RHI MAGNESITA

Half Year 2021 results

28 July 2021

Agenda

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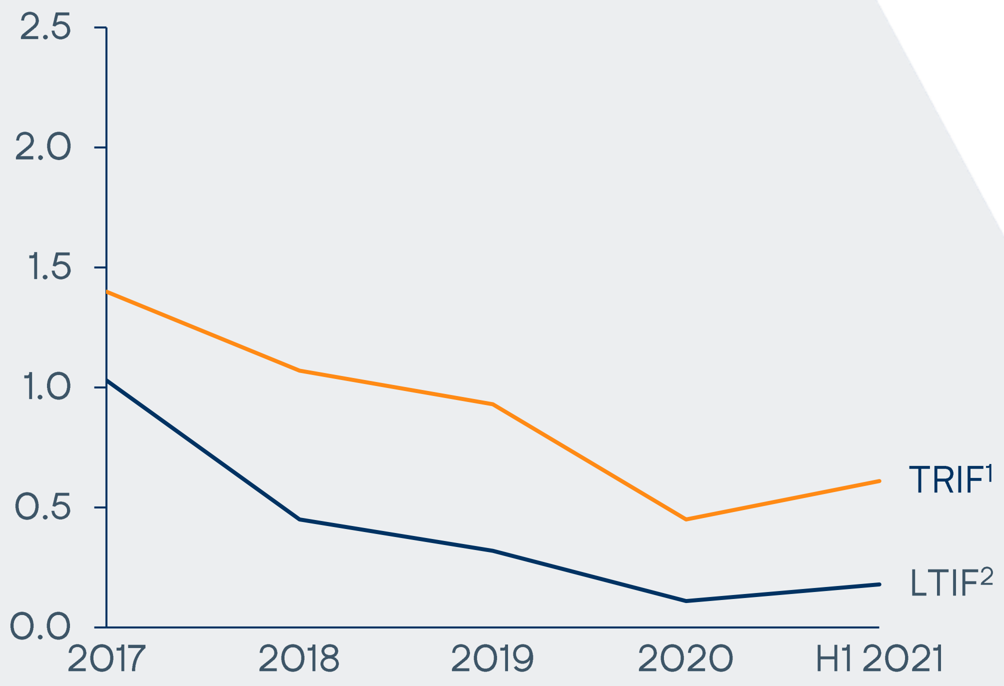
H1 update

Stefan Borgas, CEO

Pandemic well managed globally

Occupational injury rates remain low

Sustained improvement in Lost Time Injury Frequency Rate (LTIF)

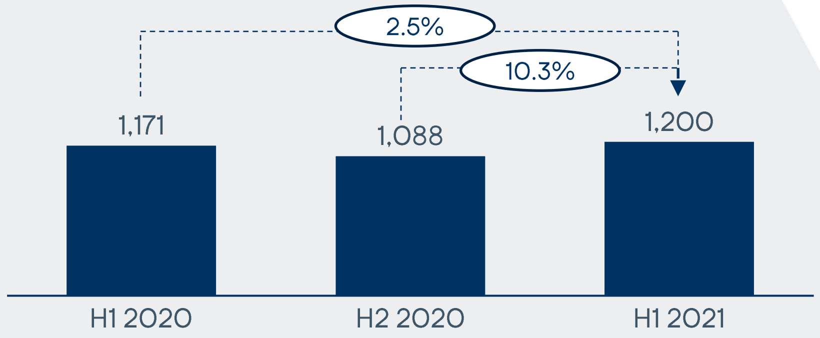


- Health and safety is our most important value
- LTIF and TRIF remain low
  - LTIF 0.2 (H1 2020: 0.1)
  - TRIF 0.6 (H1 2020: 0.5)
- Covid-19 effects on business under control in most jurisdictions
  - India and Brazil market and operations significantly affected in H1, now recovering
- New safety initiative launched in July 2021 focused on safety culture, aimed at encouraging the reporting of potentially unsafe working conditions

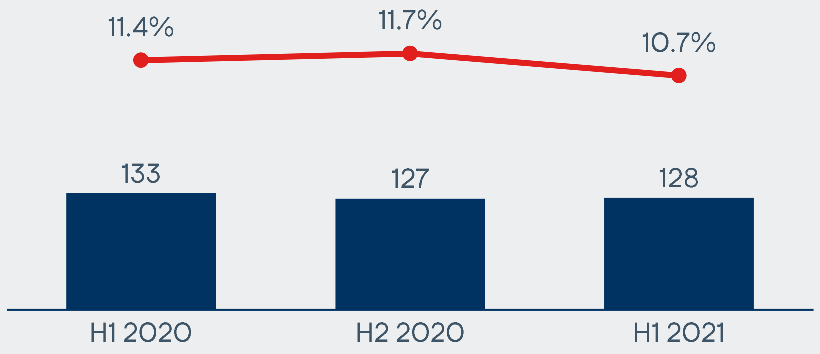
1. Total recordable injury frequency rate per 200,000 hours worked
2. Lost time injury frequency rate per 200,000 hours worked

Revenue momentum offset by supply chain cost headwinds

Revenue (€m)



Adjusted EBITA (€m) **and margin** (%)



- Demand recovery continues with order book visibility into 2022 and sales volumes tracking ahead of management expectations
- Material global supply chain challenges in H1 resulted in significant delays and higher freight costs
- Margin pressure due to additional supply chain costs and higher prices for externally purchased raw materials to be passed on to customers
  - ✓ Price increases contracted with customers for H2
  - ✓ Restoring inventory levels to meet higher demand
  - ✓ On track for €310 million full year EBITA guidance

Financial highlights

Revenue[1]	Adjusted EBITA[1]	Adjusted EBITA margin	Cash returned to shareholders
€1.2bn	€128m	10.7%	€108m
↑ 2.5%	↓ (4.0)%	↓ (70)bps	

Operating Cash flow[2]	Capex	Working Capital intensity[3]	Net debt to adjusted EBITDA[4]
€(55)m	€91m	18.5%	2.2x
	↑ 57%	↓ 4.9ppt	↑ 0.7x

1. Denoted on a reported basis
2. Operating cash flow comprises Adjusted EBITA, plus changes in working capital and other assets/liabilities, plus depreciation and minus capex
3. Working capital includes working capital financing, €287m and is denoted on a L3M revenue basis. Compared against HY20.
4. Including IFRS 16 Leases of €51m

Freight rates and supply chain disruption

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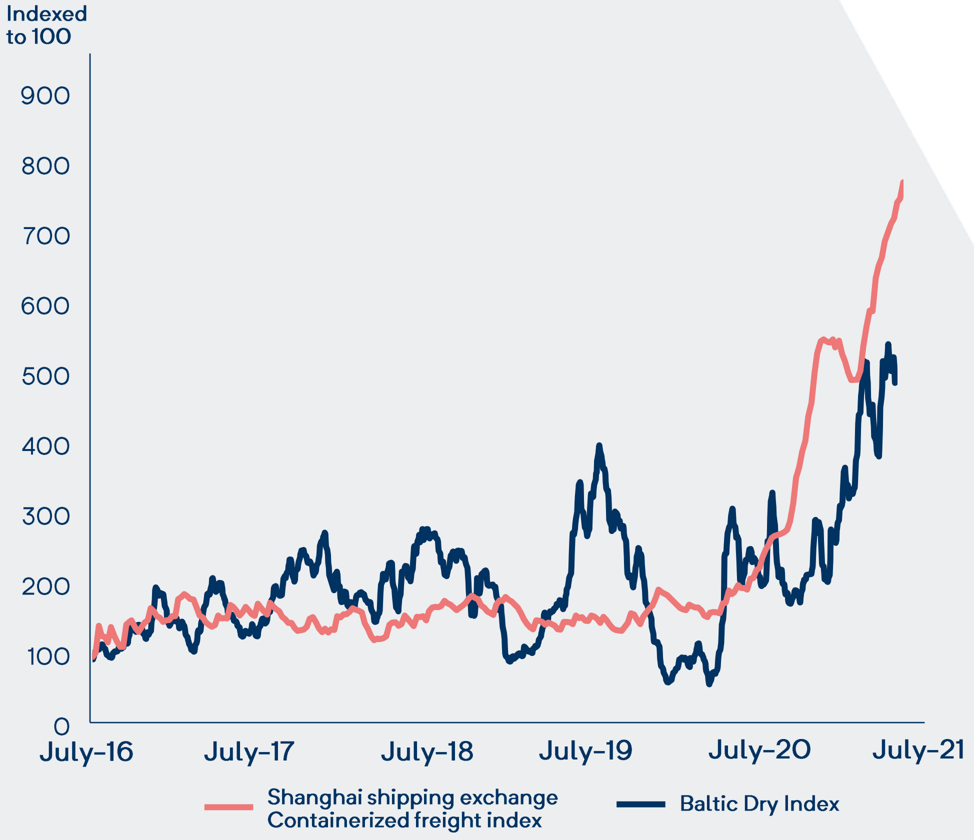
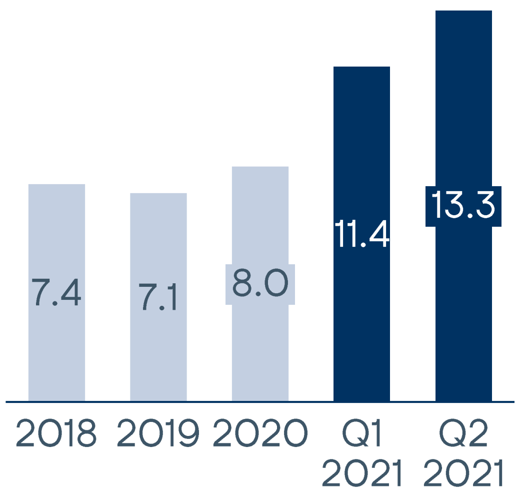
Freight rates have surged since H1 2020[1]



