RHI Magnesita N.V.

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

Q3 2020 TRADING UPDATE

Continued resilience and improving customer outlook; Production Optimisation Plan extended; FY guidance and interim dividend re-instated

RHI Magnesita (LSE: RHIM), the leading global supplier of refractory products, systems and solutions, today provides an update on trading for the three months to 30 September 2020 ('Q3') and the strategic cost measures being taken to ensure the long-term success of the Group.

Q3 Trading

Consistent with expectations at the half year results on 5 August 2020, Q3 trading was similar to Q2 reflecting continued stability in our markets during what is seasonally a quieter period in July and August. Encouragingly, the order book improved steadily but still slowly through the period. With the exception of the Industrial Projects business, we now have stronger visibility to the beginning of 2021.

Within the Steel Division, North America and South America started to see signs of recovery in Q3. Europe and India continued to reflect the slower rate of recovery in the steel industry in both regions. Activity levels improved further in China, although from a low base.

The Industrial Division remained subdued. While Q3 is a seasonally quieter period for the Cement/Lime segment, it was further impacted by customers delaying orders. We continue to expect to see modest seasonal improvements in Q4. The projects business experienced further postponements, as customers delay capital projects, and will not see the peak levels experienced in 2019.

Raw material prices fell slightly in July and August and improved in September. The Group continues to derive a solid margin from its backward integration, with a 2.3% Adjusted EBITA margin contribution in Q3 2020, unchanged from the H1 2020 results.

As previously announced, the Group expects to realise €50 million of short-term fixed cost savings for the full year 2020 as part of its Covid-19 response. €10 million of these will be maintained into 2021 in the form of lower depreciation.

Strategic initiatives

The Group continues to make good progress on its longer-term, strategic cost savings initiatives. These comprise the Production Optimisation Plan and SG&A Reduction Plan.

Plans to extend the Production Optimisation Plan have now been finalised and the Group intends to close additional production facilities with a focus on Europe and South America. The intention is to take the total plant rationalisation up to 10 sites by H1 2022 and increases the cumulative strategic cost savings (including the SG&A Reduction Plan) to €100 million by 2022.

The total capital expenditure for the strategic cost savings initiatives increases to €160 million by 2022, with exceptional restructuring costs of €100 million and impairments of €110 million. The details of the strategic cost savings initiatives are included as an appendix.

Strong financial position

RHI Magnesita has 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. The Group continues its focus on working capital management, especially inventories and accounts receivable. Working capital has reduced further in the third quarter and the Group expects further cash inflows in Q4.

Dividend reinstated

Due to the resilient underlying cash generation, strength of the balance sheet and improving confidence in the market outlook, the Board is today declaring an interim dividend of €0.50 per share, which is in line with the 2019 interim dividend. The dividend will be payable to shareholders on 21 December 2020 on the register at the close of trading on 4 December 2020. The ex-dividend date is 3 December 2020.

While the Group continues to target leverage of between 0.5x and 1.5x net debt to EBITDA, the impact of COVID-19 on 2020 EBITDA means that leverage is likely to be modestly above this range at the end of 2020 and through 2021 as the Group continues to prioritise investment in projects to improve its competitive position and shareholder returns. The Board is confident that leverage should reduce thereafter.

Outlook

While there remains uncertainty on the continuing impact of the COVID-19 pandemic, we are confident that the Group will continue to demonstrate its resilience, while remaining well-positioned for when the recovery takes place. Our confidence is underpinned by the Group's clear strategy and the benefit of ongoing business improvement initiatives. This supports the decision to pay an interim dividend and our expectations for FY 2020 adjusted EBITA[1] to be in line with current market expectation[2].

Conference call

The Company will host a conference call at 8.15am UK time this morning to discuss the trading update. The conference call details are: +44 20 3936 3000 with the access code: 080443

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (596/2014/EU).

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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 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 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.

Appendix

Summary of Strategic Cost Savings Initiatives

Presented in €m	2019	2020	2021	2022	
Cumulative run rate EBITA improvement from cost savings[3]		**30**	**75**	**100**	
- Production Optimisation Plan (POP) (announced at Capital Markets Day in Nov 2019)		5	25	40	
- Extension of POP (announced today)		-	5	15	
- SG&A (announced in July 2020)		10	30	30	
- Operational turnaround		15	15	15	
Implementation costs – annual amounts (€m)					**Cumulative amount**
- Capital Expenditure	**-**	**45**	**95**	**20**	**160**
- Restructuring costs (exceptional)[4]	**5**	**35**	**60**	**-**	**100**
- Impairments	**50**	**60**	**-**	**-**	**110**

The extension of the Production Optimisation Plan requires capital expenditure of €25 million, taking total capital expenditure for the strategic cost savings initiatives to €160 million by 2022. Exceptional restructuring costs will increase by €15 million, amounting to €100 million by 2021. Impairments will increase by €40 million, taking total impairments to €110 million.

1. Adjusted EBITA excludes other income and expenses
2. Current market expectation based on Company compiled consensus of €248 million
3. The total cost savings run rate excludes the 2020 short term fixed-cost reduction of €50 million, taken as mitigating measures against the impact of COVID-19. €10 million of these will be maintained into 2021 in the form of lower depreciation.
4. Exceptional restructuring costs relate to the cash flow impact