

The driving force of the refractory industry

Roadshow

May 2018



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Compelling investment case

1

Solid strategy and competitive advantages

- Strong market position with 15% global market share, clear leadership in Americas, Europe and Middle East with broadest value-added solution offering
- Highest level of vertical integration in the industry with unique mineral sources and 50% self-sufficiency in all raw materials
- Leading margin generation in all market segments globally

2

Rapid deleveraging and strong cash conversion

- Strong cash flow from operating business supported by synergies and organic growth opportunities
- Cash usage priority on deleveraging within 2 years to reach investment grade rating

3

Significant synergy potential

- At least €70m EBITA synergies in SG&A, procurement and production network by 2019
- Interest expenses to be reduced by at least €10m in 2018 and €20m in 2019 run-rate
- Additional “below the line” opportunities in working capital and tax

Refractory industry

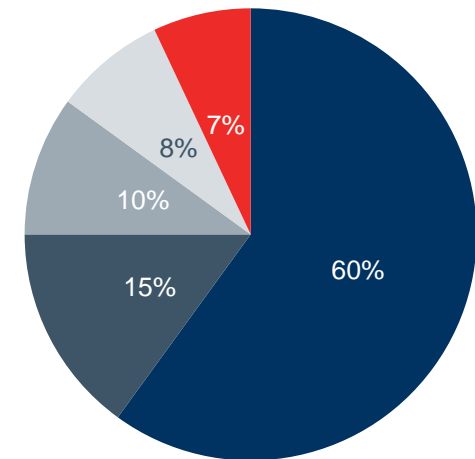


Refractories are critical to all high-temperature industrial processes

- Refractories are critical consumable or investment goods for high-temperature manufacturing processes
- Fireproof materials consumed whilst protecting clients' production processes, retaining physical and chemical characteristics when exposed to extreme conditions
- Critical, yet represent less than 3% of COGS in steel manufacturing and less than 1% in other applications

Main end markets €20 billion worldwide industry

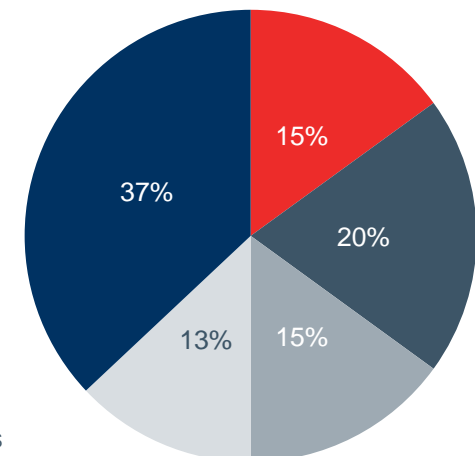
- Steel
- Energy, chemicals
- Nonferrous metals
- Cement
- Glass



Source: Company estimates


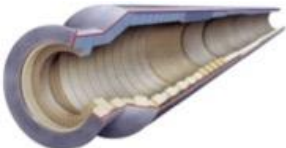

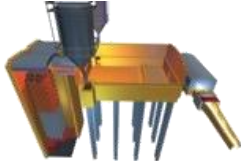
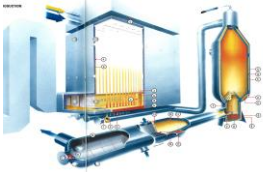
Global refractory industry

- RHI Magnesita
- 4-6 segment specialists
- 10-20 regional champions
- 100-200 small local companies
- 1000+ small Chinese companies



Source: Company estimates of market share in US\$

Refractories are continuously consumed during finished goods production

Key industries	Applications	Replacement	% of clients' costs	Refractory characteristics
Steel	Basic oxygen-, electric arc furnace casting ladles 	20 minutes to 2 months	~3.0%	Consumable product Systems and solutions for complete refractory management Demand correlated to output Investment goods Longer replacement cycles Customized solutions based on the specific requirements of various industrial production processes Complete lining concepts including refractory engineering Wide areas of application Mostly project driven demand cycles Ongoing demand for repairs
Cement/Lime	Rotary Kiln 	Annually	~0.5%	
Nonferrous metals	Copper-converter 	1 – 10 years	~0.2%	
Glass	Glass furnace 	Up to 10 years	~1.0%	
Energy/ Environmental/ Chemicals	Secondary reformer 	5 – 10 years	~1.5%	

A complex range of tailored refractory products are required for each application

Bricks



1 Permanent lining



2 Non-basic,
ex. Alumina



3 Basic, ex.
Mag-Carbon

Monolithics and pre casts



4 Mixes



5 Pre Castables

Functional products



6 Slide Gates



7 Nozzles



8 Purge Plugs



9 ISO

Example of refractory application for steel ladle



+Systems and machinery

The driving force of the refractory industry



RHI MAGNESITA



Providing everything, for everyone, everywhere

€2.7bn

2017 adjusted pro-forma revenue

10,000

Customers served globally

14,000

Employees spread
over 37 countries

35

Main production sites across
16 countries

180

Countries shipped worldwide

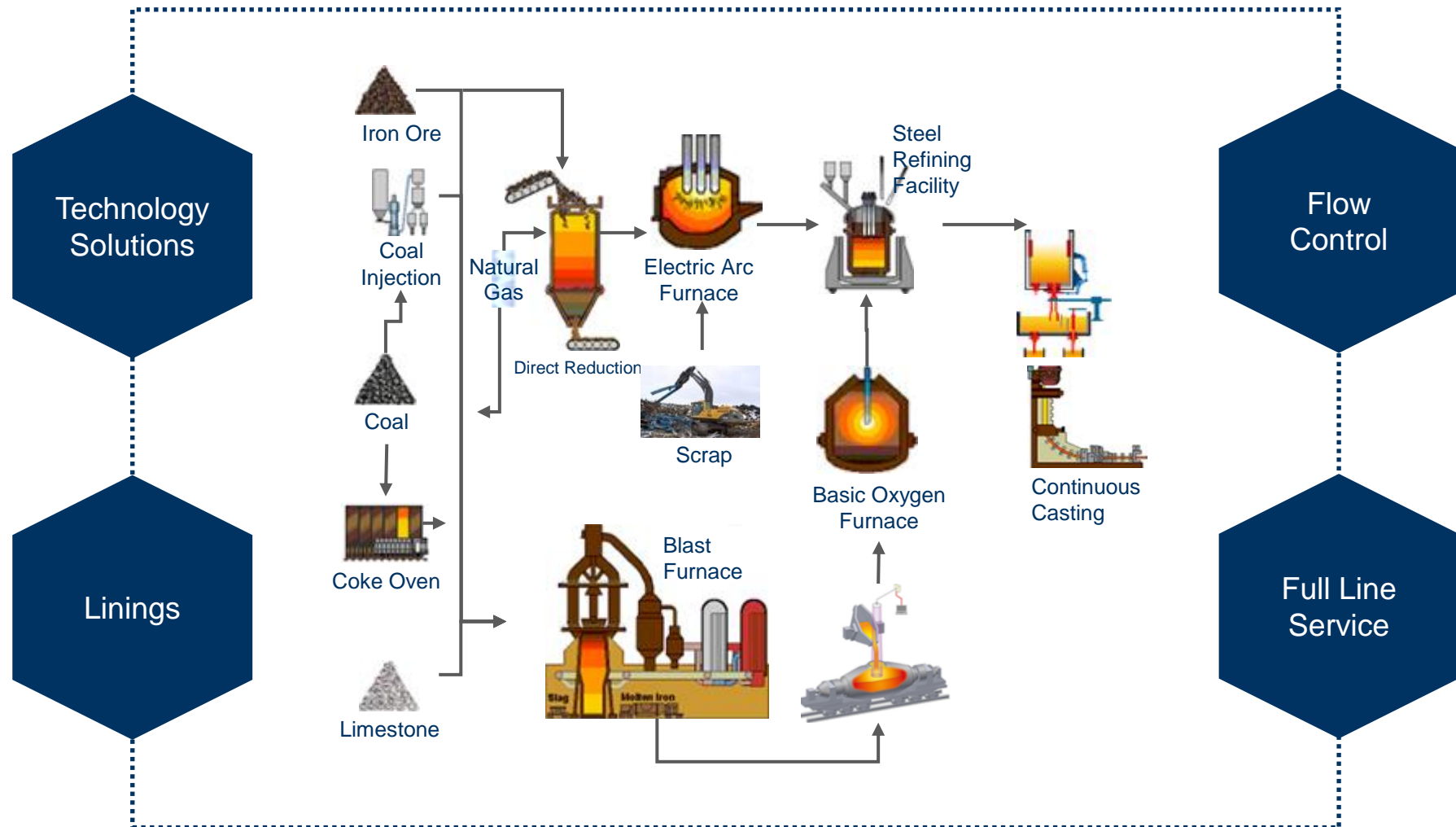
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Raw material sites
in 4 continents