- Material global supply chain and freight challenges in H1
  - High demand for freight and a shortage of container and shipping capacity resulted in significant delays and higher shipping costs
  - Shanghai Containerized Freight Index increased by 280% compared to H1 2020 and spot rates for China to Europe exceeded $8,300 per container (June 2020: $1,300)

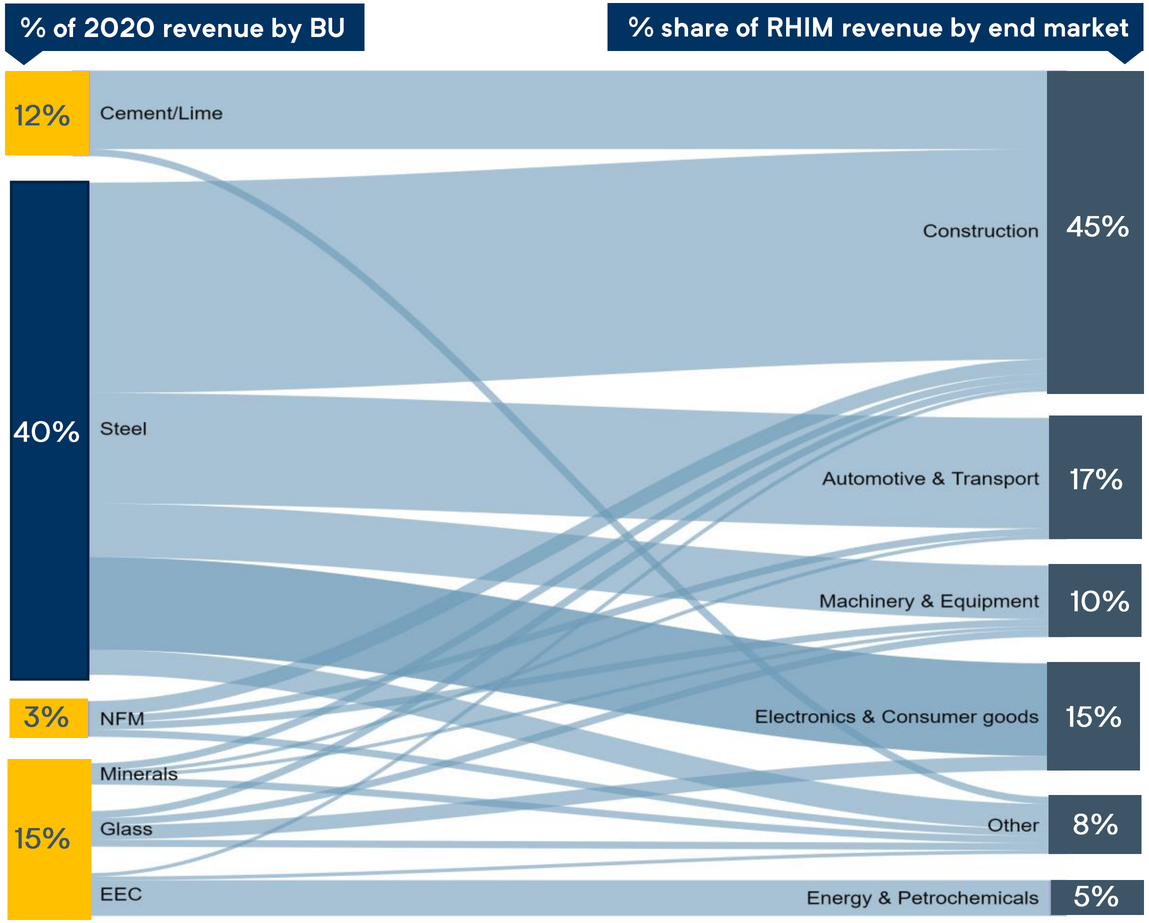
Freight as a % of COGS

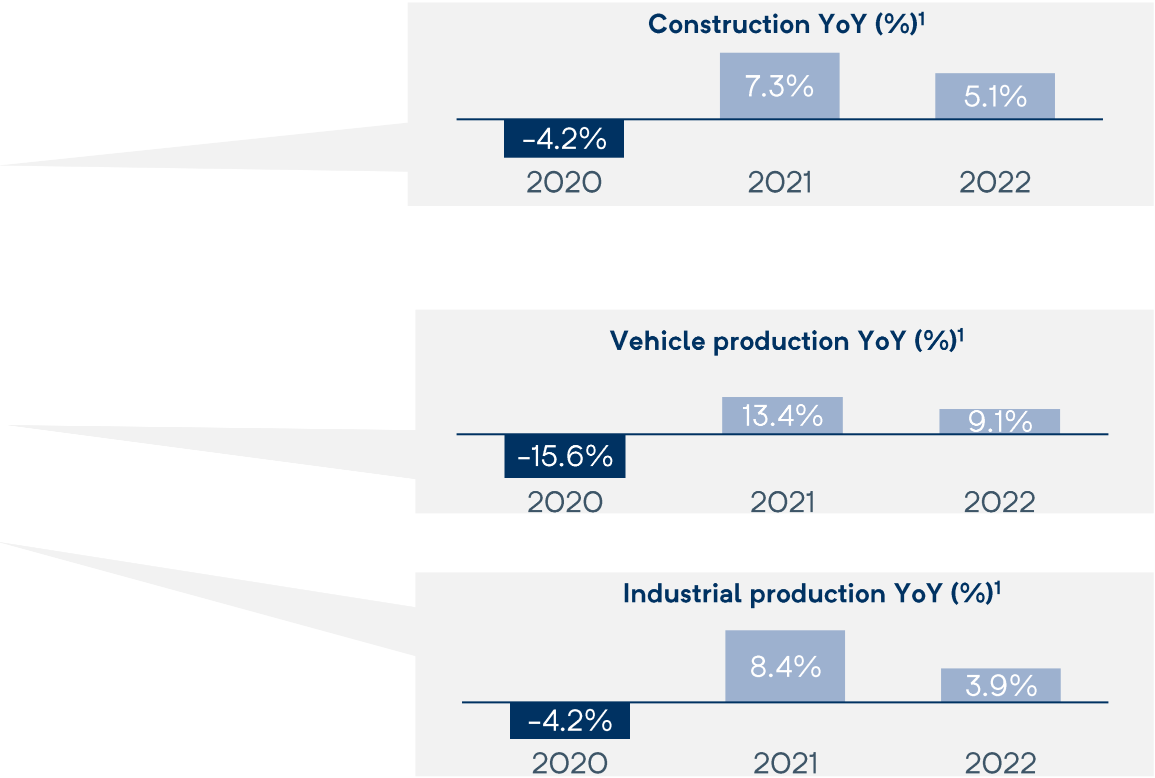


Significant supply chain cost increase required swift price increase

1. Bloomberg as at 16 July 2021

Strong outlook for end markets





1. Source: company estimates

Steel division overview

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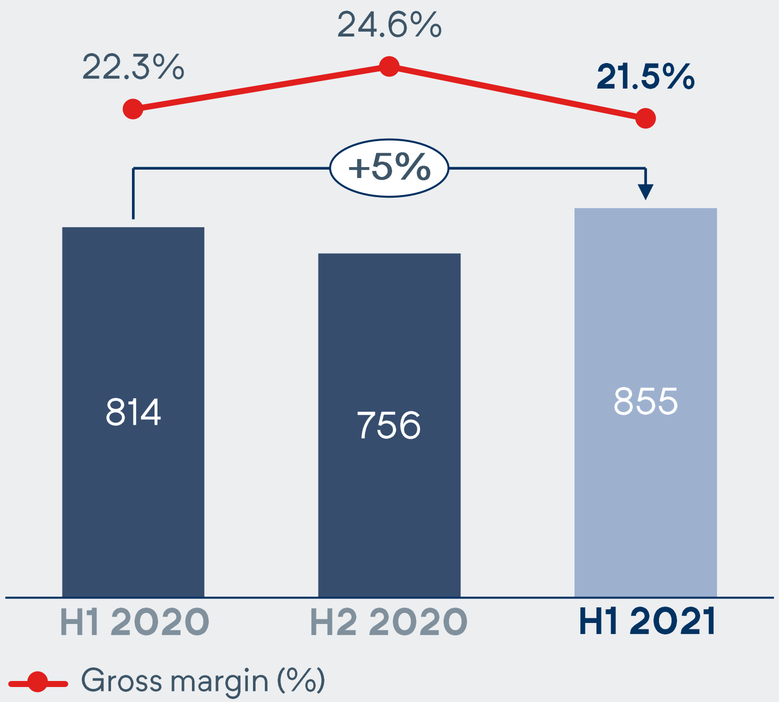
Revenue[1] (€m)



- Steel division revenue increased by 5.1% to €855 million driven by volume demand
  - +12.8% on a constant currency basis
- Global steel production increased by 14.4%[2]
  - RHIM steel volumes increased by 15.4%
- Margin headwinds impacted profitability
  - Higher pricing benefit to come in H2
  - Supply chain disruption resulted in higher freight costs and delays to shipments
  - Gross margin down 80bps compared to H1 2020
- Strong volume recovery in Steel offset by weaker product mix with higher demand for unshaped material
  - Price increase already negotiated will deliver higher margins in H2 2021

