RHI MAGNESITA

2019 FY Results

1 April 2020

Agenda

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Highlights of 2019

2019 financial highlights

Resilient performance in difficult markets

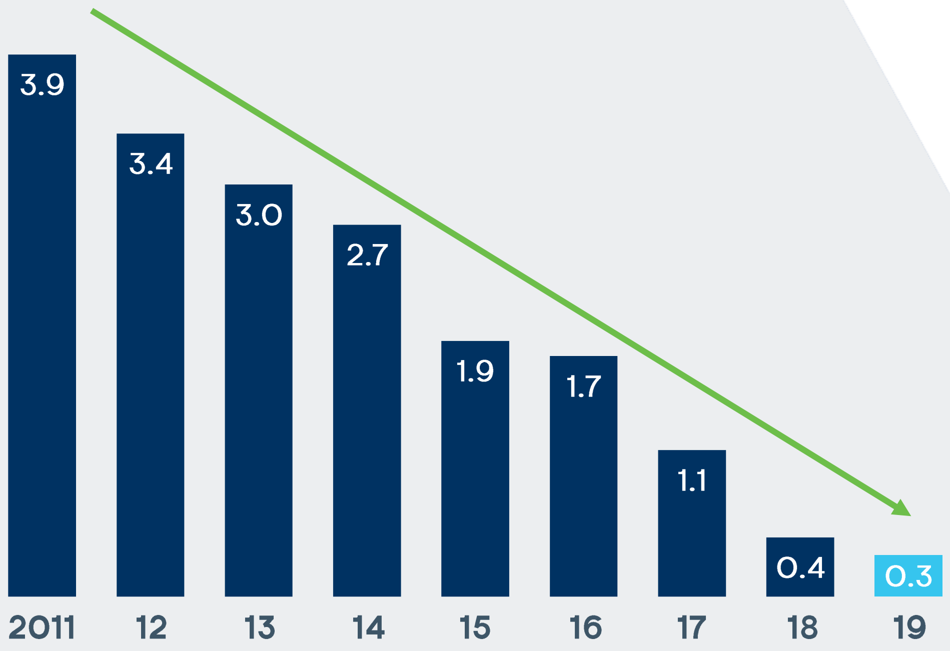
Revenue	Adjusted EBITA	Adjusted EBITA margin	Adjusted EPS
€2.9bn ▼ 5%[1]	€408m ▼ 5%[1]	14.0% ▲ 10bps[1]	€5.57 ▲ 5% per share

Operating FCF[2]	Working capital intensity	Net debt to adjusted EBITDA	Available liquidity[4]
€359m 88% cash conversion	18.3% ▲ 290bps	1.2x ▼ 0.1x[3]	€1.1bn

Notes:
1) 2019 numbers compared with 2018 reported figures;
2) Operating free cash flow presented to reflect net cash inflow from operating activities before certain items. It is calculated by considering the cash impacts of EBITA, working capital, changes in other assets and liabilities, capex and depreciation;
3) Compared with 2018 including IFRS 16 Leases
4) Available liquidity comprises cash, cash equivalents and €600m of undrawn committed facilities

Safety

Continuous improvement in Lost Time Injury Frequency Rate (LTIF)



Key focus areas identified to further improve and reach our goal of zero-accidents

- Increased focus on safety at customer sites
  - Safety Review completed — reporting updated
  - Roll-out of global campaign ongoing
  - Critical to the solutions business model
- Increased focus on contractor safety at our sites
- Increased management attention on preventative measures

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2019 operational highlights

Resilient performance in difficult markets

- Continued improvement of refractory margins
- Industrial division: continues to perform strongly — revenues up 3.6% at constant currency, gross margin up to 27.7%
- Steel division: weak end markets and customer destocking — revenues down 10.4%, at constant currency, gross margin of 23.1%
- Raw materials: significant prices falls, back to long-term average levels, contribution remains positive
- Continue to execute strategy
  - Completion of integration process, €90 million synergies extracted
  - Well executed price rise programme
  - Continued revenue growth in key markets — China up 10.9%; India up 2.7%
  - Improved working capital performance in H2
  - Launched Production Optimisation Plan and Sales Strategies for next phase of margin improvement
- Proactive approach to capital allocation including project capex and two small acquisitions

Our 2025 Sustainability targets

CO_2 emissions
Reduce by 15% per tonne by 2025[1]

Energy
Reduce by 5% per tonne 2025

NOx and SOx emissions
Reduce by 30%[2], starting with China by 2021

Recycling
Increase use of secondary raw materials to 10% by 2025

Safety
100% safe@work

Strong safety culture with zero accidents

Diversity
Improve gender diversity on Board and in senior leadership to 33% by 2025

Community
Develop strategic, impact-focused community investment partnerships and invest 1% of net profits

Significant further opportunity to develop customer solutions to minimise energy consumption and emissions

Note: Targets are compared to 2018 baseline; 1) Includes Scope 1, 2 and 3 (eg own sites, customers and suppliers); 2) Target by 2027

Financial review

Profit and loss

Overview

€m	2019	2018	Change	2018 at constant currency	Change vs constant currency
Revenue	2,922	3,081	(5.2%)	3,126	(6.5%)
Gross profit	717	737	(2.6%)	756	(5.2%)
Gross margin (%)	24.5%	23.9%	60bps	24.2%	30bps
Adjusted EBITA	**408**	**428**	**(4.6%)**	**448**	**(8.9%)**
Adjusted EBITA margin (%)	14.0%	13.9%	10bps	14.3%	(30bps)
Profit before tax	358	352	1.6%		
Profit after tax	**284**	**268**	**6.0%**		
Adjusted EPS (€)	**5.57**	**5.31**	**4.9%**		

- Strong H1; offset by weaker H2
- Revenue declined, driven by:
  - European Steel customer destocking amid weak Steel end markets
  - Weakening raw material pricing
  - Exit from Iranian market
  - Offset by the benefit of Price Management Programme
- Adjusted EBITA margins broadly flat
  - Benefit of synergies and SG&A focus
  - Offset by lower fixed-cost absorption, especially in H2

