

# Creation of a Leading Refractory Company



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IN REFRACTORIES **RHI**

# Transaction Highlights

## *Creation of a leading refractory company*

<b>Transaction Overview</b>	<ul style="list-style-type: none"> <li>• RHI AG (“RHI”) and the controlling shareholders of Magnesita Refratários S.A. (“Magnesita”) (“Magnesita’s Controlling Shareholders”) have reached an agreement to combine the operations of RHI and Magnesita</li> <li>• Accordingly, RHI’s Management Board has agreed to sign a share purchase agreement (“SPA”) with Magnesita’s Controlling Shareholders regarding the acquisition of a controlling stake of at least 46%, but no more than 50% plus one share of the entire share capital in Magnesita, pending RHI’s Supervisory Board approval</li> <li>• Consideration will consist of cash and newly issued RHI Magnesita shares</li> <li>• GP will become a relevant shareholder of the combined company</li> </ul>
<b>Strategic Rationale</b>	<ul style="list-style-type: none"> <li>• RHI Magnesita will be a leading refractory company with an enhanced growth profile due to improved regional presence and complementary asset portfolios</li> </ul>
<b>Organizational Changes</b>	<ul style="list-style-type: none"> <li>• RHI is envisaging to migrate to the Netherlands and subsequently to be listed on the London Stock Exchange while the combined company shall be named RHI Magnesita</li> <li>• The migration of RHI will be effected by RHI Magnesita becoming the ultimate holding company of RHI Group and the shareholders of RHI ceasing to hold shares in RHI and instead holding RHI Magnesita shares</li> <li>• RHI’s shares will cease to be listed on the Vienna Stock Exchange. The place of effective management of RHI Magnesita will be Austria</li> <li>• Corporate governance will be constituted on a one-tier board structure while GP will be represented on the board of directors</li> </ul>
<b>Tender Offer</b>	<ul style="list-style-type: none"> <li>• A subsequent mandatory tender offer will be launched as a result of which a maximum number of 5.4 million RHI Magnesita shares will be issued, bringing the total number of newly issued RHI Magnesita shares to up to 10.0 million</li> <li>• The Offer will include a cash-only alternative amounting to € 8.19 per Magnesita share (subject to certain adjustments according to SPA)</li> <li>• RHI may decide to combine the Offer with a delisting offer and/or a voluntary offer to exit Magnesita from the “Novo Mercado” listing segment</li> <li>• The Offer will follow applicable Brazilian laws and regulations.</li> </ul>
<b>Synergy Potential</b>	<ul style="list-style-type: none"> <li>• Expected minimum annual run-rate synergies on EBIT level of approx. € 36 million to be achieved by 2020</li> <li>• Higher synergies of up to approx. € 72 million in case the ownership in Magnesita will further increase as a result of the Offer</li> </ul>
<b>Financial Outlook</b>	<ul style="list-style-type: none"> <li>• Increased financial targets reflecting the impact of the combination with Magnesita</li> <li>• RHI expects the combined company to generate fully consolidated revenues of € 2.6 billion to € 2.8 billion (previously € 2.0 billion to € 2.2 billion) with an operating EBIT margin of more than 12% (previously more than 10%) by 2020 due to planned synergies</li> </ul>

# Magnesita Company Overview

*A leading player in the global refractory industry*

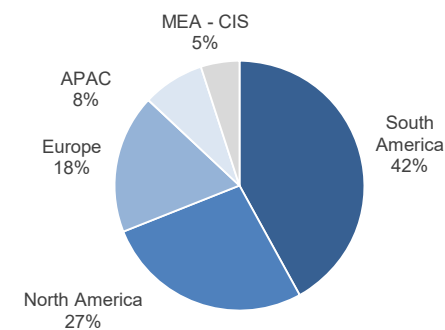
## Key Highlights

- 3rd largest refractory producer and no. 1 player in South America
  - > Strong in steel in South America
  - > Strong in cement in South America
- No. 1 in dolomite products in North America and Western Europe
- More than 1,000 customers in approx. 100 countries
- Production and mining operations in 8 countries
  - > Argentina, Belgium, Brazil, China, France, Germany, Taiwan and the United States
- Revenues of US\$ 1.0 billion and Adjusted EBITDA<sup>(1)</sup> of US\$ 145 million in 2015
- Headquartered in São Paulo, Brazil and listed on the BM&FBovespa stock exchange