1. Denoted on a reported basis
2. Source: World Steel Association, H1 2021 versus H1 2020

Industrial division overview

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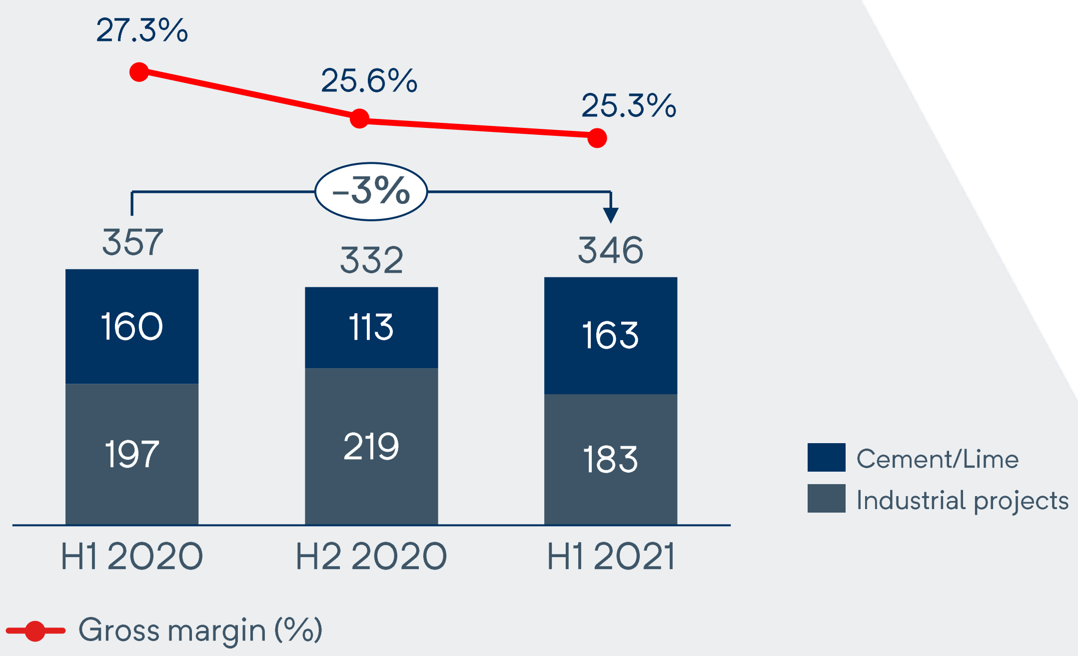
Revenue[1] (€m)



- Industrial division revenue decreased by 3.2% to €346 million
- Stable performance in Cement/Lime
  - Strong volumes in South America and India/West Asia/Africa
  - Stable volumes in Europe
  - Prices set in summer ahead of Q4/Q1 maintenance season
- Industrial projects revenue reduced by 7.2% to €183 million
  - Strong order book into Q3. as projects are postponed due to supply chain challenges
  - Strong order book momentum in glass and EEC
- Weaker gross margin, also due to margin headwinds from supply chain issues and project character of contracts
  - Gross margin down by 200bps compared to H1 2020
  - Strong need to increase pricing

1. Denoted on a reported basis

Sustainability

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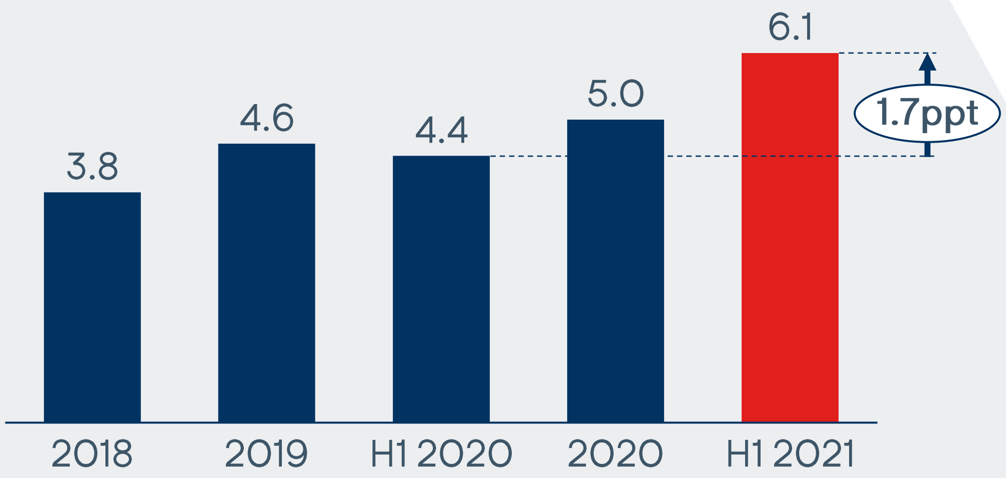
Use of secondary raw material (%)



- Commenced €50 million R&D investment to produce technology solution for geogenic CO_2 capture and utilization
  - MoU signed with Calix Limited to develop flash calciner at pilot plants
  - Alternative technologies being developed to pilot plant stage
- Recycling
  - Good progress in customer engagement, increasing sourcing of secondary raw materials via long term contracts
  - Internal pricing mechanism creates clear incentive to favour recycled materials
- EcoVadis gold rating awarded, July 2021
  - €600 million RCF and $200 million term loan now linked to EcoVadis rating

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Financial review

Ian Botha, CFO

Profit and loss summary

Top line growth offset by margin pressures in first half

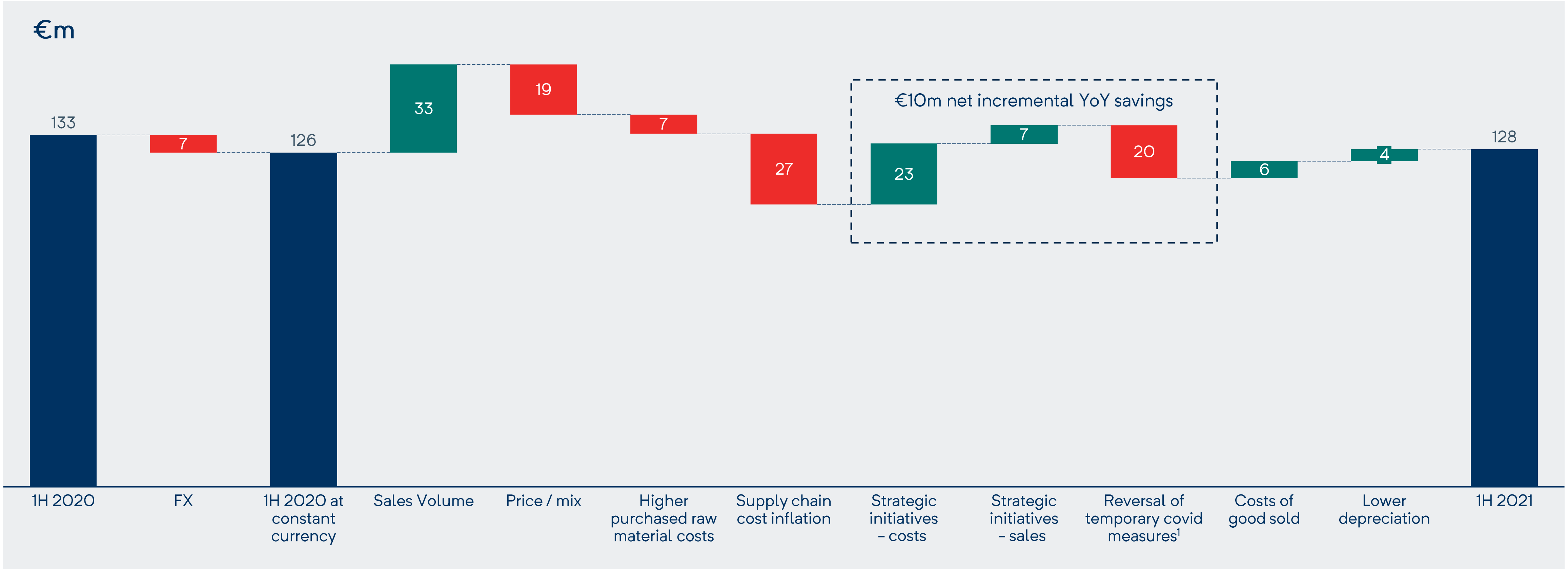
€m	H1 2021	H1 2020[1]	Change
Revenue	1,200	1,171	2.5%
Gross profit	272	279	(2.7)%
Gross margin (%)	*22.6%*	*23.8%*	*(120)bps*
Adjusted EBITA	**128**	**133**	**(4.0)%**
Adjusted EBITA margin (%)	*10.7%*	*11.4%*	*(70)bps*
Finance charges[2]	(4)	(26)	(85)%
Adjusted Profit before tax	130	112	15%
Adjusted effective tax rate	22.4%	21.8%	60bps
Tax	29	25	14%
Adjusted Profit after tax	100	88	14%
Adjusted EPS (€)	**2.05**	**1.77**	**16%**
Dividend per share (€)[3]	**0.50**	**0.50**	**-**

- Gross profit broadly stable at €272 million as revenue growth offset by higher costs
- Adjusted EBITA of €128 million reflects anticipated c.40/60 split between H1 and H2, full year guidance maintained at €310 million
- €23 million of savings from strategic cost initiatives and €7 million contribution from sales strategies compared to H1 2020
- Adjusted profit after tax and EPS benefit from lower finance charges due to positive benefit from foreign exchange movements of €7 million (H1 2020: €17 million)
- Interim dividend of €0.50 per share declared

1. Denoted on a reported basis
2. Finance charges adjustment of €3 million
3. An interim dividend of €0.50 was declared on 22 October 2020

EBITA bridge

Increased volumes and strategic savings offset by price/mix and supply chain cost inflation

