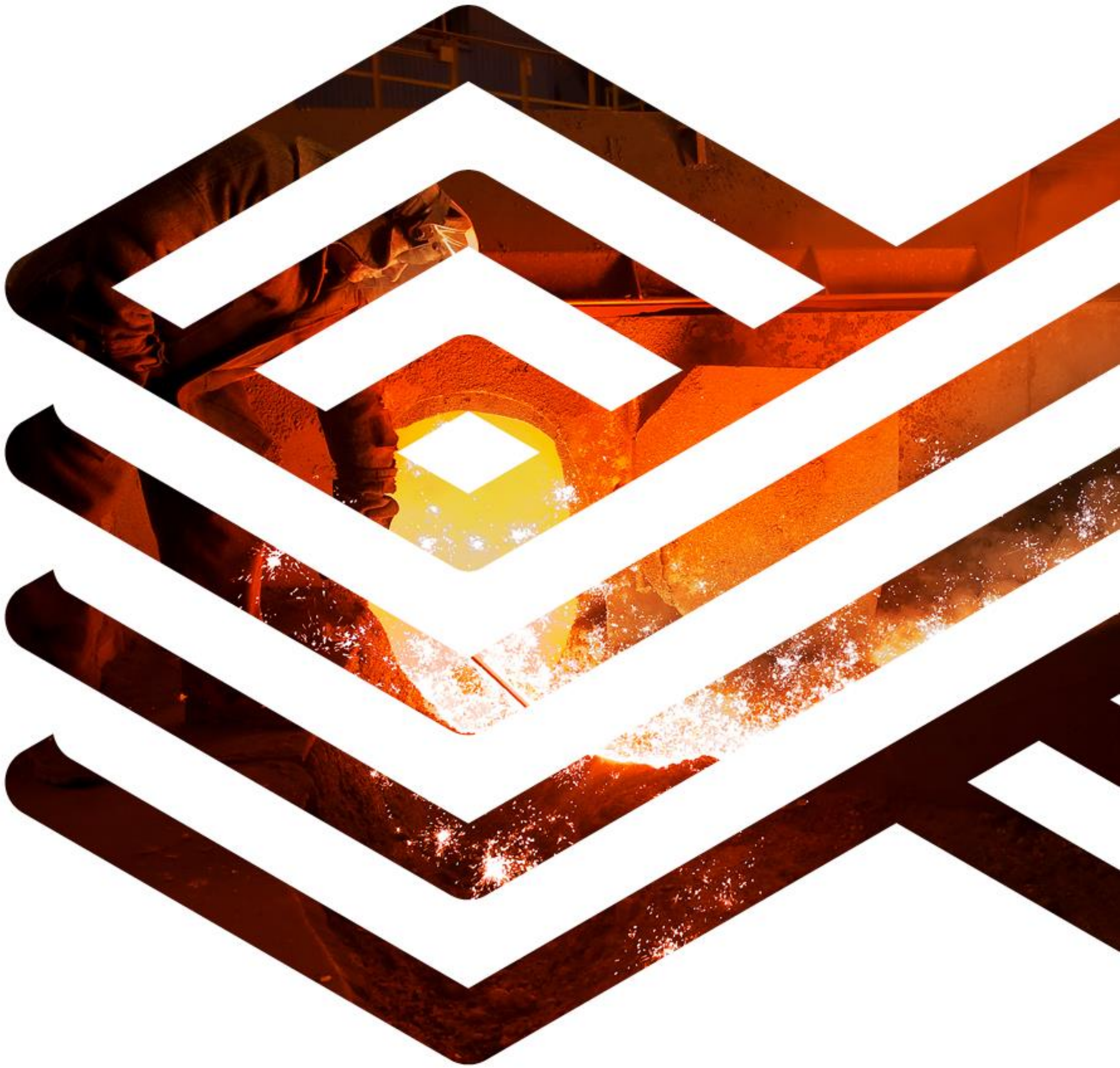
RHI MAGNESITA

The driving force of the refractory industry



H1 2018 Half Year Results

August 2018

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Agenda

Highlights

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H1 2018 financial highlights

c.€1.5bn ▲ **25%**[1]

H1 2018 revenue

€218m ▲ **88%**[1]

H1 2018 adjusted EBITA

14.5% ▲ **490bps**[1]

H1 2018 adjusted EBITA margin[2]

21.4% ▼ **80bps**

Working capital intensity

1.6x ▼ **0.3x**[3]

Net Debt / EBITDA

[1] Represents the change between H1 2017 pro forma, at constant currency and H1 2018. The H1 2017 figures are adjusted pro forma results prepared on a constant currency basis, as if the combined Group had already existed since 1 January 2017 and before the impact of items such as: divestments, restructuring expenses, merger-related adjustments and non-merger related other income and expenses, which are generally non-recurring. H1 2018 figures are on an adjusted basis and exclude other income and expenses

[2] Includes update of the PPA in Q2 as per Note 5 of the financial statements

[3] Represents the change in net debt to LTM EBITDA between 31 December 2017 and 30 June 2018

