RHI MAGNESITA

The driving force of the refractory industry

Q3 2018
Trading Update pack

November, 2018

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Q3 Overview

Q3 2018 - summary and outlook

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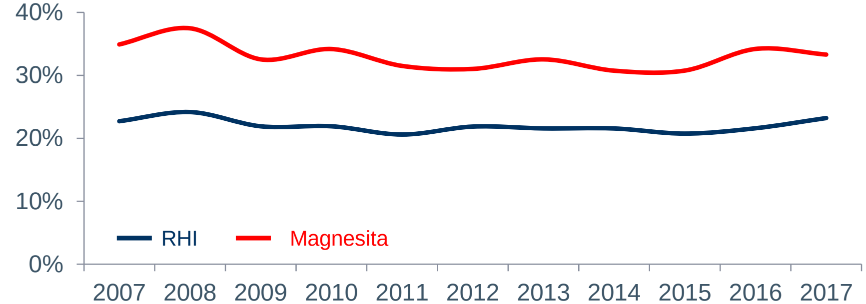
- Good trading performance in Q3 – continuing positive trends seen in H1 2018
  - Robust end-markets
  - Strong customer response to the Group’s full portfolio and solution offering
  - Stable raw material pricing
  - Ongoing delivery of the merger synergies
- Continued margin progression in Q3 – adjusted EBITDA margin and adjusted EBITA margin (post PPA) both increasing over H1
- Further progress in strategic markets of India and China
- Raw material prices have continued to remain stable in Q3. Government controls in China have led to a significant reduction in raw material output, which is expected to continue in the longer term
- Management expectations for full year 2018 operating results remain unchanged

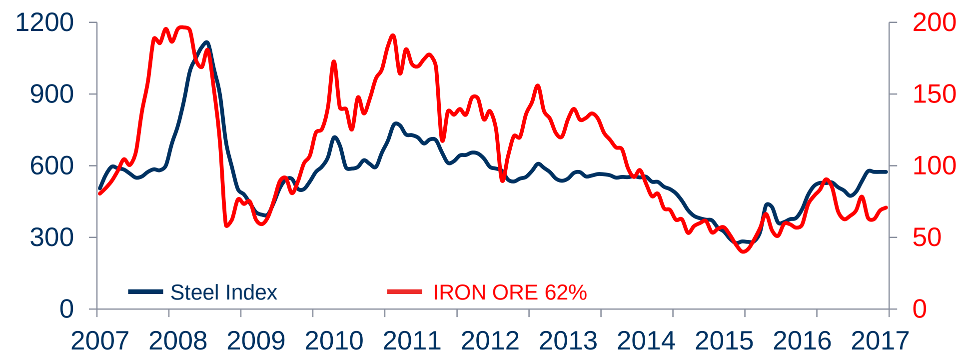
Resilient business model with little volatility across the cycle and low level of commoditisation

	Basic Materials Markets	RHI Magnesita
Raw Materials	Commoditized Price takers of key raw material inputs	Lower volatility in cost due to significant vertical integration
Finished Product	Commoditized Price takers of standardized finished products	Non-commoditised Over 100,000 SKUs 1-3% of client's COGS Service intensity Make to order Resilient & uncorrelated prices

Historic Gross Margin[1]



Historic Commodity Prices[2] (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

Continued EBITA margin progression, driven by synergies and backward integration

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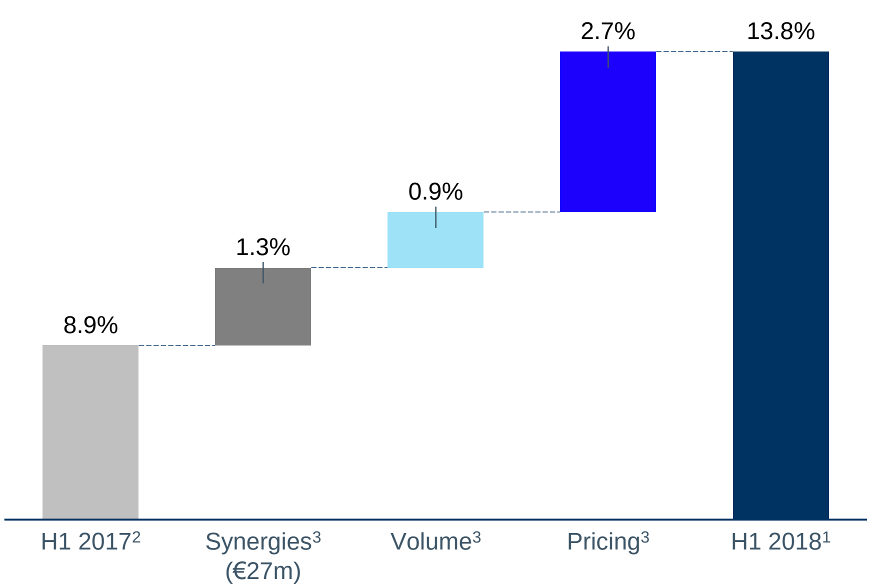
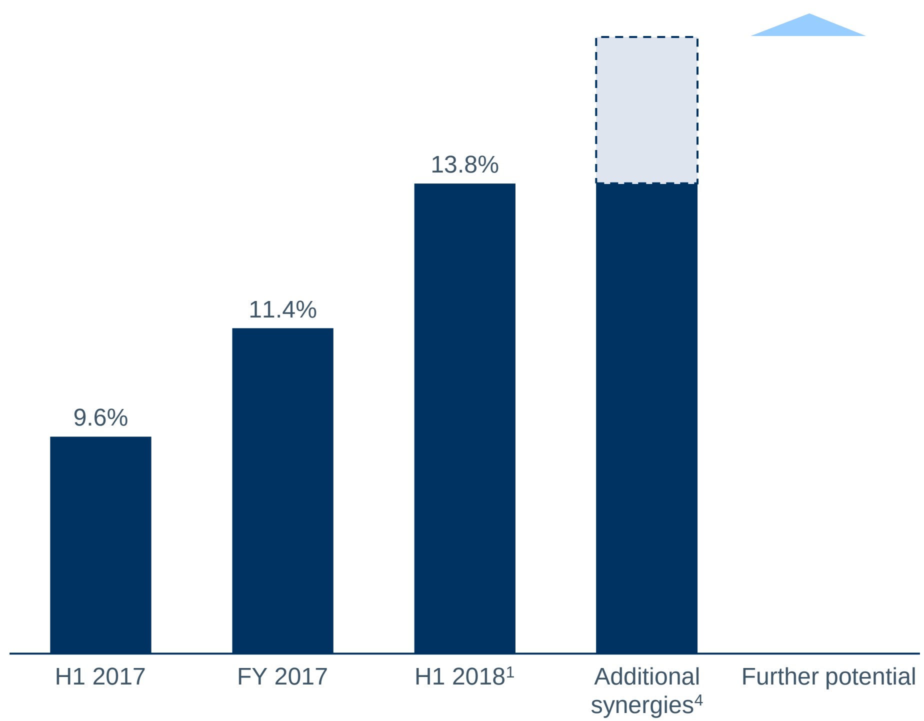
H1 2018 margin bridge

