H1 2019
Half year results

12 August 2019

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RHI MAGNESITA

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Agenda

Highlights

H1 2019 highlights

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€1.5bn ▲ 2.2%[1]

H1 2019 revenue

15.2% ▲ 140bps[1]

H1 2019 adjusted EBITA margin

€234m ▲ 12.3%[1]

H1 2019 adjusted EBITA

€3.00 ▲ 17.6%[1]

H1 2019 adjusted EPS

1.1x ▼ 0.1x[2 3]

Net debt/adjusted LTM EBITDA

21.0% ▲ 560bps[2]

Working capital intensity

€0.50

Interim dividend per share

Notes: 1) Compared against H1 2018 including the final purchase price allocation which was completed in H2 2018; 2) Compared against FY 2018; 3) Following the introduction of IFRS 16 effective 1 January 2019, H1 2019 net debt includes leases amounting to €58 million

H1 2019 operational highlights

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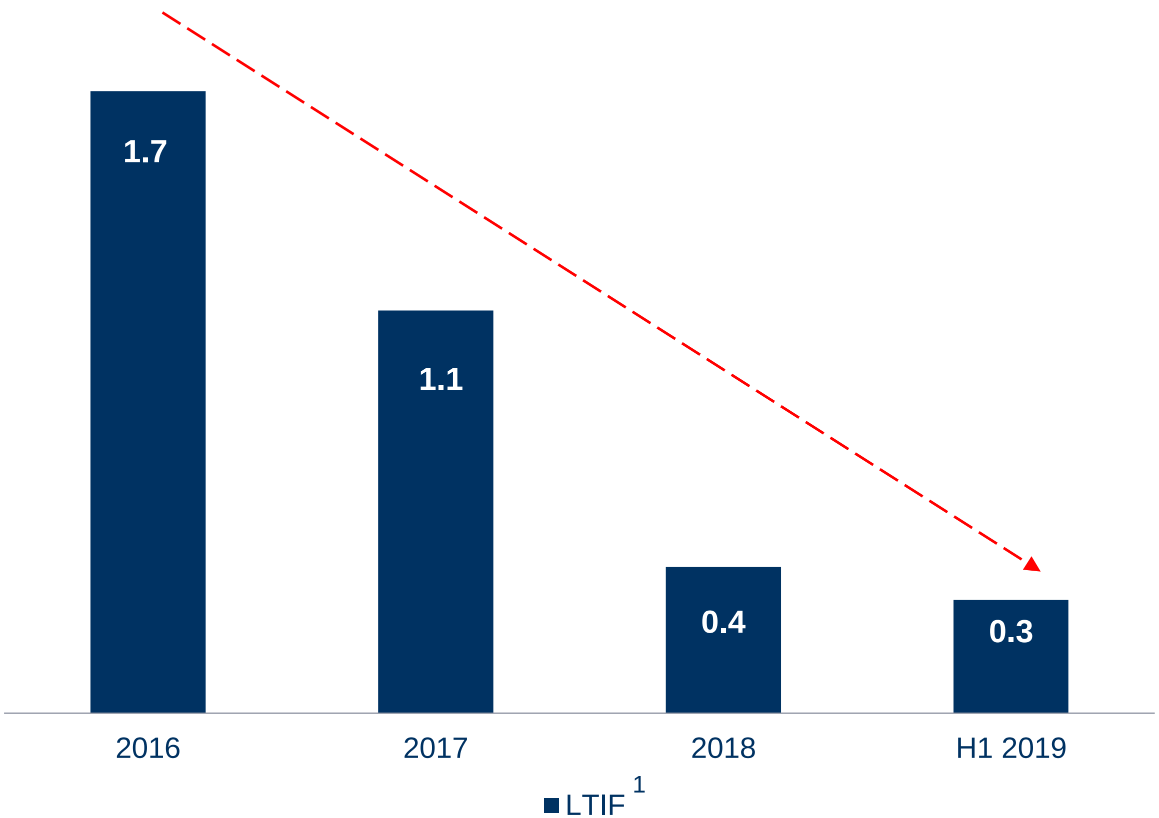
- Robust performance in H1 2019, despite difficult end markets
- Strong performance from the Industrial Division
- Uncertainty increasing in steel markets
  - Lower volumes and selective market share loss in the Steel Division in Europe and North America
  - Partly driven by customer destocking after a strong 2018
- Challenges offset by
  - Encouraging market response to price rise programme across the portfolio
  - Resilience from geographic and customer diversification
- Growth markets continue to perform strongly
  - First major solutions contract won in China and revenue growth of 17%
  - India revenue growth of 16%
- Good margin performance, despite less supportive raw material backdrop
  - Expected additional €20 million synergy benefit for 2019 firmly on track
  - Improvement plans to recover €20 million of the €40 million operating underperformance during H2 2018, relating to four plants, progressing in line with expectations
- Some working capital expansion in H1 2019 which is expected to be partly recovered by year end

Prioritising safety

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

Improving safety performance



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

Continued focus on safety

- Intensive ‘Safety First’ campaign is yielding benefits
- Lost Time Injury Frequency (“LTIF”) rate further reduced by 28% compared to 2018
- 22 sites certified to OHSAS 18001
- Transitioning all certified sites to ISO 45001 by December 2020
- Enhanced safety review of contractors on our sites is ongoing as part of ISO 45001 process

