RHI MAGNESITA

The driving force of the refractory industry

AGM Presentation

June 2019

2018 highlights

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€3.1bn ▲ **21%**[1]

2018 revenue

13.9% ▲ **460bps**[1]

2018 adjusted EBITA margin

€428m ▲ **81%**[1]

2018 adjusted EBITA

1.2x ▼ **0.7x**

Net debt / adjusted EBITDA

15.4% ▼ **680bps**

Working capital intensity

€1.50 ▲ **100%**

Proposed final dividend per share

Notes:1) Represents the change between 2018 and 2017 adjusted pro forma figures at constant currency. 2017 adjusted pro forma results are prepared on a constant currency basis 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. Adjusted 2018 figures exclude other income and expenses

2018 operational highlights

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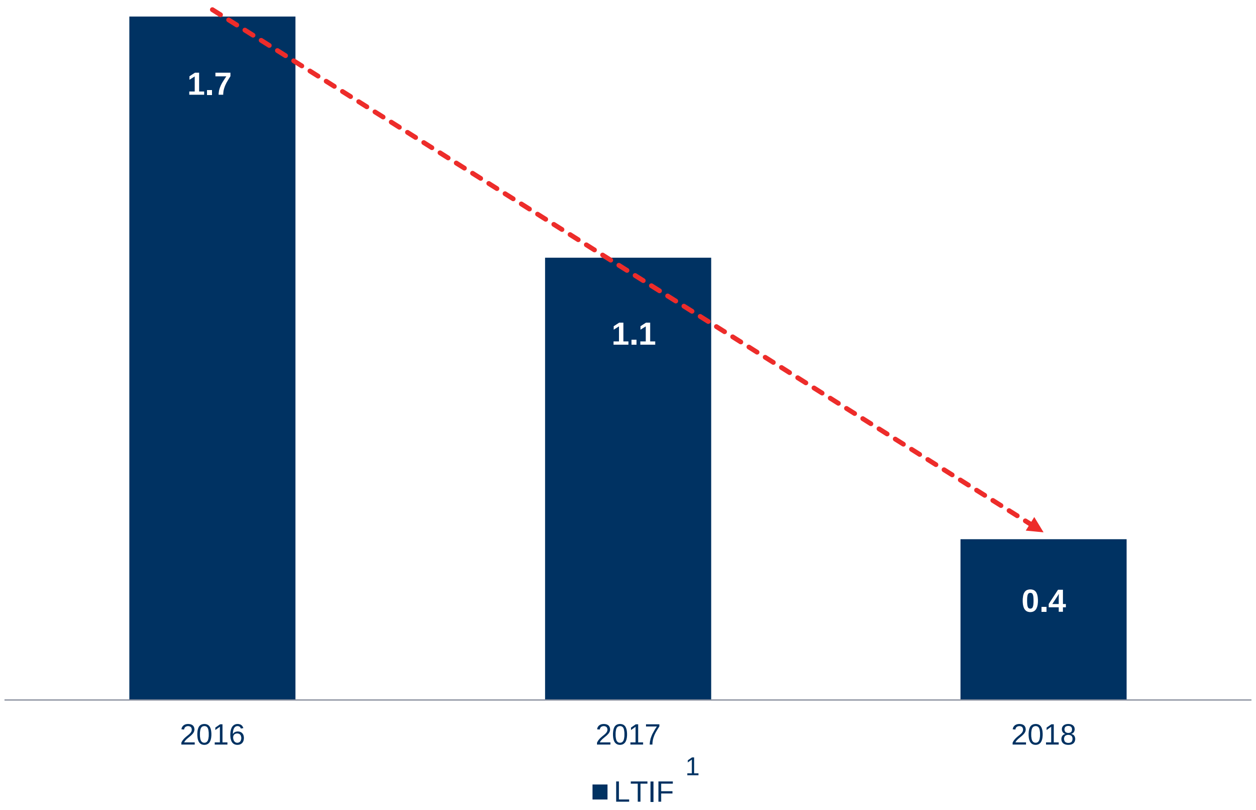
Strong delivery in the first full financial year of RHI Magnesita

- Strong performance underpinned by robust demand and pricing environment
  - Significant step up in operating margins
  - Continued benefit of vertically integrated model
  - Outperformance on synergy delivery (€70m against plan of €60m)
- Stable market conditions, healthy levels of customer demand and high raw material prices drove:
  - Steel Division: +15% revenue growth; gross margin +60bps to 23.7%
  - Industrial Division: +33% revenue growth; gross margin +200bps to 24.5%
  - Significant progress in growth markets: China revenue +36% and India +21%
- Some operational and supply chain issues in H2
  - Root causes identified and improvement plans in place to resolve in 2019

