The driving force of the refractory industry

Company presentation
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Refractories are critical to all high-temperature industrial processes

- Refractories are critical consumable or investment goods for high-temperature manufacturing processes.
- Fireproof materials consumed whilst protecting clients’ production processes, retaining physical and chemical characteristics when exposed to extreme conditions.
- Critical, yet represent less than 3% of COGS in steel manufacturing and less than 1% in other applications.

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**Main end markets**

€20 billion worldwide industry

- Steel: 60%
- Energy, chemicals: 15%
- Nonferrous metals: 10%
- Cement: 8%
- Glass: 7%

**Global refractory industry**

- RHI Magnesita: 37%
- 4-6 segment companies: 20%
- 10-20 regional companies: 16%
- 100-200 small local companies: 13%
- 1000+ Chinese companies: 14%

Source: Company estimates of market share in US$
Refractory industry overview

Refractories are continuously consumed during finished goods production

<table>
<thead>
<tr>
<th>Key industries</th>
<th>Applications</th>
<th>Replacement</th>
<th>Costs</th>
<th>Refractory characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>Basic oxygen-, electric arc furnace casting ladles</td>
<td>20 minutes to 2 months</td>
<td>~3.0%</td>
<td>Consumable product Systems and solutions for complete refractory management</td>
</tr>
<tr>
<td>Cement/Lime</td>
<td>Rotary Kiln</td>
<td>Annually</td>
<td>~0.5%</td>
<td>Demand correlated to output</td>
</tr>
<tr>
<td>Nonferrous metals</td>
<td>Copper-converter</td>
<td>1 – 10 years</td>
<td>~0.2%</td>
<td>Investment goods Longer replacement cycles</td>
</tr>
<tr>
<td></td>
<td>Glass furnace</td>
<td>Up to 10 years</td>
<td>~1.0%</td>
<td>Customized solutions based on the specific requirements of various industrial production processes</td>
</tr>
<tr>
<td>Energy/Environmental/Chemicals</td>
<td>Secondary reformer</td>
<td>5 – 10 years</td>
<td>~1.5%</td>
<td>Complete lining concepts including refractory engineering</td>
</tr>
</tbody>
</table>

Wide areas of application

Project driven demand cycles
Refractory industry overview

A complex range of tailored refractory products are required for each application

Bricks

1. Permanent lining
2. Non-basic, ex. Alumina
3. Basic, ex. Mag-Carbon

Monolothics and pre casts

4. Mixes
5. Pre Castables

Functional products

6. Slide Gates
7. Nozzles
8. Purge Plugs
9. ISO

Example of refractory application for steel ladle

+Systems and machinery
RHI Magnesita is the world leader in refractories and a truly global company

- **€2.7bn**: 2017 pro-forma revenue
- **10,000**: Customers served globally
- **14,000**: Employees spread over 37 countries
- **35**: Main production sites across 16 countries
- **180**: Countries shipped worldwide
- **10**: Main raw material sites in 4 continents
- **>€37m**: Annual investment in Research
The refractory world of RHI Magnesita
# RHI Magnesita overview

## Serving blue chip clients in every industry

<table>
<thead>
<tr>
<th>Steel</th>
<th>Cement</th>
<th>Glass</th>
<th>Metals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severstal</td>
<td>ArcelorMittal</td>
<td>Ternium</td>
<td>LafargeHolcim</td>
</tr>
<tr>
<td>Nippon Steel &amp; Sumitomo Metal</td>
<td>POSCO</td>
<td>Nucor</td>
<td>Vale</td>
</tr>
<tr>
<td>NLMK</td>
<td>Outokumpu</td>
<td>ThyssenKrupp</td>
<td>ArdaghGlass</td>
</tr>
<tr>
<td>USS</td>
<td>Tata Steel</td>
<td>Gerdaus</td>
<td>BHP Billiton</td>
</tr>
<tr>
<td>Tata Steel</td>
<td>Cemex</td>
<td>Rio Tinto</td>
<td></td>
</tr>
</tbody>
</table>

### Counts:
- **Steel**: Serving 1060 of 1250 plants<sup>1</sup>
- **Cement**: Serving 1376 of 1537 plants<sup>1</sup>
- **Glass**: Serving 800 of 900 plants<sup>1</sup>
- **Metals**: Serving 650 of 2000 plants<sup>1</sup>

<sup>1</sup>ex-China
Optimally positioned to reach customers everywhere

- **North America**: 24% revenues
- **South America**: 18% revenues
- **Europe**: 23% revenues
- **APAC**: 20% revenues
- **MEA-CIS**: 15% revenues

More than 70 sales offices worldwide

Source: RHI Magnesita
### Experienced management team with solid financial and strategic background