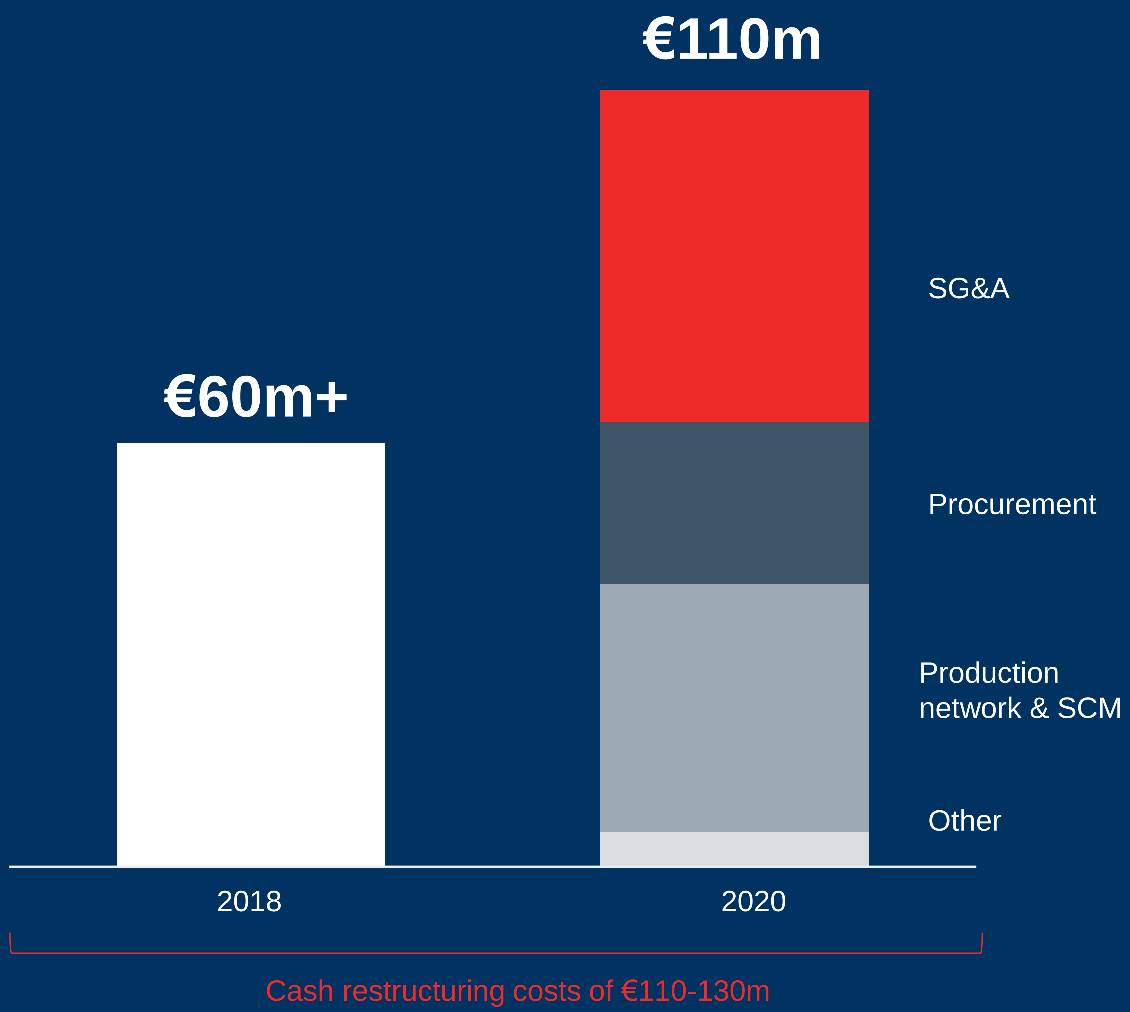


EBITA margin progression



Notes: 1) Adjusted to include the final determination of the PPA; 2) H1 2017 constant currency adjusted pro-forma EBITA margin, and including final determination of the PPA 3) Calculated as a % of H1 18 Revenues; 4) Considering delivering €100m in synergies in 2018