Prioritising safety

Our goal is to build an industry leading safety culture with zero accidents

Improving safety performance



Continued focus on safety

- Intensive 'Safety First' campaign is yielding benefits
- Lost Time Injury Frequency ("LTIF") rate reduced by 60% in 2018 to all time low of 0.4
- Target to drive zero accidents
- 22 sites certified to OHSAS 18001
- Transitioning all certified sites to ISO 45001 by the end of 2020

Notes: 1) Lost Time Injury Frequency rate per 200,000 hours

Delivering the value of the merger

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Merger commitments	2018 achievements
Capture €40m of synergies in first year of merger and €70m altogether	✓ €70m delivered in 2018 and €110m 2020 target on track
Offset merger related divestments and revenue dissynergies	✓ Business revenue growth; volume up 5% in 2018
Divest EU commission mandated assets	✓ €40m raised with the sale of divested businesses in November 2017
Restructure balance sheet, enhance maturity profile and reduce interest expenses by €20m per year	✓ Around €0.8 billion refinanced and annualised savings of €24m achieved
Focus on deleveraging balance sheet to below 2.0x net debt EBITDA	✓ 2018 year-end leverage reduced to 1.2x (from 2.6x at merger) within 14 months
Reduce working capital intensity from 26% pre-merger	✓ Working capital intensity reduced to 15.4% in 2018
Develop new growth strategy with increased potential of the group	✓ Growth targets announced; driven by growth markets in the short term and new business models in the longer term
Acquisition of Magnesita's outstanding minority shareholding	✓ 97.5% ownership and delisting achieved in Q1 2019

Creation of one team, one culture, one company that leads the refractory industry

Profit and loss

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Overview

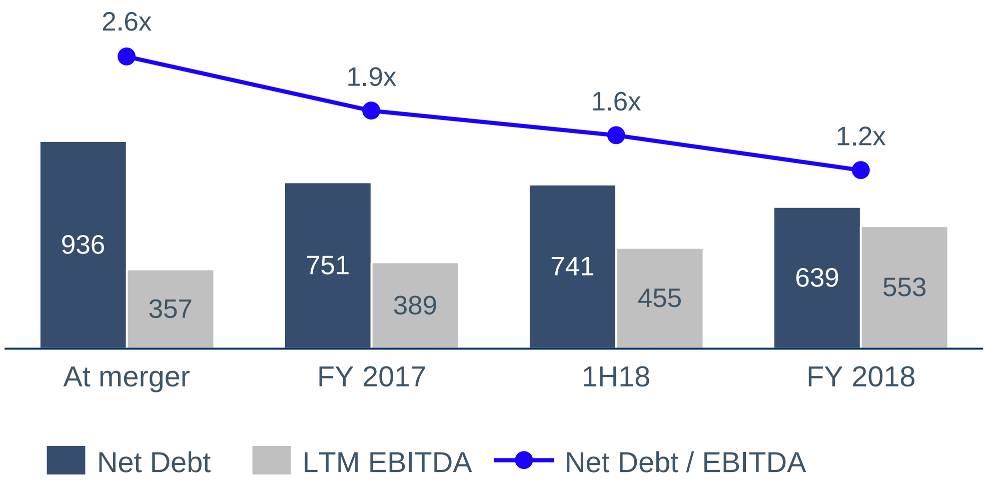
€m	2018	2017[1]	Change
Revenue	3,081.4	2,549.6	21%
CoGS	(2,344.5)	(1,989.1)	18%
Gross profit	**736.9**	**560.5**	**31%**
Gross margin	*23.9%*	*22.0%*	*190bps*
SG&A	(337.3)	(350.4)	(4%)
Other expenses	(0.9)	14.2	(106%)
EBIT	**398.6**	**224.2**	**78%**
Amortisation	(28.6)	(25.9)	11%
Adjusted EBITA	**428.1**	**235.9**	**81%**
Adjusted EBITA (%)	*13.9%*	*9.3%*	*460bps*

- Significant revenue growth of 21% driven by:
  - Robust end markets
  - Continued high raw material pricing
  - Growth in Steel and Industrial Divisions
- Adjusted EBITA up 81% from
  - Improving gross margin +190bps
  - Some deterioration in H2 due to identified operational problems
  - Reducing SG&A with successful implementation of the synergies

