

RHI AG

A World Leader in Refractories Technology



May 2012

www.rhi-ag.com EXCELLENCE
IN REFRACTORIES **RHI**

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Refractories – indispensable for basic industries


Refractory products

		
Bricks	Mixes	Linings

- Non-clay refractory products are used in all **high-temperature industrial processes** (>1,200°C) since they protect the production units/furnaces against **thermal** (and also **mechanical** and **chemical**) stress
- **Base materials** are Magnesite and Dolomite (melting point of fused magnesia above 2,800°C)

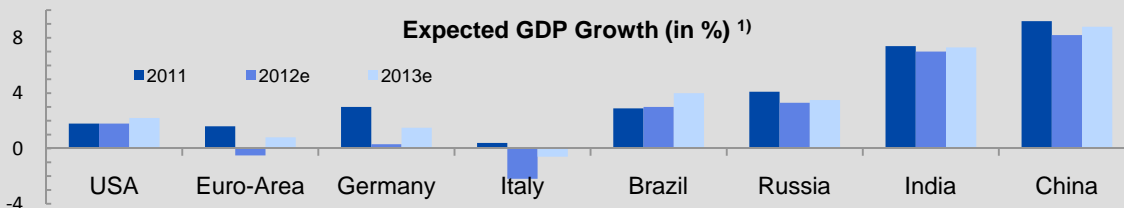
	
Magnesite	Dolomite

High temperature production processes

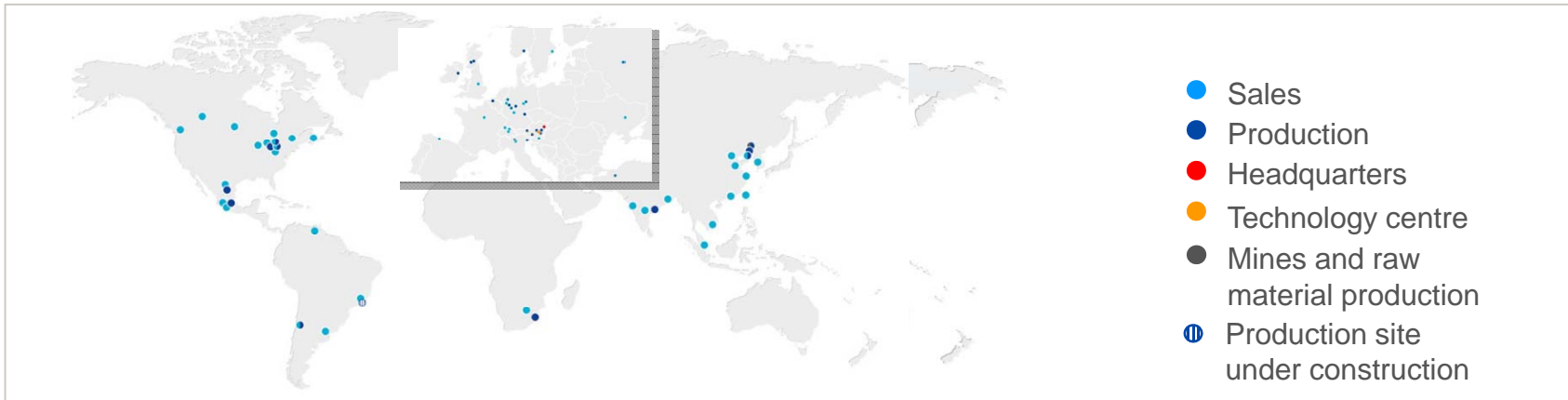
	Steel production
	Cement / lime production
	Glass production
	Nonferrous metals production

RHI is a vertically integrated global provider of high-grade refractory products, systems and services, which are indispensable for industrial high-temperature processes exceeding 1,200 °C

Key drivers of demand in selected end markets

	Steel	Cement / Lime	Glass	Non-Ferrous																																				
Cross Industry Drivers <ul style="list-style-type: none"> GDP growth Level of industrial production Level of government spending (recent infrastructure stimulus packages) <p>¹⁾ IMF, January 2012</p>	 <p>Expected GDP Growth (in %) ¹⁾</p> <table border="1"> <thead> <tr> <th>Region</th> <th>2011</th> <th>2012e</th> <th>2013e</th> </tr> </thead> <tbody> <tr> <td>USA</td> <td>~2.5</td> <td>~2.5</td> <td>~2.5</td> </tr> <tr> <td>Euro-Area</td> <td>~1.5</td> <td>~0.5</td> <td>~1.0</td> </tr> <tr> <td>Germany</td> <td>~3.0</td> <td>~0.5</td> <td>~1.5</td> </tr> <tr> <td>Italy</td> <td>~0.5</td> <td>~-1.5</td> <td>~-1.0</td> </tr> <tr> <td>Brazil</td> <td>~3.0</td> <td>~3.0</td> <td>~4.0</td> </tr> <tr> <td>Russia</td> <td>~4.0</td> <td>~3.0</td> <td>~3.5</td> </tr> <tr> <td>India</td> <td>~7.0</td> <td>~6.5</td> <td>~7.0</td> </tr> <tr> <td>China</td> <td>~8.0</td> <td>~7.5</td> <td>~8.0</td> </tr> </tbody> </table>				Region	2011	2012e	2013e	USA	~2.5	~2.5	~2.5	Euro-Area	~1.5	~0.5	~1.0	Germany	~3.0	~0.5	~1.5	Italy	~0.5	~-1.5	~-1.0	Brazil	~3.0	~3.0	~4.0	Russia	~4.0	~3.0	~3.5	India	~7.0	~6.5	~7.0	China	~8.0	~7.5	~8.0
Region	2011	2012e	2013e																																					
USA	~2.5	~2.5	~2.5																																					
Euro-Area	~1.5	~0.5	~1.0																																					
Germany	~3.0	~0.5	~1.5																																					
Italy	~0.5	~-1.5	~-1.0																																					
Brazil	~3.0	~3.0	~4.0																																					
Russia	~4.0	~3.0	~3.5																																					
India	~7.0	~6.5	~7.0																																					
China	~8.0	~7.5	~8.0																																					
Industry Drivers <ul style="list-style-type: none"> Influence of three major sectors: automotive, consumer durables, construction Level of industrial production especially in BRIC countries 	<ul style="list-style-type: none"> Level of residential, commercial and infrastructure construction activity Pollution regulations on production (e.g. China) 	Flat Glass <ul style="list-style-type: none"> Level of construction activity Legislation and regulations on safety, noise attenuation and energy conservation Growth in automotive sector Container Glass <ul style="list-style-type: none"> Level of disposable income and domestic consumption 	<ul style="list-style-type: none"> Level of industrial production Commodity price levels that encourage spending on capital expenditures to develop new mines 																																					
Emerging Market Drivers <ul style="list-style-type: none"> Catch-up process in emerging markets Foreign direct investment Growth in domestic consumption Growth in exports of steel based consumables 	<ul style="list-style-type: none"> Above average growth of domestic commercial and residential markets compared to developed markets 	Flat Glass <ul style="list-style-type: none"> Above average growth in residential / commercial markets Growth automobiles sector Container Glass <ul style="list-style-type: none"> Disposable income growth 	<ul style="list-style-type: none"> Foreign direct investment in mining sector Above average growth of domestic economy Infrastructure building 																																					
Impact on RHI	<p style="text-align: center;">Refractory demand to be driven by strong growth in emerging markets RHI to benefit from recovery in key end markets</p>																																							