Increased synergy potential to be realised by 2020



- 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

Background on RHI Magnesita

Providing everything, for everyone, everywhere

RHI MAGNESITA

10,000
Customers served globally

14,000
Employees spread over 37 countries

35
Main production sites across 16 countries

180
Countries shipped worldwide

13
Raw material sites in 4 continents

€37m
Annual investment in Research

Compelling investment case

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1 Clear strategy and strong competitive position

- Strong market position with 15% global 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 expense 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 and tax

Refractories are critical to all high-temperature industrial processes

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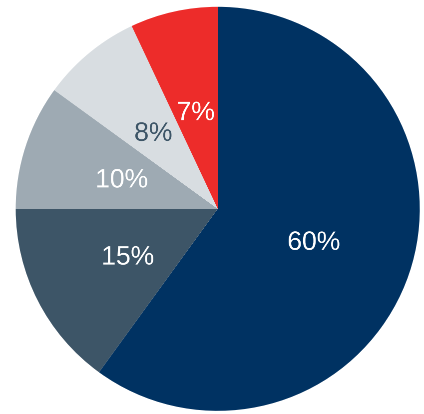
- Refractories are critical consumable or investment goods for high-temperature manufacturing processes
- Fireproof materials consumed whilst protecting clients' production processes, retaining physical and chemical characteristics when exposed to extreme conditions
- Critical, yet represent less than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

Main end markets
€20 billion worldwide industry

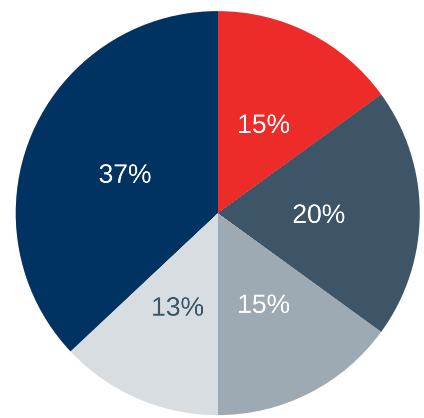
- Steel
- Energy, chemicals
- Nonferrous metals
- Cement
- Glass



Source: Company estimates

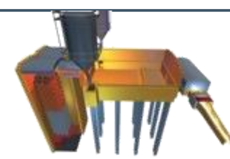
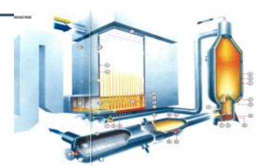
Global refractory industry

- 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
Cement/Lime	Rotary Kiln		Annually	~0.5%	
Nonferrous metals	Copper-converter		1 – 10 years	~0.2%	**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
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

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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

+Systems and machinery

Example of refractory application for steel ladle

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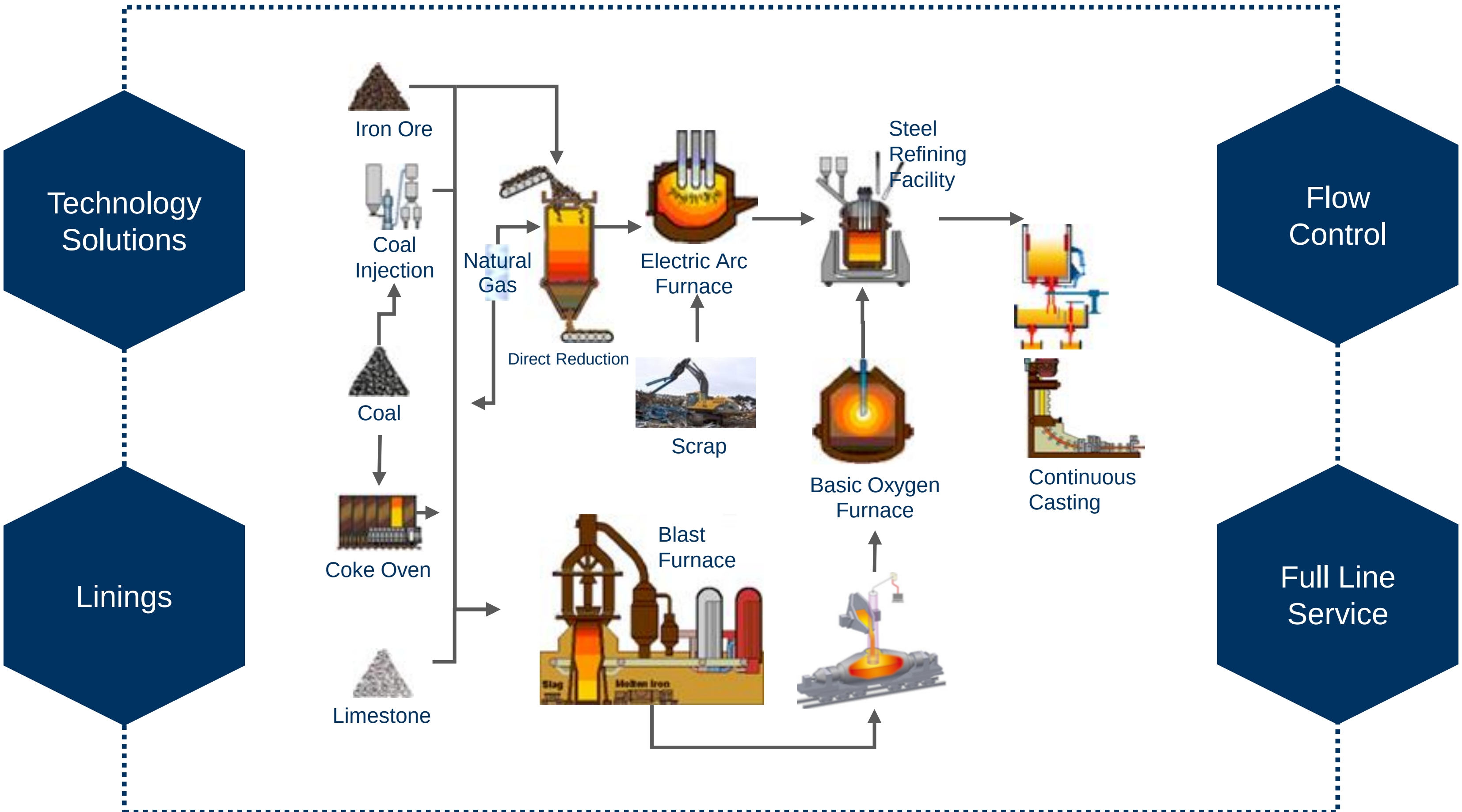
Adding value through a full suite of products and services