H1 2018 highlights

- Strong results in both the Steel and Industrial divisions
- Integration progressing well and ahead of expectations
  - Synergy targets upgraded – at least €60m in 2018; €110 by 2020
  - One time costs to achieve – estimated between €110-130m
- Development in growth markets
  - Investment of more than €20 million in our dolomite-based refractory plant and dolomite mine in China
  - Consolidation of RHI Magnesita's three operating subsidiaries in India to capture local growth opportunities more effectively and efficiently
- Health and safety performance continuously improving – record lowest ever level in Q2 2018
- Net debt reduced from 1.9x adjusted pro forma EBITDA on 31 December 2017 to 1.6x adjusted EBITDA on 30 June 2018

Strategy and operational review

Increased synergy potential to be realised by 2020

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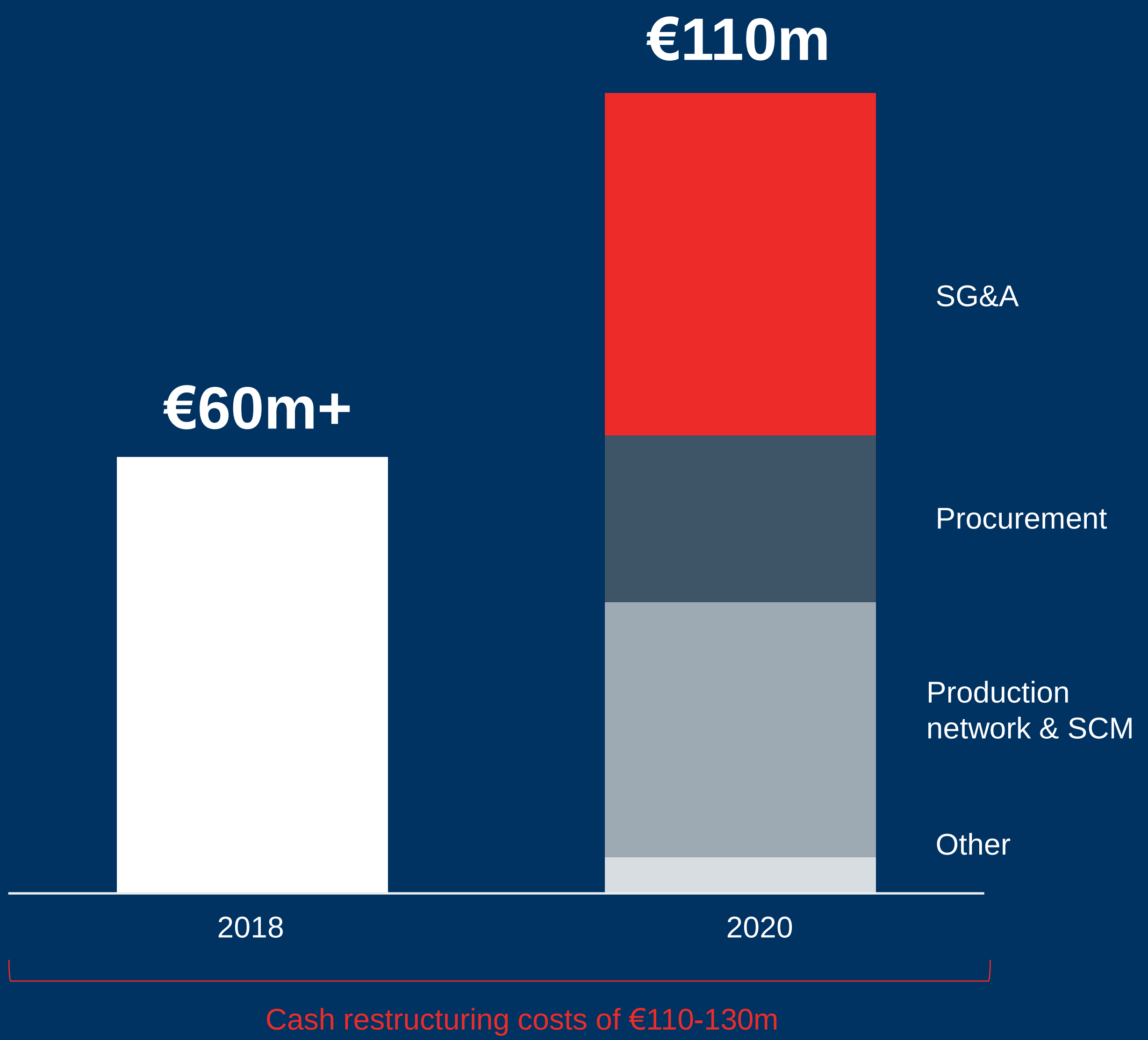

- At least €60m synergies in the 2018 P&L and €110m in synergies to be achieved by 2020
- Expected total cash restructuring costs are projected to be €110-130m, with €75m of cash outflows disbursed during 2018
- Interest expenses reduced by at least €10m in 2018 and €20m in 2019 after re-financing completed in August 2018
- High volatility in global raw material markets pose additional risks and uncertainty, but also further upsides
- Integration team is working on additional fronts, especially in G&A and the production network, which may lead to additional savings