Overview



Key facts

- Focus on production, sale and installation of high-grade refractory products
- Revenues of €1,759.0 million and EBIT of €150.9 million in 2011
- 33 productions sites and more than 70 sales offices with 8,000 employees
- Global partner for over 10,000 customers in more than 180 countries
- Technology leadership with close to market R&D facilities and tailor-made products

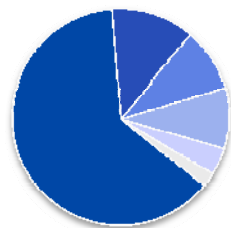
Selected key customers

Steel	Cement	Glass	Nonferrous

Market leader through global presence and comprehensive portfolio with broad customer base

Customer Industries

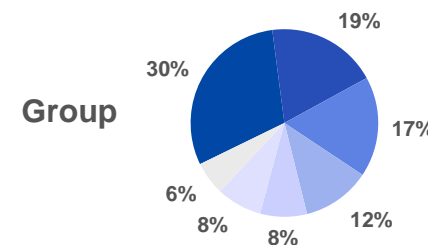
RHI Group – 2011 External Revenues



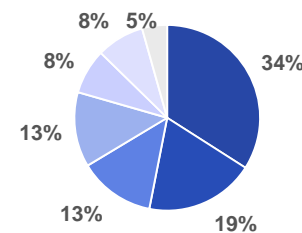
■ 63% Steel	Steel Division
■ 13% Cement/Lime	Industrial Division
■ 9% Nonferrous metals	
■ 9% Glass	
■ 4% Environment, Energy, Chemicals	Raw materials Division
■ 2% Raw materials	

Global Market Coverage

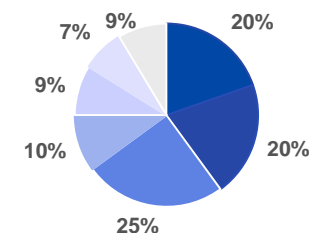
RHI – 2011 Revenues by region



Steel Division



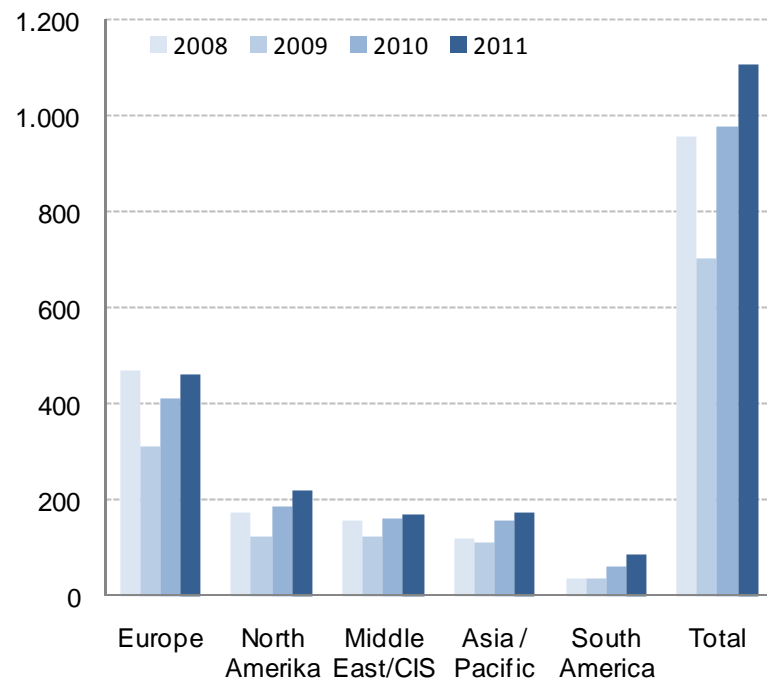
Industrial Division



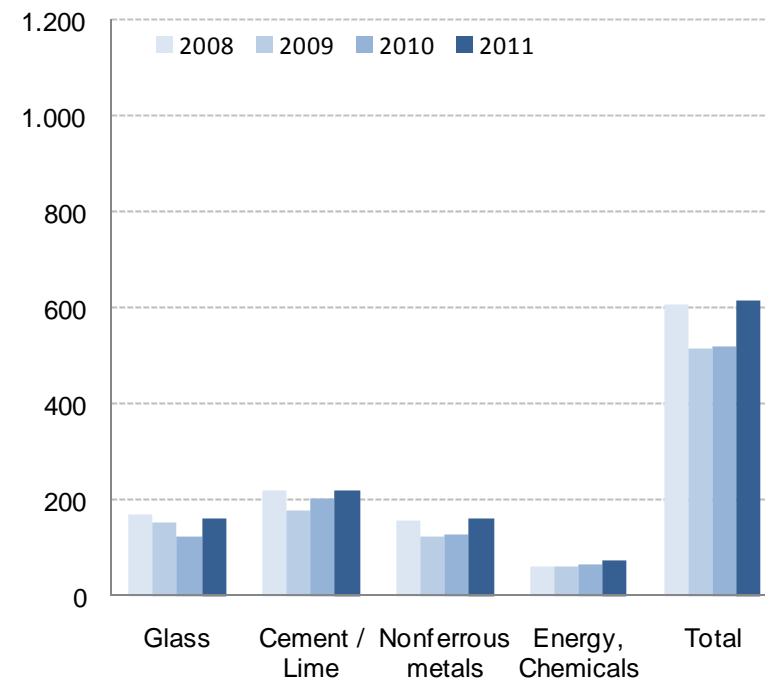
- Western Europe
- North America
- Asia/Pacific
- Eastern Europe
- Near/Middle East
- South America
- Africa

Development of revenues

Steel
in €million

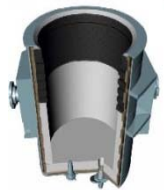


Industrial
in €million



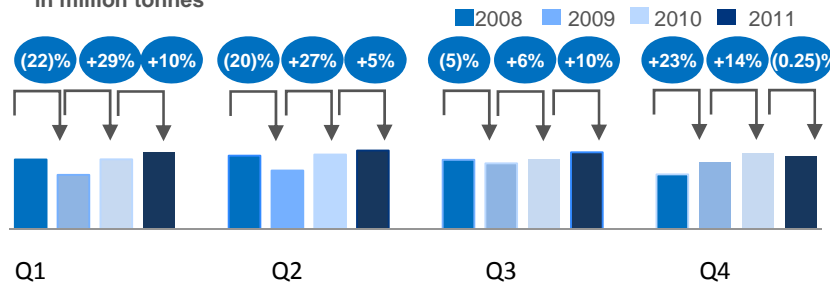
Steel Division – Comprehensive offering of products, services and solutions

Standardized / High-Volume Products



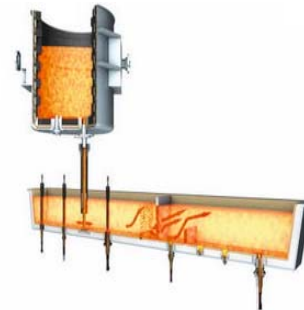
- Bricks and unshaped products for basic oxygen furnaces, electrical arc furnaces and steel casting ladles
- Regarded as consumable product due to comparably short replacement cycles (20 minutes to 2 months)

Development of world steel output¹⁾
in million tonnes



¹⁾ World Steel Association, January 2012

Complex Solutions and Services




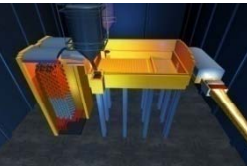
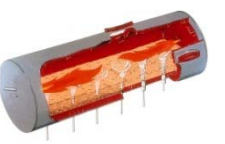