<table>
<thead>
<tr>
<th>Executive Management Team</th>
<th>Joined</th>
<th>Background</th>
</tr>
</thead>
</table>
| **Stefan Borgas**<br>CEO | 2016   | □ Former CEO of Israel Chemicals Ltd and Lonza Group  
                              □ Several management positions at BASF |
| **Octavio Lopes**<br>CFO | 2012   | □ Former CEO of Magnesita and Equatorial Energia  
                              □ Several management positions at GP Investments |
| **Luis R. Bittencourt**<br>CTO | 1989   | □ Former R&D and raw material VP of Magnesita  
                              □ BA in mining engineering (UFMG), MS degree in metallurgical engineering (University of Utah) and PhD in ceramic engineering (University of Missouri) |
| **Gerd Schubert**<br>COO | 2017   | □ Former COO of Pfleiderer S.A.  
                              □ Global Operations Director at Ferro Deutschland GmbH and Ferro Spain |
| **Reinhold Steiner**<br>CSO | 2012   | □ Former CSO Steel Division of RHI  
                              □ Former CEO of Chtpz Group |
| **Thomas Jakowiak**<br>Integration | 2000   | □ Former CSO Industrial Division of RHI  
                              □ Several leadership positions at RHI |
| **Simone Oremovic**<br>Human Resources | 2017   | □ 19 years of experience in leadership positions in HR, among other fields at GE, Telekom Austria, IBM and Shire/Baxter |
| **Luiz Rossato**<br>Corporate Develop. | 2008   | □ Former Legal Council, M&A and Institutional VP of Magnesita  
                              □ General Counsel of the Year 2012 by International Law Office |
Premium UK listing and corporate governance

Listing in the UK underscores the RHI Magnesita’s international scope

- Listed in the Premium Market in the London Stock Exchange
- Strong commitment and full adherence to the UK corporate governance code
- Majority independent Board targetted
- No controlling shareholder (or shareholder agreement)

Highly valued board members with accretive multi-disciplinary experience

### Executive Directors

- Stefan Borgas / DE – CEO
- Octavio Lopes / BR – CFO

### Non-Executive Directors¹

- Herbert Cordt / AT – Chairman
- David Schlaff / AT
- Stanislaus zu Sayn-Wittgenstein / DE
- Fersen Lambranho / BR

### Independent:

- Jim Leng / UK – Senior Independent Director
- Ms Celia Baxter / UK – Chair Remuneration Committee
- John Ramsay / UK – Chair Audit Committee
- Andrew Hosty / UK
- Wolfgang Ruttenstorfer / AT
- Karl Sevelda / AT

One position to be nominated

### Board Committees

- Remuneration
- Corporate Responsibility
- Nomination
- Audit & Compliance

¹An additional six Non-Executive Directors shall be appointed by employee representatives from various EEA Member States
A strategic combination that captures synergies and drives efficiencies

Establish leading market position
- Complementary asset portfolio
- Transaction to support regional growth in several markets, especially in the United States and Asia
- Strengthening competitive position against consolidating Chinese refractory industry

Leverage technology capabilities
- Enhanced value-added products and tailored solutions best fitting customer needs in every market
- Strong, globally recognized brands associated with high-quality products and services
- Innovative technology and best in class R&D

Strengthen geographic cluster
- Valuable assets enhancing combined global footprint
- Economies of scale in important operations
- Increased proximity to customers, shorter lead-times, and lower inventory in the chain

Retain raw material integration
- Global raw material network to smooth out demand volatility and reduce capital requirements and logistic costs
- Highest level of vertical integration in the industry with unique raw material sources ensures best product quality

Capture synergies and drive cost efficiencies
The industry’s largest dedicated research team, pushing the boundaries of what is possible

We drive innovation in every aspect of our business, from materials, robotics and Big Data, to bespoke new business models and efficient new processes, under extreme conditions.

**Refractories**
- Development and optimization of refractory products and manufacturing processes
- Market driven project portfolio
- Plant technical support and quality control

**Mineral**
- Increase ore recovery, maximize mine useful life and minimize environmental impacts
- Development of high quality, low cost raw material sources

**Basic research**
- Basic research ensuring technology leadership
- Strong focus on innovation

**Recycling**
- Green technology applied to reprocessing, sorting and reutilization of recycled raw material

Global research team of 270+ employees, of which 98 have masters and PHDs, working out of 2 research hubs and 2 centers
On-site technical experts consult, develop and deliver innovative solutions directly to clients

340+ technical engineers across 90 countries, working on-site with clients to provide custom-made solutions, installation support, recycling, post-mortem analysis and more.

