

RHI Magnesita N.V.

("RHI Magnesita" or the "Company" or the "Group")

TRADING UPDATE

RHI Magnesita N.V. (LSE: RHIM), the leading global supplier of refractory products, systems and solutions, today provides an update on current trading and measures being taken in response to the COVID-19 pandemic, ahead of the publication of its Half Year Results on 5 August 2020.

Summary

The business has responded well to the challenges presented by COVID-19. Whilst volumes have declined significantly in the second quarter 2020, in-line with our customers' volumes, the business remains resilient, particularly with regards to liquidity. In addition, we are continuing to take action to accelerate the delivery of our strategy and to strengthen the business for the longer term.

Challenging environment in Q2 2020

The primary focus of the business has been on the health and safety of employees, customers and business partners. The Company has also continued to supply customers seamlessly and maintained a fully functioning supply chain.

Consistent with our expectations at the time of the Q1 2020 Trading Update on 5 May 2020, there has been an unprecedented slowdown in customer activity and a significant fall in demand in May and June. This effect has caused a material drop in RHI Magnesita's revenues across both the Steel and Industrial divisions in the second quarter (down almost 20% versus Q1 2020, in line with our scenario planning). Within our business units, Cement and Steel MEA/Asia have remained resilient, offset by further weakness in Steel Europe, Steel South America and Steel India. Activity levels are likely to remain subdued through July and August, with limited visibility beyond this period.

Raw material prices fell over the first four months of the year, due to over-supply from China. There has been some stabilisation in prices in May and June and at current raw material prices the Group continues to derive a positive margin from its backward integration.

Focus on cash preservation and cost management

Against the challenging backdrop of COVID-19, mitigating actions continue to be taken to minimise the financial impact, and the business has moved swiftly to implement cost management and cash preservation measures. These include, the temporary closure of three plants in Europe and one plant in Mexico, the introduction of short time working arrangements in some plants, the deferral of €45 million of capital expenditure in 2020, no 2019 final dividend being paid, and other fixed cost reduction actions. These measures have resulted in the successful delivery of further short-term cost savings in Q2 2020.

Accelerating strategy implementation

The Group is continuing to progress its longer-term strategic initiatives. Embedding the learnings from COVID-19 and the potential for a slower recovery in global economies, management believes there is scope to both accelerate and increase the anticipated benefits. These initiatives build on the strategic themes previously outlined, of:

- increased regionalisation, to match supply with local demand, supported by greater decentralisation and local decision-making;
- increased flexibility in the cost base by reducing the proportion of fixed costs; and
- increased digitalisation, particularly to support the solutions business model.

In particular, management:

- is well advanced in lowering non-operational costs, reducing the scale of the first three levels of management by 20%, effective 1 August 2020; and
- has identified opportunities to extend the Group's Production Optimisation Plan, which will increase the previously anticipated €40 million of EBITA benefits, due by 2022.

Further details of these initiatives will be provided with the Half Year Results in August.

Strong financial position

The Group continues to have a strong focus on working capital management, especially inventories and accounts receivable. Working capital reduced in the second quarter, although partially offset by lower levels of working capital finance. The Group continues to have a strong financial position with a resilient balance sheet, liquidity of €1.1 billion, no material debt maturity before 2023 and significant headroom under its net debt to EBITDA covenant.

Conference call

The Company will host a conference call at 8.00am this morning to discuss the trading update. The conference call details are: +44 20 3936 2999, with the access code: 405255

Or join by webcast: <https://www.investis-live.com/rhimagnesita/5ed61fe11e16cc0a000ecb85/uems>

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About RHI Magnesita

RHI Magnesita is the leading global supplier of high-grade refractory products, systems and solutions which are critical for industrial high-temperature processes exceeding 1,200°C in a wide range of

industries, including steel, cement, non-ferrous metals and glass. With a vertically integrated value chain, from raw materials to refractory products and full performance-based solutions, RHI Magnesita serves customers around the world, with around 13,000 employees in 35 main production sites and more than 70 sales offices. RHI Magnesita intends to leverage its global leadership in terms of revenue, scale, product portfolio and diversified geographic presence to target strategically those countries and regions benefitting from more dynamic economic growth prospects.

Its shares have a premium listing on the London Stock Exchange (symbol: RHIM) and are a constituent of the FTSE 250 index. For more information please visit: www.rhimagnesita.com