€37m

Annual investment in Research

Adding value through a full suite of products and services

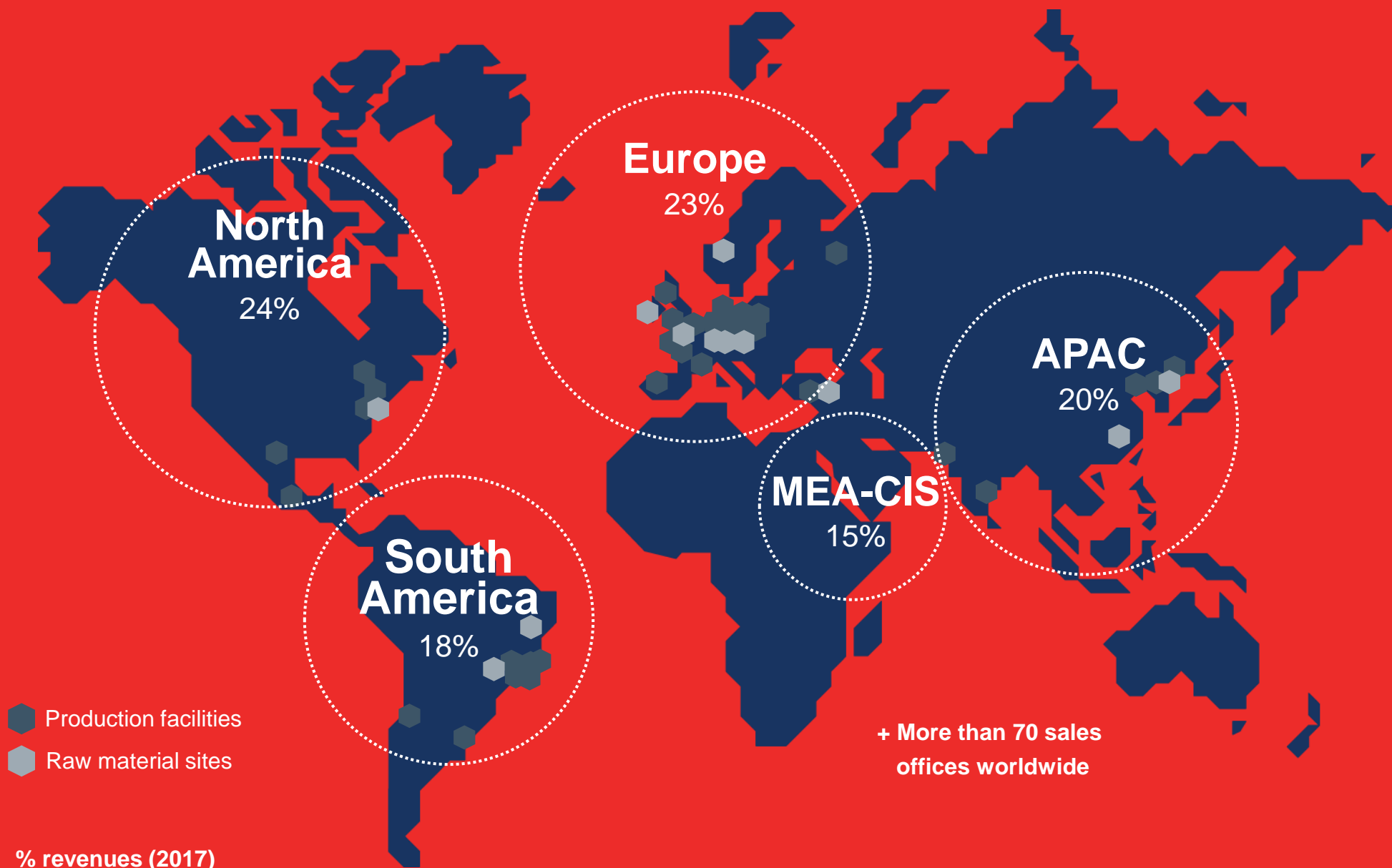


Serving all blue chip clients in every industry

Steel	Cement		Glass	Metals	
					
					
					
					
Serving 1060 of 1250 plants ¹		Serving 1376 of 1537plants ¹		Serving 800 of 900 plants ¹	
				Serving 650 of 2000 plants ¹	

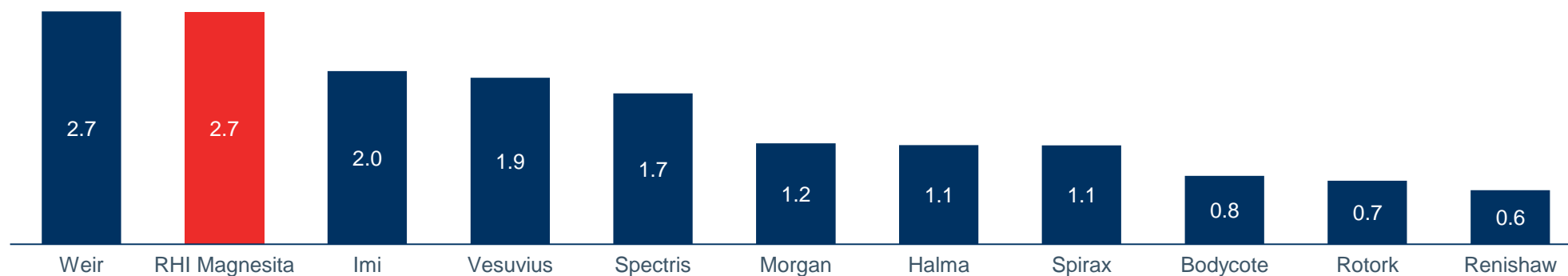
¹ex-China

Optimally positioned to reach clients everywhere

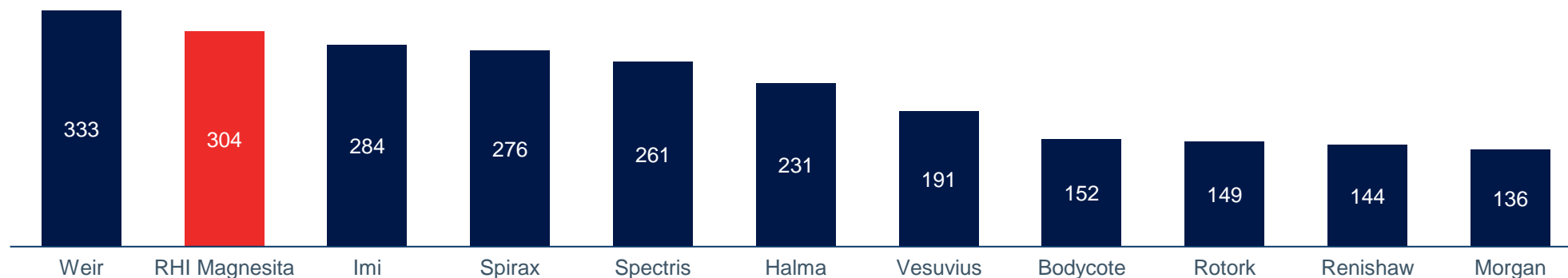


Amongst the leading FTSE 250 industrial companies

Revenue (€ Bn)