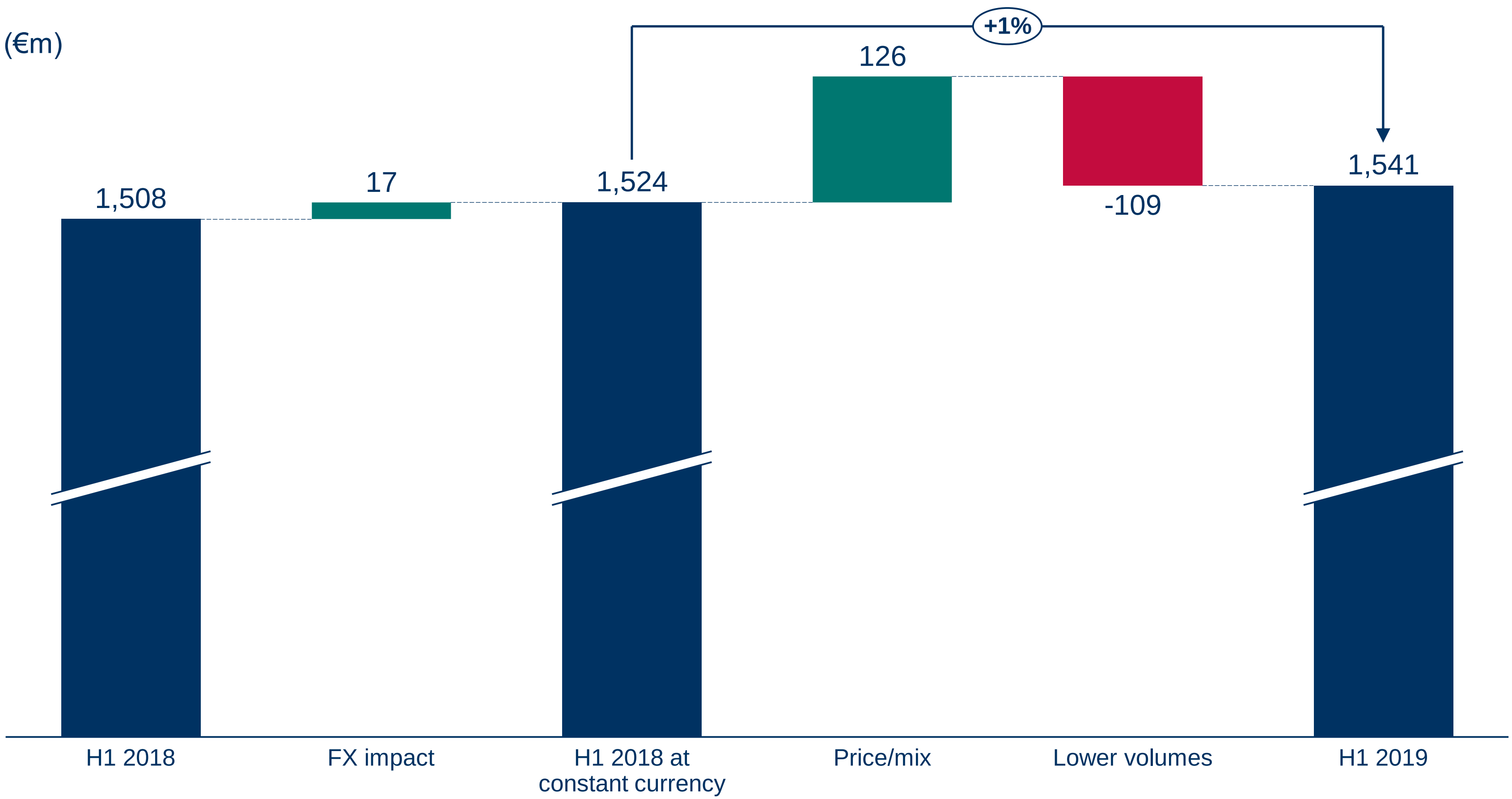
Financial review

Profit and loss overview

€m	H1 2019	H1 2018	Change	H1 2018 at constant currency	Change vs constant currency
Revenue	**1,541**	**1,508**	**+2%**	**1,524**	**+1%**
Gross profit	400	369	+8%	387	+3%
Gross margin (%)	25.9%	24.5%	+140bps	25.4%	+50bps
Adjusted EBITA	**234**	**209**	**+12%**	**228**	**+3%**
Adjusted EBITA margin (%)	15.2%	13.8%	+140bps	14.9%	+30bps
Profit before tax	165	90	+83%		
Profit after tax	**121**	**65**	**+86%**		
Adjusted EPS (€)	**3.00**	**2.55**	**+18%**		

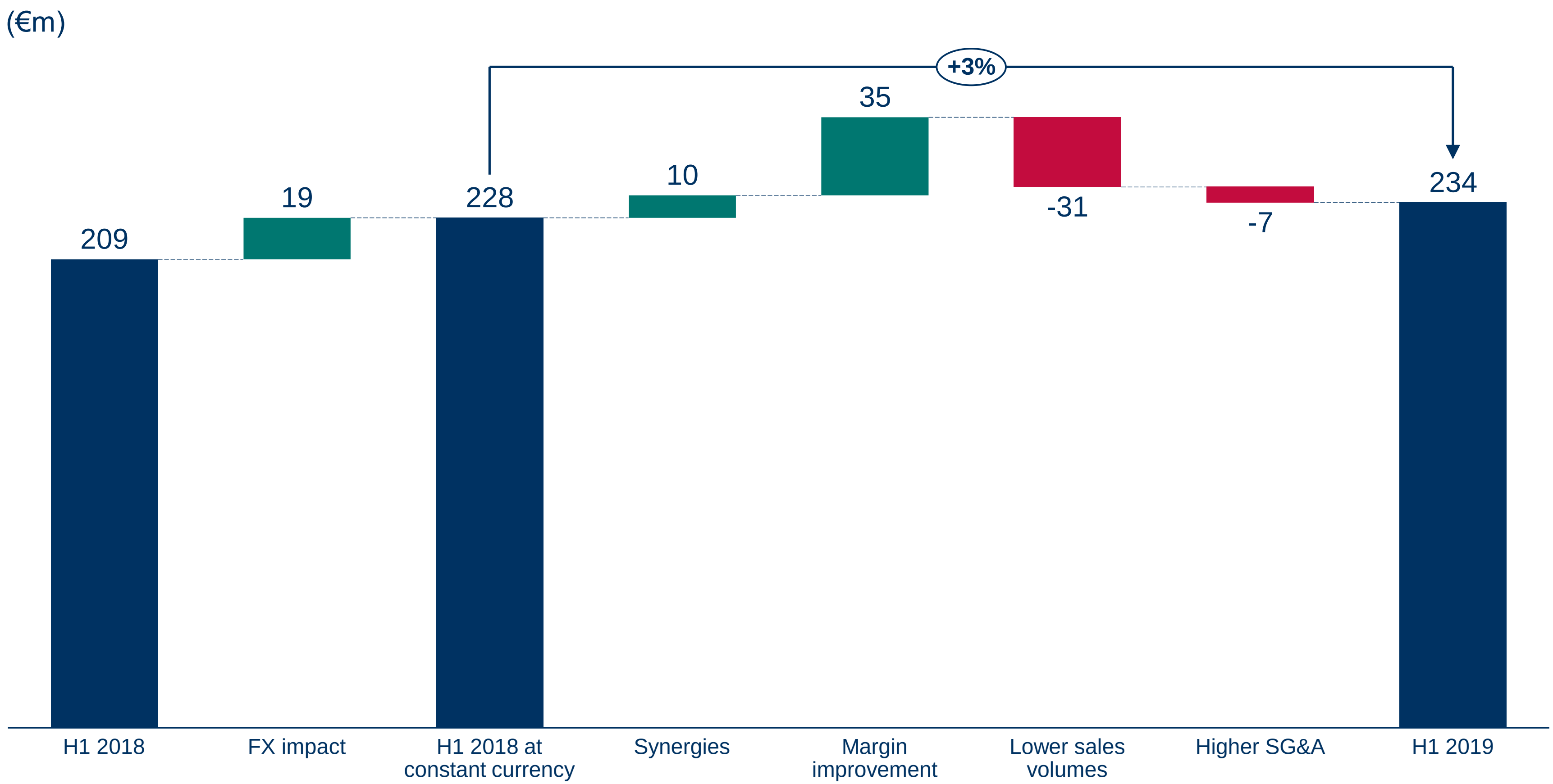
- Revenue of €1,541 million up 1% on a constant currency basis driven by:
  - Strong growth in Industrial Division
  - Slightly softer Steel Division performance
  - Challenging market conditions offset by improved pricing and mix
- Adjusted EBITA up 3% on a constant currency basis driven by:
  - Strength of the Industrial Division
  - Further realisation of synergies
- Profit after tax up 86% driven by:
  - Refinancing of high cost debt
  - Lower average net debt
  - Reduced foreign exchange effects

