors and/or the board of directors as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud. If so, we re-evaluated our assessment of fraud risk and its resulting impact on our audit procedures.

We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements.

As to the other laws and regulations, we inquired with the board of directors and/or those in charge with governance as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

Identified (indications) of fraud
During our audit, the Company disclosed to us instances of (indications of) fraud, which we followed up. We communicated those (indications of) fraud to the relevant local audit teams who performed sufficient and appropriate audit procedures supplemented by audit procedures performed at the group level. These procedures include amongst obtaining an understanding of Company's assessments and validating aspects of the investigations performed by the Company. With respect to the investigation into the Mexican misappropriation, we have assessed management's corrective actions for adequacy and assessed whether internal controls were re-enforced and strict adherence to the Company's Code of Conduct reiterated. We consulted our forensic specialists where considered appropriate in our professional judgement.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	*Our audit work and observations*
Accounting for the production optimisation program *Refer to note 9,33 and 38 of the consolidated financial statements* In 2019 the Company commenced with a plant rationalisation programme resulting in the plant closure in Hagen, Germany and partial shut-down of the plant in Trieben, Austria. This programme continued in 2020 with the facilities in Mainzlar and Kruft (Germany). Furthermore, during 2020 the rationalisation of the Company's production facility Refratec, Brazil was announced (see note 38). As a result, the Group incurred €74.6 million of expenses in relation to the production optimisation plan consisting of restructuring expenses for €46.5 million and €28.1 million of asset write-downs in 2020. In addition, as disclosed in Note 5, the Group entered into an agreement to sell its plants in Norway and Ireland, resulting in an impairment loss of €18.7 million. These amounts are reported as adjusted items in the Group's alternative performance measures. This key audit matter relates to the recognition of the restructuring cost and the expected cost to be incurred (see note 38 to the financial statements) as well as the accuracy of the asset write downs and impairment charges. When calculating the exit costs, management has estimated future settlement and exit costs where these are not yet known. We consider this to represent a key audit matter reflecting the level of judgement applied by management in the assumptions used to determine the extent of provisioning required and the magnitude of the recorded cost and the timing of recognition.	We enquired management about and inspected the latest strategic plans and minutes of meetings of the board of directors. We evaluated the appropriateness of the Group's judgements regarding the preconditions of IAS 37 with regard to restructuring provisions and asset impairment in accordance with IAS 36. We validated that the held for sale accounting guidance of IFRS 5 was appropriately applied to the planned sale of the plants in Norway and Ireland. We tested the mathematical and methodological accuracy of the provisions and assessed the integrity of key inputs, for example through recalculating the amounts recorded for severance based on agreed upon social plans and or other (publicly available) evidence. We reconciled the journal entries to the amounts calculated and validated. Regarding the asset impairments, we have assessed the appropriateness of the calculations made by the company and reconciled the asset write-downs to the general and sub ledger accounts. We challenged management for the underlying assumptions used in the impairment calculation, e.g. residual values, and likelihood of transferring assets to alternative locations based on the nature of the asset. We assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRSs. Based on the audit procedures performed, we found the Group's estimates and judgment used in the accounting for the plant rationalisation programme reasonable.
Recognition and recoverability of deferred tax assets *Refer to note 7,9,16 and 44 of the consolidated financial statements* The Group recorded deferred tax assets for tax loss carry-forwards and deductible temporary differences arising on various items for the amount of €199.2 million. During 2020, additional deferred tax assets were recognised in the Netherlands, primarily for restructuring losses. Reference is made to note 16 of the financial statements. Deferred tax assets are capitalised based on the assumption that sufficient taxable income will be generated against which loss carry-forwards and other deductible temporary differences can be offset. This assumption is based on estimates of the current and the estimated taxable results, and any future measures implemented by the company in several jurisdictions concerned that will have an	We have requested and obtained evidence for the existence and accuracy of the tax loss carry-forwards and assessed the expiration dates per jurisdiction. Where there was uncertainty around the acceptance of losses by the tax authorities, we requested and received a tax opinion from the Group's tax advisor and an acknowledgement from the tax authorities of the Company's waving of the Advanced Pricing Agreement in the Netherlands per December 2020. Together with our local tax specialists, we have assessed per tax jurisdiction the level of potential offsetting of the deferred tax

effect on income tax, taking into account the available carry-forward period. The Group also has losses and other temporary differences for which no deferred tax asset has been recognised in these consolidated financial statements.