EBITA (€ mln)



Source: Company 2017 Annual Reports



RHI MAGNESITA

Strategy

Build a global refractory leader with a distinctive customer proposition based on technology and cost competitiveness to ensure manufacturing of essential materials for the world



Markets

Worldwide presence with strong local organizations and **solid market positions**. **Opportunity to expand in Asia.**



Competitiveness

Cost competitive and safe production network supported by **lowest cost G&A services**. **Opportunity to lower COGS through capacity expansion.**



Portfolio

Comprehensive refractory product portfolio including basic, non-basic, functional products and services in **high performance segments**. **Opportunity to grow via capacity expansion and partnerships.**



People

Hire, retain and motivate **talent** and nurture a **meritocratic, performance-driven, client-focused friendly culture**. **Opportunity to attract new talent from inside and outside RHI Magnesita.**

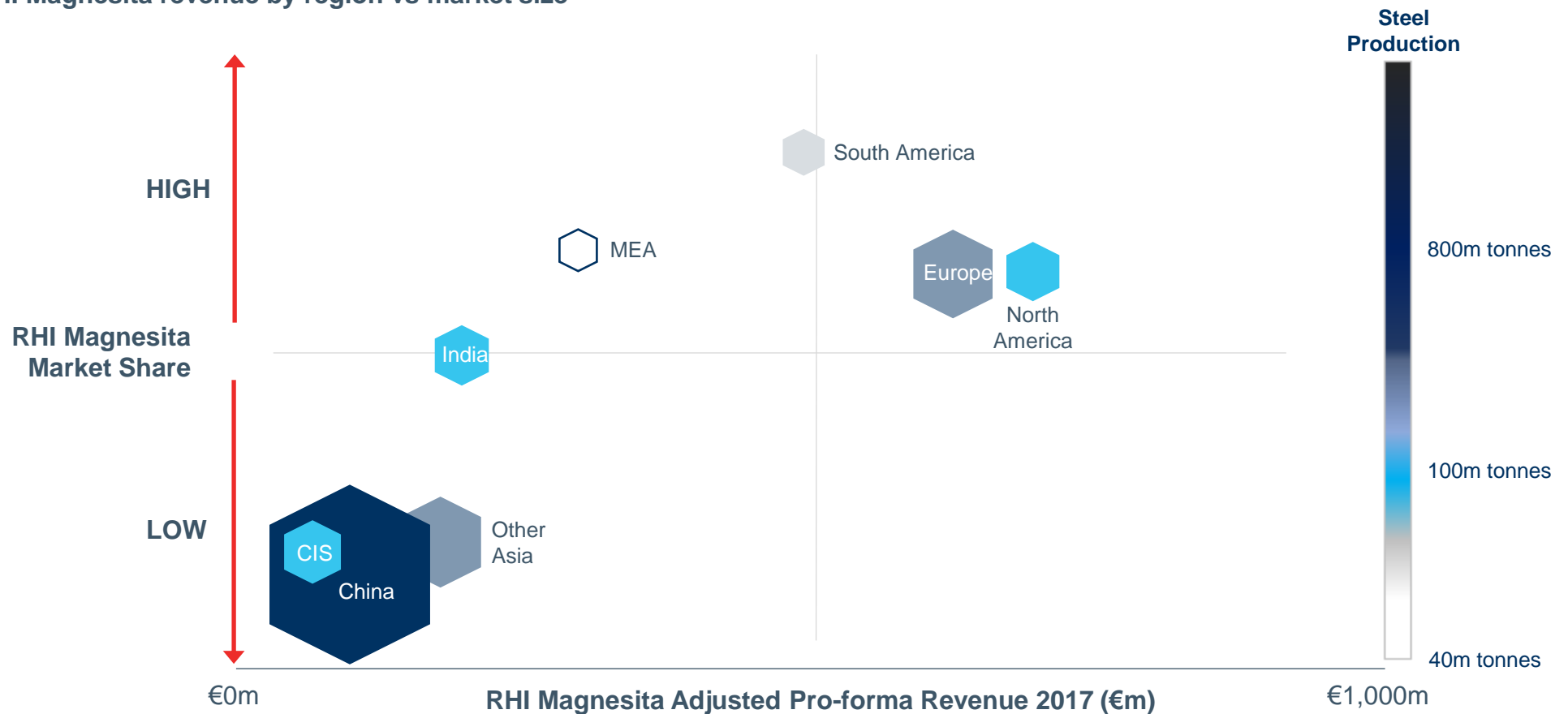


Technology

Top solution provider in the refractory industry with an extensive portfolio based on **innovative technologies and digitalization**. **Opportunities to develop tailored solutions with new technologies and partners.**

High market share in Europe and Americas with opportunities to occupy 'white spaces' in India, China and CIS

RHI Magnesita revenue by region vs market size



□ **Dedicated strategy for China** with focus on growing locally, to achieve sustainable and profitable revenue growth

□ **Focus on organic growth in India** (high quality demand) and **US** based on positive local market development

□ Drive **organic growth in the mid term** and in the long run consider M&A to achieve overall global presence

Extend market position in high quality applications and strengthen non-basic mixes and functional products

Portfolio	Main Applications	Opportunity
Basic Products	<ul style="list-style-type: none"> □ Steel: converters and ladles □ Industrial: Nonferrous Metals 	<ul style="list-style-type: none"> □ Great capability and logistics: Production in all continents and short lead-time to everyone, everywhere □ RHI Magnesita, for example, produces world-class mag-carbon bricks. The combination of the best raw materials with the continuous investments in R&D allowed the Company to develop a high-performance product which enhances clients productivity
Non-basic products	<ul style="list-style-type: none"> □ Steel: blast furnace & reheating furnaces and direct reduction □ Industrial: bricks & castables 	<ul style="list-style-type: none"> □ Estimated global market of €4 billion+ □ RHI Magnesita has a complete non-basic product portfolio □ Strong presence in South America. Great opportunity to expand in North America and Europe
Functional Products	<ul style="list-style-type: none"> □ Steel: continuous and ingot casting □ Industrial: Nonferrous Metals 	<ul style="list-style-type: none"> □ Technical expertise, complete product portfolio, solutions beyond refractory products such as mechanisms □ A global plant footprint allows optimization of supply chain □ Continuously growing business with a combined market share globally ~20%; significant growth potential
Engineering Solutions	<ul style="list-style-type: none"> □ Steel: tundish efficiency improvement □ Industrial: raw material testing & experimenting 	<ul style="list-style-type: none"> □ Service provider and strong partner with the capability to provide solutions beyond refractories □ Tailor made solution for all customer requirements □ Simulations and modelling for improvement of customer processes (water modelling; fluid dynamics)

Top solution provider in the industry, investing in innovative technologies and digitalization

1

Continue investing in R&D to create products, which have a distinct competitive advantage by costs or by product performance and defend current margin level sustainably

3

Develop into a **system supplier** based on R&D, partnerships and selective acquisitions and **gain 50-100 basis points in margin**

2

Explore digitalization & automation across the value chain to create additional value for our customers and achieve cost reduction and gain additional margin to our company

The industry's largest dedicated research team, pushing the boundaries of what is possible

We drive innovation in every aspect of our business, from materials, robotics and Big Data, to bespoke new business models and efficient new processes, under extreme conditions.