H1 2019 revenue bridge



H1 2019 adjusted EBITA bridge

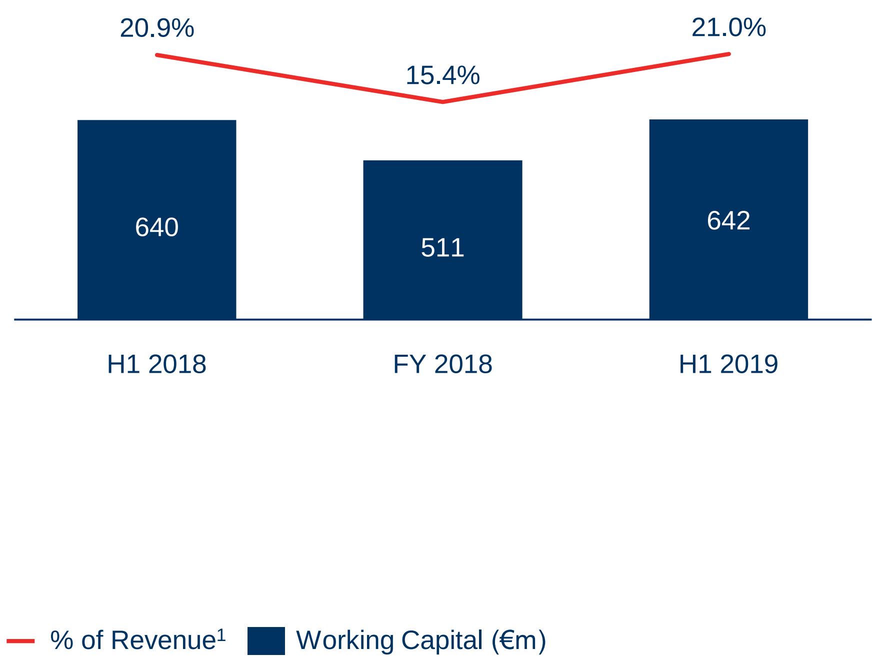
Price, mix and synergy benefits partially offset by lower volumes and spend on strategic initiatives