Serving all blue chip clients in every industry

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Steel	Cement	Glass	Metals
ArcelorMittal, NUCOR, TATA STEEL	LafargeHolcim	SCHOTT	VALE
GERDAU, OUTOKUMPU, Ternium	Votorantim	ArdaghGlass	bhpbilliton
NIPPON STEEL & SUMITOMO METAL, posco, ThyssenKrupp	HEIDELBERGCEMENT	Vitro	GLENCORE
NLMK, Severstal, AK Steel	CEMEX	rigolleau	RioTinto
Serving 1060 of 1250 plants[1]	Serving 1376 of 1537plants[1]	Serving 800 of 900 plants[1]	Serving 650 of 2000 plants[1]

[1]ex-China

Globally positioned to reach clients everywhere

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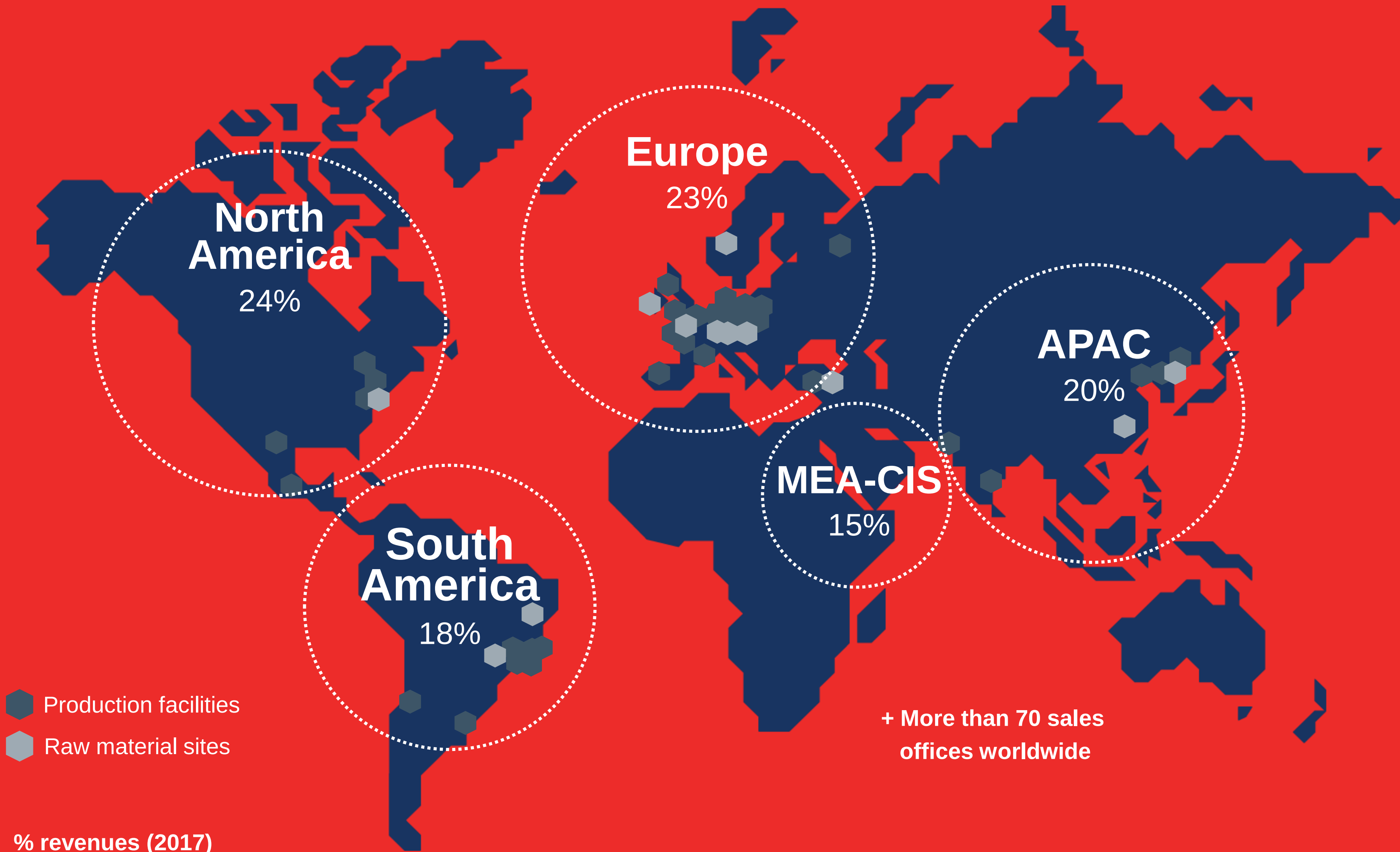

