RHI Magnesita N.V.

(a public company with limited liability (naamloze vennootschap) incorporated under the laws of the Netherlands, with its corporate seat (statutaire zetel) in Arnhem, the Netherlands)

Admission to listing and trading of all of the ordinary shares, in the form of dematerialised depositary interests, on the Vienna Stock Exchange

This prospectus (the "**Prospectus**") is prepared for the admission to listing and trading of all of the ordinary shares, with a nominal value of EUR 1 each ("**Ordinary Shares**"), in the capital of RHI Magnesita N.V. (the "**Issuer**" or "**RHI Magnesita**") on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange (Standard Market segment) (the "**Vienna Stock Exchange**"), which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU, as amended ("**Admission**").

As at the date of this Prospectus all Ordinary Shares are (i) listed on the premium listing segment of the Official List of the UK Financial Conduct Authority (the "**FCA**") ("**Premium Listing**") and (ii) admitted to trading on the London Stock Exchange plc's main market for listed securities (the "**LSE**"). Upon effectiveness of Admission, the Ordinary Shares will be listed and traded on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange (Standard Market segment) and will continue to be listed on the Premium Listing and admitted to trading on the LSE. Application for Admission will be made to the Vienna Stock Exchange and it is expected that Admission will become effective and that continuous trading in the Ordinary Shares, in the form of dematerialised depositary interests representing entitlements to Ordinary Shares, will commence on the Vienna Stock Exchange around 9:00 a.m. (Central European Time) on 29 March 2019.

Investing in the Ordinary Shares involves certain risks. Prospective investors should carefully read this entire Prospectus and, in particular, the section headed "*Risk Factors*", beginning on page 20 when considering an investment in Ordinary Shares.

This Prospectus constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and the Council of the European Union and the amendments thereto (including those resulting from Directive 2010/73/EU) (the "**Prospectus Directive**") and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder (the "**Dutch Financial Supervision Act**"). This Prospectus has been approved by and filed with the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "**AFM**"). The Issuer has requested the AFM to notify its approval in accordance with Article 18 of the Prospectus Directive to the competent authority in Austria, the *Finanzmarktaufsich*t ("**FMA**"), with a certificate of approval attesting that this Prospectus has been prepared in accordance with the Prospectus Directive.

This Prospectus may not be used for and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities. Distribution of this Prospectus may, in certain jurisdictions, be subject to specific regulations. Persons in possession of this Prospectus are urged to inform themselves of any such restrictions which may apply in their jurisdiction and to observe them. Any failure to comply with these regulations or restrictions may constitute a violation of the securities laws of that jurisdiction. The Issuer disclaims all responsibility for any violation of such regulations or restrictions by any person.

The date of this Prospectus is 27 March 2019

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and the Issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and warnings		
A.1	Introduction and warnings	This summary should be read as an introduction to the prospectus (the "**Prospectus**") relating to the admission of ordinary shares, with a nominal value of EUR 1 each ("**Ordinary Shares**"), in the share capital of RHI Magnesita N.V. (the "**Issuer**" or "**RHI Magnesita**" and, together with its consolidated subsidiaries, the "**Group**") to listing and trading on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange (Standard Market segment) (the "**Vienna Stock Exchange**"), which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU, as amended ("**Admission**"). Any decision by a prospective investor to invest in the Ordinary Shares should be based on a consideration of the Prospectus as a whole. Investors should therefore read the entire Prospectus and not rely solely on this summary. Where a claim relating to the information contained in the Prospectus is brought before a court in a member state of the European Economic Area ("**EEA**"), the plaintiff may, under the national legislation of the EEA Member State in which the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Resale or final placement of Shares by financial intermediaries	Not applicable. No consent has been given for the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.
Section B – Issuer		
B.1	Legal and commercial name	RHI Magnesita N.V.