Integration continues ahead of original plan

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Achieved milestones

- Culture Activation Program is in full roll-out, to spread the new culture throughout the entire organisation
- Sales and Supply Chain hub operational since 1 August in Rotterdam (NL)
- Global Business Services, shared service centre project is on track, with European sites going live at the end of 2018
- SAP system harmonisation completed across Europe
- Initial cross selling successes – revenues benefitting from a broader product base
- Product transfers and transport optimisation initiated – enhancing plant utilisation; partially delayed due to raw material shortages

Ongoing areas of focus

- SAP harmonisation to follow in China, North America and South America
- Raw materials – drive to harmonise product recipes, maximising product capabilities and reducing cost
- Multi-vendor concept – reductions in supplier numbers across supplier base

Building a global refractory leader with a differentiated customer proposition based on technology and cost competitiveness

Markets

Worldwide presence with strong local organisations and **solid market positions in all major markets**

Competitiveness

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

Portfolio

Comprehensive refractory product portfolio including basic, non-basic, functional products and services in **high performance segments**

People

Hire, retain and motivate **talent** and nurture a **meritocratic, performance-driven, client-focused friendly culture**

Technology

Top solution provider in the refractory industry with an extensive portfolio based on **innovative technologies and digitalisation**

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

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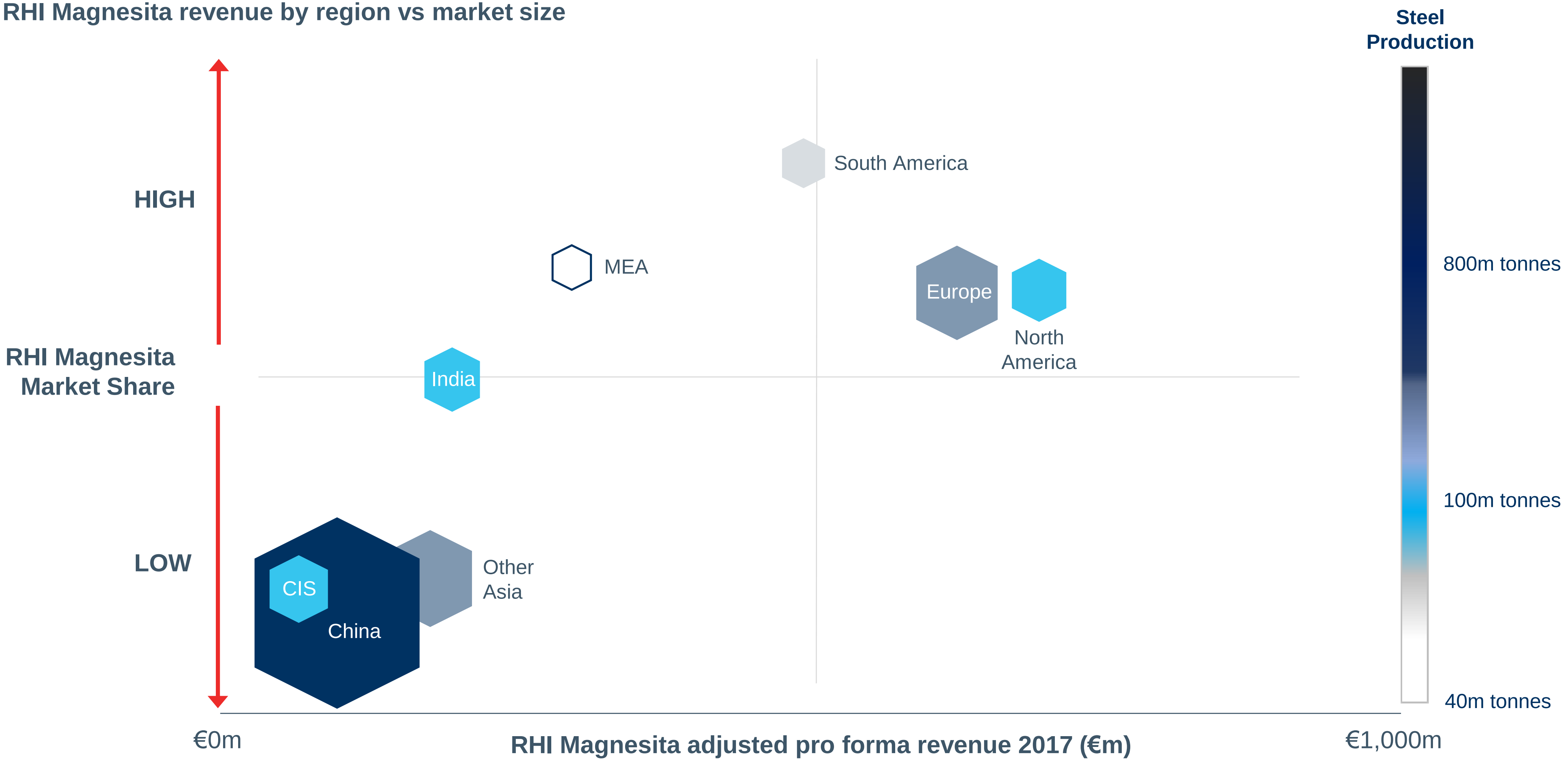
RHI Magnesita revenue by region vs market size