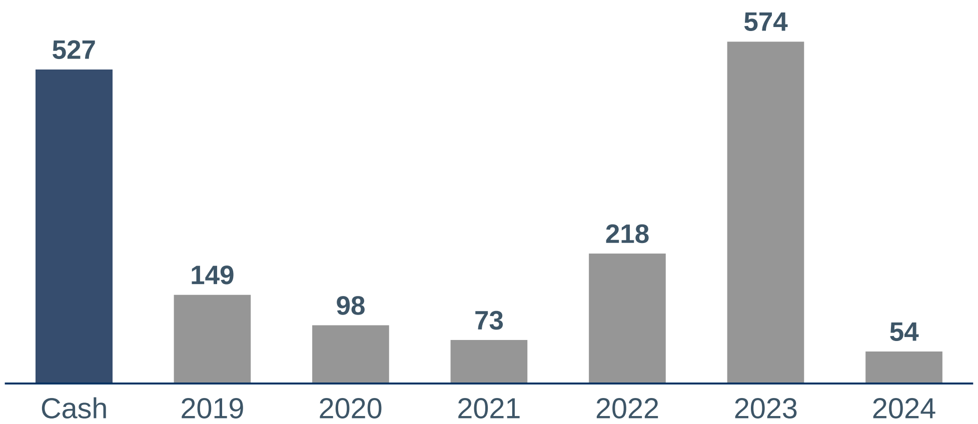
Notes: 1) Adjusted pro-forma numbers at constant currency

Capital structure

Solid credit profile and commitment to de-leveraging current business



Amortisation schedule (€m as of 31 December 2018)



- During 2018 RHIM refinanced c.€800 million of its capital structure, including the redemption of Magnesita's legacy Bonds, achieving funding costs commensurate with its stronger credit profile

Capitalisation table	€m
OeKB Term Loan	306
US$ Term loan + RCF	358
Other loans & facilities	502
Total gross indebtedness	**1,166**
Cash, equivalents & marketable securities	527
Net debt	**639**

A clear and compelling strategy

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Enabling us to add value through a full suite of products & services

People

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

Business model

Leading service and solution provider in the refractory industry with an extensive portfolio based on leading material science, innovative technologies and digitalisation

Markets

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

Competitiveness

Low-cost producer of technically advanced refractory materials with safe production network

Progress in 2018

- Integration of c.14,000 employees worldwide
- Roll out of cultural values and international career programmes in place
- Diversity targets in place
- Strong leadership team in place across regions and key functions

- Exploring new business models focused on new customer requirements
- Application of automation and product differentiation
- Developing new services beyond refractory materials

- 15% global market share (30% ex-China)
- Continued to strengthen leading position across established markets,
- Strong growth and market share increases in India & China

- €70 million synergies realised in 2018 (€110m overall target)
- Established global business services team & Supply Chain Management department
- c.€63 million expenditure on R&D and Technical Marketing in 2018

Capital allocation strategy

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Balanced and dynamic capital allocation enabling long term growth & shareholder returns

Cash

Strong cash flow generation from operating business

Supported by synergies, growth opportunities & expansion

Leverage

Maintain robust financial position

Commitment, through cycle, to leverage range of 0.5–1.5x

Maintenance investment

€110m investment per year in maintenance capex

Ongoing R&D and Technical Marketing investment (2.2% of revenues)

Organic investment

Commitment to capital deployment for growth and cost savings

Significant opportunities to develop strategy organically

Technology, digitalisation, data, backwards integration

M&A

Disciplined screening process and risk evaluation

Deployment to accelerate growth in line with strategy

Balance sheet strength provides flexibility

Returns

Progressive dividend policy established

Share buyback when appropriate

Progressive dividend policy

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A sustainable dividend policy linked to adjusted earnings and cash flow generation

- Underpinned by strong performance and having reached leverage of 1.2x net debt to adj. EBITDA in 2018, the Board has recommended:
  - A final dividend of €1.50 per share for 2018
  - Represents a 100% increase on FY 2017 dividend
  - Dividend cover of 3.5x adjusted EPS
- Formal dividend policy commenced:
  - Progressive – with reference to the growth in adjusted earnings and the cash flow generation of the Group
  - Semi-annual payment from 2019 onwards – 1/3 prior year's full dividend paid at the interim
  - Targeting dividend cover of below 3.0x adjusted earnings over the medium term

Summary and outlook

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Setting the business on the right path to achieve its full potential

2018: a year of progress and success

- Strong performance in first full year post merger
- Outperformance of synergy targets
- Delivered growth ahead of underlying markets alongside step up in profitability
- Refinancing and ITO complete
- Strong and fast deleveraging has created a platform for future growth and capital allocation
- Progressive dividend policy established
- Created an experienced, determined, collaborative management team

2019: whilst global economic uncertainties exist, we currently anticipate:

- Robust customer end markets in the medium term, with higher uncertainty in the short term
- Continued raw materials pricing stability into H2 2019
- Modest organic revenue growth; depending on reversal of customer inventory reductions
- Further margin improvement potential
  - Ongoing synergy extraction
  - Further optimisation initiatives from manufacturing improvements
- Strong cash flow generation

Disclaimer

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