- Tailored products and solutions for customers in the steel industry
- Systems and solutions for complete refractory management (full line service)

Full Line Service

Refractories	Machinery & Equipment	Engineering & Design	Services & Logistics
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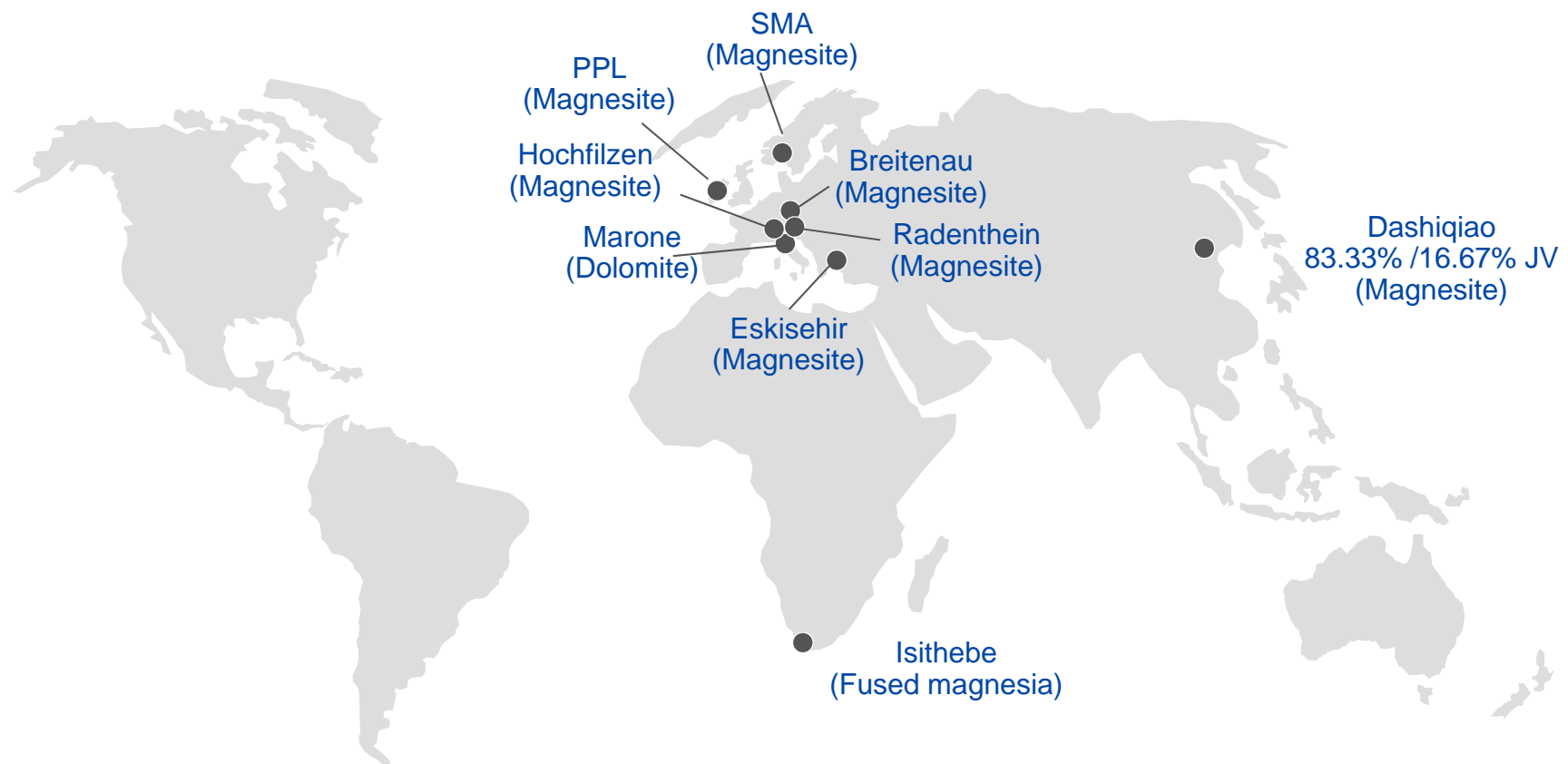
**Customer demand correlated to steel output due to consumable nature of refractory products in steel industry
RHI strengthening higher margin FLS and complex solutions businesses**

Industrial Division – Customized refractory products and solutions

Key industries	Exemplary applications	Replacement cycle	Customized solutions
Cement / Lime	Kilns 	<ul style="list-style-type: none"> Annually 	<ul style="list-style-type: none"> All-inclusive refractory solutions based on the specific requirements of various customers' industrial production processes including: <ul style="list-style-type: none"> Complete lining concepts Refractory engineering with state-of-the-art CAD systems Detailed project documentation including installation instructions Developments of specific, individual refractory solutions in cooperation with research centres Complete installation and lining supervision by experienced engineers
Glass	Glass furnace 	<ul style="list-style-type: none"> Up to 10 years 	
Non-ferrous Metals	Copper Converter 	<ul style="list-style-type: none"> 1 – 10 years 	
Energy / Environment / Chemicals	Secondary reformer 	<ul style="list-style-type: none"> 5 – 10 years 	

Typically longer replacement cycles and higher customization compared to products provided to steel industry
Wide areas of application, project driven demand cycles and perception as investment