2019 revenue bridge

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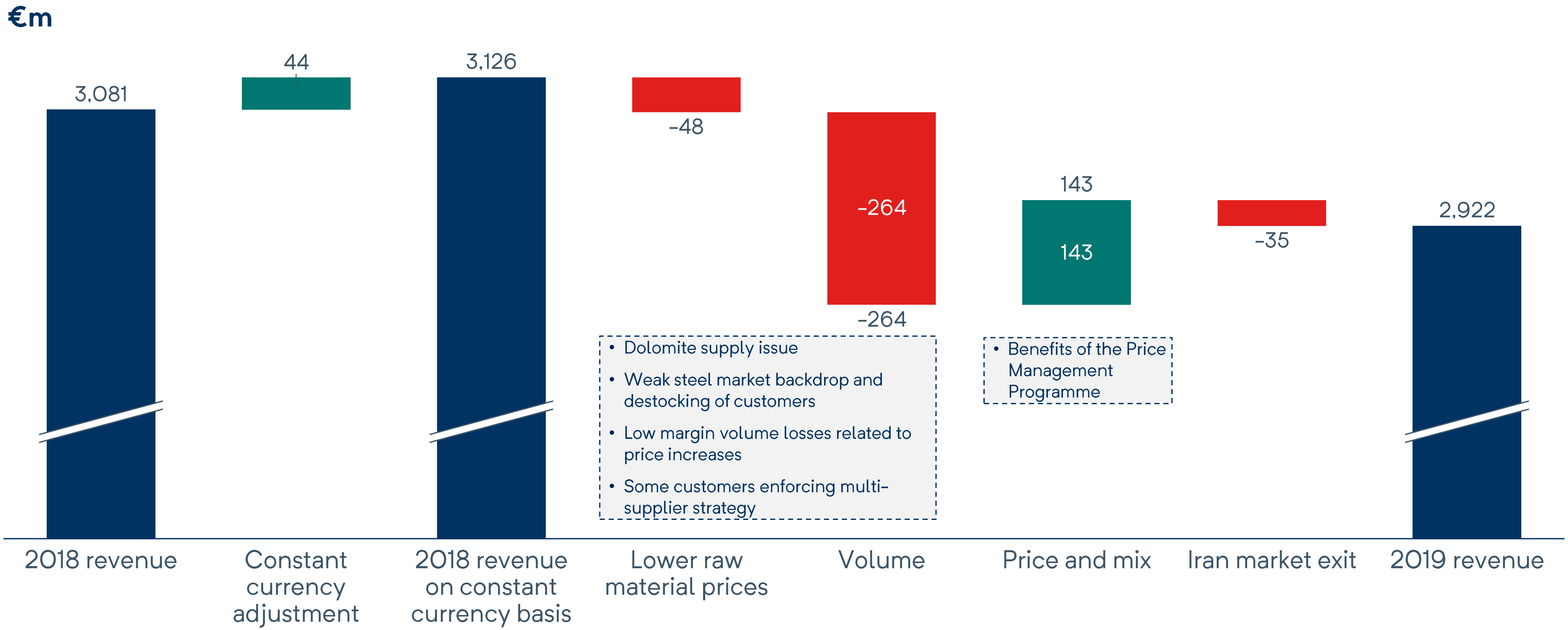
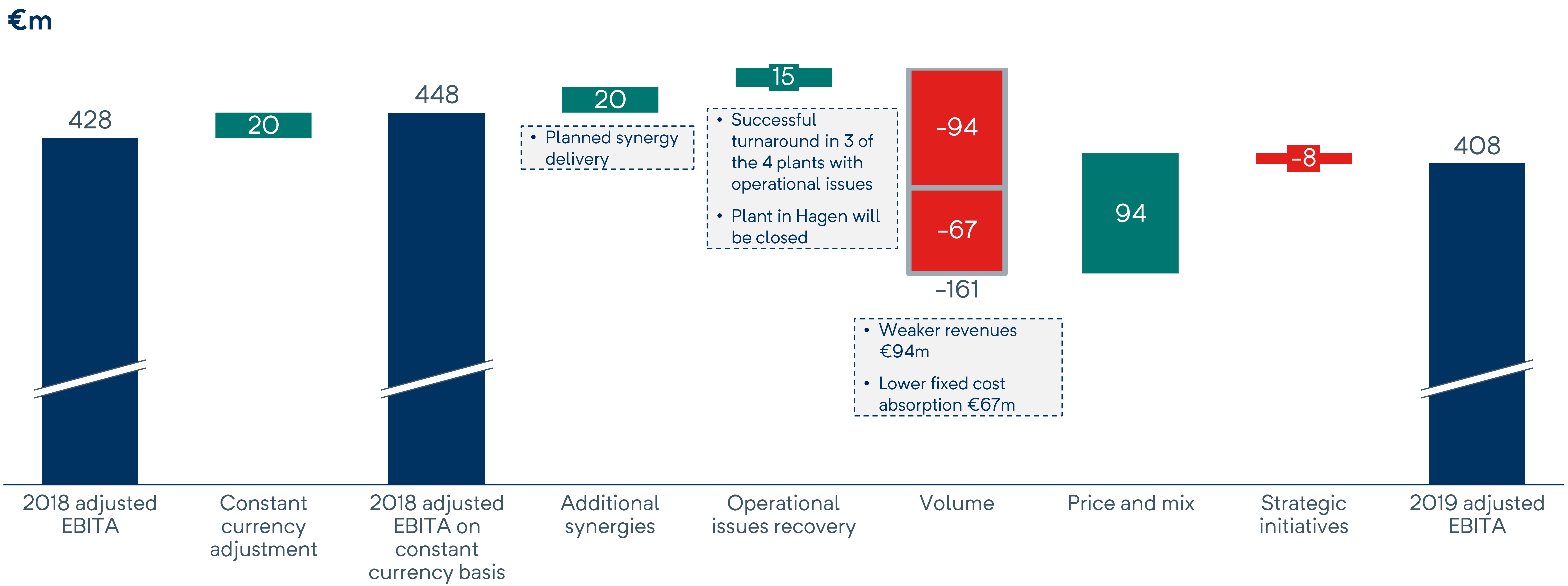