Refractories

- Development and optimization of refractory products and manufacturing processes
- Market driven project portfolio
- Plant technical support and quality control

Mineral

- Increase ore recovery, maximize mine useful life and minimize environmental impacts
- Development of high quality, low cost raw material sources

Basic research

- Basic research ensuring technology leadership
- Strong focus on innovation

Recycling as an opportunity

- Green technology applied to reprocessing, sorting and reutilization of recycled raw material

Global research team of 270+ employees, of which 98 have masters and PhDs, working out of 2 research hubs and 3 centers



Investing €37m p.a. into technology-based solutions

On-site technical experts consult, develop and deliver innovative solutions directly to clients

340+ technical engineers across 90 countries, working on-site with clients to provide custom-made solutions, installation support, recycling, post-mortem analysis and more.

A combination of...



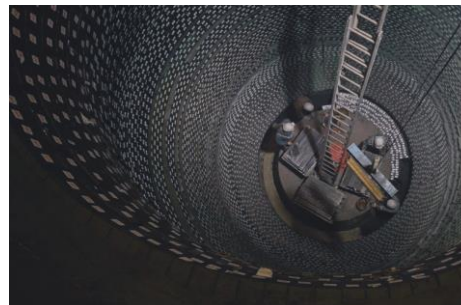
High quality raw materials



Continuous investments in R&D



World-class products



On-site technical consulting

...ensures customers

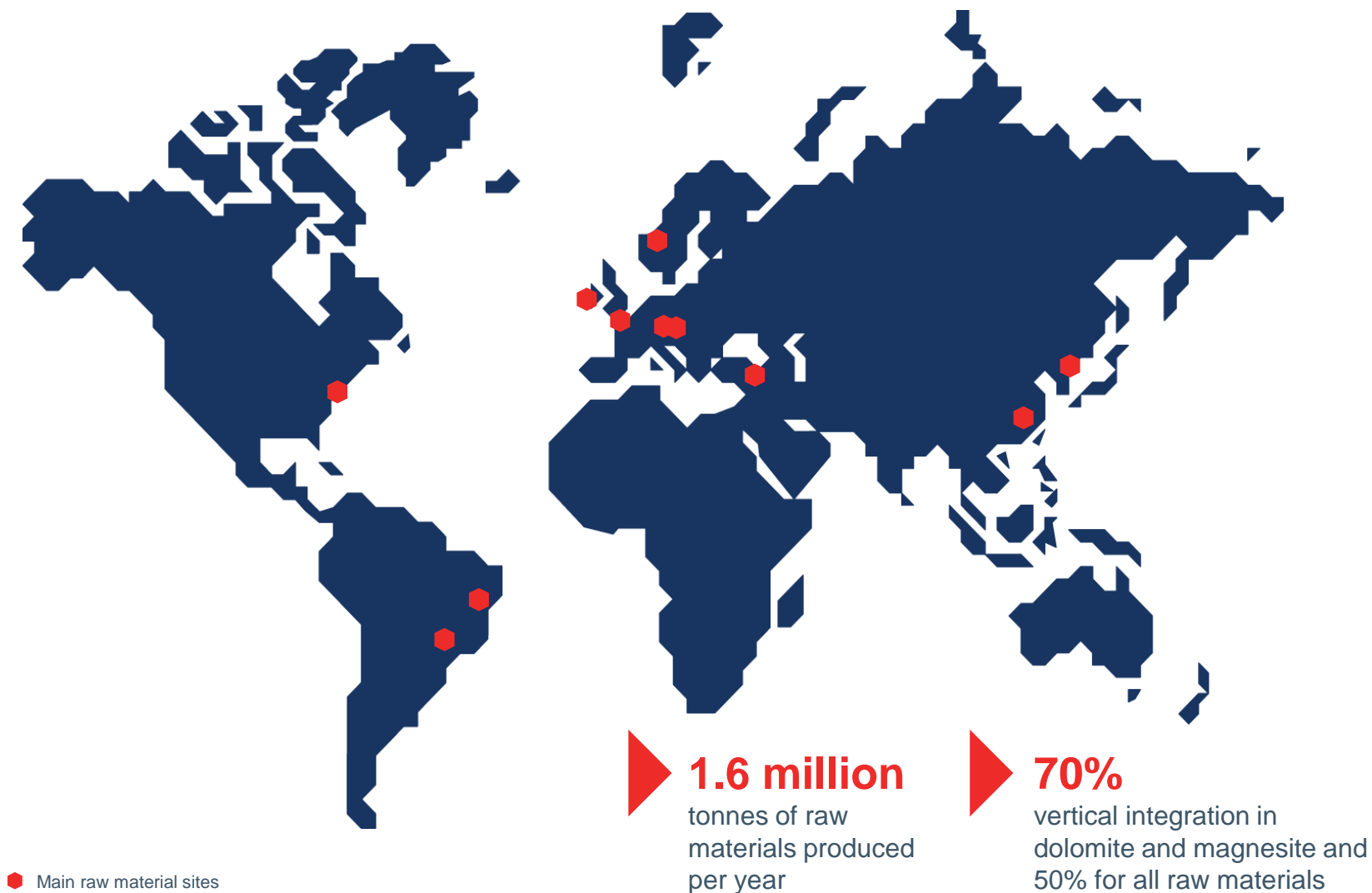
- ☐ Improve efficiency
- ☐ Improve quality
- ☐ Increase productivity
- ☐ Reduce costs
- ☐ Reduce working capital
- ☐ Reduce energy and other raw materials consumption
- ☐ Reduce environmental footprint

Cost competitive and safe production network supported by lowest cost G&A services

- **Reduce conversion & logistics costs and optimize FX changes tactically** through the most efficient usage of the global production footprint
- Run the **lowest cost G&A services** to support the daily business
- Strictly implement and safeguard **achievement of operational synergies** from the merger
- **Improve efficiency and expand capacity selectively** to support growth ambitions