Raw Material Division – Strategic mining and raw material production assets



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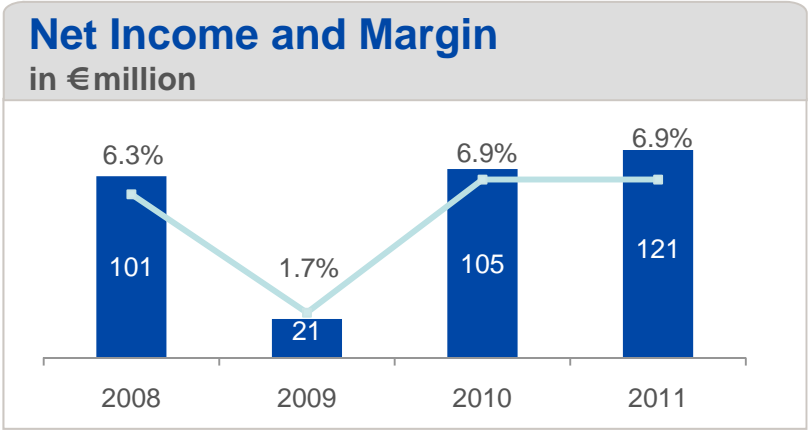
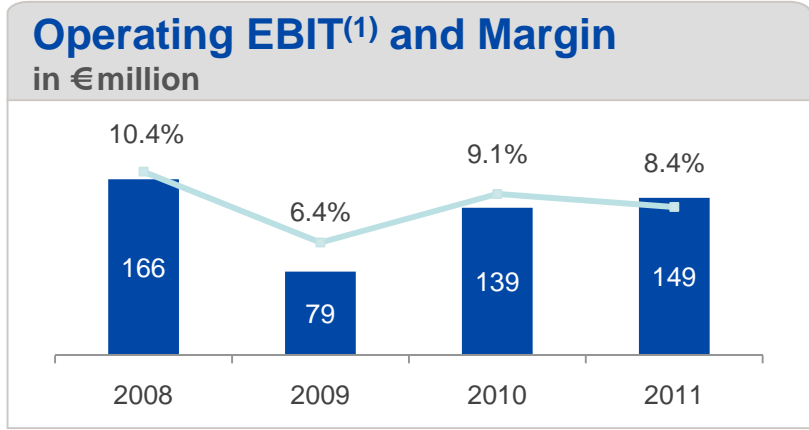
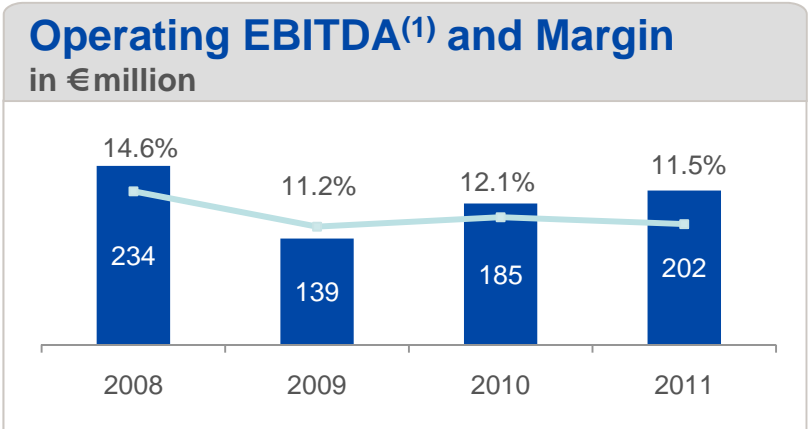
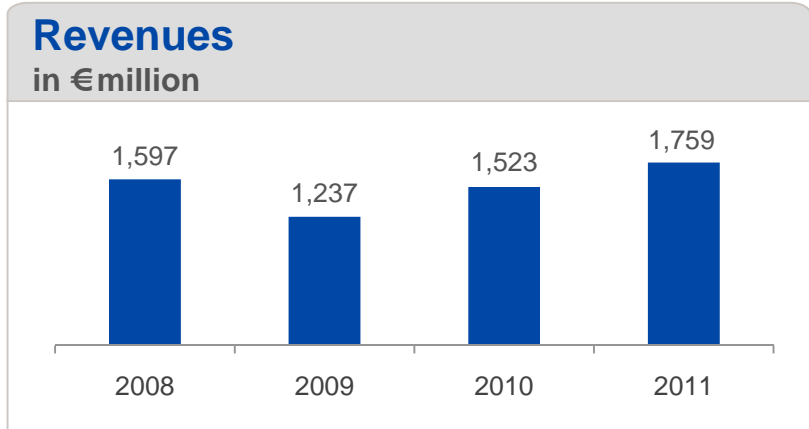
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(1) Operating EBITDA/EBIT is EBITDA/EBIT before impairment losses and restructuring costs

Revenue Summary

€ million	Q1/2012	Q1/2011	y/y change	Q4/2011	q/q change
Steel	279.1	262.7	6.2%	281.5	(0.9%)
Industrial	143.0	144.6	(1.1%)	181.1	(21.0%)
Raw Materials	60.2	50.6	19.0%	54.9	9.7%
external	14.8	6.5	127.7%	15.3	(3.3%)
internal	45.4	44.1	2.9%	39.6	14.6%
Group	436.9	413.8	5.6%	477.9	(8.6%)

Steel Production

- Q1 steel production 6.2% higher than Q4 (ex China 2.2%)
- Q1/12 to Q1/11 +1.1% (ex China -0.1%)
- EU down 4% to Q1 but 5% up compared to Q4

Raw Materials

- RHI raw material plants running at full capacity
- Projects in Norway and Turkey proceeding according to plan

Industrial

- Recovery of markets back to pre-crisis level; but highly diverse picture depending on region / segment
- Glass: investment backlog in Europe is removed; overcapacities in China in flat glass
- Cement: crisis in the construction industry in Eastern Europe has come to an end; slowdown in China
- Nonferrous metals: very good order income; stable price level of copper and nickel

Financials

€millions	Q1/2012	Q1/2011	Q4/2011
Net Sales	436.9	413.8	477.9
Gross Margin	93.3	85.7	91.5
Gross Margin %	21.4%	20.7%	19.2%
Engineering, Selling, G & A	(60.2)	(52.4)	(60.2)
Other Income / Expenses	0.5	(4.1)	8.9
Operating EBIT	33.6	29.2	40.2
Operating EBIT %	7.7%	7.1%	8.4%
Restructuring costs	0.0	0.0	2.3
EBIT	33.6	29.2	42.5
EBIT %	7.7%	7.1%	8.9%
Financial result & associates	1.8	(5.5)	(5.9)
Taxes	(3.4)	(5.4)	(5.8)
Taxes %	9.6%	22.8%	15.8%
Net Income*	32.0	18.3	30.8
EPS pre restructuring	0.80	0.46	0.72
EPS	0.80	0.46	0.77

* excl. minorities

Margins

€ million	Q1/2012	Q1/2011	y/y change	Q4/2011	q/q change
Steel					
Sales	279.1	262.7	6.2%	281.5	(0.9%)
Operating EBIT	12.8	6.1	109.8%	23.0	(44.3%)
Margin	4.6%	2.3%	2.3pp	8.2%	(3.6pp)
Industrial					
Sales	143.0	144.6	(1.1%)	181.1	(21.0%)
Operating EBIT	13.1	15.8	(17.1%)	20.6	(36.4%)
Margin	9.2%	10.9%	(1.7pp)	11.4%	(2.2pp)
Raw Materials					
Sales	14.8	6.5	127.7%	15.3	(3.3%)
Operating EBIT	7.7	7.3	5.5%	(3.4)	(326.5%)
Margin*	12.8%	14.4%	(1.6pp)	(6.2%)	19.0pp
Group					
Sales	436.9	413.8	5.6%	477.9	(8.6%)
Operating EBIT	33.6	29.2	15.1%	40.2	(16.4%)
Margin	7.7%	7.1%	0.6pp	8.4%	(0.7pp)

* Margin on the basis of total internal and external revenues

Cash Flow & Working Capital

€million	Q1/2012	Q1/2011	Q4/2011
Inventory	457.5	417.8	426.5
Days on Hand	148	140	135
Account Receivables	228.2	219.2	256.9
Days Outstanding	43	45	45
Account Payables	(213.8)	(173.1)	(209.6)
Days Outstanding	74	72	68
Total Working Capital	471.9	463.9	473.8
Profit after income taxes continuing ops	32.0	18.3	30.8
Adjustments incl. provisions	8.9	21.5	10.1
Change in assets and liabilities	14.5	(9.2)	15.9
Income taxes paid	(10.4)	(3.8)	(7.4)
Net Cash flow from operating activities	45.0	26.8	49.4
Cash Flow from investing activities	(41.9)	(2.8)	(46.3)
Free Cash Flow	3.1	24.0	3.1
Cash Flow from financing activities	6.5	5.5	64.9
Total Cash Flow	9.6	29.5	68.0
Net Debt	363.1	318.3	361.5
Gearing Ratio*	78.4%	97.5%	82.4%
Equity	463.3	326.6	438.9
Equity Ratio	26.7%	22.5%	26.0%