+ More than 70 sales offices worldwide

% revenues (2017)

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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

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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

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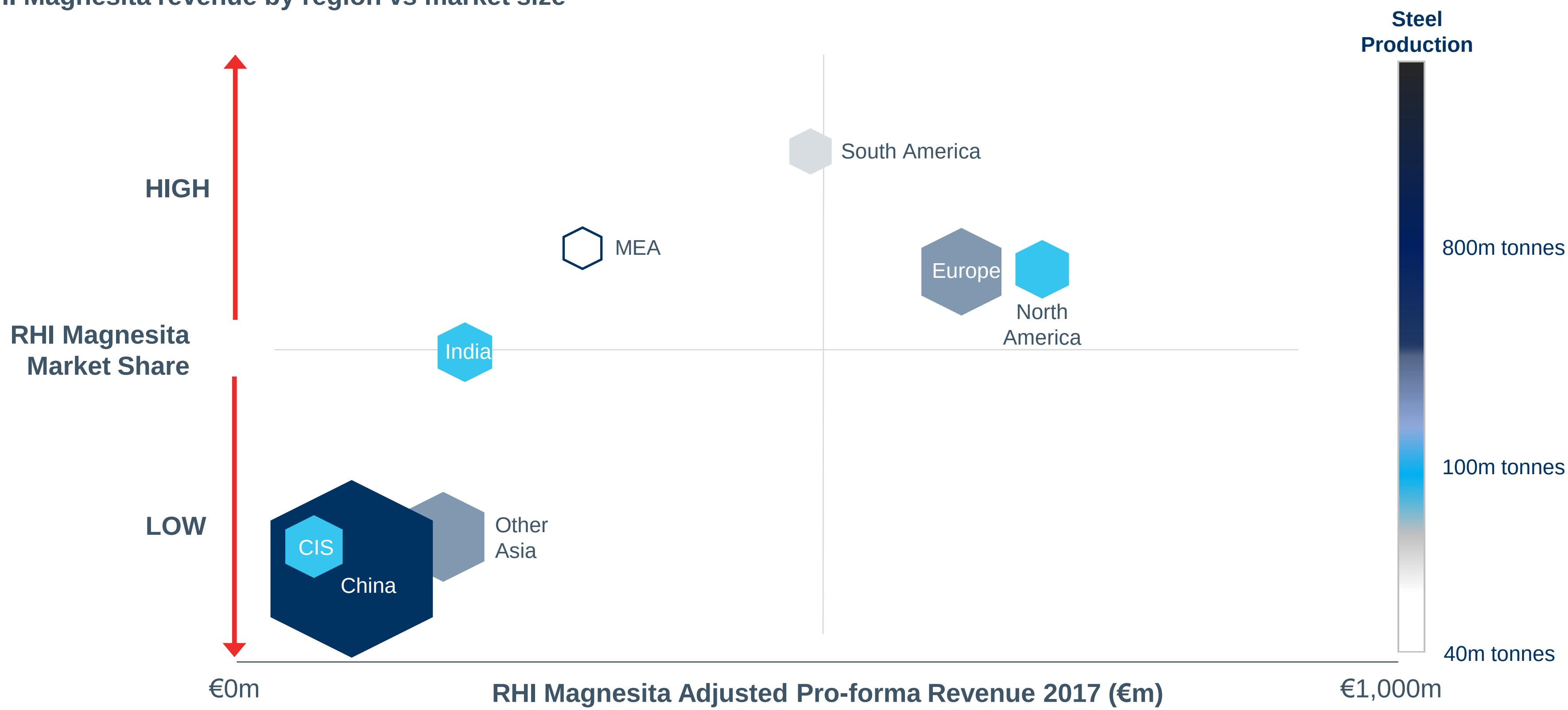
RHI Magnesita revenue by region vs market size



- **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	**Steel:** converters and ladles **Industrial:** Nonferrous Metals	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	**Steel:** blast furnace & reheating furnaces and direct reduction **Industrial:** bricks & castables	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	**Steel:** continuous and ingot casting **Industrial:** Nonferrous Metals	Technical expertise, complete product portfolio, solutions beyond refractory products such as mechanisms A global plant footprint allows optimization of supply chain Continuosly growing business with a combined market share globally ~20%; significant growth potential
Engineering Solutions	**Steel:** tundish efficiency improvement **Industrial:** raw material testing & experimenting	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