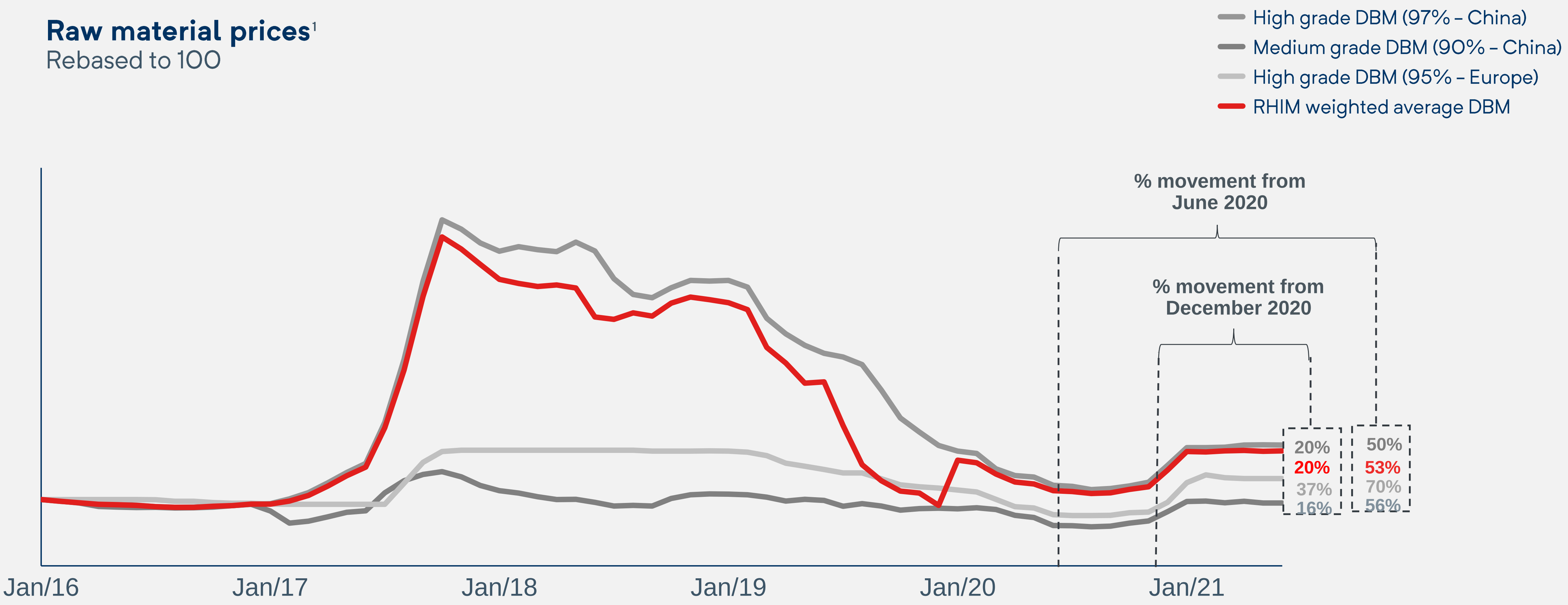


1. Temporary covid business response cost savings of €50 million were incurred in 2020 and were one-off in nature. €10 million will be recurring in the form of lower depreciation

Raw material prices

Prices increased and held higher levels year-on-year

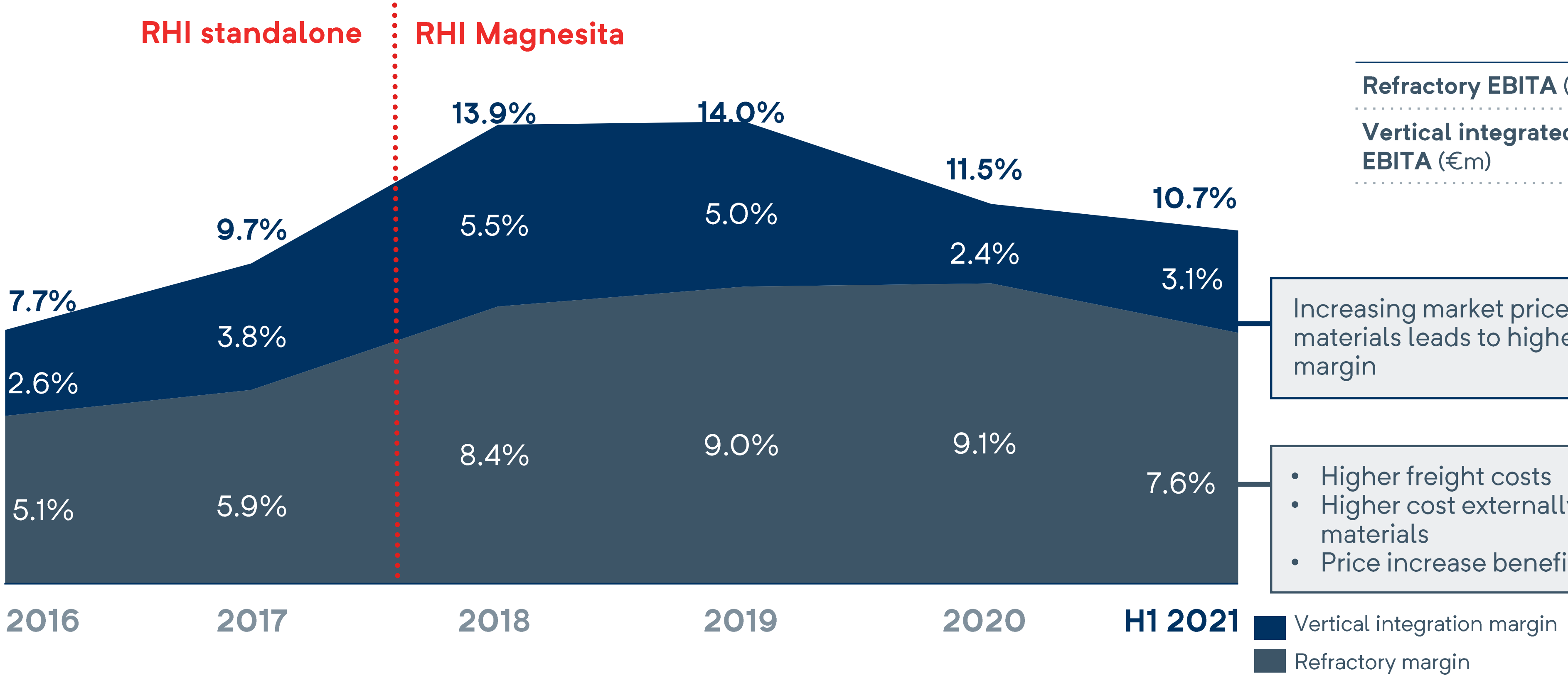
Raw material prices[1]
Rebased to 100



1. Asian metal

Refractory margins temporarily depressed by supply chain cost

Price increases contracted with customers to improve refractory margin in H2



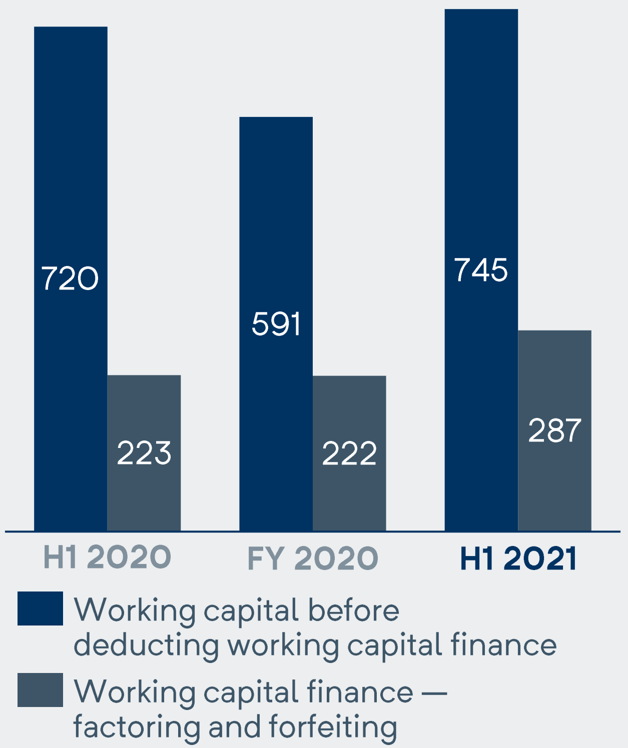
	H1 2020	H2 2020	**H1 2021**
Refractory EBITA (€m)	106	99	91
Vertical integrated EBITA (€m)	27	28	37

Increasing market price of raw materials leads to higher raw material margin

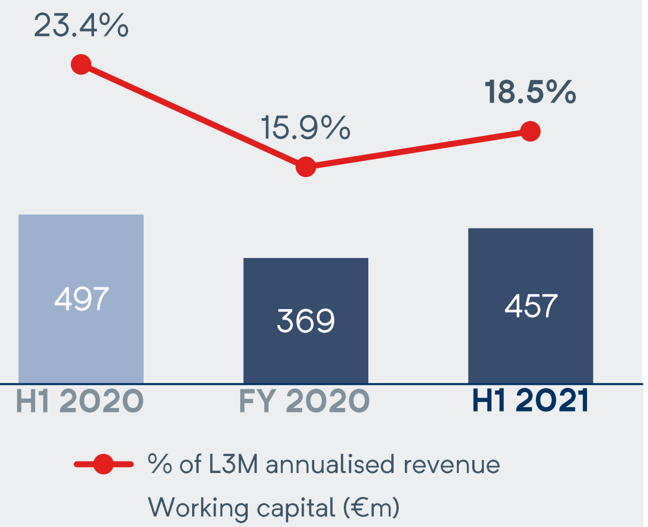
- Higher freight costs
- Higher cost externally purchased raw materials
- Price increase benefit to come in H2