* excl. pension liabilities

CF DRIVERS

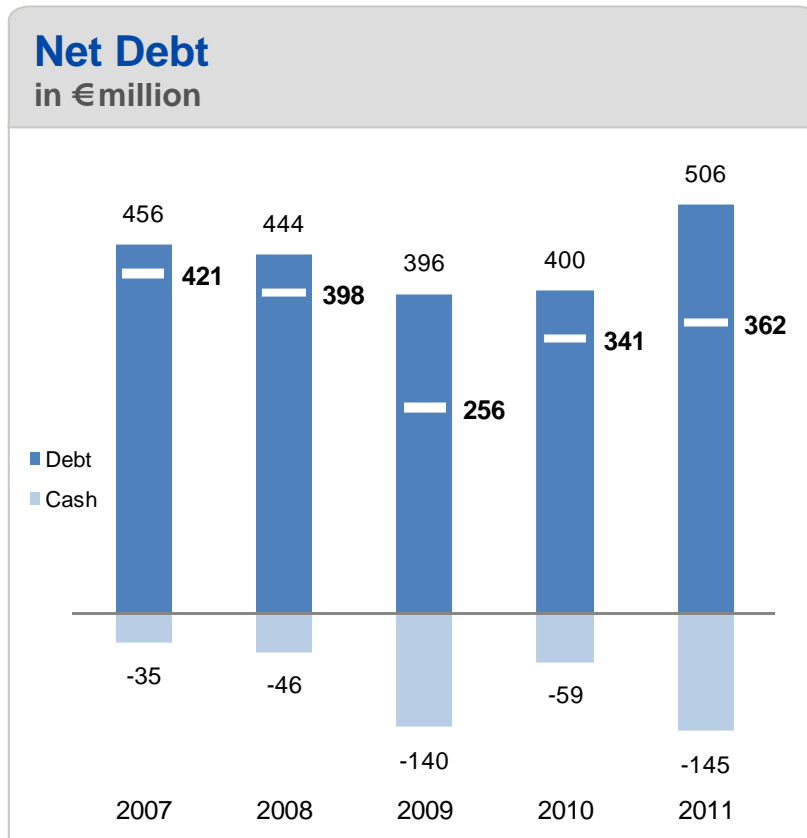
WORKING CAPITAL

- Overall flat working capital development
- Increase in inventories (due to project business) offset by lower receivables

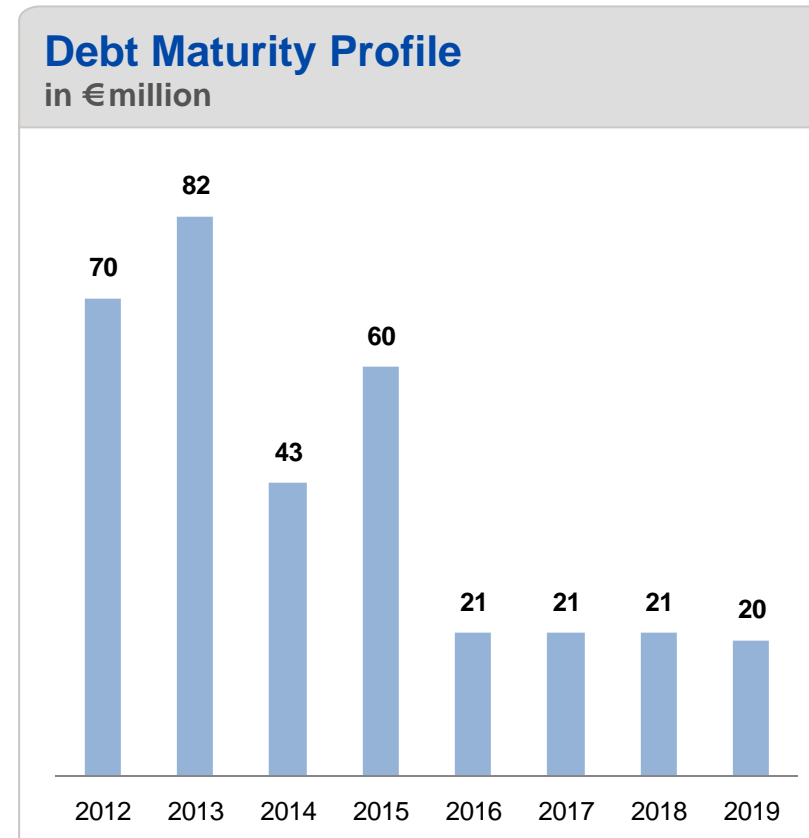
NET DEBT and EQUITY

- Despite acquisition of Stopinc and high CAPEX (Norway & China), net debt rose only slightly
- Equity up € 24 million driven by net income; reduction of fair value reserves due to acquisition of Stopinc

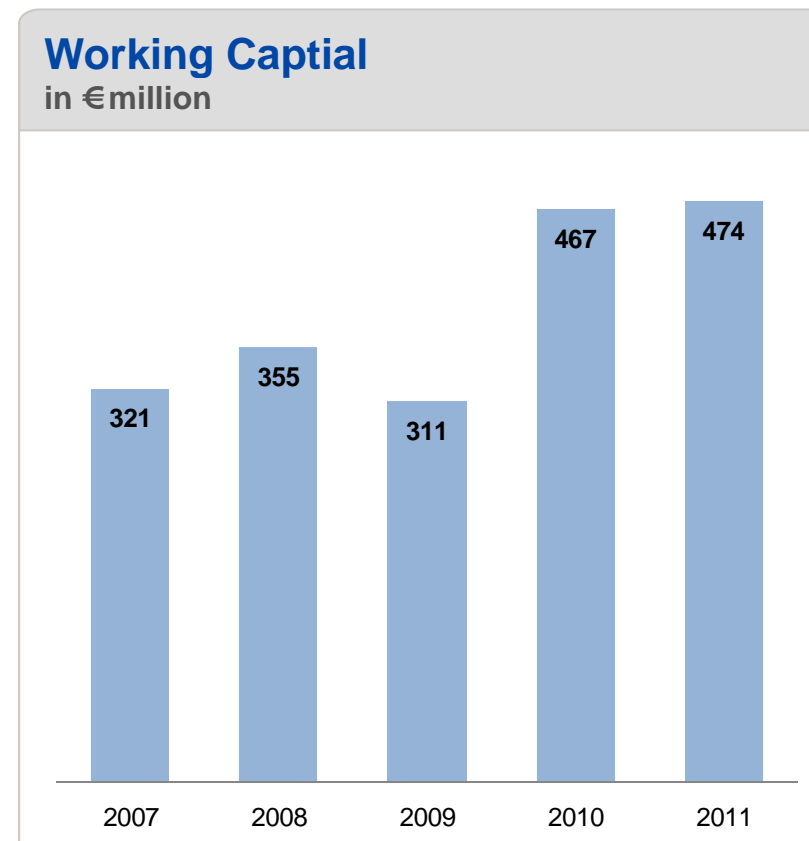
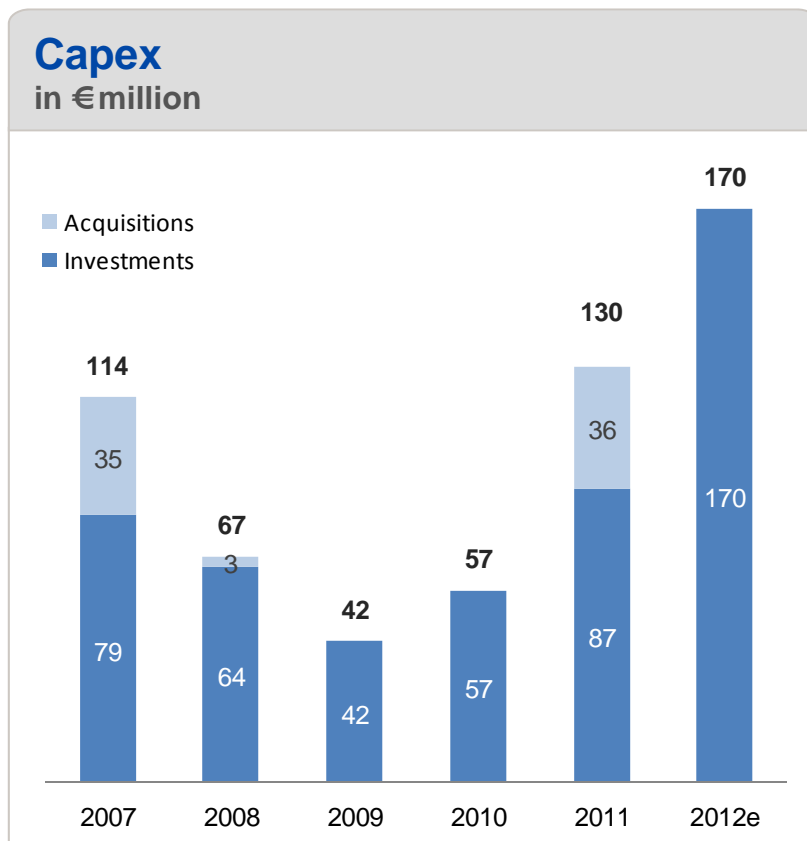
Development and maturity profile of Net Debt