Unrivalled competitive advantage through vertical integration, in multiple sites

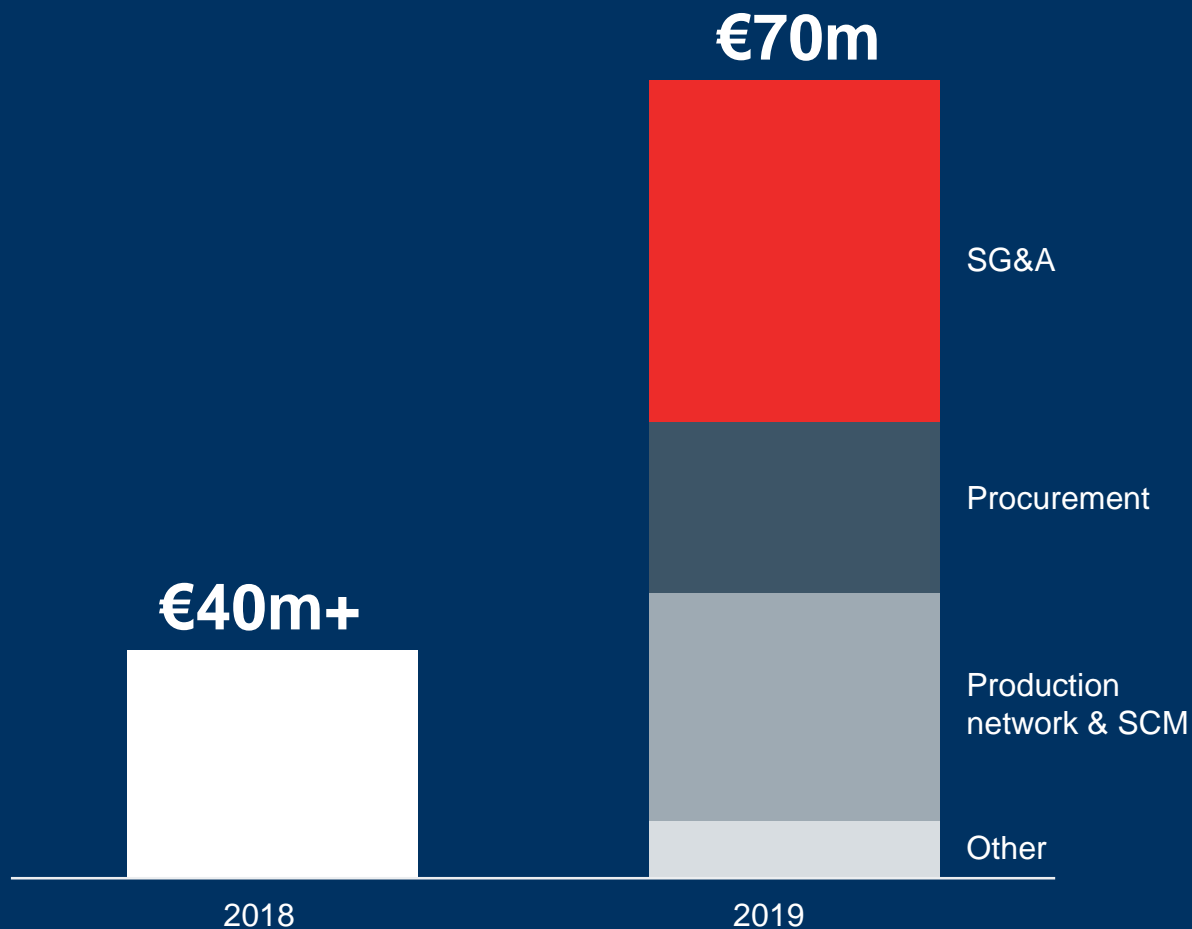


Certainty of supply

High quality materials

Cost competitiveness

Faster realisation of synergies by one year



Cash restructuring costs of ~€70m

- At least €40m synergies in the 2018 P&L and €70m in synergies to be captured fully by 2019
- Expected total cash restructuring costs are projected to amount to ~€70m, with majority of cash outflows disbursed throughout 2018
- Interest expenses to be reduced by at least €10m in 2018 and €20m in 2019 run-rate
- High volatility in global raw material markets pose additional risks and uncertainty, but also upsides

Synergy opportunities across a range of business activities

Opportunities

SG&A	<ul style="list-style-type: none"> □ Rationalization of sales network □ Streamlining corporate management and back-office □ Ramp-up of shared service centers
Procurement	<ul style="list-style-type: none"> □ Best sourcing prices in overlapping countries and spend categories □ Beneficial scale effect from high volumes □ Increase vendor financing
Production Network and Supply Chain	<ul style="list-style-type: none"> □ Network rationalization, enhancing distribution, reducing logistic costs and lead-time and improving capacity utilization □ Reallocate complementary product portfolios □ Enhanced raw material integration
Others	<ul style="list-style-type: none"> □ Cross-selling opportunities □ Product master-data homogenization

Additional ‘below the line’ synergies are expected post-integration

Opportunities

Capex	<ul style="list-style-type: none"> □ Footprint optimization to reduce maintenance capex over next 2-3 years □ Shift overall capex towards higher share of value & growth projects
Working Capital	<ul style="list-style-type: none"> □ Reallocate production and shorten supply chain □ Replace third party raw materials with internal production □ Eliminate inventory overlap in key countries (Brazil, Mexico, United States)
Interest Expenses	<ul style="list-style-type: none"> □ Refinance facilities to take advantage of enhanced credit profile □ Use cash flows to delever company and reduce capital structure burden overall □ Target investment grade rating
Tax	<ul style="list-style-type: none"> □ Converge effective tax rate to global multinational levels: 25-29% in the short term and <25% in the long term □ Monetize significant deferred tax assets □ Optimize efficiency of capital structure

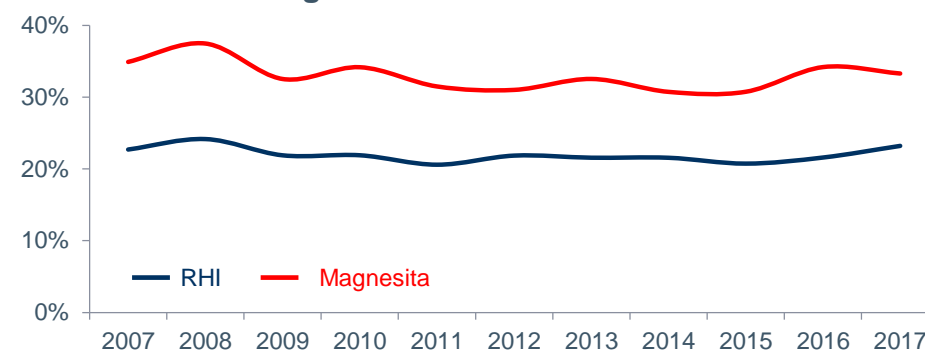
Financials



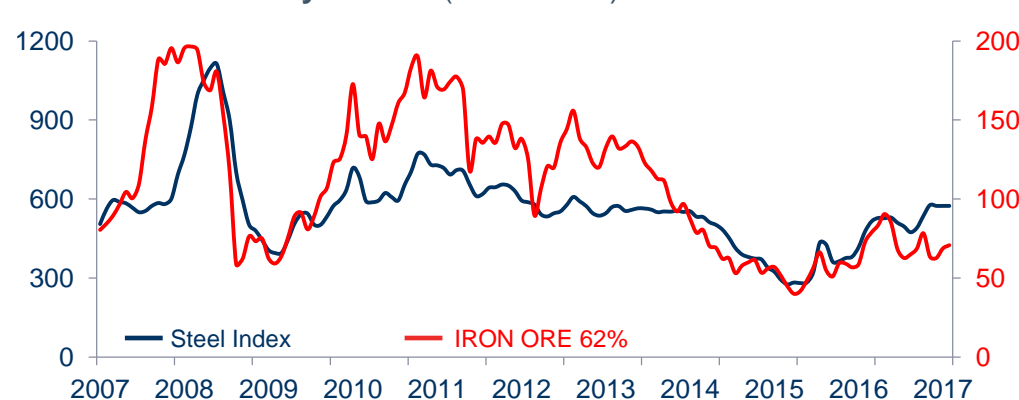
Resilient business model with little volatility across the cycle and low level of commoditisation

	Basic Materials Markets	RHI Magnesita
Raw Materials	<ul style="list-style-type: none"> Commoditized Price takers of key raw material inputs 	<ul style="list-style-type: none"> Lower volatility in cost due to significant vertical integration
Finished Product	<ul style="list-style-type: none"> Commoditized Price takers of standardized finished products 	<ul style="list-style-type: none"> Non-commoditized Over 100,000 SKUs 1-3% of client's COGS Service intensity Make to order Resilient & uncorrelated prices

Historic Gross Margin¹



Historic Commodity Prices² (USD/tonne)



