

31 October 2023

RHI Magnesita N.V.

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

Q3 2023 TRADING UPDATE

RHI Magnesita, the leading global supplier of high-grade refractory products, systems and solutions, today provides an update on trading for the three months to 30 September 2023 ('Q3').

Q3 trading

Adjusted EBITA in the third quarter was at a similar level to that achieved in Q1 and Q2, as resilient pricing, the benefits of strategic initiatives and M&A offset lower sales volumes and under-absorption of fixed costs. The Group has also achieved a consistent improvement in its operating KPIs in the year to date, leading to improved customer service levels and more effective cost management.

Volume performance in Q3 reflected normal seasonal factors, with plants operating at an average of 70% of capacity, and was consistent with the expectation underpinning previous guidance for full year sales volumes (pre M&A) to be up to 5% below 2022. Steel volume weakness was most pronounced in Europe, China and South America, reflecting local market conditions.

Pricing was strongest in the cement & lime and nonferrous metals segments within the Industrials business, due to the later cycle nature of these customer industries. Refractory raw material prices moved lower in Q3, indicating potential for finished goods pricing pressure in Q4.

The Group's EBITA margin in Q3 reduced slightly to 11.2%, from 11.6% in H1 2023. Refractory margin remained strong with a relatively low contribution from vertical integration at 1.8%, as guided.

Financial position

The Group continued to generate strong organic operating cash flows from its base business before M&A with YTD cash conversion increasing to over 120% due to further release of working capital.

M&A has increased net debt by approximately €430 million in the year to date, including working capital, assumed net debt and the P-D Refractories transaction completed in October. Acquisitions in India were partially funded by the issuance of 27 million shares in RHI Magnesita India Limited to the sellers of Dalmia OCL and a Qualified Institutional Placement raising €100 million in April 2023. The Group's gearing measured as a ratio of net debt to EBITDA is expected to increase modestly by the year end, but to remain in line with the target range of 2.0-2.5x.

M&A update

On 3 October 2023, the Group completed its acquisition of P-D Refractories, a European producer of high quality alumina-based refractories for industrial applications in process industries, with revenues of €171 million in the year to 31 December 2022. The transaction is

not expected to result in a material increase in gearing for the Group on a pro forma EBITDA basis.

The Group has now completed a total of nine acquisitions in the last 24 months, as it executes on its strategy to consolidate small and medium sized businesses in its target geographies and product segments.

Outlook

Order book visibility is at normal levels with limited signs of a recovery in demand volumes in 2024, as global construction activity continues to be weak and demand in the autos market remains below pre-pandemic levels.

However, following good execution, the strong EBITA delivered in the third quarter, outperformance in the delivery of M&A synergies in the year to date and seasonally higher volumes in cement and lime anticipated in Q4, Adjusted EBITA guidance for the full year is increased from €360 million to at least €380 million. The benefits from M&A and operational efficiencies will support earnings into 2024, offsetting weak demand.

Net financial expenses excluding foreign exchange related items are tracking in line with guidance of c.€65 million for 2023. Taking into account the higher EBITA forecast offset by higher financial expenses and foreign exchange adjustments in the year to date, EPS is expected to be moderately ahead of analyst consensus for the full year.

Stefan Borgas, Chief Executive Officer, said: “I am pleased by the strong execution demonstrated by RHI Magnesita during difficult conditions for our key end markets. We are currently benefitting from the strategic investments we have made in reducing our cost base and rationalizing our production network, together with improved planning and careful management of our assets through this period of weaker demand. Pricing discipline has helped to maintain EBITA margins at over 11%, offsetting the impact of lower production on our fixed cost base. We have also been able to progress our M&A strategy, with six acquisitions completed in the first nine months of 2023 and a total of nine in the last 24 months. As a result of success in the early stages of M&A integration and our consistent operational and financial delivery in the year to date, we are able to increase our EBITA guidance for 2023 to at least €380 million.”

Conference Call

A conference call will be hosted at 8:15am UK time to discuss the trading update:

Dial in	+44 207 107 0613
Access code	42809281
Webcast and playback facility	LINK

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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 15,000 employees in 47 production sites, 7 recycling facilities and more than 70 sales offices. RHI Magnesita intends to build on its leadership in revenue, scale, product portfolio and diversified geographic presence to expand further in high growth markets.

The Group maintains a premium listing on the Official list of the London Stock Exchange (symbol: RHIM) and is a constituent of the FTSE 250 index, with a secondary listing on the Vienna Stock Exchange (Wiener Börse). For more information please visit: www.rhimagnesita.com