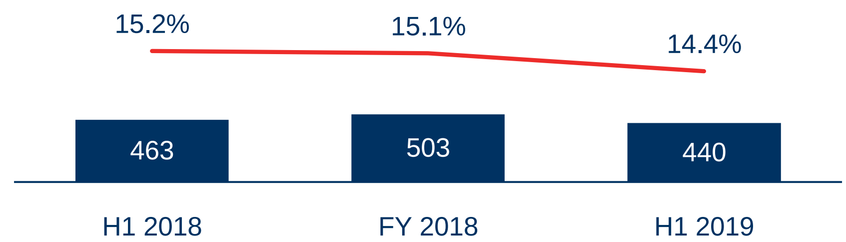
Working capital

Some working capital expansion in H1, which will be partly recovered by year-end

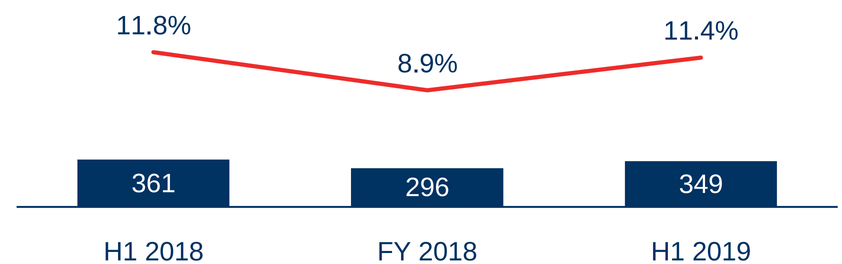
Working capital intensity



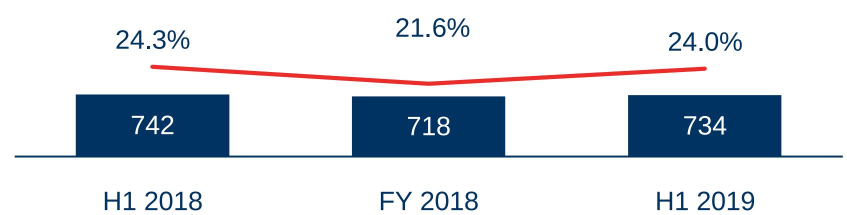
Accounts payable



Accounts receivable



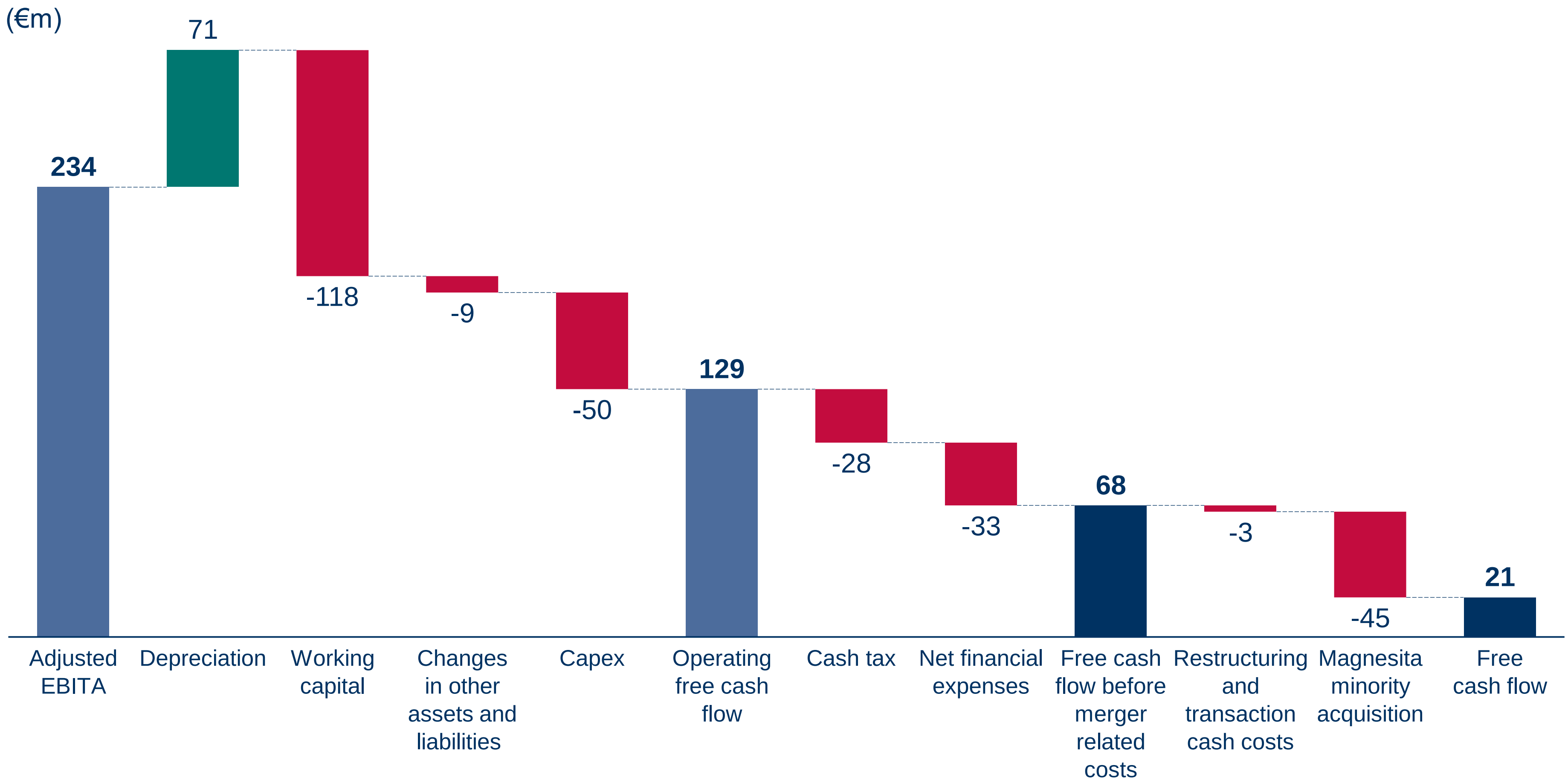
Inventory



Notes: 1) Working capital intensity based on annualised last 3 months revenues

Cash flow overview

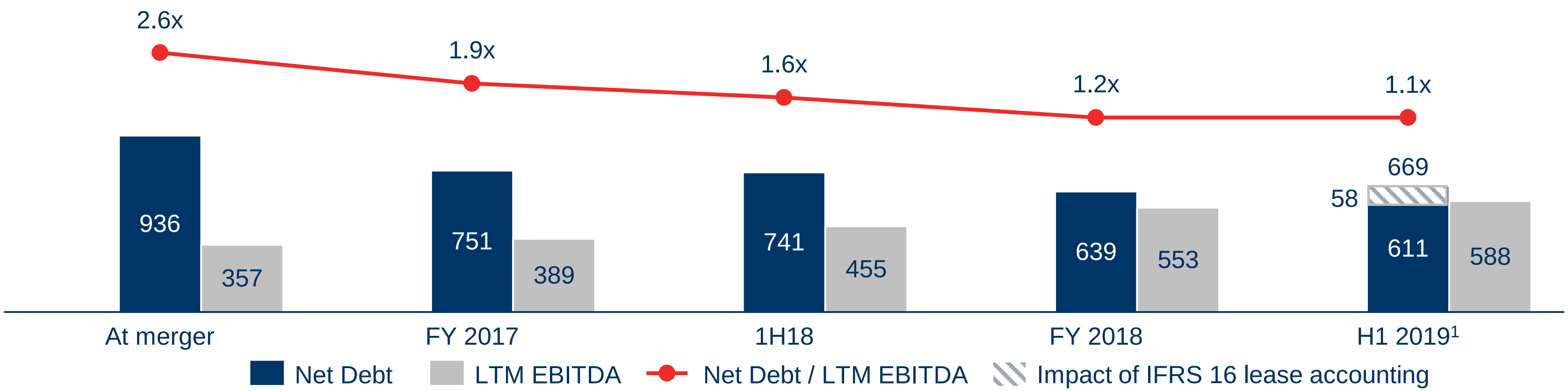
Free cash flow reduced by working capital increase and Magnesita minority acquisition



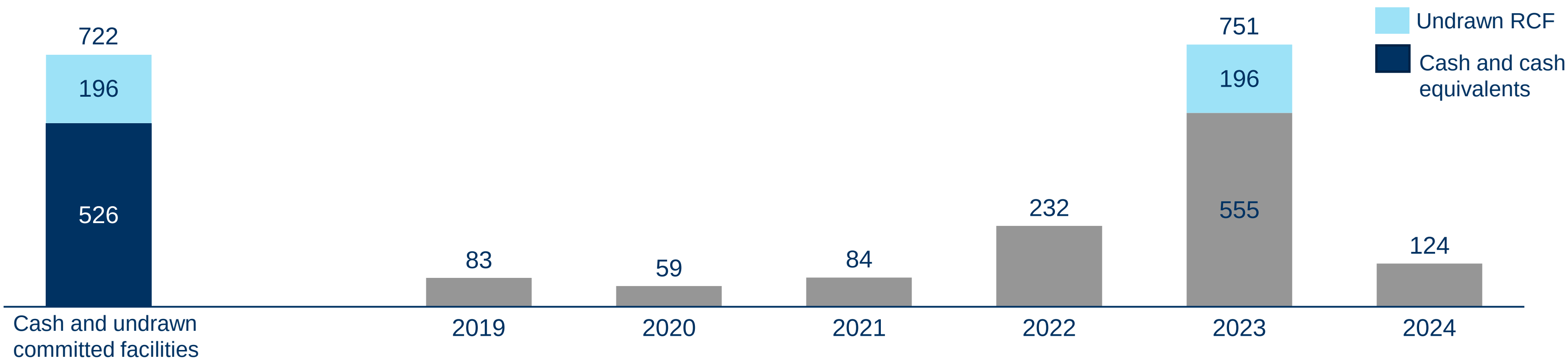
Capital structure

Business continues to reduce leverage despite impact of IFRS 16 lease accounting

Net debt to LTM EBITDA (€m as of 30 June 2019)



Liquidity and amortisation schedule (€m as of 30 June 2019)[2]