## Fully Integrated Business Model



## Revenue by Region (2015A)



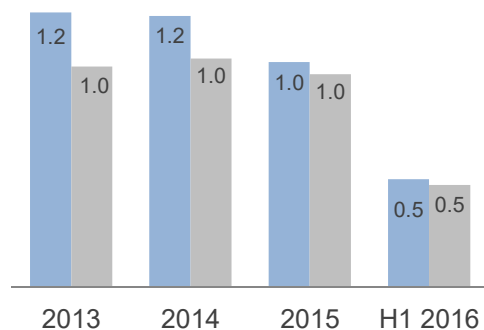
Source: Company information.  
 Note: (1) Magnesita reported Adjusted EBITDA.

# Magnesita Financial Overview

*Solid operating performance* (in US\$ million, except otherwise stated)

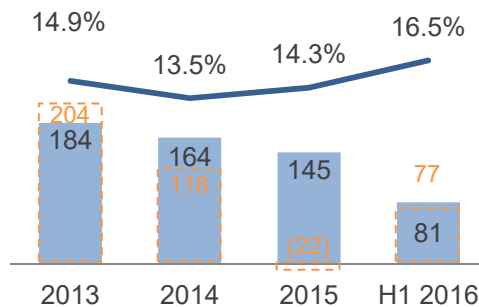
## Revenue and Refractory Volume

Revenue (in US\$ billion)    Volume (in million tons)

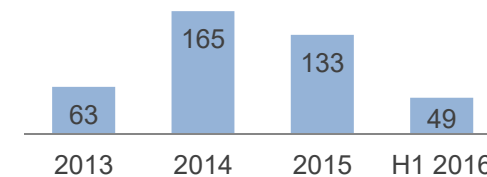


## Adj. EBITDA and Margin<sup>(1)</sup>

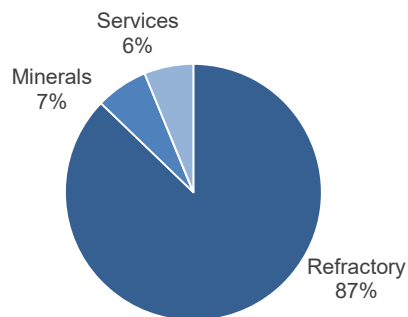
Adj. EBITDA    Reported EBITDA



## Operating Cash Flow<sup>(2)</sup>

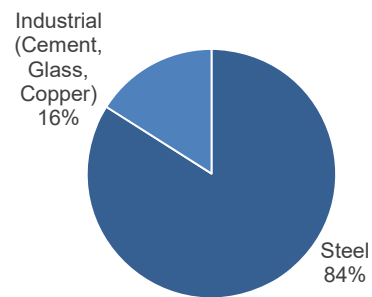


## Total Revenue by Segment<sup>(3)</sup>



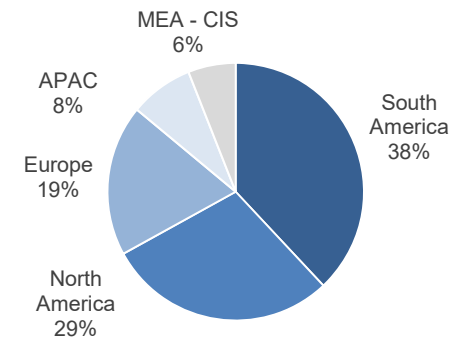
Total: US\$ 1.0 billion

## Refractory Revenue by Industry<sup>(3)</sup>



Total: US\$ 883 million

## Refractory Revenue by Geography<sup>(3)</sup>



Total: US\$ 883 million

Source: Company information.