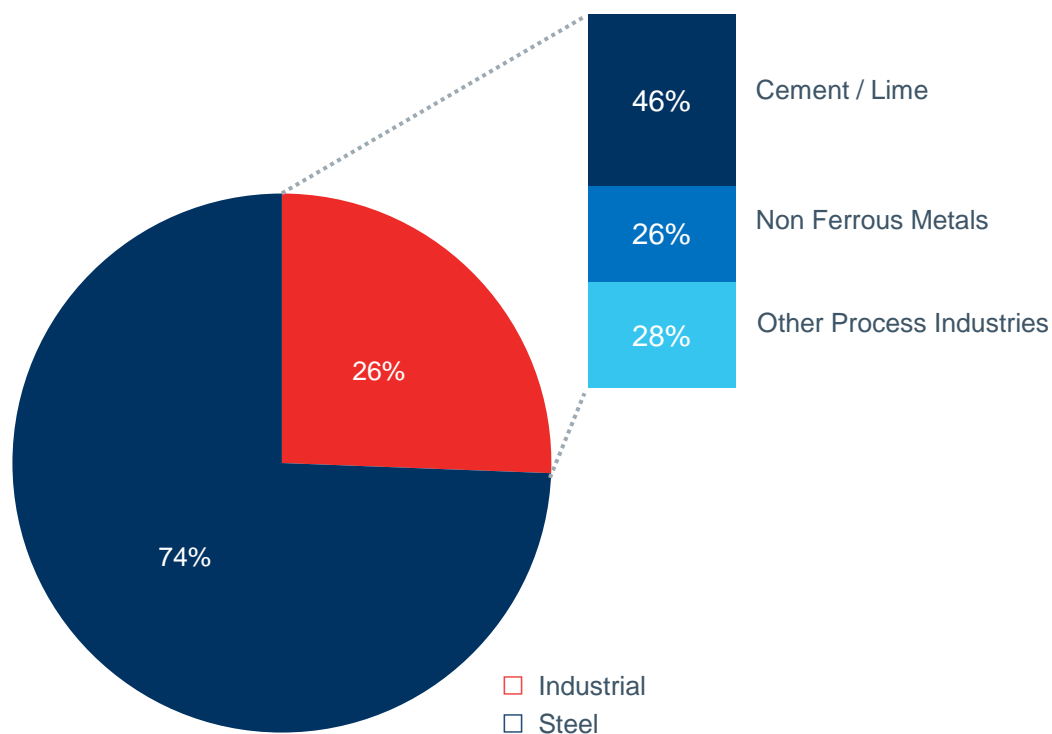
1: Gross margin as reported by RHI and Magnesita in their respective Financial Statements. Prior to the combination, Magnesita included freight in Selling expenses, rather than COGS.

2: Steel index: Bloomberg benchmark

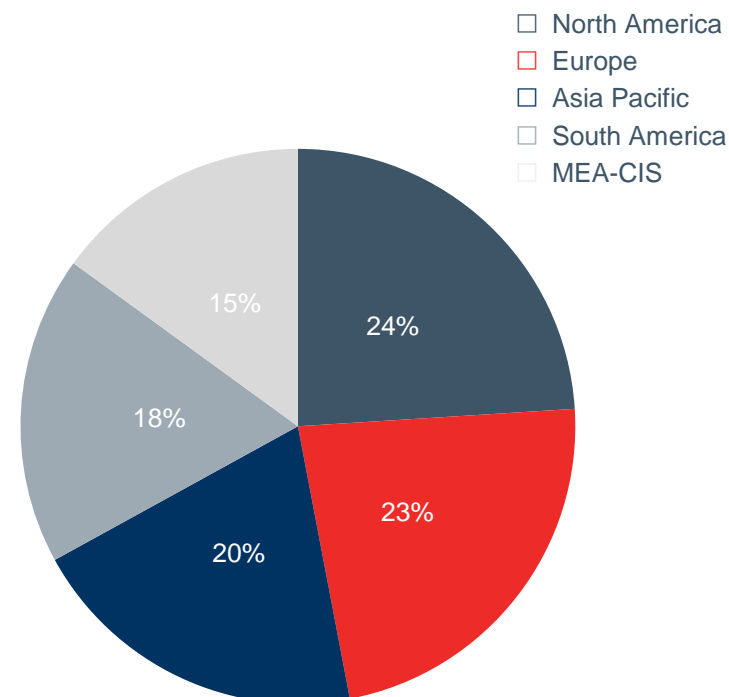
2017 adjusted pro-forma revenue breakdown

Total Revenue: c.€2.7 bn

by Industry¹



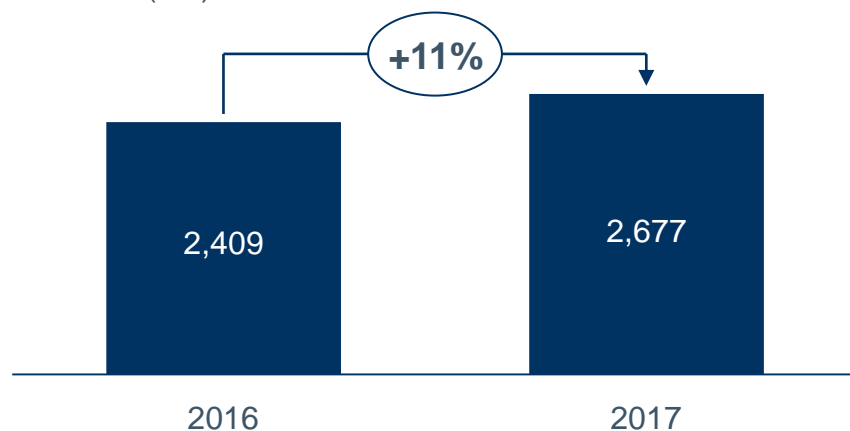
by Geography



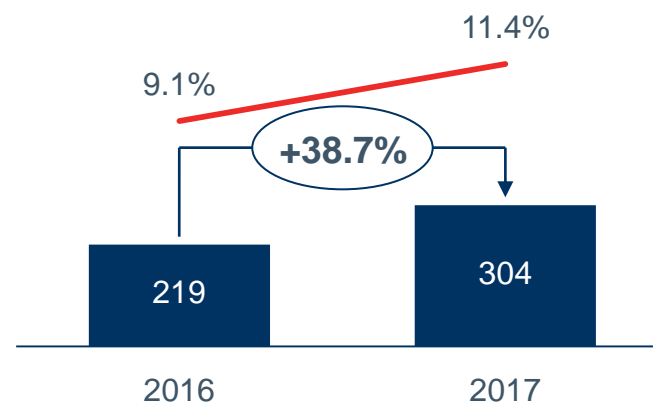
¹ Revenue split considers only refractory segments

2017 adjusted pro-forma results

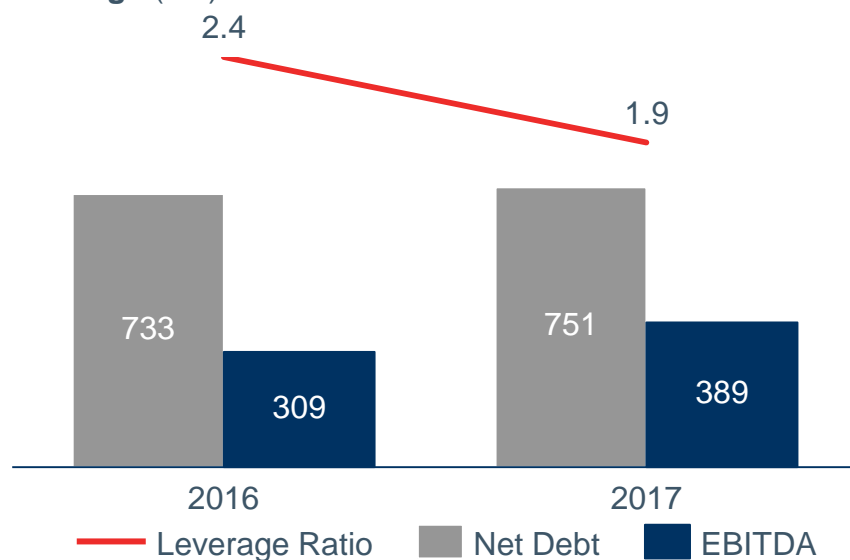
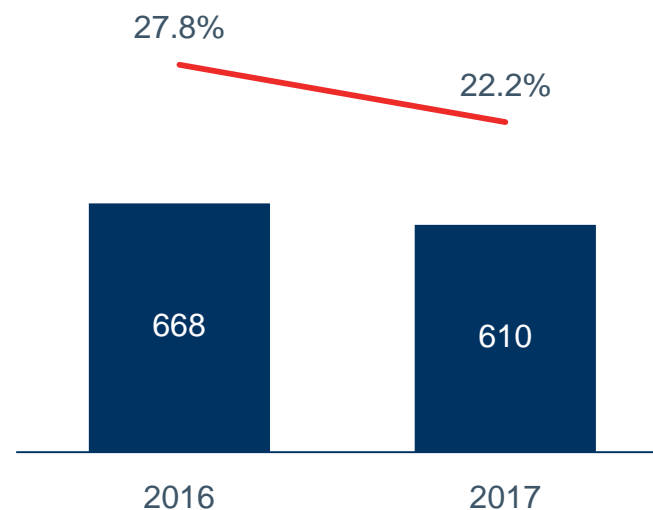
Revenue (€m)