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

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

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

RHI MAGNESITA

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

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Main raw material sites

1.6 million
tonnes of raw materials produced per year

70%
vertical integration in dolomite and magnesite and 50% for all raw materials

Certainty of supply	High quality materials	Cost competitiveness

Synergy opportunities across a range of business activities

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	Opportunities
SG&A	Rationalization of sales network Streamlining corporate management and back-office Ramp-up of shared service centers
Procurement	Best sourcing prices in overlapping countries and spend categories Beneficial scale effect from high volumes Increase vendor financing
Production Network and Supply Chain	Network rationalization, enhancing distribution, reducing logistic costs and lead-time and improving capacity utilization Reallocate complementary product portfolios Enhanced raw material integration
Others	Cross-selling opportunities Product master-data homogenization

Additional 'below the line' synergies are expected post-integration

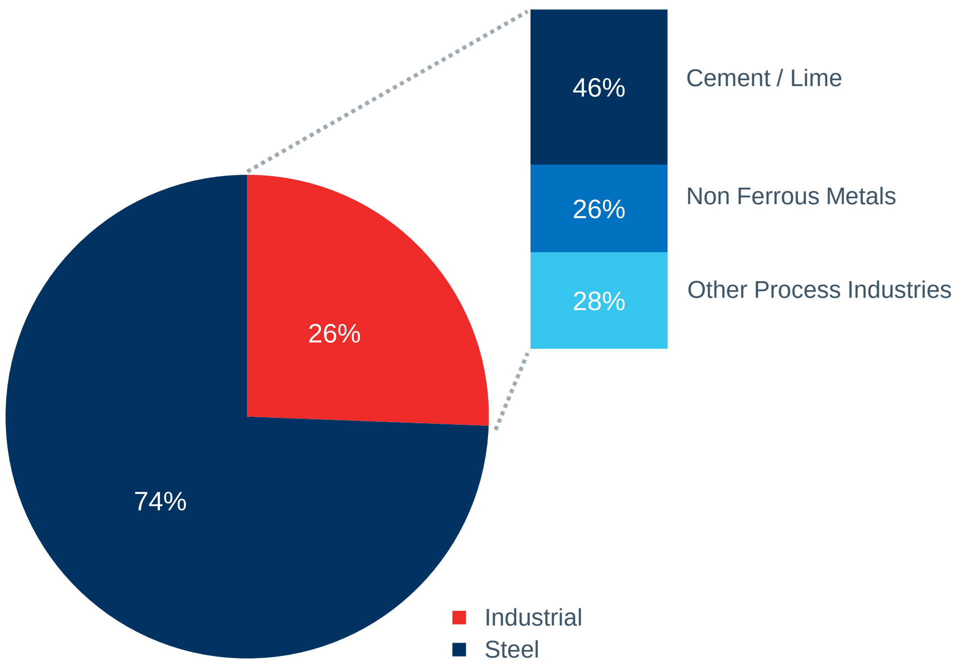
	Opportunities
Capex	Footprint optimization to reduce maintenance capex over next 2-3 years Shift overall capex towards higher share of value & growth projects
Working Capital	Reallocate production and shorten supply chain Replace third party raw materials with internal production Eliminate inventory overlap in key countries (Brazil, Mexico, United States)
Interest Expenses	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	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

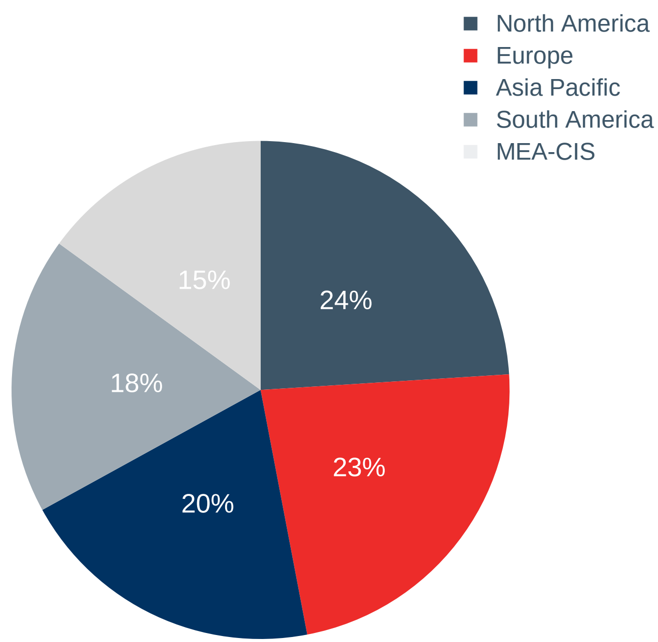
2017 adjusted pro-forma revenue breakdown