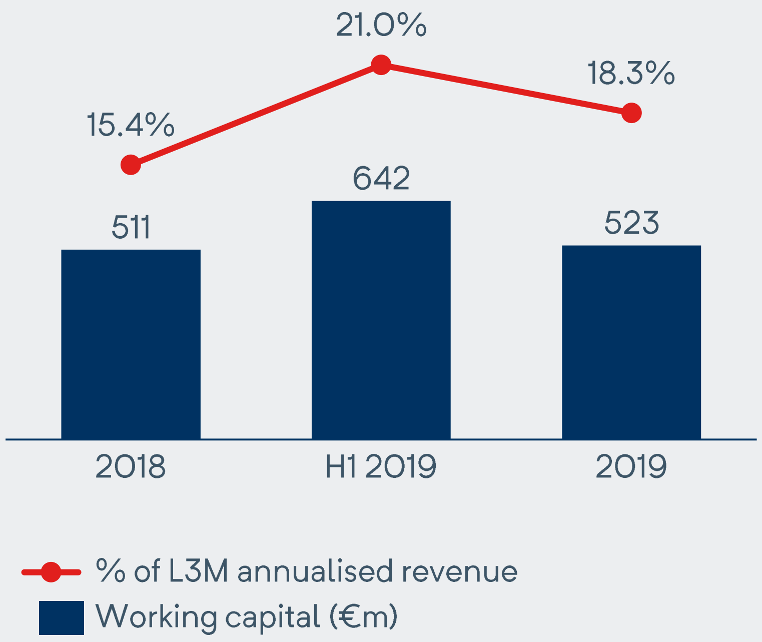
2019 EBITA bridge

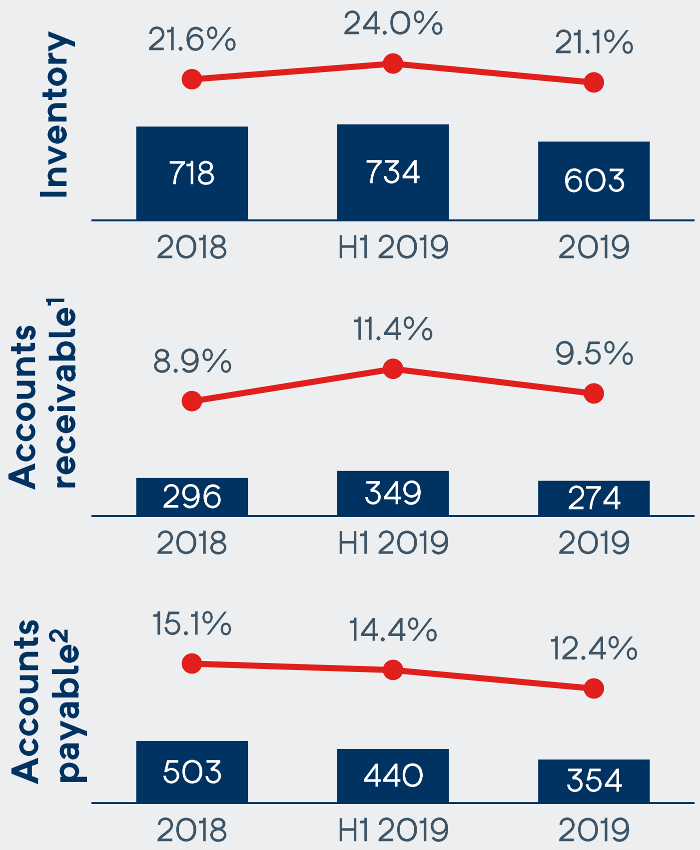


Working capital management

Delivered improvements in H2 2019

Working capital intensity



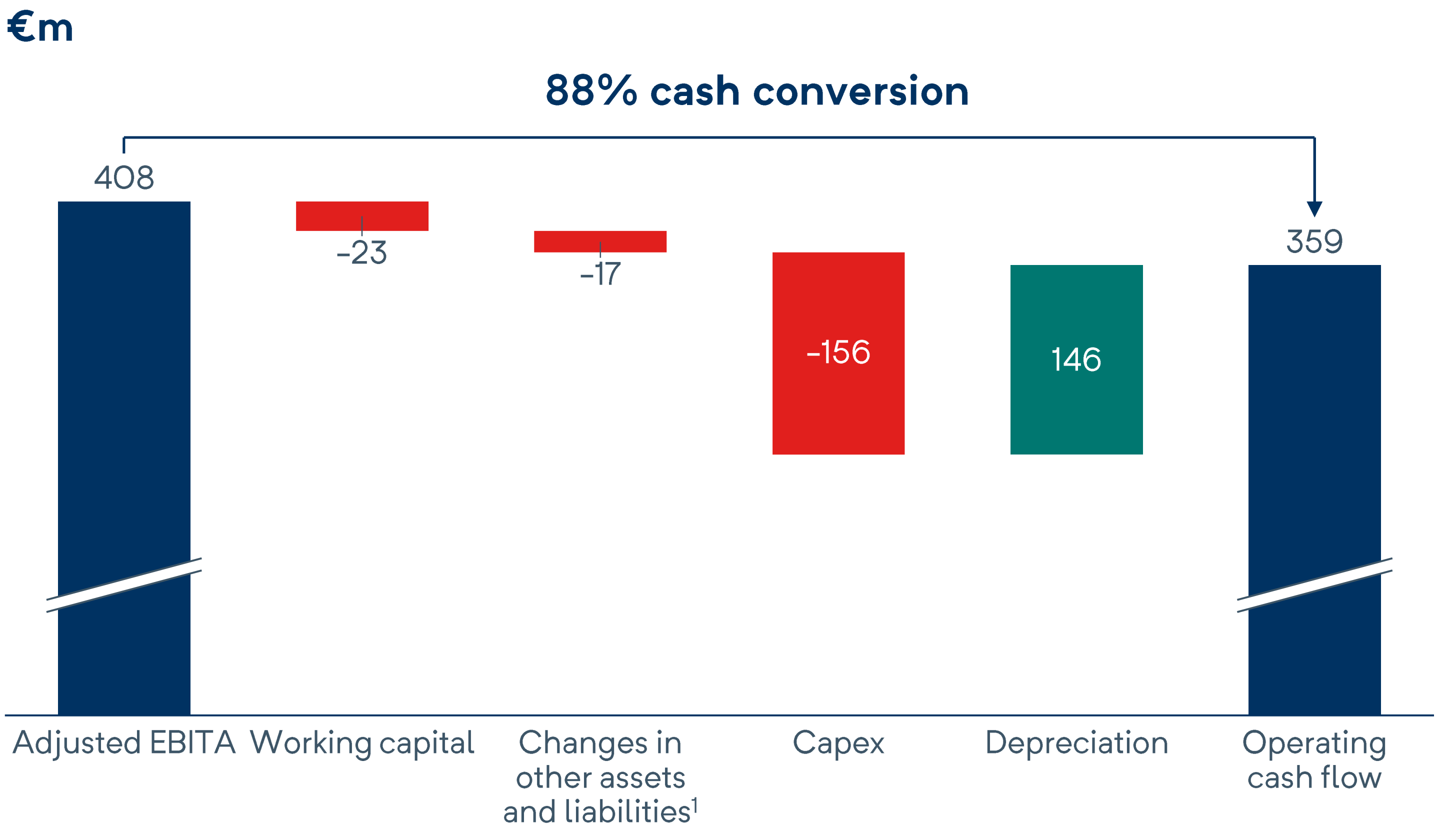


Process improvements

- Supply chain benefit from roll-out of Tactical Network Optimisation ("TNO") modelling tool
- Demand planning benefit expected in 2020 with roll out of Integrated Business Planning process (IBP), combining with TNO
- Faster reaction in production planning to adjust for demand of raw materials and finished goods
- Intensive focus on dunning and overdues
- Accounts payable significantly lower given less purchasing volume in the year

Note:
1) Accounts receivable calculated as trade receivables plus contract assets less contract liabilities, as per financial statements
2) Accounts payable refers to trade payables, as per financial statements

Cash flow overview



Post operating cash flow items

- Cash tax of €68m and net financial expenses of €42m
  - Free cash flow before dividends of €249m
- Dividends paid of €76m in 2019
- Exceptional items in 2019 include €45m acquisition of minority interest in Magnesita and €19m share buyback

Note: 1) Changes in other assets and liabilities as presented in the statement of cash flow less restructuring cash costs related to the merger