EBITA (€m)



Leverage (€m)

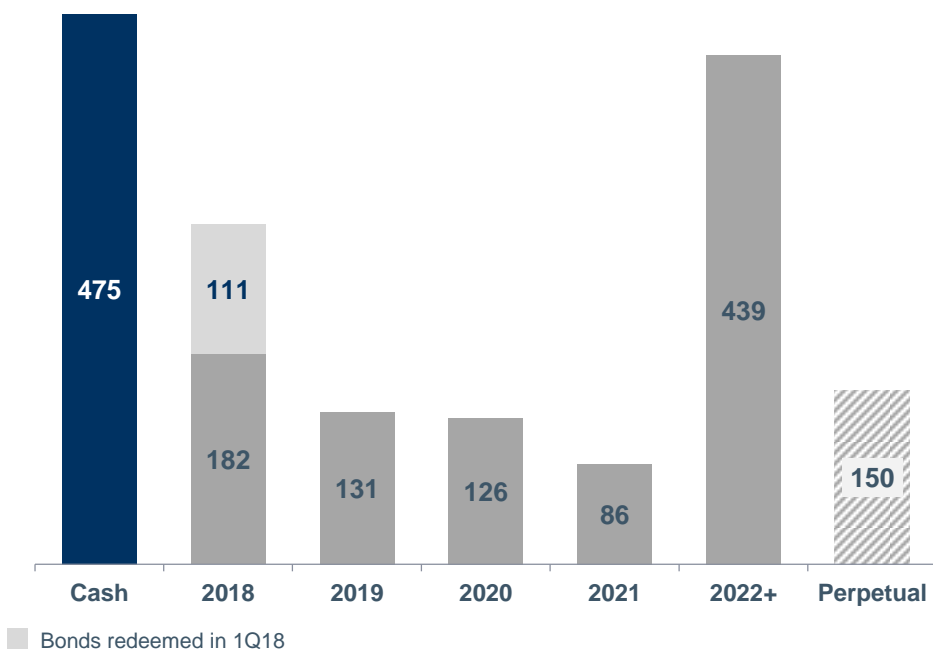
Working Capital Intensity¹ (€m)

1: Working capital intensity measured as a percentage of annualized 2H17 adjusted pro-forma revenue

Capital structure

Solid credit profile and commitment to de-leveraging current business

- Leverage at 1.9x, within our long-term target range
- Increase in liquidity with business disposals and working capital monetization
- Perpetual Bond partially redeemed in Jan18 (\$70m) and 2020 Bond entirely redeemed (\$63m) in Mar18

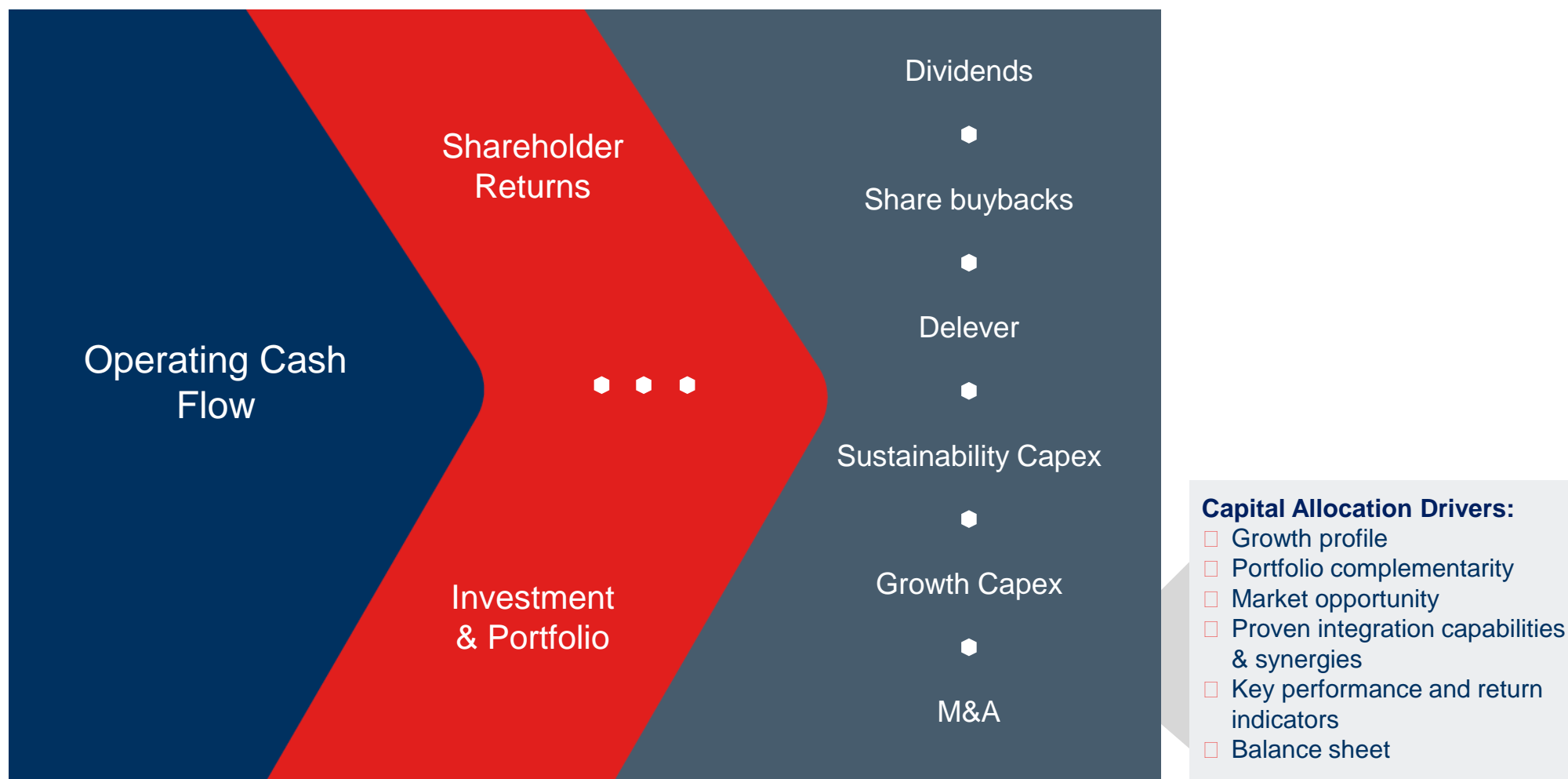


Capitalization Table (as of Dec17)	€ millions
Schuldscheindarlehen	178
Term Loan ¹	266
Perpetual Bond	215
Other Loans & Facilities	567
Total Gross Indebtedness	1,226
Cash, Equivalents & Marketable Securities	475
Net Debt	751
Leverage	1.9x

1: Refinanced in Apr18 into a new €306m 5-year Term Loan

Capital strategy

Dynamic capital allocation over time, supporting long term strategy, providing flexibility for market opportunities and increasing shareholder returns



Target leverage below 2.0x operating EBITDA

Compelling investment case

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**Taking
innovation
to 1200°C
and beyond**