Due to the inherent level of uncertainty, the potential limitations in the recoverability of deferred tax assets and the significant judgement involved, we considered the recoverability of deferred tax assets to be a key audit matter for our audit.

assets with the deferred tax liabilities.

Furthermore, we have critically assessed the underlying assumptions of the forecasted taxable income through agreeing the forecasted future taxable profits with approved business plans in a tax jurisdiction. We also assessed the past performance against the expected future tax profits in the business plans used by the Group, by using our knowledge of the Group and the industry in which it operates. In addition, we have considered the local remaining carry-forward period together with any applicable restrictions in recovery for each individual jurisdiction.

We assessed and corroborated the adequacy and appropriateness of the disclosure made in the consolidated financial statements.

Based on the audit procedures performed, we found the Group's estimates and judgment used in the

recoverability assessment of the deferred tax assets to be supported by the available evidence.

Valuation of goodwill and other intangible assets

Refer to note 7, 9, 10, 11, and 38 of the consolidated financial statements

The Group capitalised goodwill for €110.8 million, mainly related to the acquisition of the Magnesita Group in 2017. In addition, the company capitalised intangible assets for €265.7 million. These assets form part of cash-generating units ('CGUs') to the extent that they independently generate cash inflows. If and to the extent to which these CGUs include goodwill or intangible assets with indefinite useful lives or show signs for impairment, the recoverable amount is assessed. Annual planning process data is used to make assumptions on the discount rates, profitability as well as growth rates, and sensitivity analyses are carried out with regard to any accounting effects. The assessment did not result in an impairment.

We identified the impairment assessment as a key audit matter due to significant estimates and assumptions about the discount rates, profitability as well as growth rates.

As part of our audit procedures, we have evaluated and challenged the composition of management's future cash flow forecast and process applied to identify and define cash-generating units, calculate the recoverable amount, test for impairment, calculate the capital cost rate and the growth rate as well as the calculation model.

We have reconciled the assumed future cash flows used in the budget planning with the information included in the forecast made by management

With the support of our valuation specialists, we have evaluated management's assumptions such as revenue and margin, the discount rate, terminal value, operational and capital expenditure. We have obtained corroborative evidence for these assumptions. We performed analyses to assess the reasonableness of forecasted revenues, margins and expenditures in line with the level of activity forecasted and corroboration to contracted revenue for the coming years and price trends and obtained further explanations when considered necessary. We compared the long-term growth rates used in determining the terminal value with economic and industry forecasts. We have re-performed calculations, compared the methodology applied with generally accepted valuation techniques, assessed appropriateness of the cost of capital for the company and comparable assets, as well as considered territory specific factors and assessed appropriateness of disclosure of the key assumptions and sensitivities underlying the tests.

Based on the audit procedures performed, we found the assumptions to be reasonable and supported by the available evidence.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the section strategic report on pages 0 to 75 of the annual report;
- the section governance on pages 76 to 126 of the annual report, which includes the remuneration report on pages 117 to 126 of the annual report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements, except for the audit performed on information in the remuneration report that marks 'audited'.

Management is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of RHI Magnesita N.V. by the board of directors following the passing of a resolution by the shareholders at the annual meeting held on 4 October 2017. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of four years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 59 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of management and the board of directors for the financial statements
Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The board of directors is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 7 March 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by E.M.W.H. van der Vleuten RA MSc

Appendix to our auditor's report on the financial statements 2020 of RHI Magnesita N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Alternative performance measures (APMs)

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 Full 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 results at constant currency

FY 2020 figures presented at constant currency represent FY 2019 reported figures translated at average 2020 exchange rates.