Future growth markets: China
Investment to increase raw materials and production

- Investing €20 million in the site in Chizhou, Anhui Province
- Chizhou site includes a dolomite mine and production of high-quality dolomite products
- Will ensure long-term production cost security
- Will fully integrate dolomite sourcing in each of the major regions of the world
- Allowing shorter lead times to Asian customers and provide additional capacity to customers in North America and Europe
- Start up in Q1 2019

Well positioned to serve domestic and export markets

Chizhou mine and production facility

Dalian facility and key commercial ports

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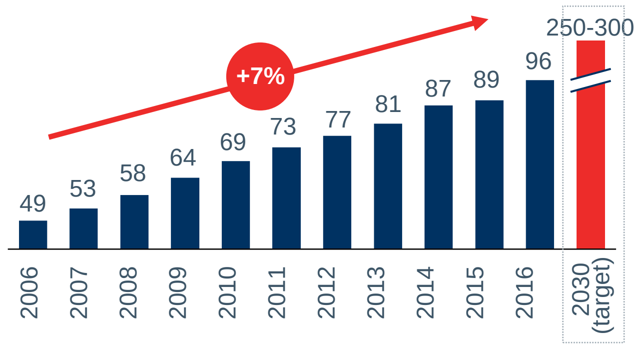
Future growth markets: India
Consolidation of existing businesses to improve market position

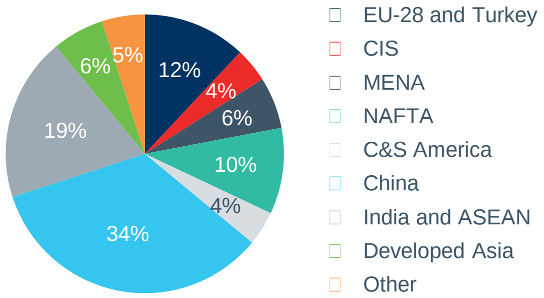
Significant government program to develop Indian steel production

Indian steel production (m tonnes)



Source: WSA and National Steel Policy 2017 (Indian government)

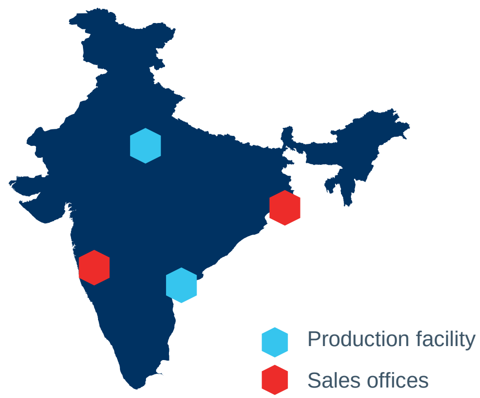
Steel demand outlook 2030



Source: OECD

India+ASEAN predicted to account for 19% of steel production in 2030, from 6% in 2016

Well positioned business with longstanding client base



Relationship with blue-chip customers

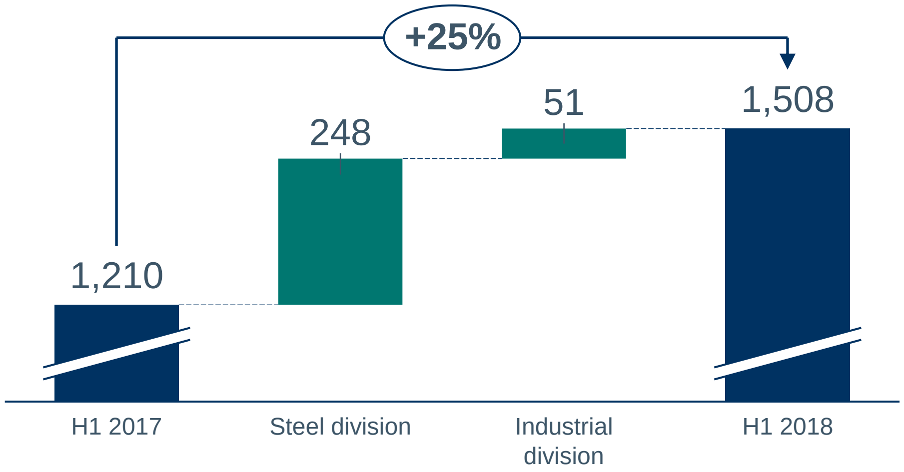
Combination rationale

- Creates a leading manufacturer and supplier of refractories in India under ORL listed corporate governance structure
- Simplifies the corporate structure and consolidate existing operating entities with revenues of c€200 million (on a FY 2018 pro forma basis), two production facilities and more than 700 employees
- Broad product portfolio including, among others, Magnesia and Alumina based bricks and mixes for large industrial clients
- Realise business efficiencies