Total revenue: c.**€2.7 bn**

by industry[1]



by geography



[1] Revenue split considers only refractory segments

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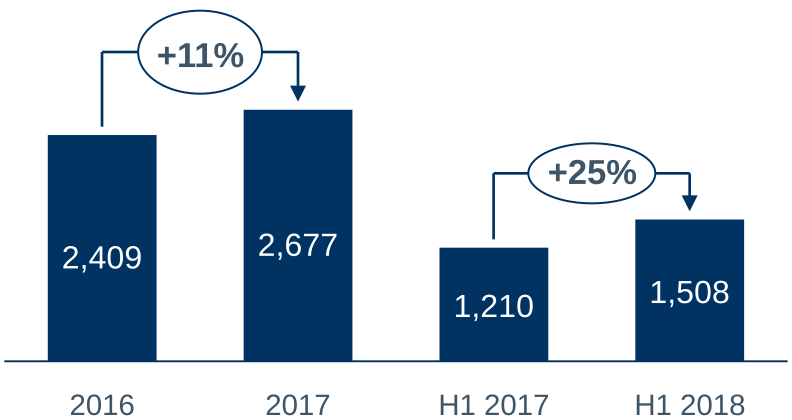
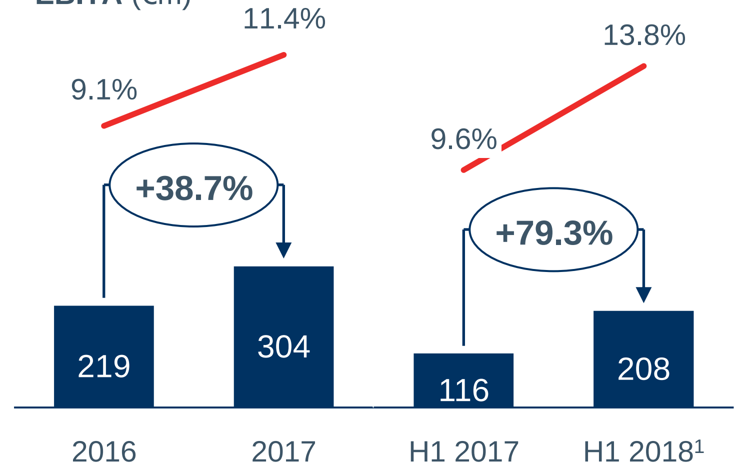
Adjusted pro-forma results

Revenue (€m)

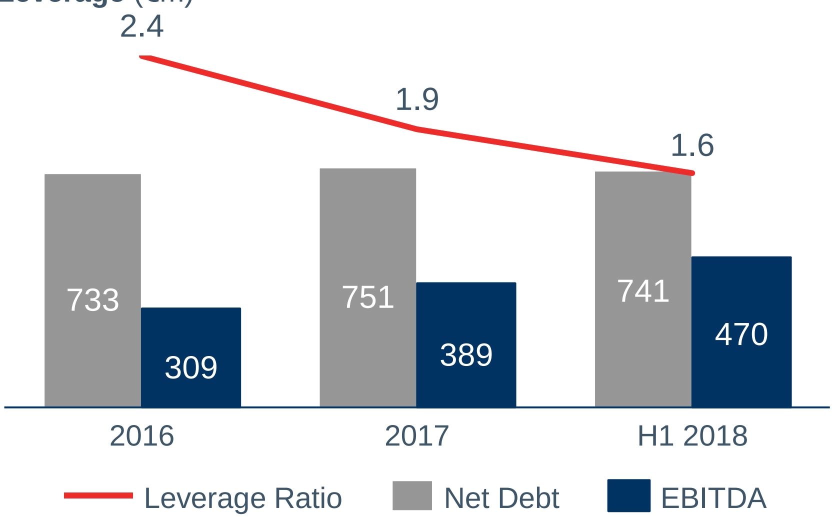


EBITA (€m)

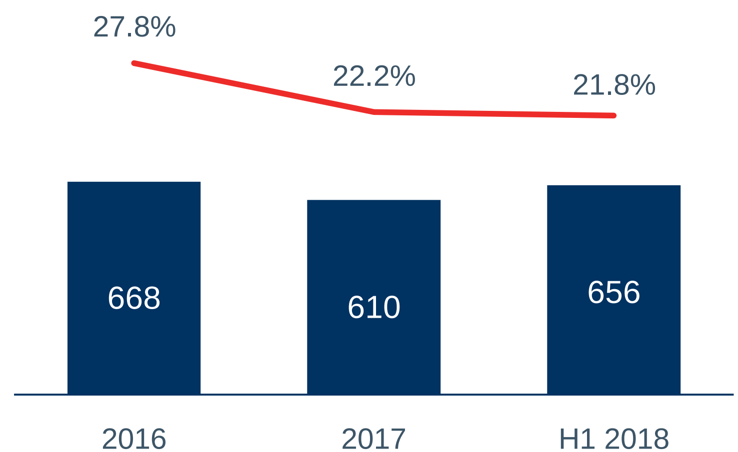


1: H1 2018 considering final PPA adjustment

Leverage (€m)



Working Capital Intensity[2] (€m)



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

Capital structure

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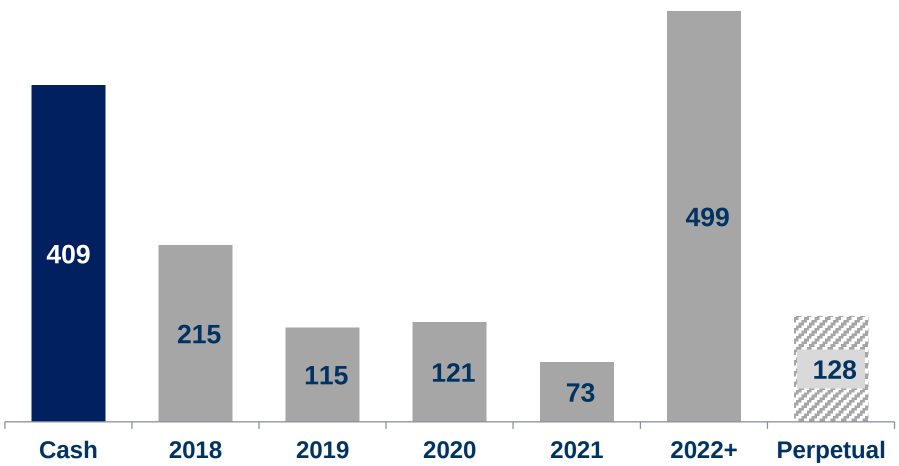
Solid credit profile and commitment to de-leveraging the current business