Further strengthening of the balance sheet

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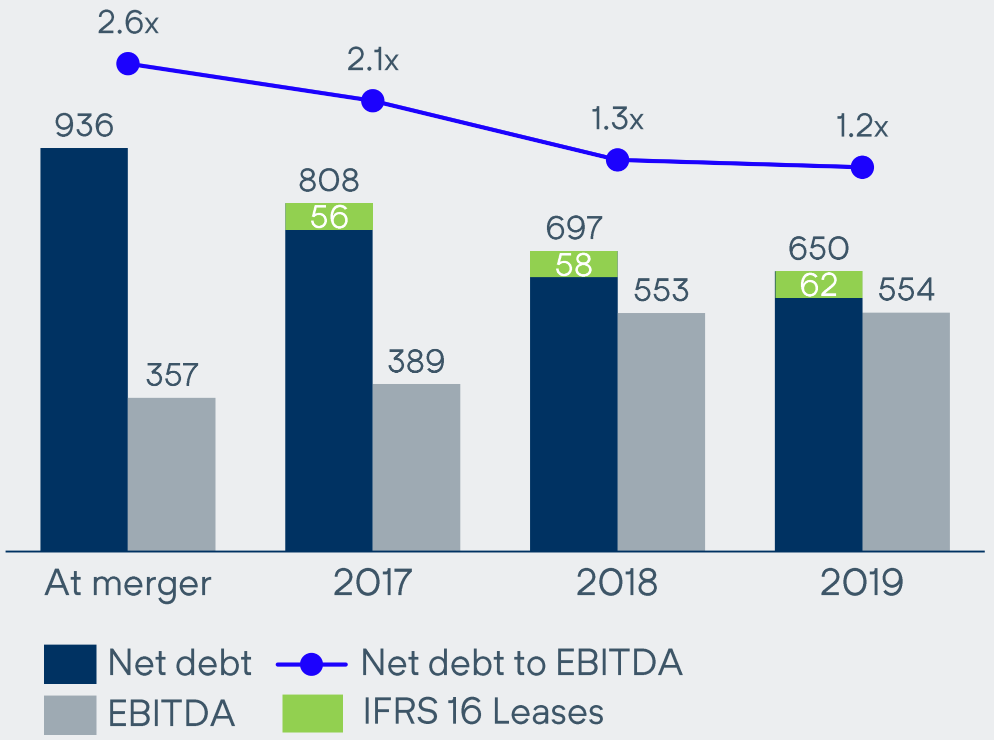
Net debt (€m as at 31 December)



- Net debt of €650m includes
  - Factoring of €223m (2018: €230m)
  - Forfeiting of €67m (2018: €86m)
- Cash and undrawn committed facilities increased to €1.1bn
  - Undrawn RCF facility increased from U$400m to €600m
  - Further extended maturity profile
  - No material repayment until 2023
- Repayment of €80m of legacy high interest bearing loans in 2019

Capital expenditure

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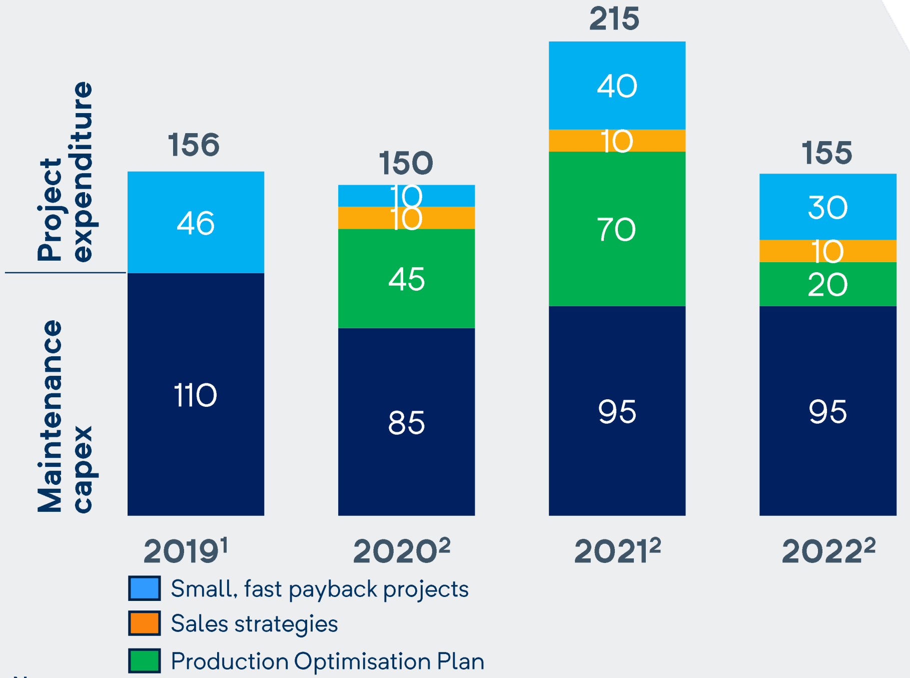
Capital expenditure (€m)



Notes:
1) Severance costs of €18m were recorded in 2019, which are not counted as capex. Project capex in 2019 includes the acquisition of property, plant and equipment of €5.5m of a plant in India (Manishiri);
2) Expected restructuring and severance costs related to the Production Optimisation Plan of €28m to be recorded in years 2020—2022

- Maintenance capex reducing to €95m longer-term (€85m in 2020)
  - Further efficiencies from smaller production footprint
- Additional capex supports
  - Small, fast payback projects eg lean initiatives
  - Sales Strategies
  - Production Optimisation Plan
- Capex under review in current environment, with €45m deferred in 2020 to date (previously €195m)

Business improvements

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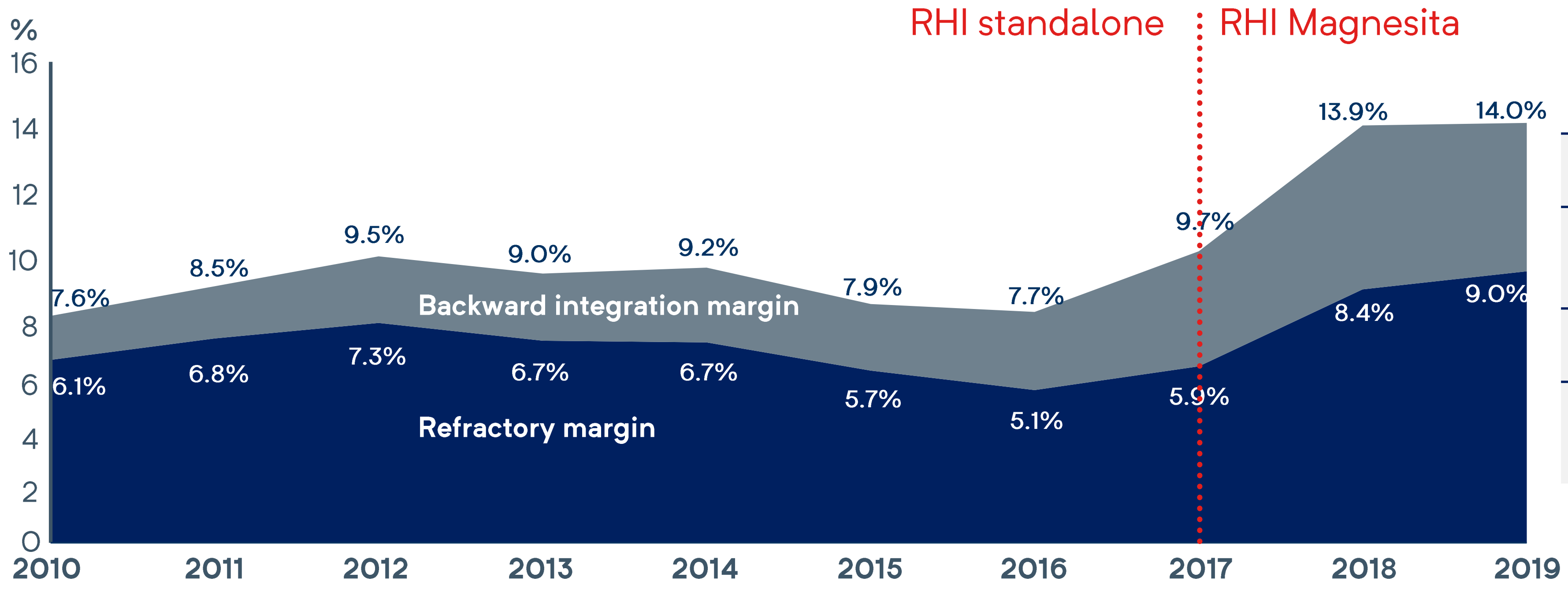
- **Final phase of 2020 synergies were predicated on procurement savings**
  - Current raw material pricing and lower activity has negated this in short-term
  - Now expecting no further synergies in 2020
  - €90m achieved to date is a significant performance (+29% on original target)
- **To date key initiatives on track**
  - Production Optimisation Plan on track
  - Sales Strategies
    - Pilot testing of digital offerings successful, broader roll-out may be delayed by COVID-19
    - Recycling rates increased in customer plants