B.2	Domicile and legal form	The Issuer was incorporated on 20 June 2017 as a public company with limited liability (*naamloze vennootschap*) under the laws of the Netherlands. The Issuer has its corporate seat in Arnhem, the Netherlands.
B.3	Current operations and principal activities of the Group and the principal markets in which it operates	RHI Magnesita is a global manufacturer of high-grade refractory products, systems and services headquartered in Vienna, Austria. Refractory products are indispensable to modern industrial high-temperature processes, enabling manufacturing equipment and fixtures such as steel ladles, cement rotary kilns, copper converters and glass furnaces to withstand extreme thermal, mechanical and chemical stress. RHI Magnesita serves more than 10,000 customers in the steel, cement, non-ferrous metals, glass, energy, environment and chemical industries in nearly all countries of the world. The Group produces more than 3 million tons of refractory products per year at its 35 main production sites across Europe, Asia and America. A vertically integrated refractories manufacturer with its own raw materials production, it also sources the majority of its magnesite requirements from its own mines and raw material production facilities in four continents. In the year ended 31 December 2018, RHI Magnesita generated total revenue of EUR 3,081.4 million, EBIT of EUR 398.6 million and profit after income tax of EUR 187.1 million. The RHI Group's business activities are organised in two operating divisions: The **Steel Division**, which provides customers with a broad range of refractories products and solutions for steel production, including refractories, machinery, flow controls systems and full line service solutions; and The **Industrial Division**, which provides refractory services and solutions to customers in the cement and line, non-ferrous metals and other process industries. In the year ended 31 December 2018, the Steel and Industrial divisions accounted for 71.5 per cent and 28.5 per cent of the Group's total revenue. The Group's principal geographic regions, North America, Europe, Asia-Pacific, South America and Middle East/Africa & CIS, accounted for 22.2 per cent, 28.6 per cent, 19.7 per cent, 15.3 per cent and 14.2 per cent, respectively, of its revenue in the same year. RHI Magnesita attaches great importance to innovation and believes that its long-standing commitment to research and development have made it one of the global technology leaders in the refractories industry. In the year ended 31 December

		2018, the Group invested more than EUR 32.6 million in R&D and considers it critical to maintaining a competitive edge. The Group employed more than 14,000 employees in 40 countries as of 31 December 2018.
B.4a	Significant recent trends	The Group's results of operations and financial condition are affected by a number of factors. The Group believes that the following key factors have affected its results of operations and financial condition and are likely to continue to have a significant influence on its results of operations and financial condition: • the macroeconomic environment and conditions in the markets in which the Group and its customers operate; • global steel output and developments in the cement/lime, non-ferrous metals and other process industries; • an aggressive export strategy by Chinese steel producers; • the enforcement of Chinese environmental laws resulting in the closure of numerous Chinese raw materials production plants, including in the refractories industry; • fluctuations in exchange rates and raw materials and prices; • production capacity and investments; and • the impact of synergies and one-off costs related to the Group's acquisition of Magnesita (as defined in B.5 below) in 2017.
B.5	Description of the Group and position of the Issuer within the Group	The Issuer is the parent company of a group of operating companies and has no material direct business operations. The principal assets of the Issuer are the equity interests it directly or indirectly holds in its operating subsidiaries. The Issuer was incorporated on 20 June 2017 and became the ultimate parent of the Group as of 26 October 2017, after completing a cross-border merger (as acquiring company) with RHI AG (as disappearing company). Until then, RHI AG was the ultimate parent of the Group. Effective 26 October 2017, the Issuer also acquired control of Magnesita Refratários S.A. ("**Magnesita**", and together with its consolidated subsidiaries, the "**Magnesita Group**") via an indirect wholly-owned subsidiary, after acquiring 50 per cent plus one share and corresponding voting rights in Magnesita ("**Acquisition of Control**"). In November 2018, the Issuer made an integrated tender offer to the minority shareholders of Magnesita. Pursuant to this offer, the Issuer holds 97.5 per cent of the total share capital of Magnesita at the date of the Prospectus. References to the "**Group**" which relate to matters occurring prior to the effective date of the Acquisition of Control are to RHI AG and its consolidated subsidiaries (also referred to as

		the "**RHI Group**"), and references to the "Group" which relate to matters occurring after the effective date of the Acquisition of Control relate to the Issuer and its consolidated subsidiaries, including Magnesita.
B.6	Relationship with major shareholders	The public register of the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "**AFM**") identifies the following investors holding a substantial interest of 3 per cent or more in the Issuer's share capital and/or voting rights on 22 March 2019:

Shareholder	**Number of Ordinary Shares**	**Percentage of voting rights**(1)
MSP Stiftung(2)	14,076,021	28.45%
GP Investments IV Ltd.(3)	4,258,905	8.61%
E. Prinzessin zu Sayn-Wittgenstein-Berleburg(4)	2,088,461	8.44%
K.A. Winterstein(5)	2,088,461	0%
W. Winterstein(6)	1,590,000	3.21%

Notes:

(1) Percentages calculated on the basis of the number of shares obtained from the AFM register on 22 March 2019 or the Issuer (as indicated below).

(2) Information obtained from the Issuer. Held directly by MSP Stiftung and through a subsidiary. MSP Stiftung is a foundation under Liechtenstein law, whose founder is Mag. Martin Schlaff.

(3) Information obtained from the Issuer. Held through GP Capital Partners IV, L.P., Grafita Holdings, Inc and Alumina II Holdings S.À.R.L..

(4) The interest is held through Chestnut Beteiligungsgesellschaft mbH ("**Chestnut**"). Ms. Sayn-Wittgenstein made an agreement with Mr. Winterstein which allows Chestnut to exercise the voting rights of Silver Beteiligungsgesellschaft mbH ("**Silver**") in the Issuer. Ms. Sayn-Wittgenstein and Mr. Winterstein share a family relationship.

(5) The interest is held through Silver. Ms. Sayn-Wittgenstein made an agreement with Mr. Winterstein which allows Chestnut to exercise the voting rights of Silver in the Issuer. Ms. Sayn-Wittgenstein and Mr. Winterstein share a family relationship.

(6) Held directly and through FEWI Beteiligungsgesellschaft mbH.

B.7	Selected historical key financial information	The selected financial information set out below has been taken or derived from the audited consolidated financial statements of the Group as of and for the year ended 31 December 2016 (the "**2016 Financial Statements**"), the audited consolidated financial statements of the Group as of the year ended 31 December 2017 (the "**2017 Financial Statements**") and the audited consolidated financial statements as of and for the year ended 31 December 2018 (the "**2018 Financial Statements**"), in each case prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and incorporated by reference into the Prospectus. The 2018 Financial Statements and the 2017 Financial Statements were audited by PricewaterhouseCoopers Accountants N.V. The 2016 Financial Statements were audited by PwC Wirtschaftsprüfung GmbH. The financial information in the tables below are taken from (1) the 2016 Financial Statements, which reflect the consolidated statements of financial position, profit or loss and cash flows of the legacy RHI Group; (2) the comparative

figures as of and for the year ended 31 December 2017 included in the 2018 Financial Statements, which include the contribution of the legacy Magnesita Group from 26 October 2017 and which differ from the 2017 Financial Statements as a result of adjustments to reflect a) with respect to the statements of profit or loss and financial position, the finalisation of the purchase price allocation exercise relating to the Acquisition of Control and b) the change in presentation of certain items in the Group's consolidated statements of profit or loss and cash flows for the year ended 31 December 2017; and 3) the 2018 Financial Statements, representing the consolidated statements of financial position, profit or loss and cash flows of the Group including the contribution of Magnesita for the full year. As a result, the comparability of the financial information in the tables below is limited.