Debt figures 2008 and 2009 adjusted due to new accounting principles for minorities



Historic development of cash flow relevant items



Outlook

Q2/2012

- Steel revenues flat to Q1
- Industrial revenues significantly higher than Q1
- Operating EBIT margin higher than Q1
- Restructuring expenses due to partial shutdown of an European plant

Full year 2012

- Revenues slightly higher than 2011
- Operating EBIT margin higher than 2011 due to price increases, cost initiatives and positive contribution of the higher level of backward integration

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Strategy

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3 pillar strategy of RHI

Expansion of activities in important growth markets

- Setup of production facilities in emerging markets
- Capacity expansion in China for Industrial business
- Establish a fully integrated presence in Eastern Europe and Latin America

Further enhancement of vertical integration into Raw Materials

- Further vertical integration via opportunistic acquisitions and JVs
- Expansion of existing raw material plants
- Usage of seawater technology

Operational excellence

- Further adaption of production footprint (closure of smaller plants)
- Shift production capacities closer to our customers
- Improvement of cost structure (SG&A, conversion costs)

Execution steps of 3 pillar strategy

Expansion of activities in important growth markets

Implementation

- Plant Rio, Brazil
- 4th tunnel kiln Dalian, China
- ZAO Podolsk, Russia

Evaluation

- India (acquisition)
- Russia (joint venture)

Further enhancement of vertical integration into Raw Materials

Implementation

- Acquisition PPL (Ireland)
- Acquisition SMA (Norway) incl. investment in melting plant
- Expansion of mining capacity in Turkey

Evaluation

- Serbia (mining right including investment in plant facilities)

Operational excellence

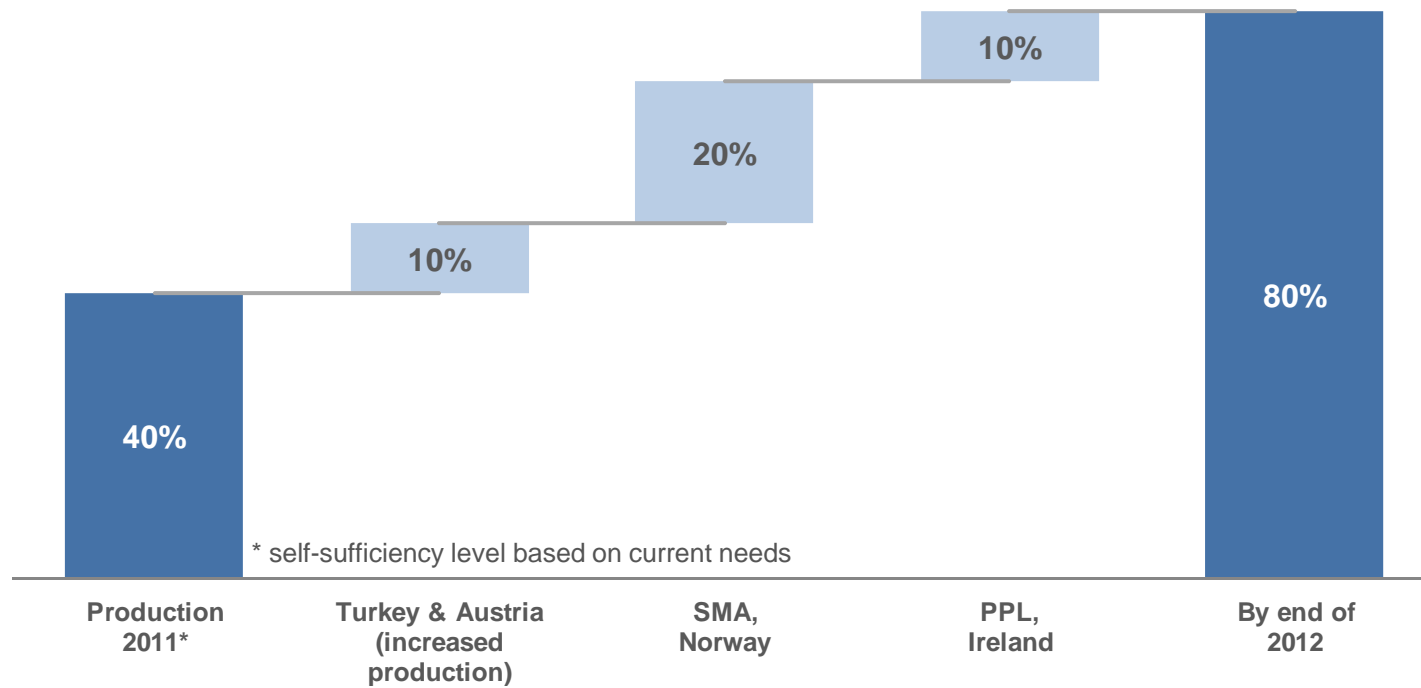
Implementation

- Plant closures in France and Canada
- Centralized organizational structure
- SG&A and processing cost improvement program

Evaluation

- US plant (brownfield)
- Sale of a plant in EMEA
- Restructuring of capacities in EMEA