	Potential annual EBITA upside (€m)		
	2020 target	Status	2022 target
Turnaround of operational issues	15	On track	15
Price management programme	10	Delay from COVID-19 likely	10-20
Production Optimisation Plan	5	On track	40
Sales Strategies	10	Delay from COVID-19 likely	30-40
Total	**20-40**		**95-115**

Margin progression

Refractory margin continued to improve; contribution from Backward Integration reduced in H2

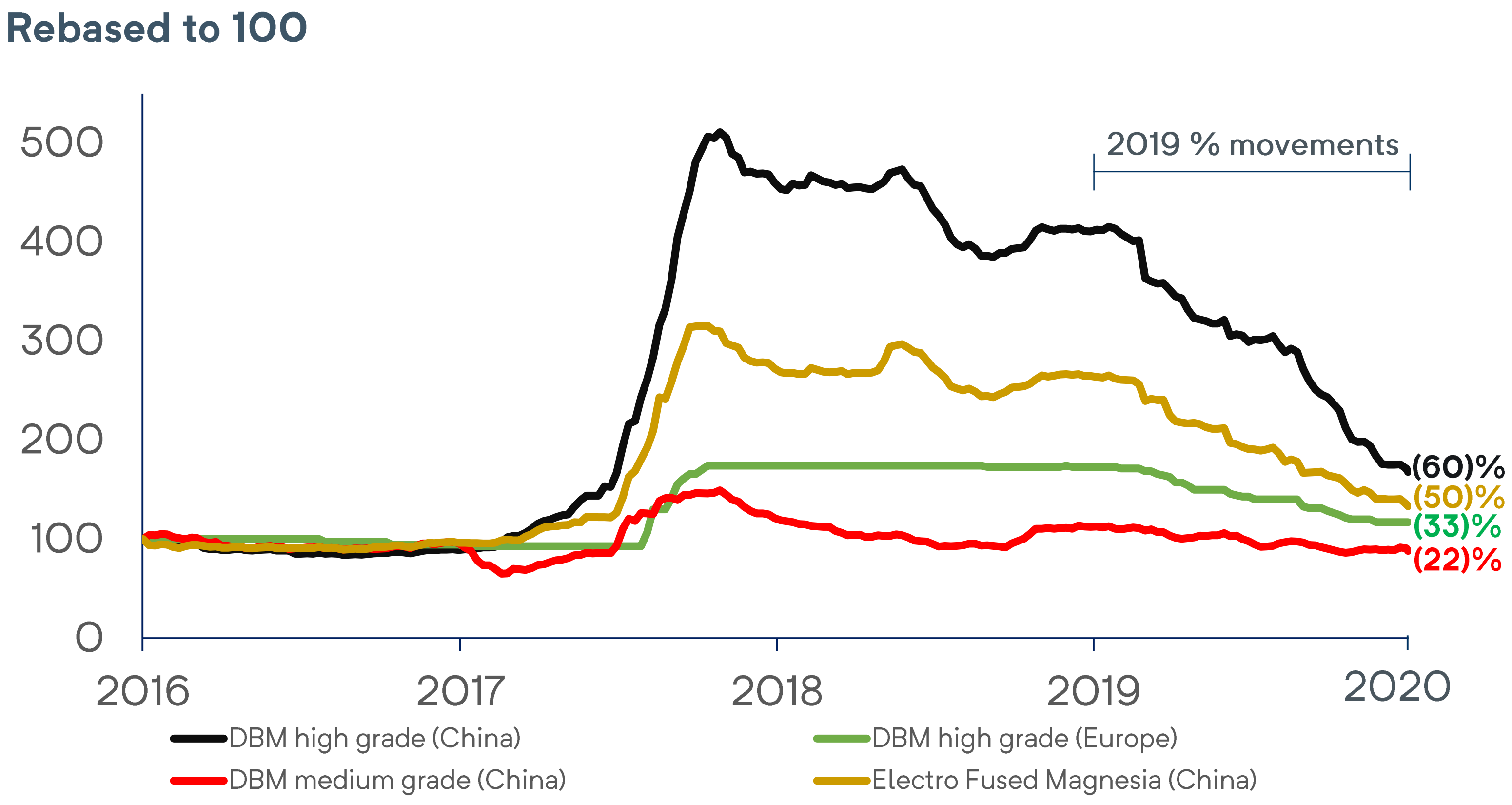


	H1 2019	H2 2019	FY 2019
Refractory EBITA (€m)	147	117	264
Backward integrated EBITA (€m)	88	57	145
Refractory EBITA margin	9.5%	8.5%	9.0%
Backward integrated EBITA margin	5.7%	4.1%	5.0%

- Additional self help measures will continue to drive the refractory margin
- Despite lower raw material prices, return on invested capital (ROIC[1]) stood at 22.1% in 2019
- At current raw material prices, backward integration contributes 2.5% to 2020 forecast EBITA margin (as at 1 April)

Note: 1) Calculated as NOPAT divided by total invested capital

Raw material prices now at long-term average levels



Source: Asian Metal

- Magnesia prices have reduced up to c.70% from their peak prices in 2018
  - Supply of magnesia in China continues to increase
  - Weak demand from end markets has exerted further downward pressure on prices
- Raw material prices have driven product price reduction in part of our portfolio
- Porsgrunn (Norway) plant now mothballed in response to falling Chinese fused magnesia prices
  - Long-term alternative supply contract secured

Capital allocation

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- Leverage of 1.2x net debt EBITDA within target range of 0.5x — 1.5x
  - Supported by strong liquidity position of c.€1.1bn
- Cash management is a focus in the short-term
- Selective organic and inorganic investment in-line with strategy
- Despite the Group's strong financial position, the Board is not proposing a final dividend for 2019
  - This decision will be reviewed when the outlook becomes clearer

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Strategic review and outlook