Notes: 1) See slide 33 for cash flow reconciliation; 2) Total liquidity has increased by €178 million to €900 million following the Schuldschein issuance of €280 million which took place in July 2019

2019 technical guidance

- Synergy benefits: €10m in H1 2019, further €10m P&L benefit in H2 2019 (cumulative €110m by 2020)
- Operational turnaround: €20m P&L benefit in H2 2019 (cumulative €40m by 2020) continuing traction in Q2 2019
- Capital expenditure: €50m in H1, planned spend in H2 of €100m (totalling €150m in 2019)
  - Maintenance capex: €110m FY 2019
  - Additional project capex: €40m FY 2019 (reduction from €65m given market conditions)
- Depreciation: €140m FY 2019 (including the impact of IFRS 16)
- Amortisation: €25m FY 2019
- Tax rate: 24% FY 2019
- Net interest expense: €30m (excluding pensions) FY 2019

Note: Forward looking statements set out here could be subject to change, particularly by the movements in foreign exchange rates

Operational and strategic review

Robust organic growth capacity, alongside inorganic expansion potential

Delivering through-cycle growth – 1-3% organic and 1-3% through acquisitions

Core / existing markets

- Supported by global technical and R&D capabilities
- Customisation
- Zero emission bricks
- Strengthen raw materials position

- High market share in Europe / Americas
- Potential to grow leading market position (currently 15%)

- Bring efficiencies to steel industry
- Capture more of "Heat management"
- Return per tonne of steel produced
- Recycling

- Digitalisation
- AI
- Process innovation
- Material science

- India
- China
- Turkey

- Russia
- Other Asia

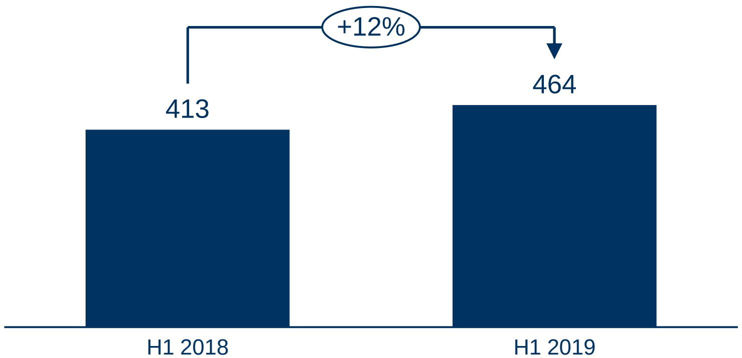
Growth markets

H1 performance overview

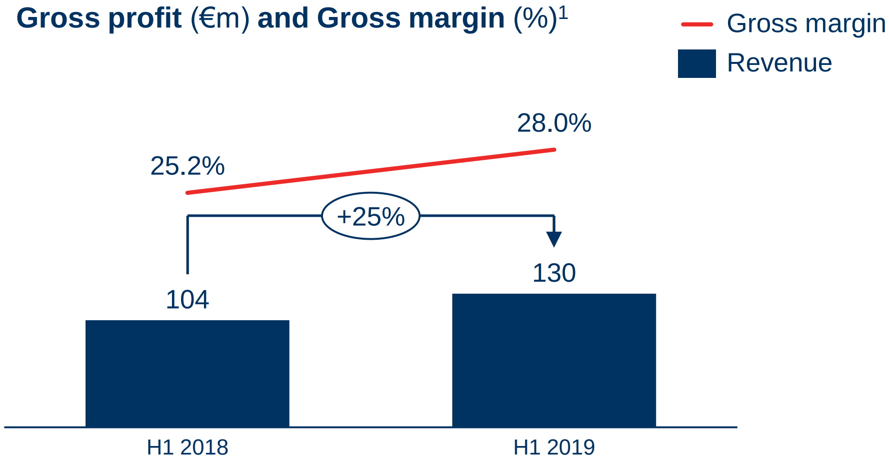
	Pricing	Volume	Revenue
Steel division	↗	↘	↘
Europe	↗	↘	↘
North America	↗	↘	↗
South America	↗	↘	↗
MEA-CIS	↗	↘	↘
Asia	↗	↗	↗
Industrial division	↗	↗	↗
Cement/Lime	↗	↗	↗
Project businesses	↗	↗	↗

Industrials division – performing strongly

Revenue (€m)[1]