Raw Materials strategy DBM/FM – closing the gap



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The RHI share

Shareholder Structure



Corporate calendar Information on RHI share

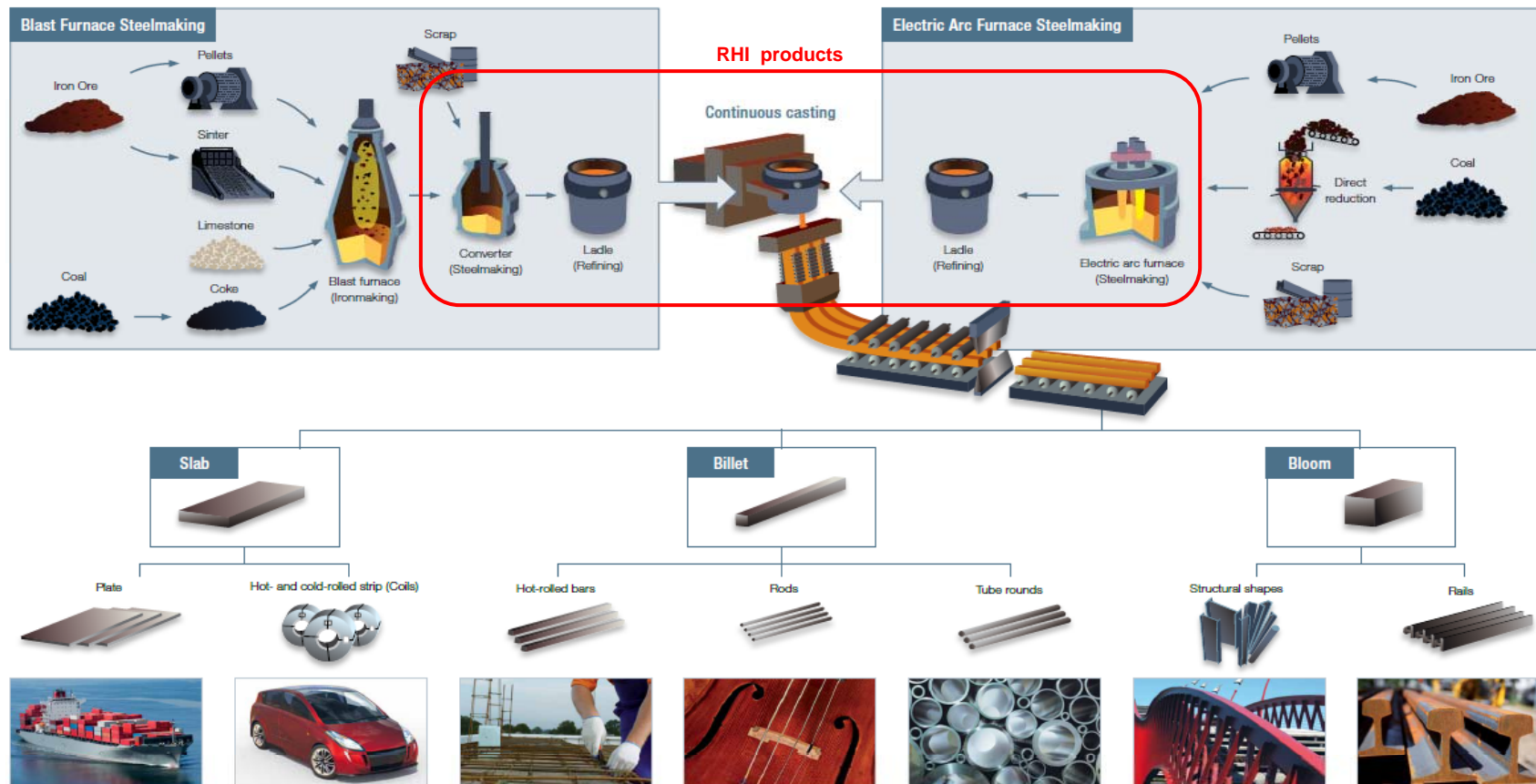
Results for the 1 st Half-year 2012	August 7, 2012
Results for the 3 rd Quarter 2012	November 6, 2012

Number of shares issued:	39,819,039
ISIN:	AT0000676903

RHI share performance



Illustrative steel production process

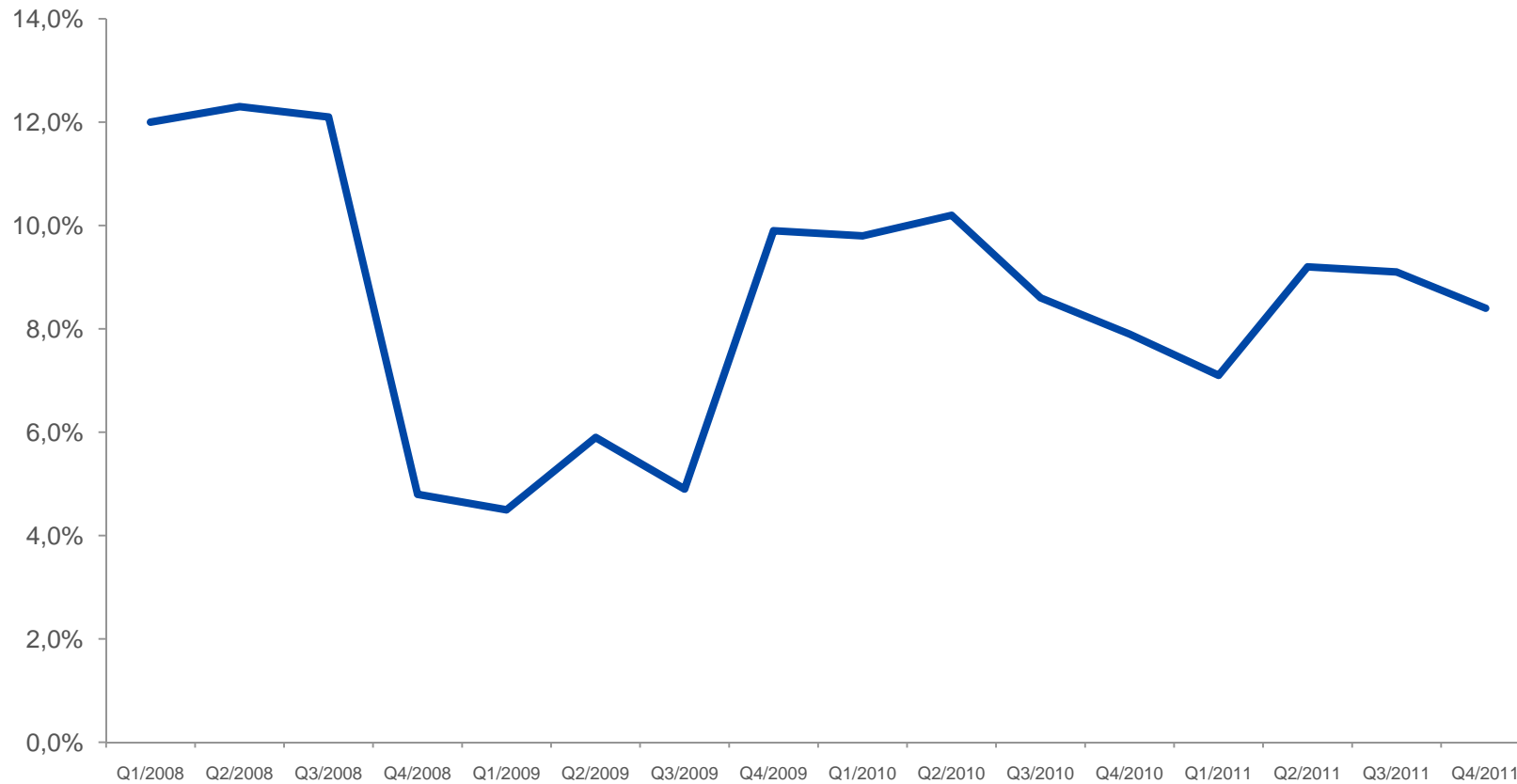


Financial summary

€ millions	2011	2010
Net Sales	1,758.6	1,522.9
Gross margin	363.6	334.9
Gross margin %	20.7%	22.0%
Engineering, Selling , G & A	(219.9)	(204.7)
Other Income/Expenses	4.9	8.6
Operating EBIT	148.6	138.8
Margin	8.4%	9.1%
Restructuring costs	2.3	(12.8)
EBIT	150.9	126.0
Margin	8.6%	8.3%
Other & Interest	(25.4)	(21.4)
Taxes	(4.7)	0.0
Tax rate	3.7%	0.0%
Net Income **)	120.8	104.6
EPS pre restructuring	2.98	2.95
EPS	3.03	2.63