Desired inventory build-up to satisfy customer demand in H2

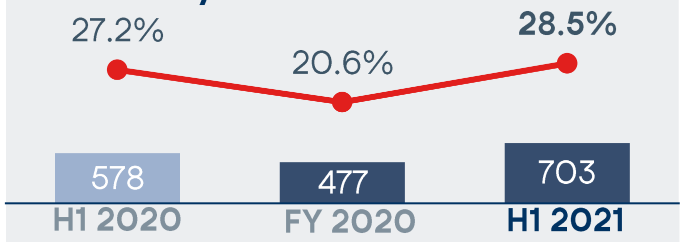
Working capital balances



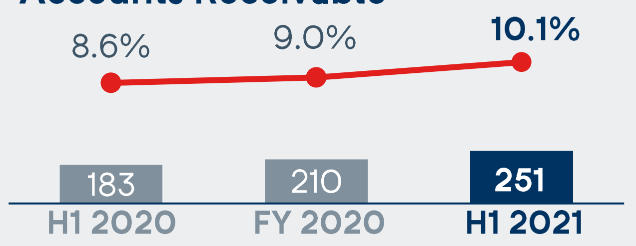
Working capital intensity slightly above target range of 15% - 18%
(after Working Capital Finance)



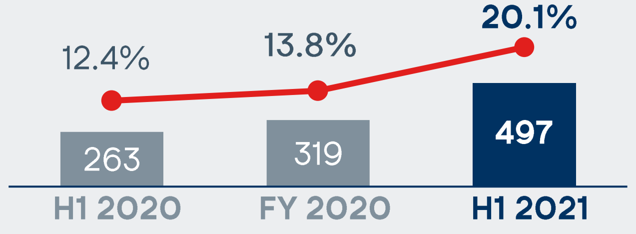
Inventory



Accounts Receivable[1]

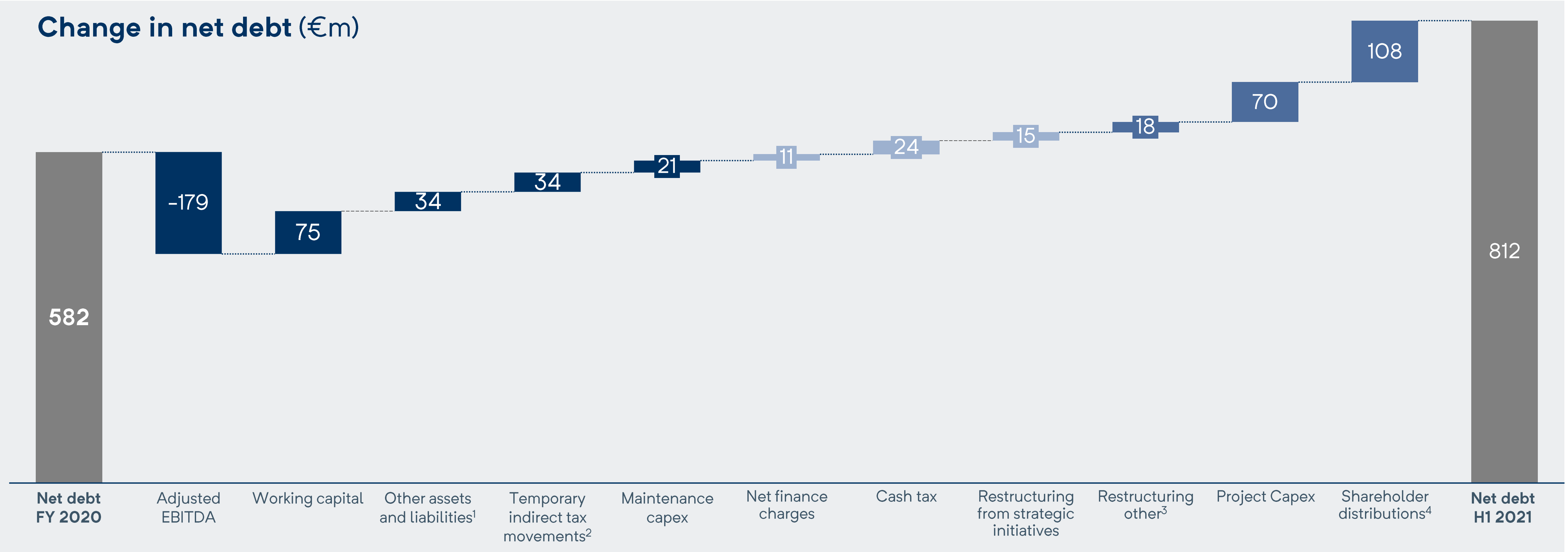


Accounts Payable[2]



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

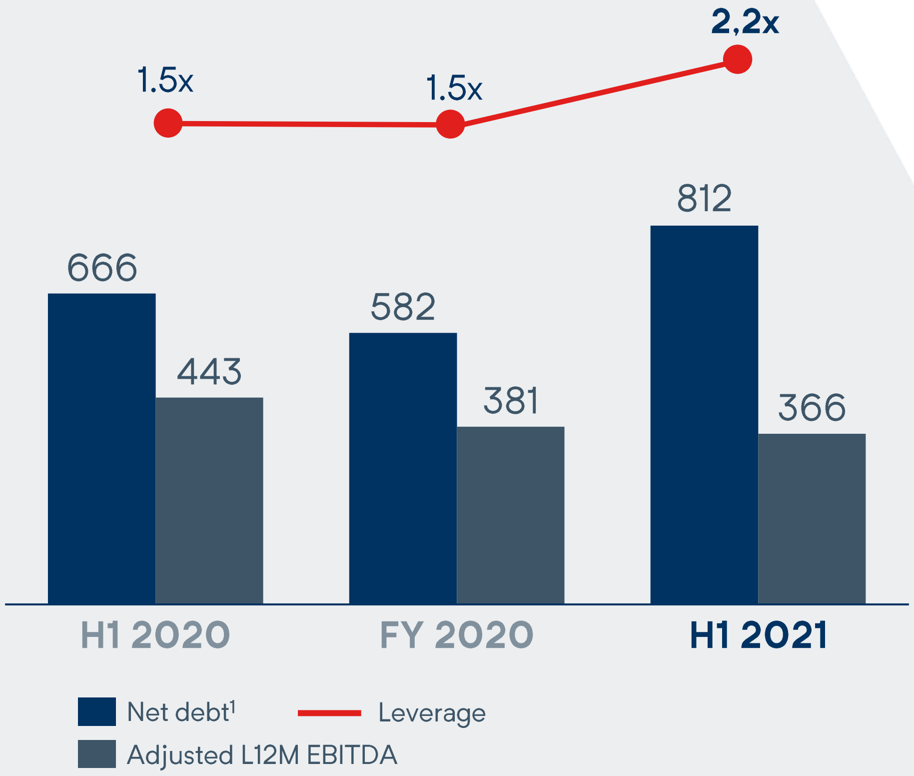
Net debt temporarily higher due to H2 weighting of cash flow & desired inventory growth



Note:
1) €34 million other assets and liabilities including €11 million in pension contributions, €6 million from a change in bonus provision relative to 2020, €6 million reduction in warranty provision and €2 million of prepayments
2) €34 million of indirect and other tax and other non company temporary timing differences include recognition of a refund of revenue-based taxes previously overpaid in Brazil, VAT, energy taxes and research incentives
3) €18 million restructuring other including €16 million of the Normag termination power contract,€5 million from the Drogheda and Porsgrunn divesture and €(3) million income benefit from asset sales
4) Dividend of €35 million where €13 million net of withholding tax is exempt and payable in July 21, and share buyback of €73 million

Short term increase in leverage expected to reduce in H2

Net debt
(€m)



- Net debt includes €51m from IFRS 16 leases
- Leverage of 2.2x net debt : EBITDA, temporarily above target range of 0.5–1.5x
  - Working capital build up ahead of customer demand
  - Temporarily higher inventories in transit due to freight delays
  - Peak capex year for strategic projects & higher freight costs
  - 2x share buybacks (€73m) and FY dividend in H2 (€35m[2])
- Expect to return towards target range 0.5–1.5x (before M&A) by year end
  - Stronger trading 40/60 2021 Adj. EBITA split
  - Receipt of Magnifin funds expected in H2 (post tax proceeds of €96m)