A combination of…

- High quality raw materials
- Continuous investments in R&D
- World-class products
- On-site technical consulting

...ensures customers

- Improve efficiency
- Improve quality
- Increase productivity
- Reduce costs
- Reduce working capital
- Reduce energy and other raw materials consumption
Build a global refractory leader with a distinctive customer proposition based on technology and cost competitiveness to ensure manufacturing of essential materials for the world

**Strategy**

**Markets**
Worldwide presence with strong local organizations and solid market positions in all major markets

**Portfolio**
Comprehensive refractory product portfolio including basic, non-basic, functional products and services in high performance segments

**Technology**
Top solution provider in the refractory industry with an extensive portfolio based on innovative technologies and digitalization

**Competitiveness**
Cost competitive and safe production network supported by lowest cost G&A services

**People**
Hire, retain and motivate talent and nurture a meritocratic, performance-driven, client-focused friendly culture
Pro-forma financials

Revenue¹ by Industry

- 74% Industrial
- 26% Steel
- 46% Cement / Lime
- 26% Non Ferrous Metals
- 28% Other Process Industries

Total Revenue by Geography

- 24% South America
- 18% North America
- 23% Europe
- 20% MEA-CIS
- 15% Asia Pacific

¹ Revenue split considers only refractory segments and does not take into account the effect of any divestitures.
Adjusted pro-forma results

Revenue (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (€m)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2,409</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>2,677</td>
<td>+11%</td>
</tr>
</tbody>
</table>

EBITA (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITA (€m)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>219</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>304</td>
<td>+38.7%</td>
</tr>
</tbody>
</table>

Leverage (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Leverage (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>733</td>
</tr>
<tr>
<td>2017</td>
<td>751</td>
</tr>
</tbody>
</table>

Working Capital Intensity (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Working Capital Intensity (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>668</td>
</tr>
<tr>
<td>2017</td>
<td>610</td>
</tr>
</tbody>
</table>

EBITDA (€m)

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<td>668</td>
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<tr>
<td>2017</td>
<td>610</td>
</tr>
</tbody>
</table>

Leverage Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Leverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2.4</td>
</tr>
<tr>
<td>2017</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Working Capital Intensity

<table>
<thead>
<tr>
<th>Year</th>
<th>Working Capital Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>27.8%</td>
</tr>
<tr>
<td>2017</td>
<td>22.2%</td>
</tr>
</tbody>
</table>
### Selected financial highlights

<table>
<thead>
<tr>
<th>€m</th>
<th>Reported 2016</th>
<th>Reported 2017</th>
<th>Adjusted Pro-forma 2016</th>
<th>Adjusted Pro-forma 2017</th>
<th>% Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,651</td>
<td>1,946</td>
<td>2,409</td>
<td>2,677</td>
<td>11.1%</td>
</tr>
<tr>
<td>CoGS</td>
<td>(1,295)</td>
<td>(1,486)</td>
<td>(1,822)</td>
<td>(1,999)</td>
<td>9.7%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>356</td>
<td>461</td>
<td>587</td>
<td>678</td>
<td>15.5%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>(140)</td>
<td>(293)</td>
<td>(382)</td>
<td>(400)</td>
<td>4.6%</td>
</tr>
<tr>
<td>Other Inc/Exp</td>
<td>(0)</td>
<td>(125)</td>
<td>-</td>
<td>(0)</td>
<td>-</td>
</tr>
<tr>
<td>EBIT</td>
<td>116</td>
<td>43</td>
<td>205</td>
<td>278</td>
<td>35.7%</td>
</tr>
<tr>
<td>Amortization</td>
<td>(10)</td>
<td>(14)</td>
<td>(14)</td>
<td>(26)</td>
<td>80.3%</td>
</tr>
<tr>
<td>EBITA</td>
<td>127</td>
<td>57</td>
<td>219</td>
<td>304</td>
<td>38.7%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(55)</td>
<td>(60)</td>
<td>(90)</td>
<td>(85)</td>
<td>(6.1%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>181</td>
<td>117</td>
<td>309</td>
<td>389</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

### Adjusted pro-forma analysis

**Revenue:**
- Consolidated: +11.1%
- Steel Division: +14.3%
- Industrial Division: +2.7%

**CoGS:**
- CoGS growth below revenue growth, despite raw material price increase in China

**SG&A:**
- SG&A dilution of 100bps, from 15.9% to 14.9% of revenue

**EBITA:**
- up 39%, with margin expanding 230bps, from 9.1% to 11.4%

**Dividend:**
- €0.75 per share (€33.6m), to be paid on 2 July 2018

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1: Adjusted pro-forma results were prepared as if the combined Group had already existed since January 1, 2016 and before the impact of items such as: divestments, restructuring expenses, merger-related adjustments and other non-merger related other income and expenses, which are generally non-recurring. More details on page 8.
Get in touch

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