Financial results

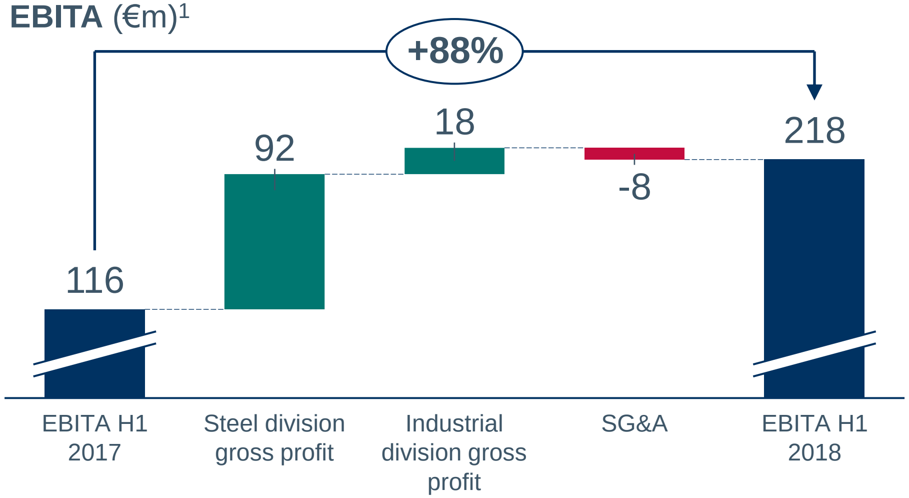
H1 2018 results

Revenue (€m)[1]



- Strong revenue performance driven primarily by price increases and robust customer demand
- Price increases more than offsetting higher raw material costs

EBITA (€m)[1]



- Margins continued to benefit from:
  - High level of raw material vertical integration
  - Integration synergies

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Steel division

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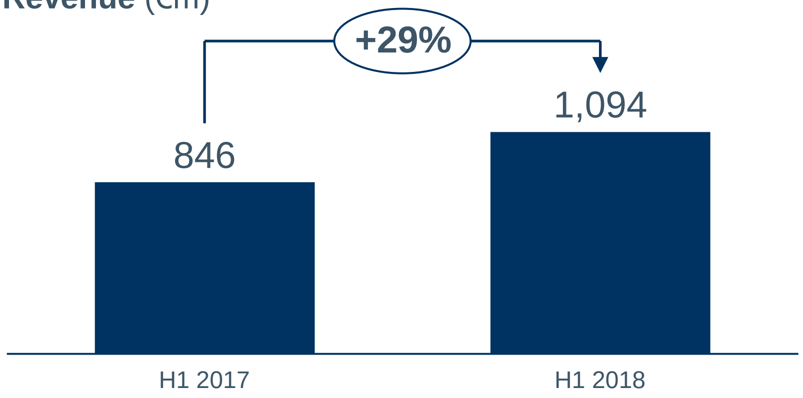
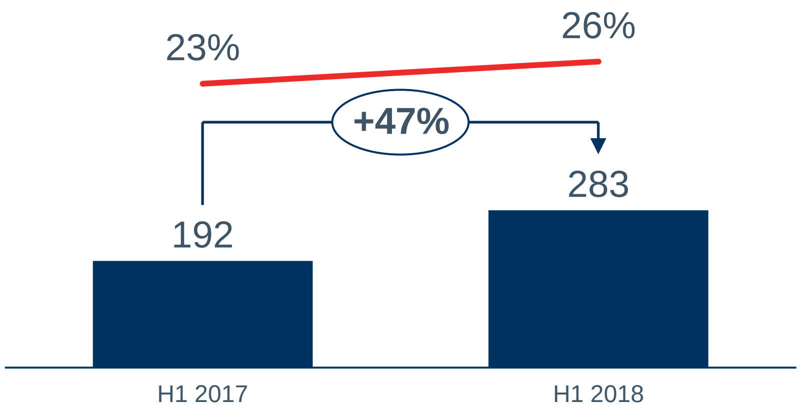
Revenue (€m)[1]



Gross profit (€m) **and Gross margin** (%)[1]



- Outperformed broader steel production trends in North America, South America and Europe
- India, Central America and Europe were also strong
- Performance driven by – strong market conditions, price increases and cross-selling initiatives
- Gross margin improved, 320bps benefitting from our vertical integration and increased sales volumes
- Impact of potential trade tariffs is unclear – mitigated by geographically diverse production base and client portfolio