Note: Magnesita figures converted at yearly average US\$/R\$ exchange rate 2013, 2014 and 2015 of 2.15, 2.36 and 3.34; H1 2016 as reported in US\$.

(1) Magnesita reported adjusted EBITDA. Excluding other income and expenses.

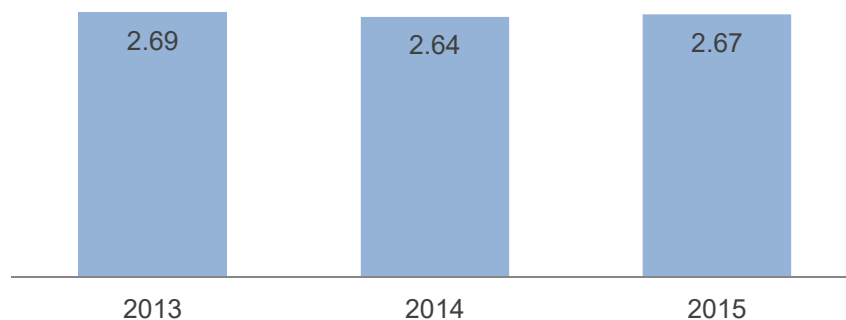
(2) Operating Cash Flow defined as Net Cash Flow from Operating Activities, converted at yearly average US\$/R\$ exchange rate 2013, 2014 and 2015 of 2.15, 2.36 and 3.34; H1 2016 as reported in US\$.

(3) As of 2015.

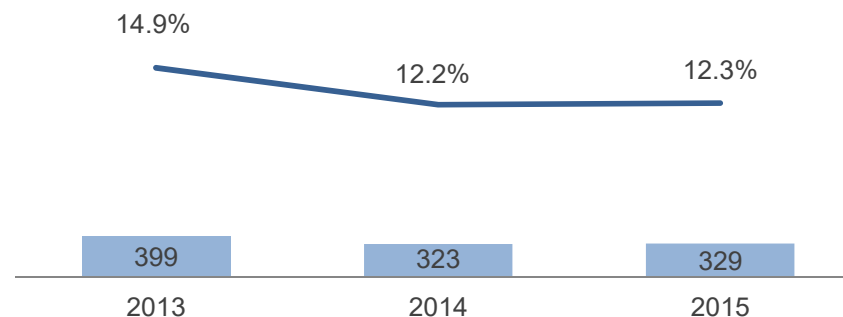
# Pro-Forma Financial Results

*Pro-forma for acquisition of 100% of Magnesita* (Revenue in € billion, Adj. EBITDA in € million)

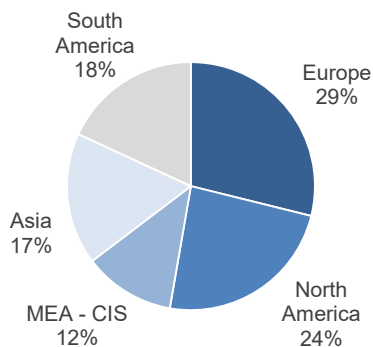
**Combined Revenue**



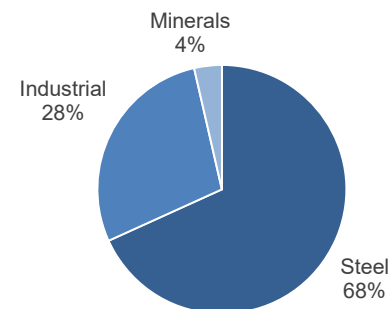
**Combined Adj. EBITDA and Margin<sup>(1)</sup>**



**Revenue by Region (2015)**



**Revenue by Segment (2015)<sup>(2)</sup>**



Source: Company information.