**) excl. minorities

Development of operating EBIT Margin



Cash Flow & Working Capital

in € Mio	2011	2010
Inventory	426.5	432.6
Days on Hand	158	170
Account Receivables	256.9	221.3
Days Outstanding	55	49
Account Payables	-209.6	-186.6
Days Outstanding	74	68
Total Working Capital	473.8	467.4
Profit after income taxes continuing ops	120.8	104.6
Adjustments incl. provisions	55.9	46.4
Change in assets and liabilities	-26.3	-148.2
Income taxes paid	-26.0	-15.1
Net Cash flow from operating activities	124.4	-12.3
Cash Flow from investing activities	-105.5	-54.3
Free Cash Flow	18.9	-66.6
Cash Flow from discontinued operations	-0.2	0.0
Cash Flow from financing activities	67.3	-18.3
Total Cash Flow	86.0	-84.9
Beginning cash balance	58.8	139.8
Change in cash and cash equivalents	86.0	-84.9
Change due to currency translation	-0.3	3.9
Ending cash balance	144.5	58.8
Net Debt	361.5	341.0
Equity	438.3	320.4
Equity Ratio	26.0%	22.2%

CF DRIVERS

WORKING CAPITAL

- Slight inventory reduction
- Working capital ratio back to 27%
- Increase in accounts receivable in line with revenue growth

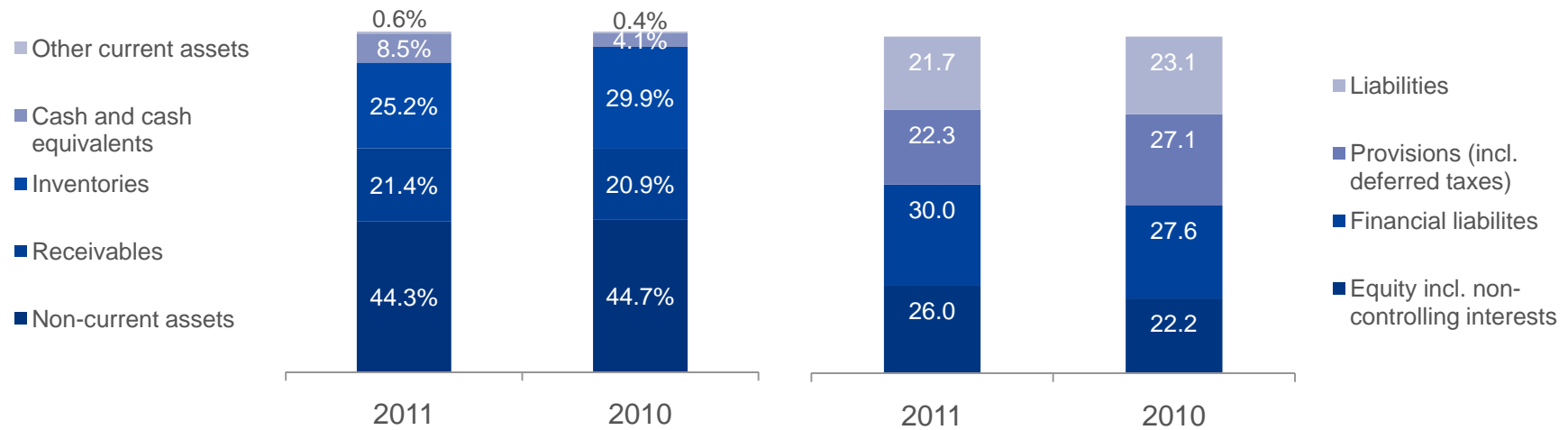
EQUITY

- Increase driven by net income

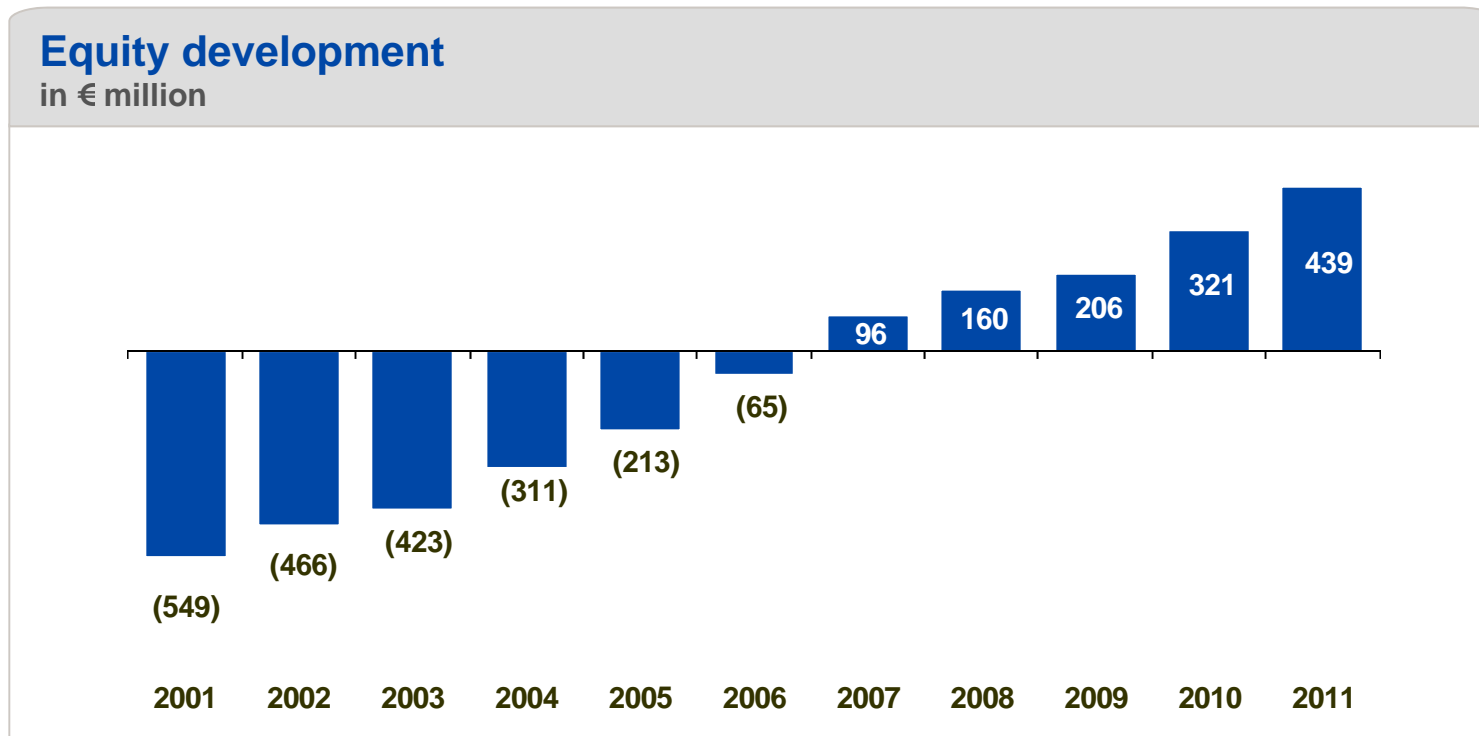
NET DEBT

- Increase mainly because of raw material projects

Balance Sheet Structure



Equity development





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