- 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

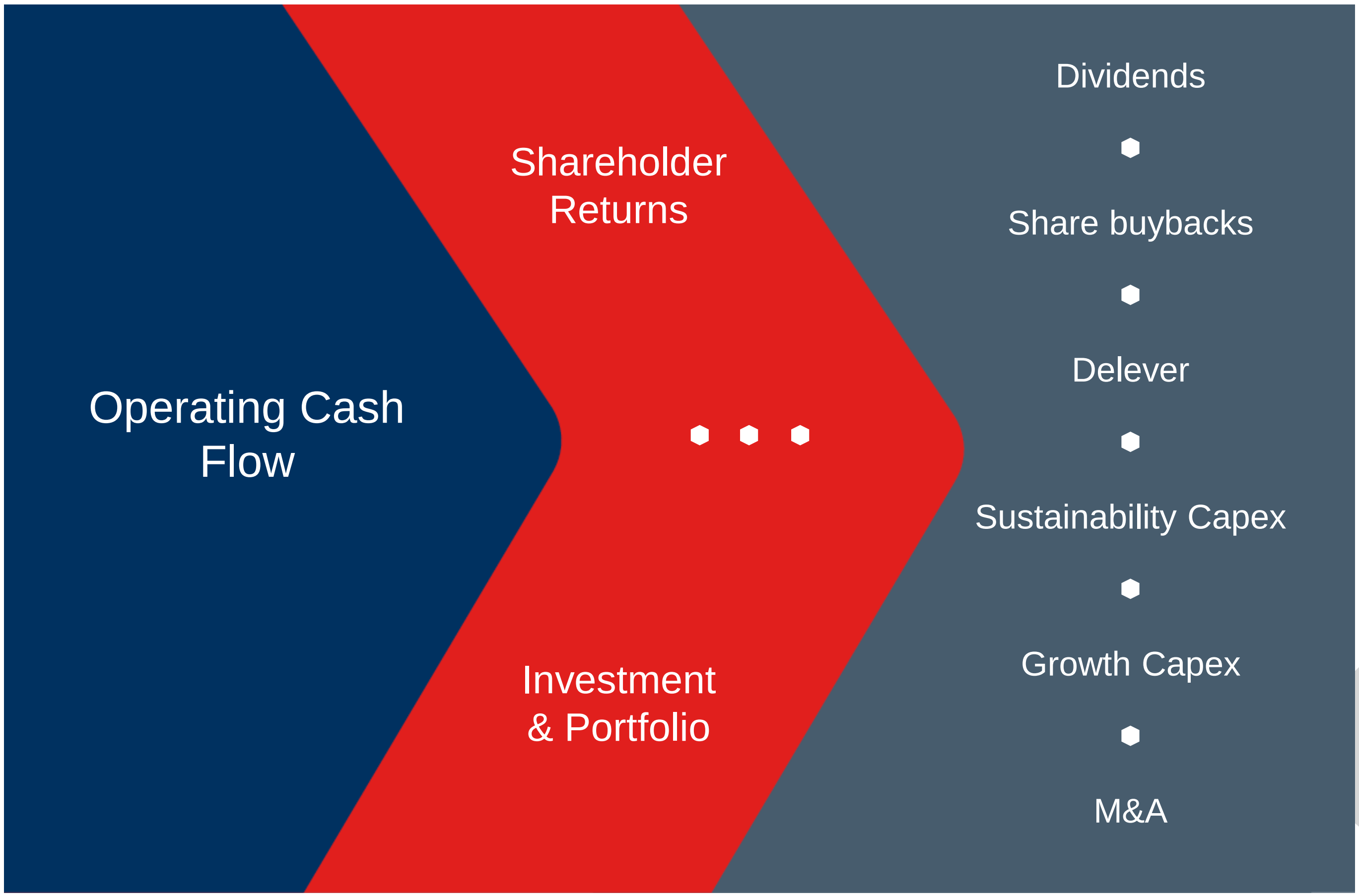
Amortisation schedule (€ millions, as of 30 June 2018)



Capitalisation Table	€ millions
OeKB term loan	306
Perpetual bond	128
Other loans & facilities	717
Total gross indebtedness	**1,151**
Cash, equivalents & marketable securities	409
Net Debt	**741**

Capital strategy

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



Capital Allocation Drivers:

- Growth profile
- Portfolio complementarity
- Market opportunity
- Proven integration capabilities & synergies
- Key performance and return indicators
- Balance sheet

Target leverage below 2.0x operating EBITDA

Compelling investment case

RHI MAGNESITA

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- Additional “below the line” opportunities in working capital and tax

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 for cash dividend of €0.75 per share and by the SELIC rate as from October 26th, 2017 until the date of the settlement of the auction of the Integrated Tender Offer

FX

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EBITDA Sensitivity on an annualised basis

vs €	Unit	Δ 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

Alternative performance measures

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.