1. Includes IFRS 16 leases
2. €48 million final dividend net of €13 million withholding tax paid in July 2021

Capital allocation

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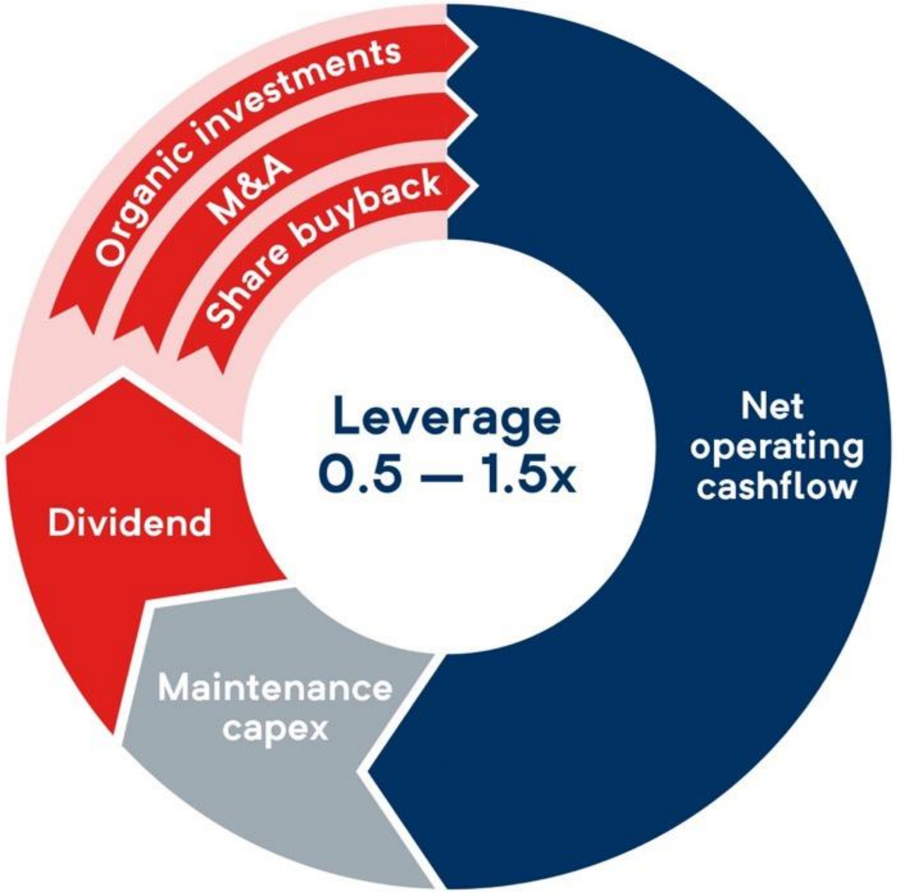

- RHI Magnesita allocates capital to support its long-term strategy, seeking to deliver attractive shareholder returns over the medium term
- 2.2x leverage currently above targeted range but to reduce in H2
- Organic investments:
  - €70 million project capex in H1, further €110 million in H2
- Shareholder returns of €124 million:
  - €73 million share buyback in H1, 3.2% of issued share capital
  - €48 million final 2020 dividend of €1.00ps
  - €0.50ps interim dividend declared, payable in September 2021

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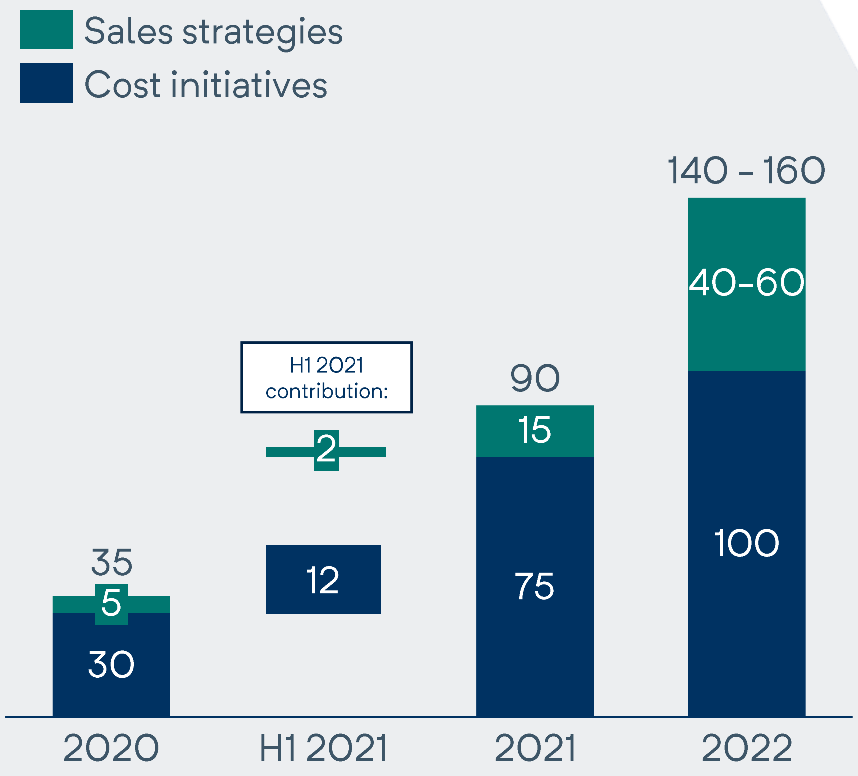
Strategic initiatives

Stefan Borgas, CEO

Continued progress on strategic initiatives

Targeting €140 — 160m of incremental EBITA in 2022

Cumulative EBITA improvement (€m)[1]



- Cost saving initiatives:
  - Production Optimisation Plan
  - SGA savings
- Sales strategies:
  - Solutions business model
  - New markets
  - Flow control
  - Digitalisation

1. Cumulative improvement measured from 2019
2. 2020 benefited from the one off fixed-cost reduction of €50 million, taken as mitigating measures against the impact of COVID-19 and this has been excluded from the EBITA improvement shown in the chart, including €10 million to be maintained into 2021 in the form of lower depreciation.
3. Cost saving initiatives include the €15 million benefit from the Operational turnaround

Production Optimisation Plan update

Rationalise, modernise and reduce production costs, moving capacity closer to our customers

Site	Completion date	Project IRR	Payback period	Goal
Hochfilzen Austria	H1 22	20%	6 years	Consolidate European dolomite production into single low-cost site, reduce costs, extend asset life
Radenthein Austria	H2 22	35%	2 years	Increase output and reduce conversion costs at flagship digital and automated plant
Brumado Brazil	H1 22	35%	4 years	Install new production technology to reduce costs, widen product range, and extend asset life
Contagem Brazil	H2 22	35%	4 years	Reduce plant complexity and increase productivity, create magnesite hub for Americas
Urmitz Germany	H1 22	65%	3 years	Modernisation, expansion and upgrade for non-basic refractory production

Hochfilzen

European dolomite hub
rotary kiln installation

July 2021

Radenthein

Automated press commissioning

July 2021

Brumado
Rotary kiln annex
foundations

July 2021

Contagem

New press installations

July 2021

Sales strategies

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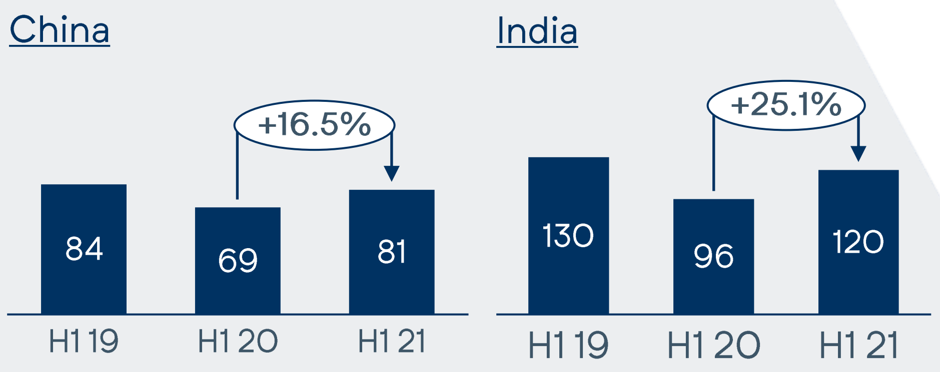
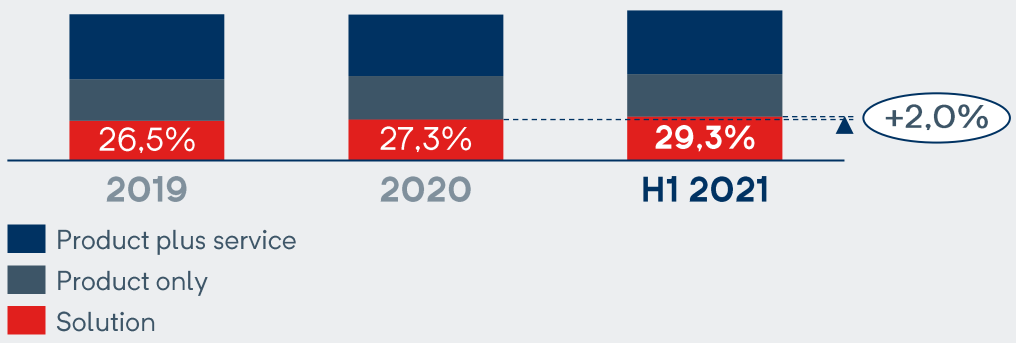
New markets revenue growth (€m)



Group solutions revenue (%)



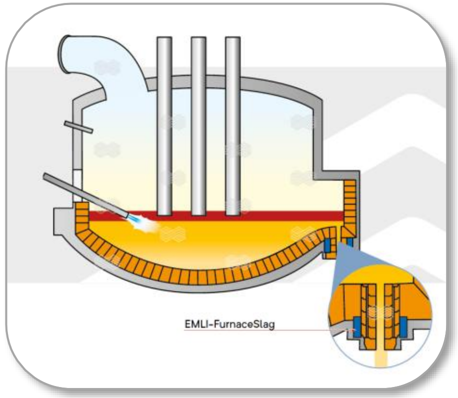
- Sales initiatives are planned to contribute €40 – €60 million of adjusted EBITA by 2022, with roughly equal contributions from:
  - New markets
  - Flow control
  - Solutions
- Enabled by digitalisation
- Cumulative annual EBITA benefit to date of €7 million

Technology leadership

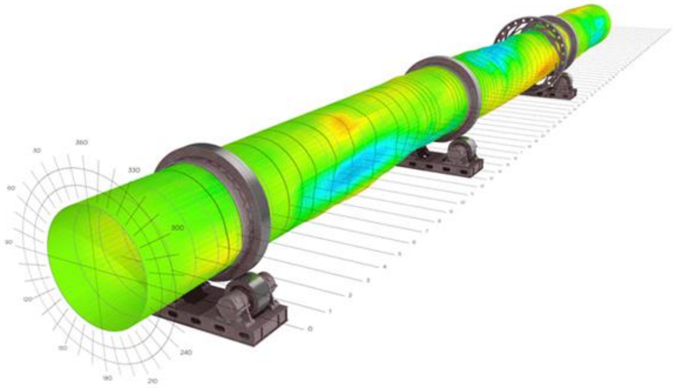
Digital products supporting growth in our Solutions business