Note: (1) Magnesita reported adjusted EBITDA and RHI reported EBITDA 2015 adjusted for negative effects on earnings related to a necessary change in the measurement of a long-term energy supply contract.

(2) Magnesita Service business allocated proportionally with 78% to Steel and 22% to Industrial. RHI raw materials revenue only accounts for external revenue and is included in Minerals within the PF analysis.

Rates: Magnesita figures converted at yearly average €/R\$ exchange rate 2013, 2014 and 2015 of 2.85, 3.12 and 3.70.

# Strategic Rationale

*Combination with Magnesita building on RHI's strategy formulated for 2020*

RHI Strategic Objectives for 2020	Combination with Magnesita
<b>1</b> Selective business expansion with a focus on growth regions and attractive market niches	<ul style="list-style-type: none"> <li>Enhance the growth profile of the combined company due to improved regional presence and complementary asset portfolio with high-quality magnesite and high value-added dolomite products</li> </ul> 
<b>2</b> Differentiation through technology leadership and top-class service in strategic segments	<ul style="list-style-type: none"> <li>Advantages through a distinctive service offering with focus on client performance</li> </ul> 
<b>3</b> Alignment of the operating set-up to structural market changes	<ul style="list-style-type: none"> <li>Strengthen geographic clusters of the combined company by adding production facilities in several markets where RHI and Magnesita on their own are lacking capacity</li> </ul> 
<b>4</b> Raw material integration completed – focus on balancing in-house supply / external purchases	<ul style="list-style-type: none"> <li>Retain raw material integration level and enhance flexibility</li> </ul> 

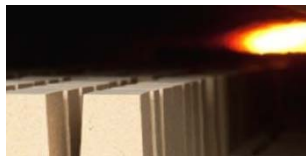
- The combination with Magnesita fully supports RHI's strategic objectives laid out for 2020
- The integration results in an improved financial outlook for the combined business

# Strategic Rationale (Cont'd)

*Tangible benefits as a result of the combination*

1

## Enhance Growth Profile



- Complementary asset portfolio based on high-quality magnesite and dolomite-based products
- Transaction to support regional growth in several markets, especially in South America, the United States and Asia
- Strengthening competitive position against consolidating Chinese refractory industry

2

## Distinct Service Offer



- High level functional support on the ground locally
- On-site functional support with centralized solutions
- High quality brands, appreciated by clients

3

## Strengthen RHI's Geographic Cluster



- Valuable assets to enhance the combined global footprint
- Economies of scale in important operational areas
- Increased proximity to customers

4

## Retain Raw Material Integration



- Global mining network to smooth out demand volatility and reduce capital requirements as well as logistic costs
- Magnesita with significant value of reserves, with leading mines in Brazil (Brumado) and the United States (York)