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Industrials division

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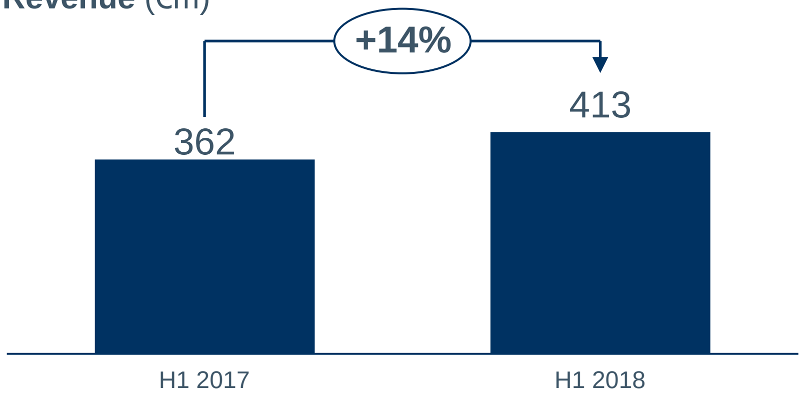
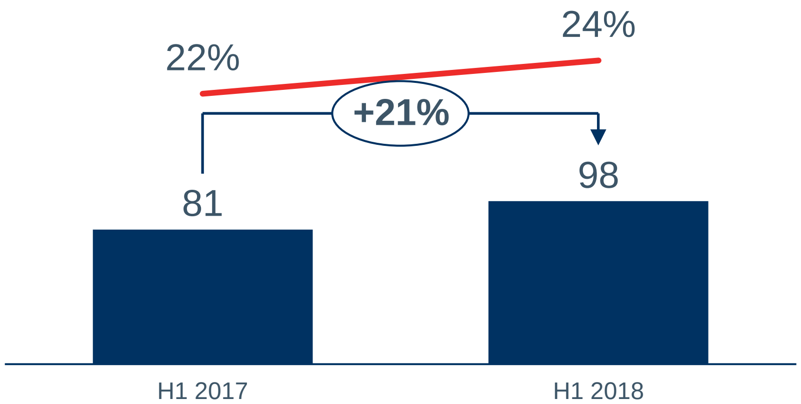
Revenue (€m)[1]



Gross profit (€m) **and Gross margin** (%)[1]



- Strong performance with revenue up 14%
- Glass performed strongly with demand from US and Poland
- Nonferrous metals segment in line with expectations, but seeing some delay in new projects
- EEC seeing increase demand in installation business in China, Europe and CIS
- Minerals benefitting from raw material price increases
- Gross margin improved by 140bps – although held back by lower external sales of high margin raw materials

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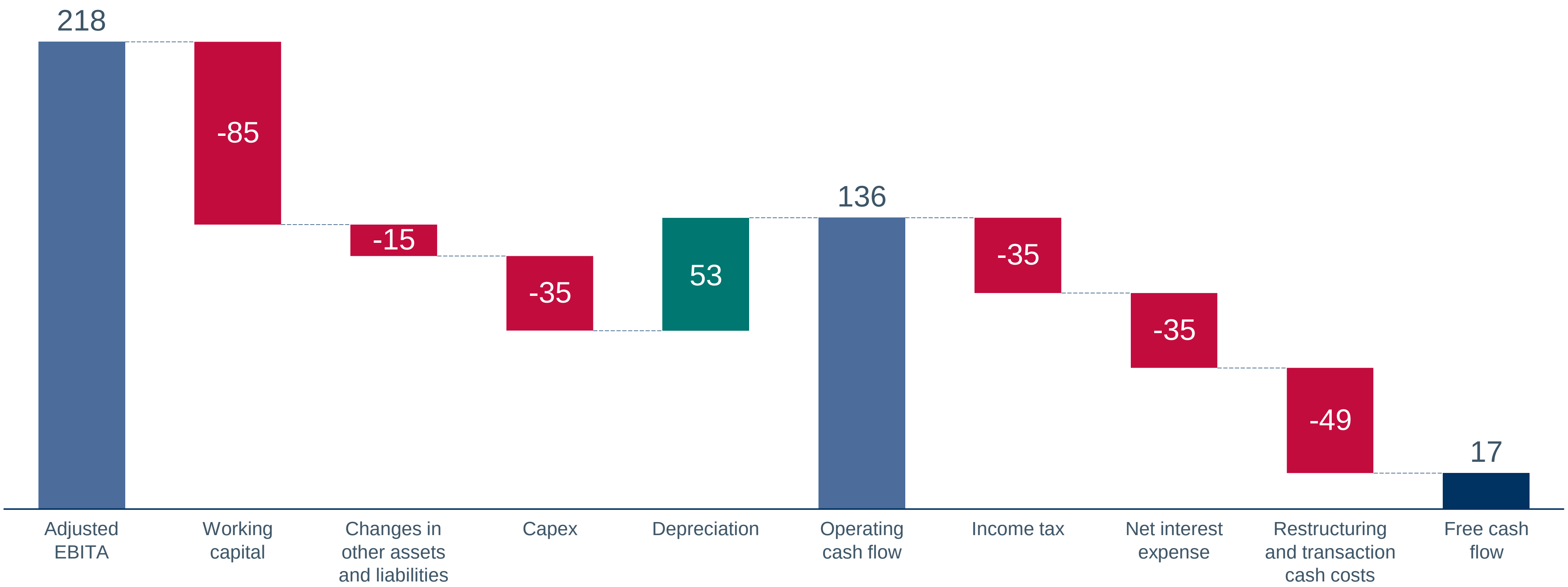
Cash flow overview