Merger now complete

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Key figures €m	2014	2015	2016	Average
Revenue	1,721	1,753	1,651	1,708
Adjusted EBITDA	210	189	195	198
Adjusted EBITDA (%)	12.2%	10.8%	11.8%	11.6%

magnesita

Key figures €m	2014	2015	2016	Average
Revenue	917	912	878	902
Adjusted EBITDA	121	131	136	129
Adjusted EBITDA (%)	13.2%	14.3%	15.5%	14.3%

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Key figures €m	2016[1]	2017[1]	2018	2019
Revenue	2,409	2,677	3,081	2,922
Adjusted EBITDA	310	389	553	554
Adjusted EBITDA (%)	12.8%	14.5%	17.9%	19.0%

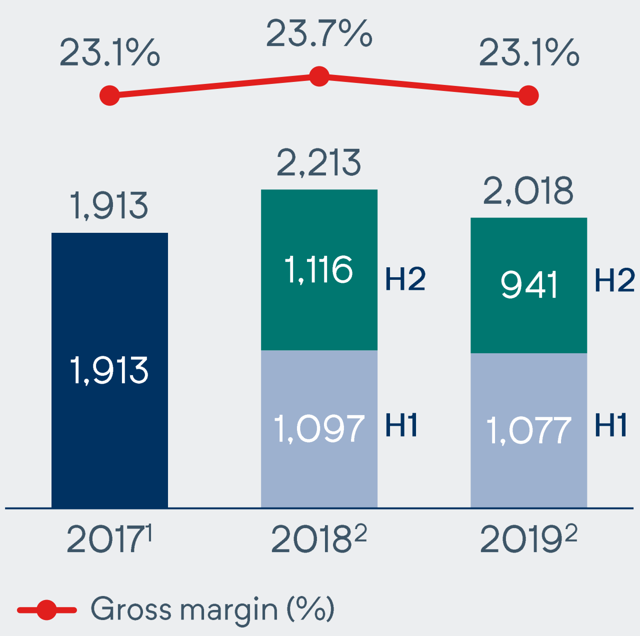
Increase in EBITDA

+€244m

Note:
1) Adjusted proforma figures

Divisional review — Steel

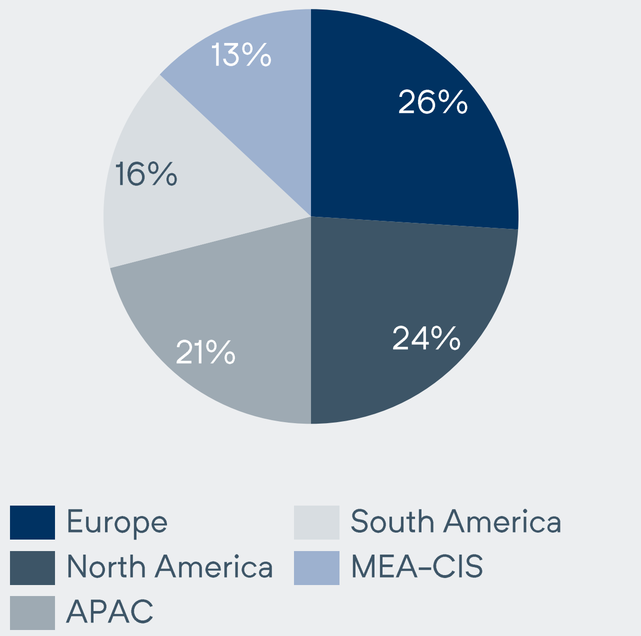
Revenue (€m) and gross margin (%)



2019 performance

- Reduced refractory volumes
  - Customer destocking coupled with weak steel demand, particularly in Germany and Italy
  - Exit of Iranian business
  - Some market share loss derived from Price Management Programme
- Lower fixed cost absorption, especially due to higher cost production base in Europe
- Strong performance in growth markets consistent with steel production in India and China
- Weaker market conditions in South America offset by higher margins

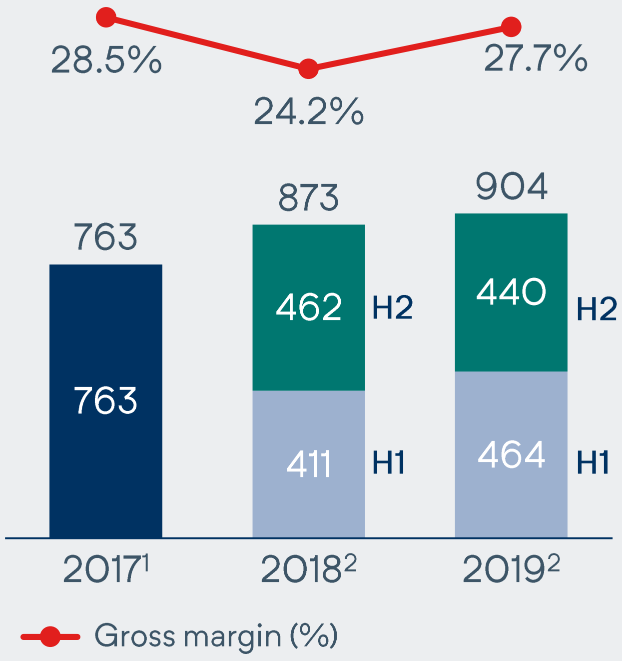
Revenue by geography



Notes:
1) Adjusted pro-forma figures; 2) 2018 and 2019 shown reported figures

Divisional review — Industrial

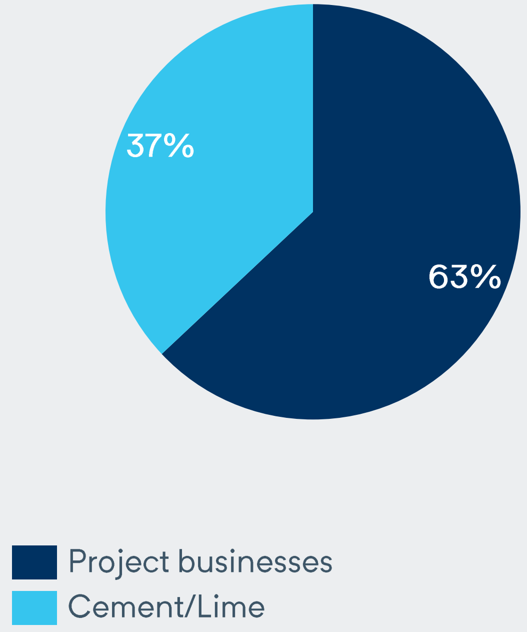
Revenue (€m) and gross margin (%)



2019 performance

- Cement/Lime up 6.3% year-on year
  - Benefitted by growth in demand ex-China and positive growth in construction activity
  - Market share gains in China and MEA-CIS regions
- Robust performance in our Project businesses up 1.6%
  - Glass industry in 2019 benefitting from the positive momentum in the sector
    - Strong demand growth across all regions
    - Increased consumer demand towards recyclable glass packaging
  - Stable EEC performance year-on-year
    - Increased demand in repair business underpinning long-term growth

Revenue by sector



Notes:
1) Adjusted pro-forma figures; 2) 2018 and 2019 show reported figures

Near-term strategic focus

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Execute cost reduction

- Production Optimisation Plan launched in November fully on track
  - Hagen closure in H1 2020
  - Trieben downsizing in H2 2020
  - Radenthein automation and modernization project on plan, with civil works planned to start in H2 2020
- Working capital improvements initiatives well progressed
  - TNO and IBP tools in place
- Intense focus in reducing cost base