Customer priority	RHIM solution
Availability	RFID logistics solutions, consignment stock management
Predictability	APO, ARO, Stereoscopy
Ordering	Self-service platform, just-in-time supply, real time order management
Health and safety	Remote assist, digital monitoring tools
Transparency	Smart contracts, blockchain based
Profitability	CRM 'Next Best Option' tool, supports customer segmentation – first in sector
Automation	EMLI slag monitoring, gunning manipulators

Glossary
APO Automated Process Optimisation (steel)
ARO Automated Refractory Optimisation (cement)
CRM Customer relationship management
EMLI Electromagnetic level indicator
RFID Radio frequency identification



Automation
Electromagnetic furnace tapping detectors



Predictability
Mechanical Kiln Audit tool

Health and safety
LadleSafe monitoring

Predictability
Automated Process Optimisation

Summary and outlook

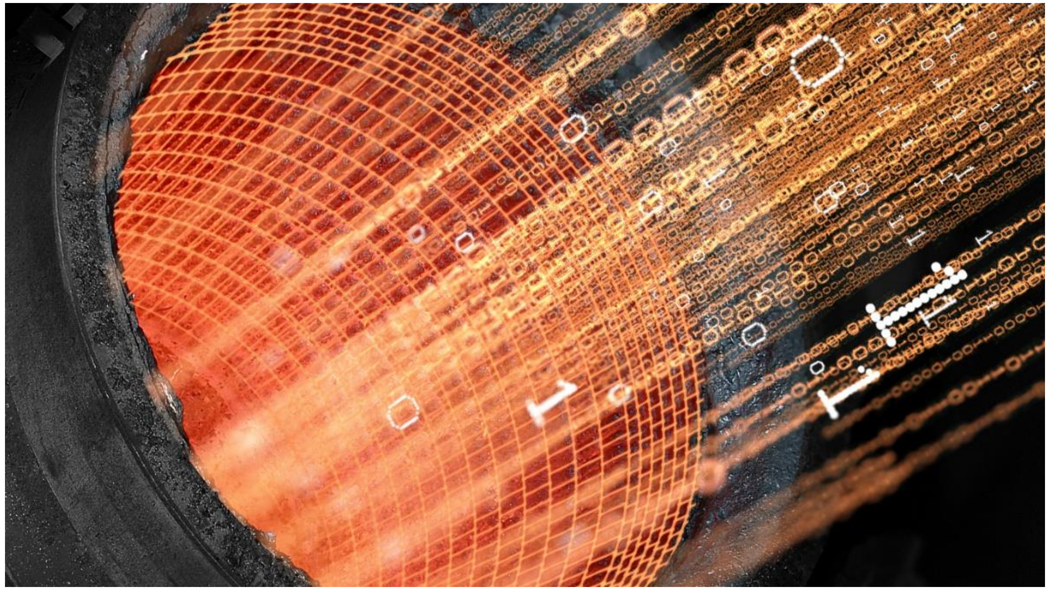
Summary and outlook

On track for full year guidance, with second half EBITA weighting as expected

- RHI Magnesita is delivering operationally and financially despite significant supply chain challenges in H1 2021

- The near term outlook for H2 2021 is positive:
  - Sales momentum increasing
  - Higher profitability as refractory price increases take effect
  - Gearing to move back towards upper end of 0.5–1.5x range

- And we are continuing to make progress on our strategic priorities:
  - Production Optimisation Plan on track
  - Sales strategies generating material EBITA contribution
  - Demonstrating leadership in sustainability



Q&A

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Appendix

2021 Guidance

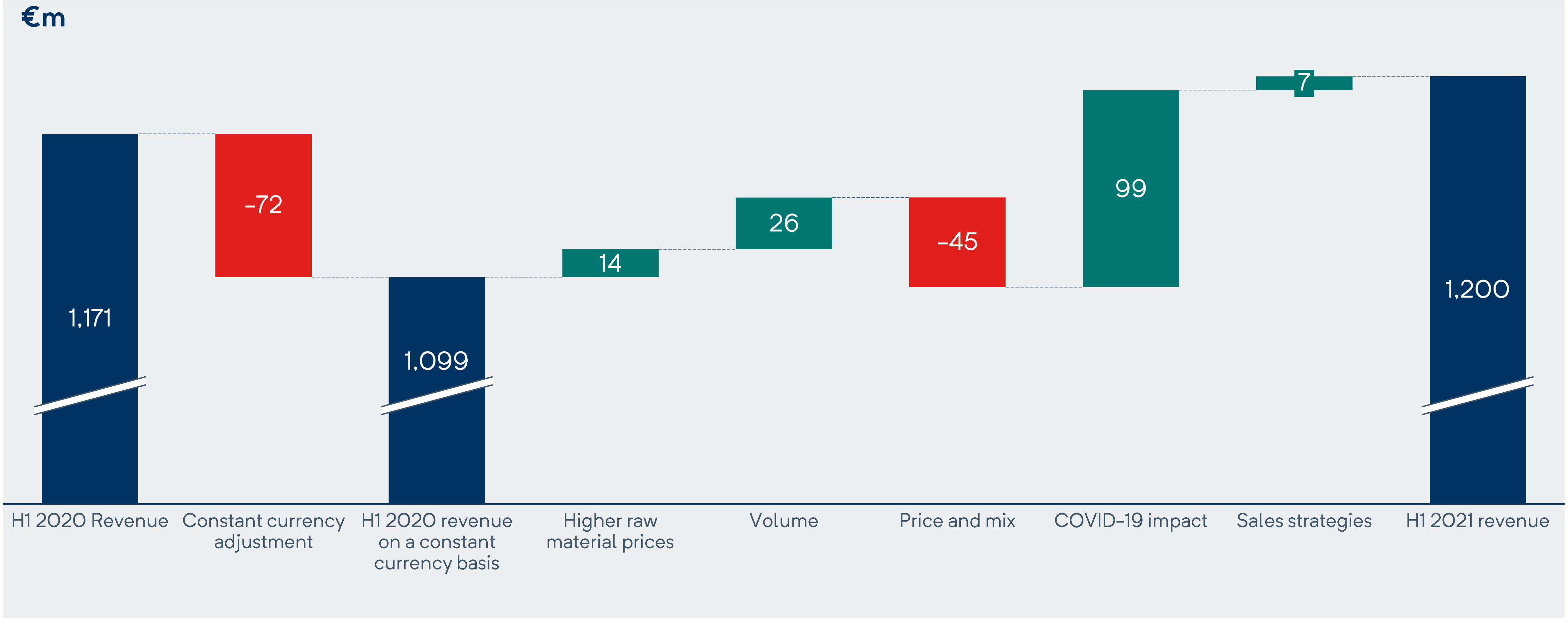
- Total capital expenditure: €260m
  - Maintenance capex: €80m
  - Project capex: €180m
- Depreciation: €115m[1,2] (reduced by currency changes and smaller production network)
- Amortisation: €18m[1] (reduced by currency changes)
- Net interest expense: €20m (excluding pensions of €6m)
- Adjusted effective tax rate: 20 – 22 %
- Strategic initiatives in 2021: €85 – €95 million
  - Cumulative EBITA benefit cost initiatives: €75 million
  - Cumulative EBITA benefit sales initiatives: €10 – €20 million

1. Denominated in local currency and therefore FX impacted
2. Depreciation reduced by €10 m in 2021 from the COVID-19 mitigation measures implemented in 2020

Strategic initiatives

Presented in €m	2019	2020	H1 2021	2021	2022	Cumulative amount	Commentary
Cost savings initiatives EBITA improvement	15	30	42	75	100	100	All cost-saving initiatives largely on track and on budget, and on track to deliver €100m of EBITA savings per annum by 2022
▪ Production Optimisation Plan (POP)	–	5	12	30	55	55	• Increased plant specialisation • Investment in Hochfilzen (Austria) creating a European Dolomite hub and investment in Brumado (Brazil), to extend asset life and widen product range • Reduce production costs in Radenthein (Austria) and Contagem (Brazil) • Expand capacity and modernise Urmitz (Germany)
▪ SG&A	–	10	15	30	30	30	• Headcount reduction, regionalisation and digitalisation
▪ Operational turnaround	15	15	15	15	15	15	• Resolution of Q4 2019 operational issues at 4 plants and in supply chain
Implementation costs							
▪ Capital Expenditure (cash flow)	–	45	**54**	95	20	160	
▪ Restructuring costs (cash flow)	5	40	15	55	–	100	
▪ Impairments	52	36	–	12	–	100	
Sales strategies EBITA improvement	–	5	7	10-20	40-60	40-60	Sales initiatives on track, following delays in 2020 due to COVID
Implementation costs							
▪ Capital Expenditure	–	5	4	15	10	30	

H1 2021 revenue bridge



Impact of foreign currency movement

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EBITA sensitivity in H1 2021

	Appreciation vs EUR		Depreciation vs EUR	
	Unit	Increase / (decrease) in EBITA (€m)	Unit	Increase / (decrease) in EBITA (€m)
USD	-1 cent	0.91	+1 cent	(0.91)
CNY	-0.01 yuan	(0.01)	+0.01 yuan	0.01
BRL	-0.10 reais	(0.43)	+0.10 reais	0.43
INR	-1 rupee	0.36	+1 rupee	(0.36)
TRY	-0.1 lira	(0.08)	+0.1 lira	0.08