- Operating cash flow driven by increase in adjusted EBITA, offset by an additional €85 million working capital
- Whilst working capital requirements increased in absolute amounts, intensity improved to 21.4% (from 22.2%)
- Net interest costs of €35 million will decrease considerably in H2 2018, after the redemption of the Perpetual Bond
- Restructuring and transaction cash costs amounted to €49 million in H1 2018



Net debt reduced further in H1 2018

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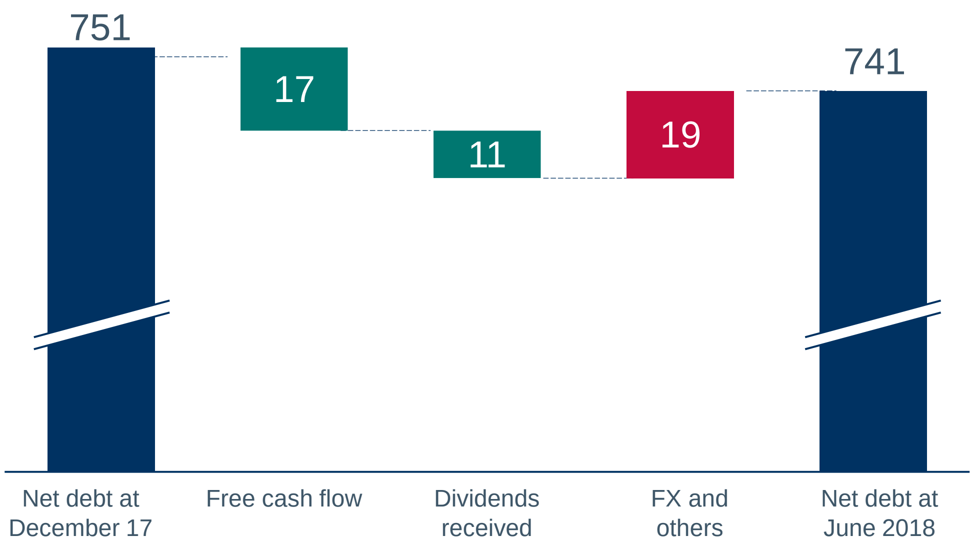
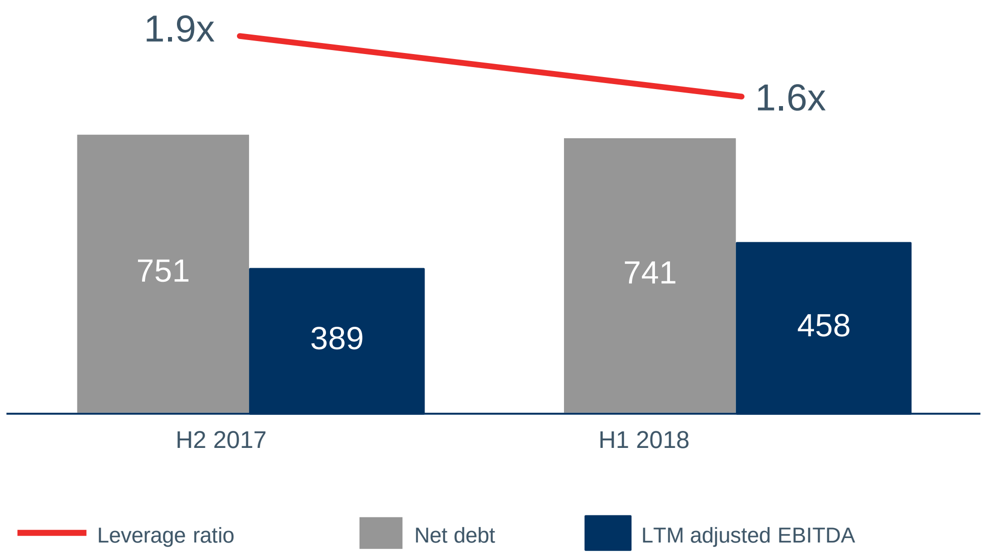
- Our financial position continues to strengthen, and our deleveraging profile is reinforced by the improving profit, synergies and interest expense reduction
- Net debt reduced from 1.9x adjusted pro forma EBITDA on 31 December 2017 to 1.6x adjusted EBITDA on 30 June 2018
  - Despite one-off demand on working capital and FX effects on USD liabilities

Net debt reconciliation (€m)