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

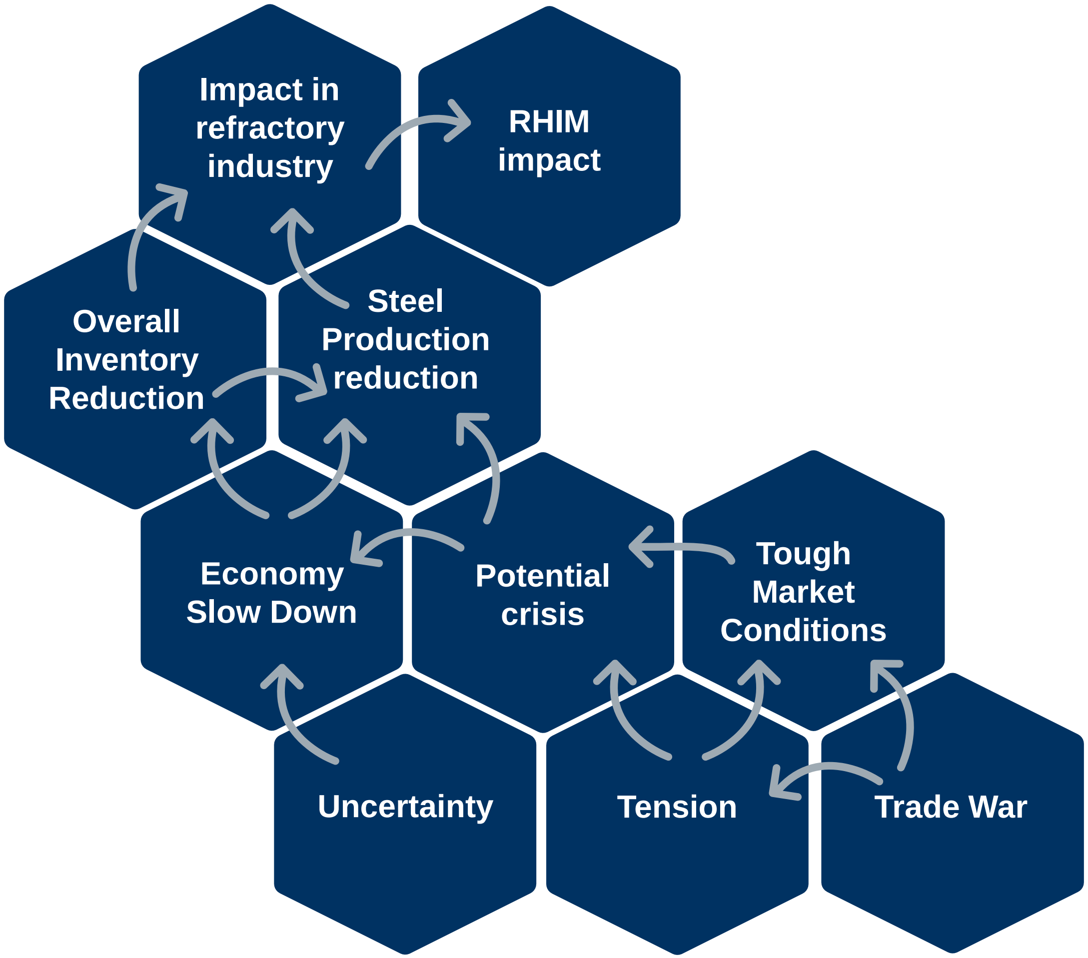


- Strong performance with revenue up 12%
- Encouraging growth across MEA and the Americas with very strong performances from the Cement and Project businesses
- Cement & Lime revenues grew by 17% on a constant currency basis to €184m; with significant growth in APAC especially in China as a result of market share gains
- Project businesses grew revenue 9% on a constant currency basis to €280m, ahead of the market
  - New contracts in the EEC segment has led to increased performance in H1 2019
  - Glass continues to perform well, in keeping with the high demand for refractories across the glass industry
- Gross margin improved by 280bps reflecting the positive momentum across the division
- Momentum expected to continue into H2 2019

Note: 1) Represents the change between H1 2018 adjusted at constant currency and H1 2019

Steel market analysis

What is really going on?

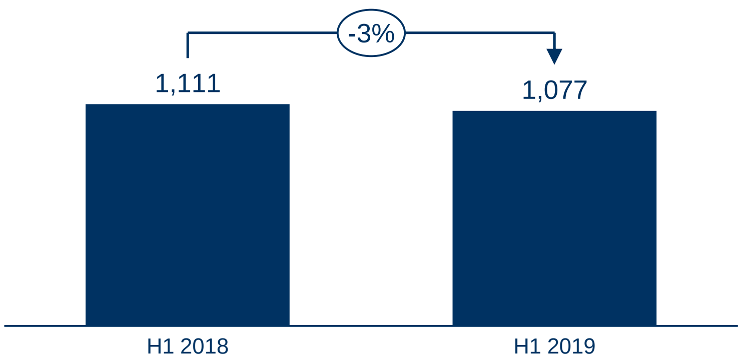


Crude steel production	
Region	H1 2019 vs H1 2018 change (%)
European Union	(2.5%)
Other Europe	(8.0%)
North America	1.4%
South America	(3.0%)
Middle East	4.3%
Asia	7.4%
China	9.9%
India	5.0%
World production	**4.9%**
World production ex China	**(0.3%)**

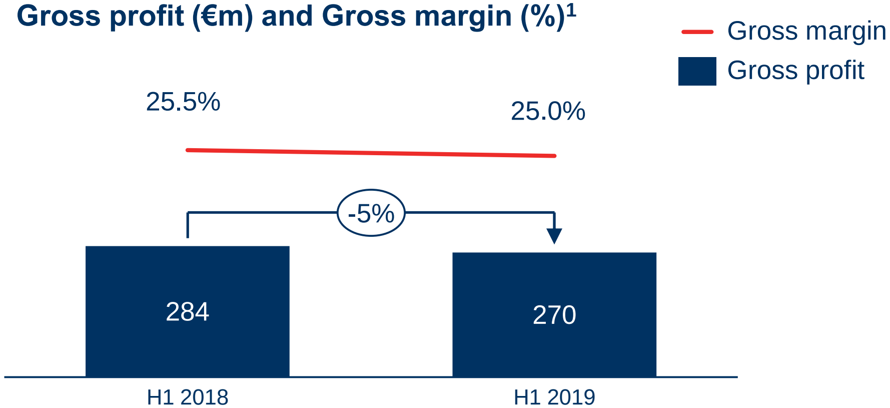
Source: World Steel Association

Steel division – resilient performance

Revenue (€m)[1]

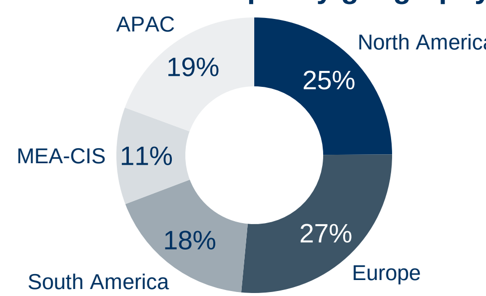


Gross profit (€m) and Gross margin (%)[1]



- Steel Division revenues were down by 3%; Global steel production ex China declined by 0.3% vs the same period last year
- Weaker revenue performance in Europe, reflective of the overall steel market, with some market share loss
- Offset by stronger performance across Asia, North America and South America, driven by price increases and product mix
- First FLS contract won in China – key milestone for business
- Gross margin down 50bps from lower volumes due to market conditions, off-set by a stronger US dollar and the benefits of our vertical integration, higher prices and more favourable product mix
- Challenges likely to extend in H2

H1 2019 revenue split by geography



Note: 1) Represents the change between H1 2018 adjusted at constant currency and H1 2019

Operational issues: update on plants

Four plants in Europe during H2 2018 faced operational issues:

- Management focused on improving performance at sites that faced challenges in H2 2018
- Sustainable improvement of delivery performance achieved by changing plant leadership teams, applying best practice processes to stabilise output and improve efficiencies
- Plant overhauls performed in H1 2019
- Overall:
  - One plant, improvements completed in H1 and now running at planned performance levels
  - Two plants improvement plans on track and will be completed in H2 2019
  - Fourth plant improvement plan remains on track to be completed in 2020
- Outlook: softer market environment causing lower loading of the plants. Further improvement activities to increase flexibility and reduce scrap rate to be completed in H2 2019