EBITA

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

EBITDA

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

Adjusted EBITDA and EBITA

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

Adjusted earnings per share (Adjusted EPS)

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

Operating cash flow and free cash flow

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

Working capital

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

Net debt

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

Return on invested capital

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

Liquidity

Liquidity is measured by adding up cash and cash equivalents as well as an unutilised credit facility amounting to €600.0 million.

Glossary

AC	Audit Committee
AGM	Annual General Meeting
AI	artificial intelligence
APM	alternative performance measures
APO	Automated Process Optimisation
ANKRAL LC	RHI Magnesita low-carbon product series, which is designed to support customers as they reduce emissions in their supply chain
ANKRAL X	RHI Magnesita product series, which combines clinker melt resistance with flexibility
BOF	basic oxygen furnace
BST	Broadband Spectral Thermometer
CAGR	compound annual growth rate
Capex	capital expenditure
CCU	carbon capture and usage
CDC	Centers for Disease Control and Prevention
CDP	global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIS	commonwealth of independent states
CO_2	carbon dioxide
CSC	Corporate Sustainability Committee
DBM	dead burned magnesia
DCGC	Dutch Corporate Governance Code 2016
EAF	electric arc furnace
EBIT	earnings before interest and taxes
EBITA	earnings before interest, taxes and amortisation
EBITDA	earnings before interest, taxes, depreciation and amortisation
ECL	expected credit losses
ECRA	European Cement Research Association
EEC	environment, energy and chemicals
ED	Executive Director
EMT	Executive Management Team
EPS	earnings per share
EU	European Union
GRI	Global Reporting Initiative
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KPI	key performance indicator
LME	London Metals Exchange
LTIF	lost time injury frequency (per 200,000 working hours)
LTIP	long-term incentive plan
MAR	Market Abuse Regulations
M&A	mergers and acquisitions
MES	manufacturing execution systems
NFM	non-ferrous metals
NGO	non-governmental organisation
NMEA	near Middle East and Africa
NOx	nitrogen oxides
NPS	Net Promoter Score
PV	photovoltaic
QCK	Quick Check
ROIC	return on invested capital
SDGs	United Nations Sustainable Development Goals
SG&A	selling, general and administrative expenses
SKU	stock-keeping unit
SOx	sulphur oxides
SRM	secondary raw materials
STEM	science, technology, engineering and mathematics
TAC	Technical Advisory Committee
TCFD	Task Force on Climate-related Financial Disclosures
TRIF	total recordable injury frequency
TSR	total shareholder return
UKCGC	UK Corporate Governance Code 2018
VR	virtual reality
WHO	World Health Organisation

Shareholder information

RHI Magnesita N.V. is a public company with limited liability under Dutch law and was incorporated on 20 June 2017.

It has its corporate seat in Arnhem, the Netherlands, its administrative seat in Vienna, Austria and its registered office at Kranichberggasse 6, 1120 Vienna, Austria.

The telephone number of the Issuer is +43 50 2136200.

The Company shares, represented by depository interests, of RHI Magnesita N.V, are listed on the Premium Segment of the Official List on the Main Market of the London Stock Exchange, and RHI Magnesita N.V holds a secondary listing on the Vienna Stock Exchange (Wiener Börse).

Ticker symbol: RHIM
ISIN Code:NL0012650360

Investor information

The Company's website www.rhimagnesita.com provides information for shareholders and should be the first port of call for general queries. The Investors section (https://ir.rhimagnesita.com/) contains details on the current and historical share price, analyst presentations, shareholder meetings as well as a "Shareholders Information" section. Annual and Interim Reports can also be downloaded from this section.

You can also subscribe to an "Investors mail alert service" to automatically receive an email when significant announcements are made.

Shareholding information

Please contact our Registrar, Computershare for all administrative enquiries about your shareholding, such as dividend payments, or a change of address:

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Financial calendar

Q1 Trading Update	5 May 2021
Annual General Meeting	10 June 2021
Half Year Results	28 July 2021

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