Net debt to LTM adjusted EBITDA



Capital structure

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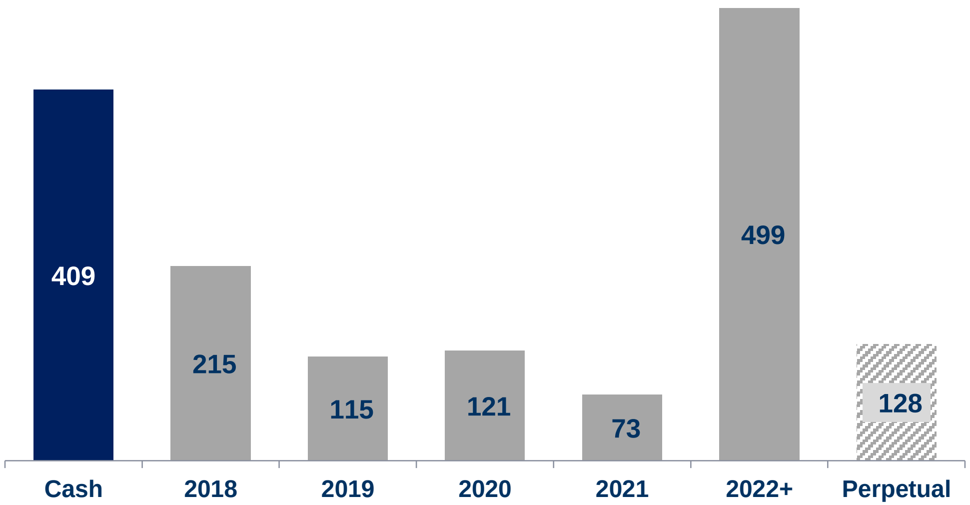
Solid credit profile and commitment to de-leveraging the current business

- On 3 August 2018 the Company successfully raised a new unsecured US$600 million 5-year term loan and multicurrency revolving
credit facility
- Proceeds of the new facility will be used to redeem the entire amount of the outstanding Magnesita Perpetual Bonds on 20 August 2018 and prepay other short-term facilities

Amortisation schedule (€ millions, as of 30 June 2018)



Capitalisation Table	€ millions
Schuldscheindarlehen	221
OeKB term loan	306
Perpetual bond	128
Other loans & facilities	496
Total gross indebtedness	**1,151**
Cash, equivalents & marketable securities	409
Net Debt	**741**

Summary and outlook

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Summary and outlook

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- Strong results in H1 2018, driven by continued strong demand from our end markets and price increases
- Our integration plans continue to progress ahead of original expectations and will deliver €110 million synergies in 2020 and beyond

- Growth rates achieved in H1 2018 were higher than we anticipate for the full year, given the strong business performance in H2 2017
- In H2 2018, we expect to continue to benefit from strong pricing, additional merger synergies and network optimisation
- Management believes raw material prices will remain at current elevated levels during H2 2018

- Expectations for the full year operating results remain unchanged

Compelling investment case

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1 Solid strategy and competitive advantages

- Strong market position with 15% market share, clear leadership in Americas, Europe and Middle East with broadest value-added solution offering
- Opportunity to develop and leverage technology across regions and portfolio
- Highest level of vertical integration in the industry with unique mineral sources
- and 50%+ self-sufficiency in all raw materials

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 €60m synergies in the 2018 P&L and €110m in synergies to be achieved by 2020
- Interest expenses reduced by at least €10m in 2018 and €20m in 2019 after re-financing completed in August 2018
- Additional “below the line” opportunities in working capital, capex and tax

Q&A

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Appendix

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$445.6m[1] + 5 million shares
  - **Cash only:** (i) R$31.09[1] 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$66.58 on 31 July 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 (the Brazilian benchmark interest rate) rate as from October 26th, 2017 until the date of the settlement of the auction of the Integrated Tender Offer

Alternative performance measures

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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. Other commentary within the preliminary announcement, including the other sections of this Finance Review, as well as the Condensed 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 Pro-forma Results at a Constant Currency (unaudited)

Adjusted pro-forma results were prepared as if the combined Group had existed since 1 January 2016 and before the impact of items such as: divestments, restructuring expenses, merger-related adjustments and other non-merger related other income and expenses, which are generally non-recurring. Pro forma results have also been adjusted to reflect the preliminary purchase price allocation (PPA) related to the acquisition of Magnesita. Given the changes in capital structure arising from the acquisition of Magnesita, the historical interest, tax and dividend charges are not deemed to be meaningful. As a result, adjusted pro-forma results have only been provided down to EBITA.

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, which contains divestments, restructuring expenses, merger-related adjustments and other non-merger related other income and expenses, which are generally non-recurring.

Operating Cash Flow and Free Cash Flow

We present alternative measures for cash flow to reflect net cash inflow from operating activities before exceptional items. Free cash flow is considered relevant to reflect the cash performance of business operations after meeting usual obligations of financing and tax. It is therefore a measure that is before all other remaining cash flows, being those related to exceptional items, acquisitions and disposals, other equity-related and debt-related funding movements, and foreign exchange impacts on financing and investing activities.

Net Debt

We present an alternative measure to bring together the various funding sources that are included on the Group's Condensed Consolidated Balance Sheet and the accompanying notes. Net debt is a measure to reflect the net indebtedness of the Group and includes all cash, cash equivalents and marketable securities; and any debt or debt like items, including any derivatives entered into in order to manage risk exposures on these items.

FX

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EBITDA Sensitivity on an annualised basis

vs €	Unit	∆ in EBITDA (€m)
USD	+1 cent	4.30
CNY	+0.01 yuan	-0.24
BRL	+0.10 reais	2.12
INR	+1 rupee	0.58

H1 2018 Exchange Rates

1 € =	Closing rate	Average rate
USD	1.16	1.21
CNY	7.70	7.70
BRL	4.49	4.08
INR	79.78	79.13

Find out more at
rhimagnesita.com