# Key Transaction Steps

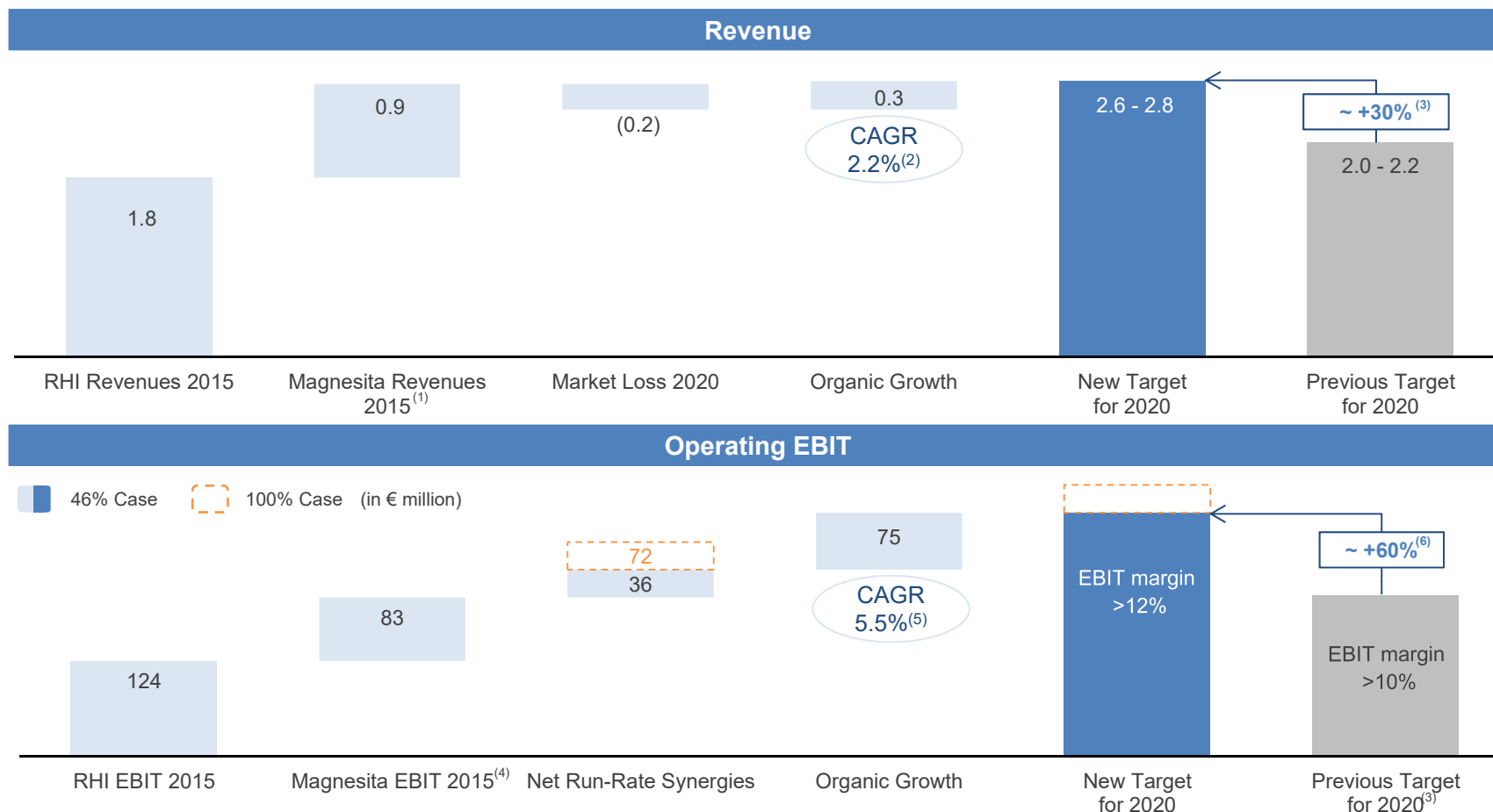
*Magnesita acquisition to be followed by a mandatory tender offer*





# Update on Strategy 2020

*Strongly improved outlook for the combined business* (Revenue in € billion, EBIT in € million)



Source: Company information.

Note: (1) Magnesita Revenues 2015 converted at yearly average €/US\$ exchange rate of 1.11.

(2) Implied CAGR based on 2015PF combined revenues including expected market loss in 2020 and new revenues target for 2020.

(3) Assuming a new revenue target of €2.7bn and a previous target of €2.1bn, i.e. mid-point comparison conducted.

(4) Magnesita EBIT 2015 equals reported adjusted EBITDA less Depreciation and Amortization – Figures converted at yearly average €/BRL exchange rate of 3.70.

(5) Implied CAGR based on 2015PF combined EBIT including €36 million net run-rate synergies and new EBIT target for 2020.

(6) Based on implied EBIT values and assuming a previous EBIT target margin of 10%. Mid-point comparison conducted.

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