Expand business model

- Sales Strategies focused on increasing value offerings
  - New digital products (APO, QCK, BST)
    - Currently being tested in 8 customers plants
  - Recycling solutions
    - Focus on increasing the recycling rate of the total refractories produced
    - Recycling management as a part of an integrated solution offering to customers
  - Recover market share to historic levels

Grow new markets

- Growth in key markets India (2.7%) and China (10.9%)
- Chizhou plant ramp-up completed and mining production started in early 2020
- Selective M&A remains a focus
  - Acquired one plant and one business in India in 2019
  - Acquired Missouri Refractories Co in US for $10m in early 2020

Underpinned by people and culture

COVID-19 response

- Fast moving and uncertain position
  - Focus on health and safety of our employees and customers
- Global and regional Corona Task Forces in place to manage the situation
  - Focus on production and supply chain to ensure customer deliveries
- Production footprint
  - China: production facilities remained open through crisis, employees safe and good customer feedback
  - Rest of World: plants that remain open have strict restrictions and precautions in place (eg. pre-work temperature checks)
  - Short-term plant shutdowns to preserve cash
- All corporate offices closed, with colleagues working from home
- Demand outlook extremely uncertain and volatile
  - Engaging customers closely
- Whilst leverage is low and liquidity high, cash management is a priority
  - 1.2x net debt EBITDA and €1.1bn of cash and committed undrawn facilities
  - Further focus on cost saving initiatives and working capital
  - Deferral of €45m of Capex, but Production Optimisation Plan remains on track
  - Shortened working time measures and pay reduction

Summary and outlook

- 2019
  - Integration completed
  - Continued growth in new markets
  - Resilient performance in difficult markets
  - Strong cash flow generation in H2
  - Strong balance sheet and liquidity
- 2020
  - Market outlook is very uncertain
    - Challenging H2 2019 market environment has continued into 2020
    - COVID-19 is an additional and significant uncertainty
  - Self-help available to progress refractory margin
    - Operational improvements
    - Production Optimisation Plan
  - Focus on cash management in the short-term

Resilient business model with a clear strategy

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1	**Resilient margins with further potential in refractories**	• Stable and growing Refractories margin, at 9% in 2019 (c.400bps higher than 2016) • Further €95-115m EBITA upside by 2022 from management initiatives • Additional margin contribution from backward integration, albeit varying with prevailing raw materials pricing (long-term margin of at least 2%)
2	**Strong cash conversion and robust balance sheet**	• Strong cash flow generation and significant liquidity • Robust balance sheet with leverage at 1.2x net debt to EBITDA • Capital flexibility to pursue both growth and shareholder returns
3	**Strong competitive position**	• Market leader with a global footprint and a "local for local" strategy — 15% global market share (30% ex-China). Clear market leadership in Americas, Europe and Middle East • Innovation leadership, with opportunity to develop technology and digital solutions across regions and portfolio • Low cost, high quality vertical integration providing security of supply and unique solutions for the market, alongside high return on assets
4	**Growth opportunity from new markets, solutions offering and M&A**	• Opportunity to grow materially in under-represented markets such as India and China • Greater penetration of value-added solutions offering to customers, improving refractory margins and retention • Opportunity for further consolidation through M&A

Q&A

Appendix

Technical guidance for 2020

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- Total capital expenditure: €150m
  - Maintenance capex: €85m
  - Additional project capex: €65m
    - Production Optimisation Plan: €45m
    - Sales Strategies: €10m
    - Small fast payback projects: €10m
- Depreciation: €145m
- Amortisation: €25m
- Net interest expense: €25m (excluding pensions of €10m)

Impact of foreign currency movement

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EBITDA sensitivity

vs €	Unit	Δ in EBITDA (€m)
USD	+1 cent	3.25
CNY	+0.01 yuan	(0.11)
BRL	+0.10 reais	0.44
INR	+1 rupee	0.28

2019 exchange rates

1 € =	Closing rate	Average rate
USD	1.12	1.12
CNY	7.81	7.73
BRL	4.51	4.41
INR	79.9	78.8

Reconciliation of adjusted earnings

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€m	2019 Reported	Adjustment items	2019 Adjusted
EBITA	300	108	408
Amortisation	(26)	26	–
Net finance costs	(75)	14	(62)
Share of profit of joint ventures	1	10	11
Profit before tax	200		358
Income tax[1]	(51)	(23)	(74)
Profit after tax	149		284
Effective tax rate	25.5%		20.6%
Non controlling interest	10		10
Profit attributable to shareholders	**139**		**274**
EPS	**€2.82**		**€5.57**

EBITA adjustments:

- Restructuring costs of €112m largely associated with:
  - Closure costs of two plants in Europe
    - Severance costs of €18m
    - Impairments of €52m
  - Impairment of Norway plant (Porsgrunn) of €14m
  - Severance costs related to corporate reorganisation of €19m

Net finance costs:

- €14m related to non-cash other net financial expenses
  - €9m non-cash present value adjustment of the provision for the unfavourable contract to satisfy EU remedies

Income tax:

- One off tax charges related to the closure of two plants in Europe €10m
- Adjusted effective tax rate of 20.6%

Note: 1) 2019 reported income tax rate amounted to 25.5%. Effective tax rate for adjusted EPS is calculated by applying the effective tax rate normalised for restructuring expenses and impairments. Excluding these items, total effective tax rate for 2019 adjusted figures stood at 20.6%

Net finance costs

€m	FY 2019	Recurring	Non-recurring
Interest income	9.1	9.1	–
Interest expense	(28.4)	(28.4)	–
Foreign exchange	(17.2)	(13.6)	(3.6)
Other net financial expenses	(38.7)	(28.8)	(9.9)
Net finance costs	**(75.2)**	**(61.7)**	**(13.5)**

Interest income and expense:

- Net interest expense amounted to €19.3m, 50% lower than the previous year (FY18: €38.8m)