H1 2021 exchange rates

EUR:	HY 21 Opening Rate	HY 21 Closing Rate	HY 21 Average Rate	HY 20 Average Rate
USD	1.23	1.22	1.21	1.10
CNY	8.03	7.76	7.83	7.74
BRL	6.38	6.37	6.55	5.42
INR	89.8	88.5	88.5	81.7
TRY	9.07	10.4	9.52	7.15

Source: Bloomberg

Reconciliation of adjusted earnings

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€m	**HY 2021 Reported**	Adjustment items	HY 2021 Adjusted
EBITA	136	8.1	128
Amortisation	-10	-10	
Net finance costs	-7	3	-4
Share of profit of joint ventures	5	–	5
Profit before tax	**125**	**4**	**130**
Income tax[1]	-26	(3)	-29
Profit after tax	99	2	101
Effective tax rate	20.8%		22.4%
Non controlling interest	2		2
Profit attributable to shareholders	**97**	**2**	**99**
EPS[2]	**2.01**	**0.04**	**2.05**

EBITA adjustments:

- €3.8 million attributed to Restructuring on Cost Savings Initiative
- €4.9 million adjustment for the valuation of the unfavourable contract required to satisfy EU remedies
- €(0.5) million in other including Brazil power contract and strategic projects

Net finance costs:

- €2.7 million non-cash present value adjustment of the provision for the unfavourable contract required to satisfy EU remedies

1. Effective tax rate for adjusted EPS is calculated by applying the effective tax rate normalised for restructuring expenses and impairments
2. Total issued and outstanding share capital as at 30 June 2021 was 47,444,321. The Company held 2,033,384 ordinary shares in Treasury. Weighted average number of shares used for basic earnings per share 48,229,897

Cash flow reconciliation

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€m	
Adjusted EBITA	128
Working capital	-75
Changes in other assets and liabilities	-68
Capex	-91
Depreciation	51
Operating cash flow	-55
Cash tax	-24
Net interest expense	-11
Restructuring and transaction costs	-33
Dividends	-35
Share buyback	-73
Right of use assets acquisition	-1
Free cash flow	-232
Legacy debt change	-30
Others	-11
Total cash flow	-273

Legacy debt change:

- €(83) million cash outflow towards pre-payment of legacy debt
- €65 million cash inflow from proceeds of new facilities
- €(12) million changes in current borrowings

Others

- €(7) million cash outflow repayment and interest of lease obligations
- €(2) million in derivative losses

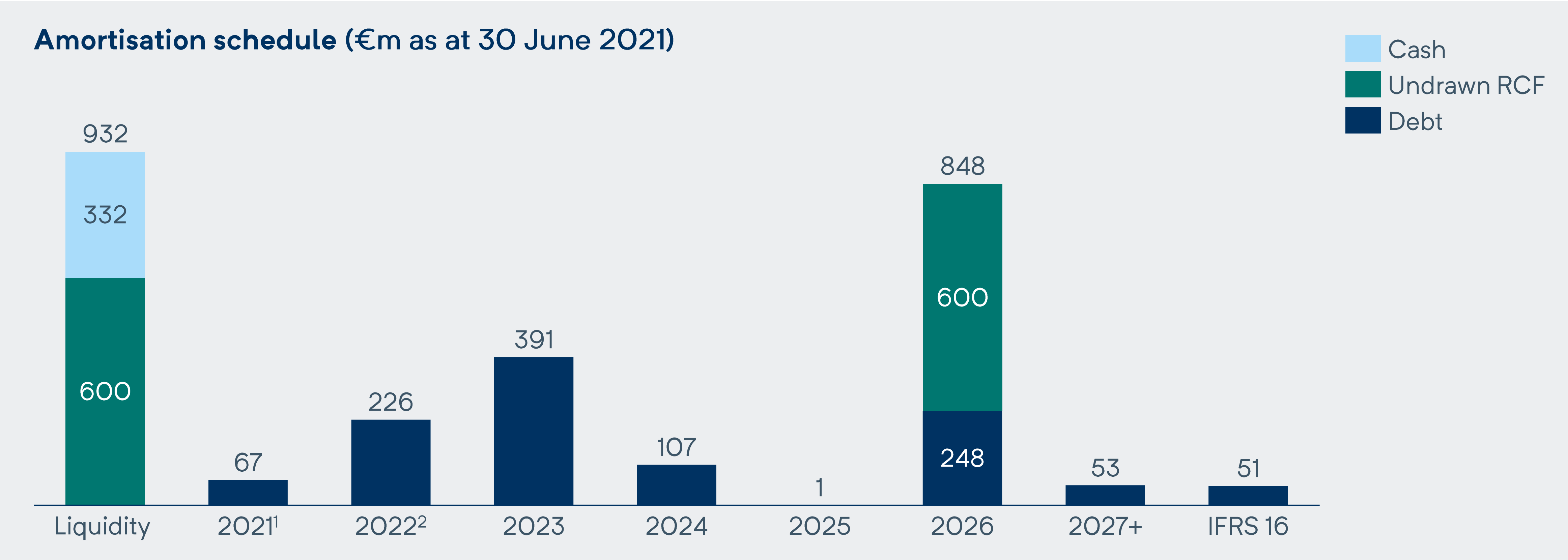
Return on invested capital

Group ROIC	H1 2020	H1 2020
Invested Capital (€m)	1,975	1,963
NOPAT (€m)	99	108
ROIC (%)	10.0	10.4

Vertical integration ROIC	H1 2020	H1 2020
Invested Capital (€m)	430	429
NOPAT (€m)	30	18
ROIC (%)	14.2%	8.6%

Refractory ROIC	H1 2020	H1 2020
Invested Capital (€m)	1,545	1,532
NOPAT (€m)	68	89
ROIC (%)	8.8%	11.6%

Debt maturity profile



1. €33 million becomes payable in 2021
2. €192 million becomes payable in 2022

Deploying capital in 2021 to advance strategic projects

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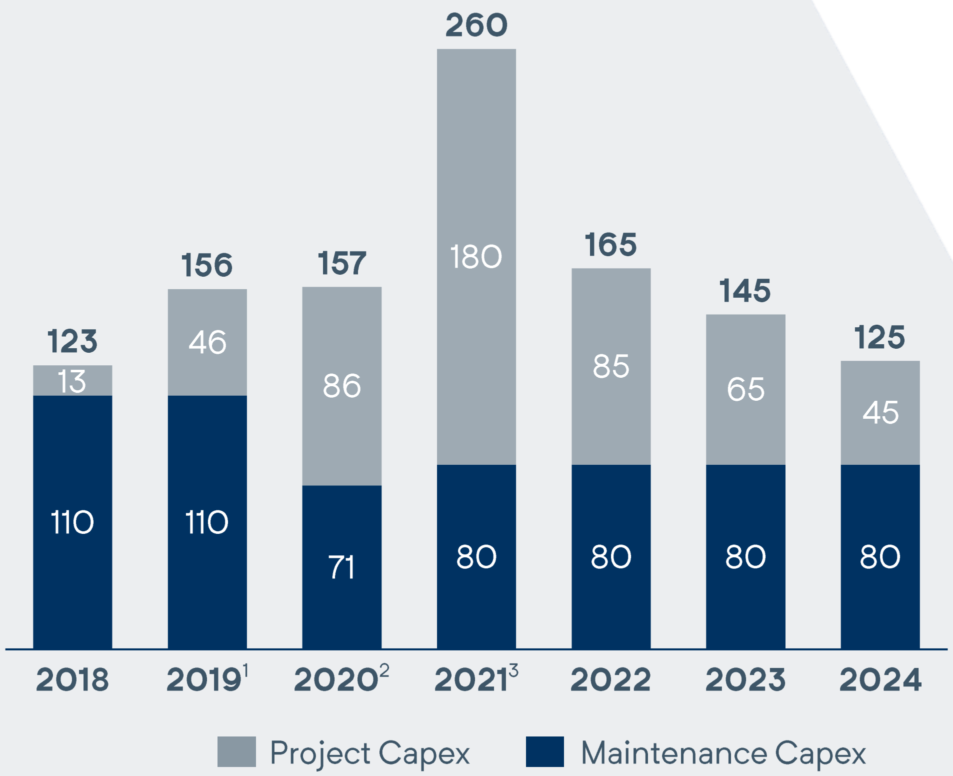
Capital expenditure (€m)



- Peak capital expenditure in 2021 as we invest to deliver cost reduction and sales initiatives
- Projects are proceeding largely on budget and on-time, despite COVID-19:
  - Plant closures
  - Refractory plant specialization and cost reduction
  - Raw material plant cost reduction
  - Sales strategies
- Capex is expected to return to €120 – €130 million in 2024

1. Excludes €5 million in severance costs (cash impact)
2. Excludes €40 million in severance costs (cash impact)
3. Excludes €55 million in severance costs (cash impact)

ESG 2025 targets

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		2020[1]	2018 Base year
CO_2 emissions	Reduce by 15% CO_2 per tonne of product[1] by 2025 and aim for carbon neutrality in the long term	1.8	1.8
Energy efficiency	Reduce by 5% per tonne of product by 2025	1.9	1.9
NO_x and SO_x	Reduce by 30% by 2027 (vs 2018), starting with China by 2021	✓ China target achieved early	
Recycling	Increase use of secondary raw materials to 10% by 2025	▲ 5.0%	3.8%
Diversity	Increase women on our Board and in senior leadership to 33% by 2025	▲ 25%	12%

1. Further details can be found on page 67 and 68 of the 2020 Annual Report

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