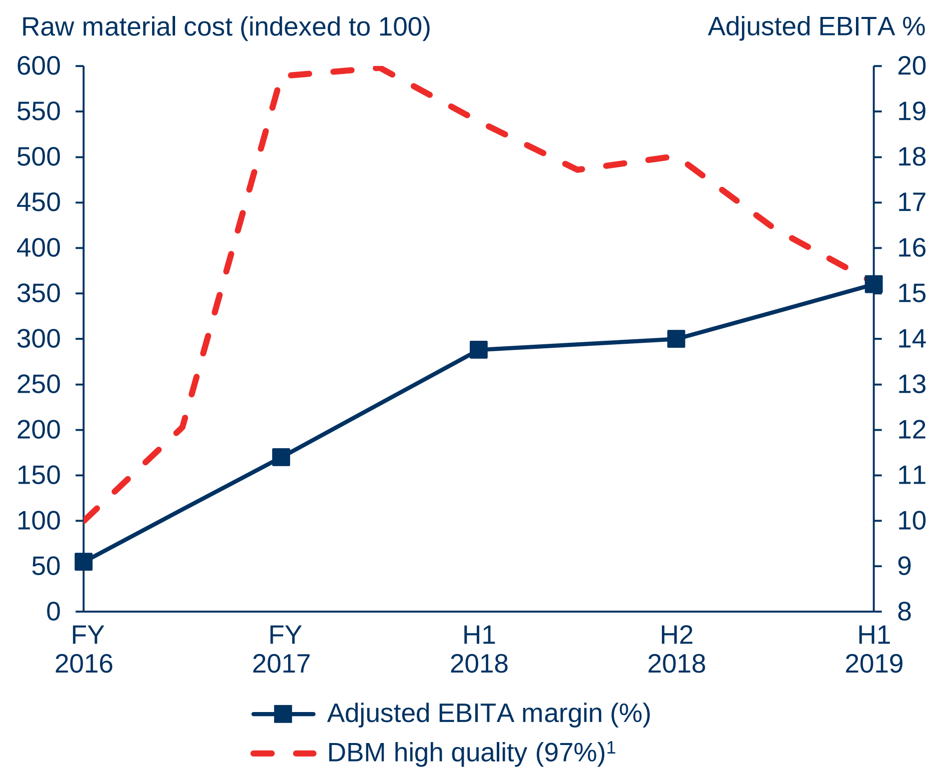
Turnaround on track with €20m expected in FY 2019 and €40m in FY 2020

Backward integration – a key strategic advantage

Key benefits of low cost backwards integration

- Security of supply
  - 70% of Magnesite and Dolomite sourced internally
- Superior geologies enabling tailored solutions, for example:
  - Alpine sinter for Electric Arc Furnace (EAF) applications
  - Brumado DBM for ladles
- Materials support breadth of product offering and solutions model
- Financially advantageous
  - Profitable track record of mining operations
  - Superior return on capital

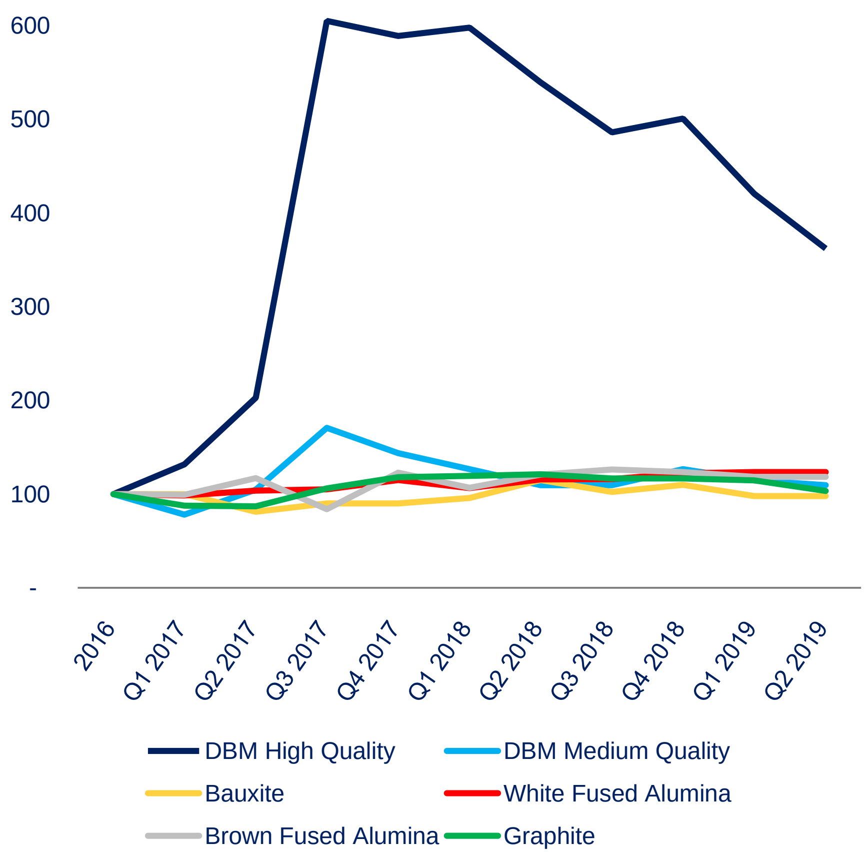
Margin development vs raw material pricing



Note: 1) Source: Asian Metal

Raw material outlook

Raw material prices (indexed to 100 in Jan 2016)[1]



Note: 1) Source: Asian Metal

Outlook

- Raw material prices have reduced significantly in H1 2019 driven by reduced orders, in line with the decreasing steel market demand
  - Magnesia prices have decreased in H1, with some grades decreasing by 30%
  - Bauxite and Graphite have fallen by around 11%
  - Alumina prices have increased slightly
- The Group does not expect prices to fall back to the levels pre-2017
- In recent weeks, a number of Chinese producers have stop mining activities to support pricing, alongside a European Magnesite producer increase pricing by around 20%, which should support prices in H2
- H2 2019 Outlook:
  - Magnesia prices, we believe, have now bottomed out and will be stable in H2
  - Alumina, Bauxite and Graphite are also expected to stay stable in H2

Summary and outlook

Clear and compelling investment case

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1 **Clear strategy and strong competitive position**

- Strong market position with 15% global market share (30% ex-China), clear market 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 **Significant growth opportunity from new markets, service offering and M&A**

- Opportunities to grow materially in under-represented markets such as India and China
- Greater penetration of solutions offering to customers – improving margins & providing added value to clients
- Acceleration of market share growth through M&A

3 **Continued margin opportunity from ongoing synergies and further cost savings**

- €80m cumulative synergies in H1 2019 and €110m target by 2020
- Additional "below the line" opportunities in working capital and tax
- Cost saving potential beyond synergies from further initiatives in the mid-term

4 **Strong cash conversion and robust balance sheet**

- Strong cash flow from operating business supported by synergies and organic growth opportunities
- Rapid deleveraging since merger and net debt to EBITDA reduced to 1.1x (from 2.4x)
- Capital flexibility to pursue both growth and shareholder returns

Summary and outlook

H1 2019: progress and success

- Strong performance in Industrials, offsetting weaker Steel markets
- Encouraging market response to price rise programme across the portfolio
- Continued growth drivers from Asia, especially China and India
- Good margin performance, despite less supportive raw material backdrop