RHI MAGNESITA





RHI MAGNESITA

Appendix



2017 adjusted pro-forma reconciliation

	a	b	c	d	e	f	g	a + b + c - d - e - f - g	
€m	Reported 2017	Magnesita Jan - Oct 2017	Prelim. PPA effect	Merger related adjustment s	Foreign exchange variations	Disposed Business	Non- merger related Other inc./Exp.	Adjusted Pro-forma 2017	Adjusted Pro-forma 2016
Revenue	1.946	846	-	-	-	115	-	2.677	2.409
COGS	(1.486)	(614)	2	-	-	(98)	-	(1.999)	(1.822)
Gross Profit	461	232	2	0	-	17	-	678	587
SG&A	(293)	(131)	(8)	(24)	-	(7)	-	(400)	(382)
Other Oper. IE	(125)	(96)	-	(162)	(48)	-	(10)	(0)	-
Amortisation	(14)	(4)	(8)	-	-	(0)	-	(26)	(14)
EBITA	57	10	2	(187)	(48)	10	(10)	304	219
EBITA margin	2,9%	1,1%				8,5%		11,4%	9,1%
Depreciation	(60)	(30)	-	-	-	(2)	(3)	(85)	(90)
EBITDA	117	40	2	(187)	(48)	12	(7)	389	309
EBITDA margin	6,0%	4,7%				10,2%		14,5%	12,8%

2017 exceptional items

€m	Adjusted Pro-forma	Cash impact		
Items	P&L Impact	2017	2018	2019
Foreign exchange variations	(48.2)			
Merger related adjustments	(186.7)	14.6	(69.7)	2.6
• Transaction expenses (SG&A)	(24.4)	(14.7)	(9.7)	
• Transaction Expenses (Other income/expenses)	(14.1)	(8.5)	(5.6)	
• Restructuring	(53.1)	(2.4)	(50.7)	
• Merger related non-cash adjust	(14.3)			
• Disposed business	(80.8)	40.3	(3.7)	2.6
Non-merger related Other inc./Exp.	(10.4)	9.2		
TOTAL	(245.3)	23.8	(69.7)	2.6

Adjusted pro-forma P&L impact

Foreign exchange variations:

- on balance sheet items (mostly AR/AP): 9.3m
- on inter-company balances: 38.9m

Transaction Expenses:

- Advisors/Auditors/Legal: 34.8m
- Others: 3.7m

Restructuring:

- Severance/social plans/personnel-related: 50.4m
- Cancelled contracts: 2.7m

Merger related non-cash:

- PP&E and tax write-offs: 14.3m

Disposed business:

• Impairments/costs:

- Oberhausen: 64m
- Lugones & Marone: 35.7m
- Aken: 12.2m
- Fused Cast: 11.2m

• Proceeds:

- Oberhausen/Lugones/Marone: 42.6m

Non-merger related:

- 10.4m

Driving client performance improvements

Equipment/Application	Service	Starting point	End game	Improvement
Client A (Integrated)				
Basic Oxygen Furnace (B.O.F.)	Refractories	1,900 heats	7,200 heats	+385%
	Assembly	145 h	40 h	3.8X faster
Blast Furnace	Runners	1,600 h	330 h	4.8X faster
Torpedo Cast	Casting	230 kton metal	640 kton metal	+280%
Client B (Mini Mills)				
EAF	Roof	300 heats	2,100 heats	+600%
	Assembly	27 h	8 h	3.4X faster
	Working Line	360 heats	1,200 heats	+200%
Slide Gate	Refractory	3 heats	9 heats	+200%
Client C (Stainless)				
AOD	Working Line	55 heats	70 heats	27%
EAF	Working Line	200 heats	300 heats	50%
Ladle	Working Line	50 heats	65 heats	30%

Source: RHI Magnesita

Management team

Executive Management Team	Joined	Background
Stefan Borgas <i>CEO</i>	2016	<ul style="list-style-type: none"> Former CEO of Israel Chemicals Ltd and Lonza Group Several management positions at BASF
Octavio Lopes <i>CFO</i>	2012	<ul style="list-style-type: none"> Former CEO of Magnesita and Equatorial Energia Several management positions at GP Investments
Luis R. Bittencourt <i>CTO</i>	1989	<ul style="list-style-type: none"> Former R&D and raw material VP of Magnesita BA in mining engineering (UFMG), MS degree in metallurgical engineering (University of Utah) and PhD in ceramic engineering (University of Missouri)
Gerd Schubert <i>COO</i>	2017	<ul style="list-style-type: none"> Former COO of Pfeiderer S.A. Global Operations Director at Ferro Deutschland GmbH and Ferro Spain
Reinhold Steiner <i>CSO</i>	2012	<ul style="list-style-type: none"> Former CSO Steel Division of RHI Former CEO of Chtpz Group
Thomas Jakowiak <i>Integration</i>	2000	<ul style="list-style-type: none"> Former CSO Industrial Division of RHI Several leadership positions at RHI
Simone Oremovic <i>Human Resources</i>	2017	<ul style="list-style-type: none"> 19 years of experience in leadership positions in HR, among other fields at GE, Telekom Austria, IBM and Shire/Baxter
Luiz Rossato <i>Corporate Develop.</i>	2008	<ul style="list-style-type: none"> Former Legal Council, M&A and Institutional VP of Magnesita General Counsel of the Year 2012 by International Law Office

Premium UK listing and corporate governance

Listing in the UK underscores the RHI Magnesita's international scope

- ☐ Listed in the Premium Market on the London Stock Exchange
- ☐ Strong commitment and full adherence to the UK corporate governance code
- ☐ Majority independent Board targetted
- ☐ No controlling shareholder (or shareholder agreement)



Highly valued board members with accretive multi-disciplinary experience

Executive Directors

Stefan Borgas / DE – CEO
Octavio Lopes / BR – CFO

Non-Executive Directors¹

Herbert Cordt / AT – Chairman
David Schlaff / AT
Stanislaus zu Sayn-Wittgenstein / DE
Fersen Lambranh / BR

Independent:

Jim Leng / UK – Senior Independent Director
Ms Celia Baxter / UK – Chair Remuneration Committee
John Ramsay / UK – Chair Audit Committee
Andrew Hosty / UK
Wolfgang Ruttenstorfer / AT
Karl Sevelde / AT
 One position to be nominated

Board Committees

Remuneration

Corporate
Responsibility

Nomination

Audit &
Compliance

2: Chaired and majority composed of independent directors

¹An additional six Non-Executive Directors shall be appointed by employee representatives from various EEA Member States

Integrated offer overview

- RHIM launched a tag-along offer to Magnesita's minority shareholders on the same terms and conditions as that made to the Control Group:
 - **Cash + shares:** R\$445.6m¹ + 5 million shares
 - **Cash only:** (i) R\$31.09¹ or (ii) R\$35.56 per Magnesita share whichever is higher (amounting to a minimum of R\$205m)
- RHI Magnesita combined the Mandatory Tag-along Offer with a delisting tender offer. In these situations, to succeed, at least 2/3 of the remaining shareholders need to agree with the delisting
- Since the cash plus shares option was equivalent to R\$57.73 on 28 February 2018, based on RHI Magnesita's share price and the exchange rate prevailing on that date, and if conditions remain the same, RHI Magnesita expects that substantially all of Magnesita's minority shareholders will tender their shares and opt for the cash plus shares consideration.
- The ITO is expected to settle during 2018

1: adjusted by the SELIC rate as from October 26th, 2017 until the date of the settlement of the auction of the Integrated Tender Offer

FX

EBITDA Sensitivity

vs €	Unit	Δ in EBITDA (€m)
USD	+1 cent	4.27
CNY	+0.01 yuan	-0.31
BRL	+0.10 reais	0.02
INR	+1 rupee	0.31

2017 Exchange Rates

1 € =	Closing Rate	Average rate
USD	1.20	1.12
CNY	7.78	7.61
BRL	3.96	3.60
INR	76.40	73.36

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