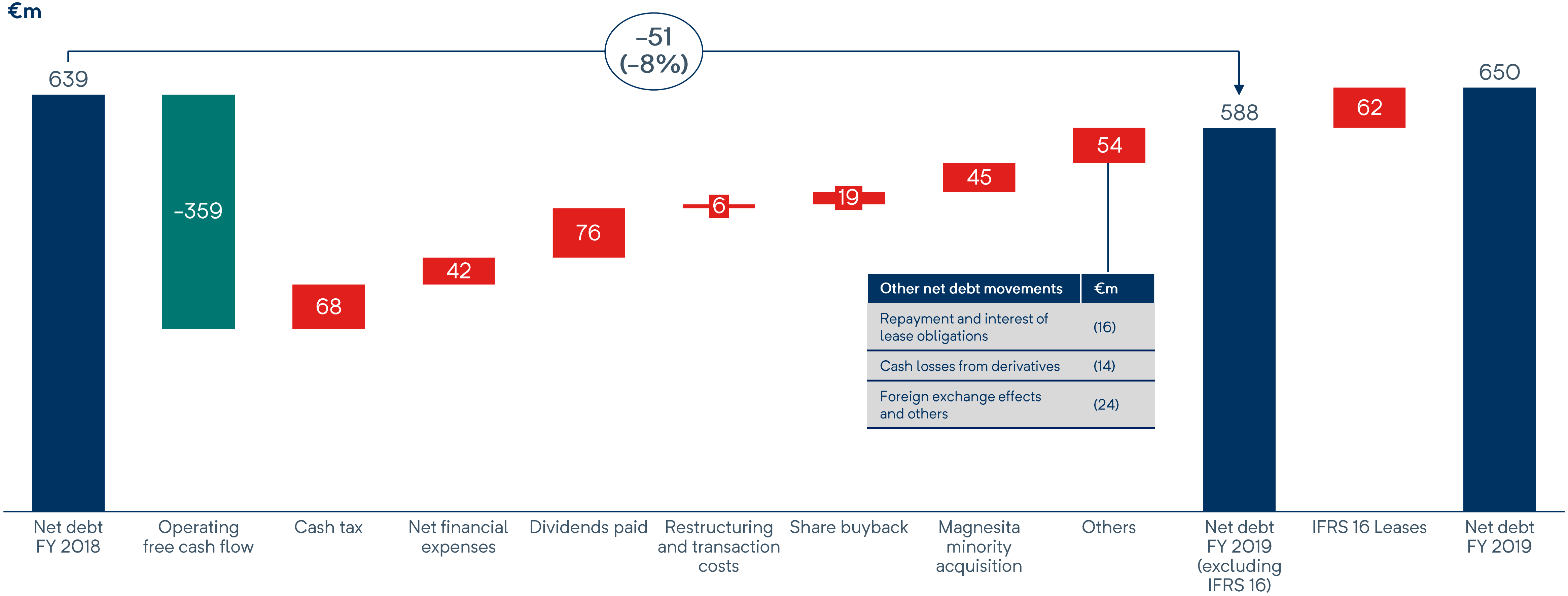
Foreign exchange:

- Foreign exchange variances of €0.1m
  - €3.6m related to non-cash variances from mark-to-market of intercompany loans treated as non-recurring
- Derivative losses of €17.1m, which have now been fully restructured and Group does not expected future variances

Other net financial expenses:

- Other net financial expenses amounted to €38.7m, 9% lower than the previous year (FY18: €42.6m)
  - €8.6m related to the non-cash, present value adjustment of the provision for the unfavourable contract required to satisfy the EU remedies
  - €1.3m related to one-off non-cash expenses related to the refinancing of the legacy debt

Strong balance sheet position



Other net debt movements	€m
Repayment and interest of lease obligations	(16)
Cash losses from derivatives	(14)
Foreign exchange effects and others	(24)

Cash flow reconciliation

€m	
Adjusted EBITA	408.2
Working capital	(22.8)
Changes in other assets and liabilities	(16.6)
Capex	(156.1)
Depreciation	146.2
Operating free cash flow	**358.9**
Cash tax	(67.8)
Net interest expense	(41.5)
Restructuring and transaction costs	(6.1)
Magnesita minority acquisition	(44.6)
Dividend pay-out	(75.5)
Share buyback	(18.8)
Free cash flow	**104.6**
Prepayment of legacy debt	(121.2)
Others	(10.9)
Total Cash flow	**(27.5)**

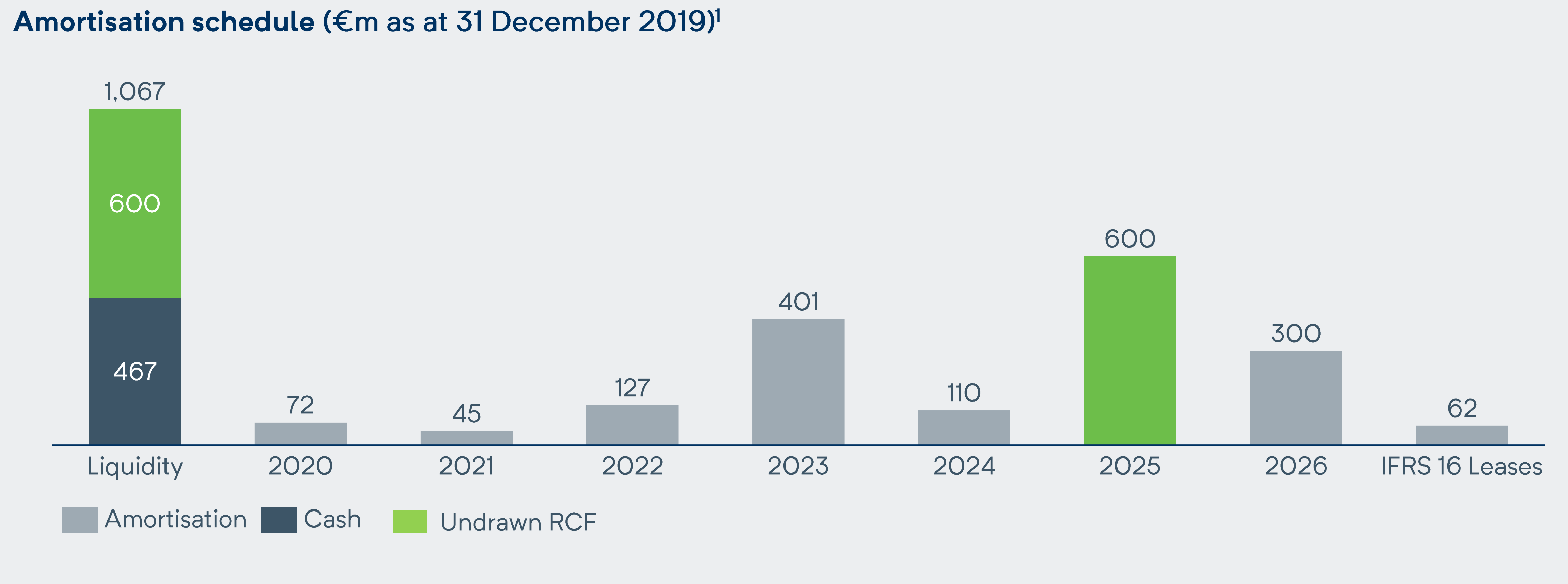
Prepayment of legacy debt:

- €553m cash outflow towards pre-paying legacy debt
- €432m cash inflow from proceeds from new facilities

Others:

- Cash flow from derivatives losses: €14m
- Repayment and interest of lease obligations: €16
- Dividends received from JVs: €13m
- Cash out flow from investments in subsidiaries and securities: €1m

Strong debt maturity profile



Notes:
1) Revolving credit facility increased to €600m in Jan 2020 with maturity in 2025 and optionality of additional 2 year extension

Capital allocation strategy

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

Net operating cash

- Strong cash flow generation from operating business
- Supported by low costs and culture

Maintenance investment

- €95m typical investment per year in maintenance capex
- Ongoing R&D and Technical Marketing investment (2.2% of revenues)

Leverage

- Maintain robust financial position
- Commitment, through cycle, to leverage range of 0.5—1.5x

Shareholder Returns

- Progressive dividend policy
- Targeting 3.0x dividend cover over medium-term
- Share buybacks when appropriate

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

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