H2 2019: whilst global economic uncertainties exist, we currently anticipate:

- Further weakness in Steel driven by increasing uncertainties
- Continued strong momentum in Industrials
- Self-help measures offset challenges:
  - Further development in growth markets in Asia
  - Completion of synergy programme and operational turnaround
  - Benefits from the price rise programme in Q4 2019
- Management expectations remain unchanged for the full year

Appendix

Impact of foreign currency movements

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EBITDA sensitivity in H1 2019

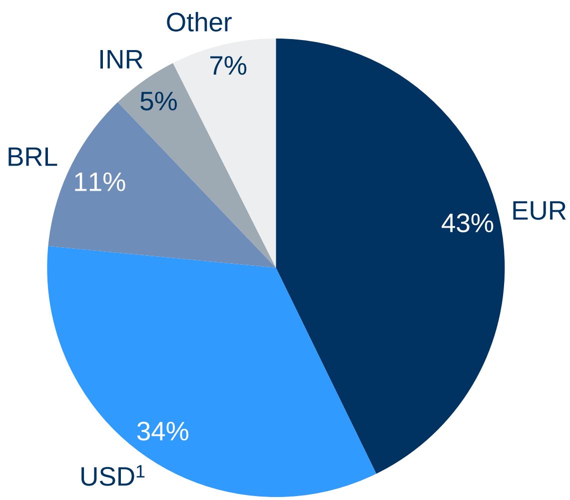
vs €	Unit	∆ in EBITDA (€m)
USD	+1 cent	2.14
CNY	+0.01 yuan	-0.08
BRL	+0.10 real	0.99
INR	+1 rupee	0.31

H1 2019 exchange rates

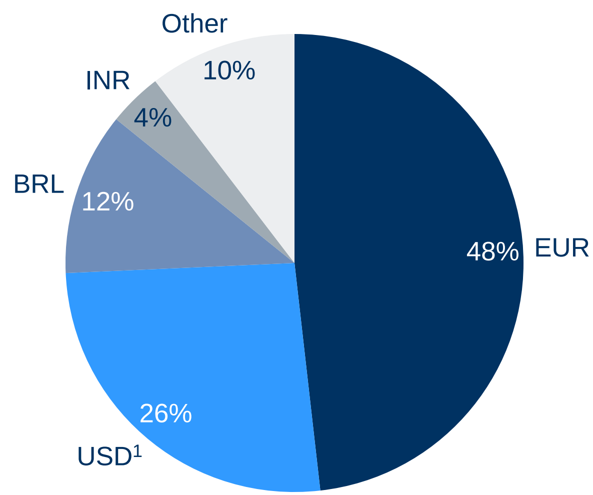
1 € =	Opening rate	Closing rate	Average rate
USD	1.14	1.14	1.13
CNY	7.87	7.82	7.66
BRL	4.44	4.35	4.36
INR	79.88	78.50	79.36

Combined selected financials per currency

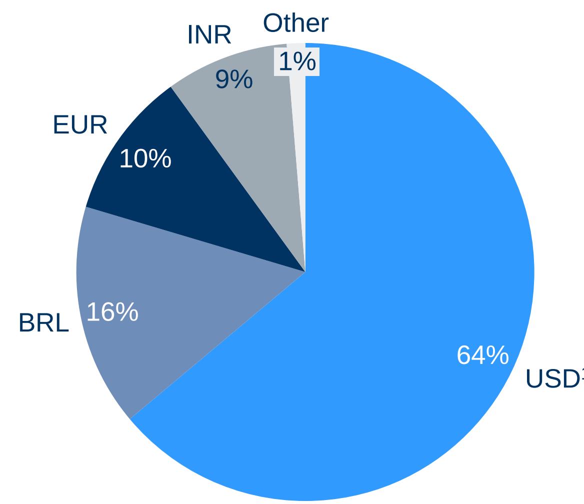
Revenues



COGS and SG&A



EBITDA



Note: 1) USD exposure includes CNY, which is c.4% of total H1 2019 revenues and c.10% of CoGS + SG&A

Reconciliation of adjusted earnings

	Reported		Adjusted
€m	**1H19**	**Adjustment items**	**1H19**
EBITA	**227.9**	**6.3**	**234.2**
Amortisation	**(14.2)**	**14.2**	**-**
Net financial expenses	**(45.3)**	**9.7**	**(35.6)**
Share of profit of joint ventures	(3.8)	**9.6**	5.8
Profit before tax	**164.7**		**204.4**
Income tax	(43.5)	**(5.6)**	(49.1)[1]
Profit after tax	121.2		155.4
Profit attributable to shareholders	113.5		147.7
EPS	**2.31**[2]		**3.00**[2]

Notes: 1) Taxed at Group expected FY 2019 tax rate of 24.0%; 2) At 49.23m shares outstanding

Net financial expenses

Detailed overview

(€m)	H1 2019	Recurring	Non-recurring
Interest income	**3.5**	3.5	–
Interest expense	**(19.4)**	(19.4)	–
Foreign exchange	**(9.5)**	(5.8)	(3.6)
Other financial expenses	**(19.9)**	(13.8)	(6.1)
Total	**(45.3)**	(35.6)	(9.7)

Interest expense

- Net interest expenses from banks amounted to €15.9 million. The Group expects the FY 2019 net interest expense to be around €30 million

Foreign exchange

- The appreciation of the USD against the Argentine Peso led to €3.6 million of non-cash variances from the mark-to-market of intercompany loans. These intercompany loans have been restructured and there will be no future foreign exchange movements
- As a result of the Group's hedging policy, which aimed to match the currency exposure of net debt to that of the EBITDA, the group has incurred €9.6m in derivative losses in H1 2019

Other financial expenses

- EU remedies: €6.1 million related to non-cash present value adjustment of the provision for the unfavorable contract required to satisfy the EU remedies
- Pension: expenses of €5.0 million

Cash flow reconciliation

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€m	H1 2019
Free cash flow (as per page 13)	20.6
Other net investment and finance activities	13.4
Reported statutory cash flow	**34.1**
FX average rate translation to closing rate	(6.5)
Change in net debt	**27.6**

Impact of IFRS 16

		H1 2019 (€m)	1 Jan 2019 (€m)
Balance sheet	Right of use assets	58.0	62.0
	Lease liabilities	(58.2)	(62.0)
	Equity adjustment	**(0.2)**	**0.0**
Profit and loss statement	Depreciation	(6.6)	
	Other expenses	6.8	
	EBIT	**0.2**	
	Interest expense	(0.4)	
	Profit before tax	**(0.2)**	
Cash flow	Cash flow from operations	6.8	
	Net cash flow from financing activities	(6.8)	
	Net cash flow	**0.0**	