Consolidated Statement of Profit or Loss Data

	Year ended 31 December		
	2018	**2017[(1)]**	**2016**
	(in EUR million, except as otherwise noted)		
Revenue	3,081.4	1,950.1	1,651.2
Cost of sales	(2,344.5)	(1,543.4)	(1,294.8)
Gross profit	**736.9**	**406.7**	**356.4**
Selling and marketing expenses	(128.9)	(101.2)	(105.2)
General and administrative expenses	(208.4)	(143.1)	(134.5)
Other income	43.9	10.4	102.7
Other expenses	(44.9)	(107.3)	(103.3)
EBIT	**398.6**	**65.5**	**116.1**
Interest income	9.7	5.6	4.1
Interest expenses on borrowings	(48.5)	(23.6)	(17.5)
Net expense on foreign exchange and related derivatives	(81.3)	(50.8)	—
Other net financial expenses	(42.6)	(13.6)	(7.8)
Net finance cost	**(162.7)**	**(82.4)**	**(21.2)**
Share of profit of joint ventures and associates	10.1	11.0	10.9
Profit/(Loss) before income tax	**246.0**	**(5.9)**	**105.8**
Income tax	(58.9)	(4.9)	(29.9)
Profit/(Loss) after income tax	**187.1**	**(10.8)**	**75.9**

Note:

(1) Adjusted to reflect the effects of the final purchase price allocation of Magnesita and changes in presentation.

Selected Consolidated Statement of Financial Position Data

	31 December		
	2018	**2017[1]**	**2016**
	(in EUR million, except as otherwise noted)		
Non-current assets	**1,791.8**	**1,845.7**	**832.6**
Current assets	**1,747.2**	**1,667.1**	**959.6**
Total assets	**3,539.0**	**3,512.8**	**1,792.2**
Equity	**885.3**	**845.7**	**524.0**
Non-current liabilities	**1,475.0**	**1,619.9**	**736.4**
Current liabilities	**1,178.7**	**1,047.2**	**531.8**
Total equity and liabilities	**3,539.0**	**3,512.8**	**1,792.2**

Note:

(1) Adjusted to reflect the effects of the final purchase price allocation of Magnesita.

Selected Consolidated Cash Flow Data

	Year ended 31 December		
	2018	**2017[1]**	**2016**
	(in EUR million, except as otherwise noted)		
Net cash flow from operating activities	394.3	213.4	162.7
Net cash flow from investing activities	(100.8)	33.3	(52.9)
Net cash flow from financing activities	(245.0)	24.6	(80.7)
Total cash flow	48.5	271.3	29.1
Foreign exchange impact	0.3	(11.8)	4.1
Cash and cash equivalents at end of period	491.2	442.4	182.9

Note:

(1) Adjusted to reflect changes in presentation.

B.8	Selected key pro forma financial information	Not applicable. No pro forma financial information has been prepared by the Issuer
B.9	Profit forecast or estimate	Not applicable. No profit forecast or estimate has been made.

B.10	Audit report – qualifications	Not applicable. There are no qualifications in the auditor's reports incorporated by reference in the Prospectus.
B.11	Explanation if insufficient working capital	Not applicable. The Issuer is of the opinion that the working capital available to the Group is sufficient for its present requirements; that is, for at least 12 months following the date of the Prospectus.
	Section C – Securities	
C.1	Type and class, security identification number of the securities being admitted	The Ordinary Shares are ordinary shares with a nominal value of EUR 1 each in the capital of the Issuer. Application will be made to the Vienna Stock Exchange for all of the Ordinary Shares to be admitted to listing and trading on the Vienna Stock Exchange. The Ordinary Shares, represented by the respective depositary interests, are registered with ISIN code NL0012650360, SEDOL number BYZ2JR8. As at the date of the Prospectus, all Ordinary Shares are (i) listed on the premium listing segment of the Official List of the UK Financial Conduct Authority ("**Premium Listing**") and (ii) admitted to trading on the London Stock Exchange plc's main market for listed securities (the "**LSE**").
C.2	Currency of the Ordinary Shares	The Ordinary Shares are denominated in euro. They trade in pounds sterling on the LSE and will trade in euro on the Vienna Stock Exchange.
C.3	Ordinary Shares in issue and nominal value	At the date of the Prospectus, the Issuer's issued and outstanding share capital consists of 49,476,447 Ordinary Shares. All issued Ordinary Shares have been fully paid up.
C.4	Rights attaching to the Ordinary Shares	The Ordinary Shares rank *pari passu* with each other in all respects and holders thereof will be entitled to all dividends and other distributions declared, made or paid on the ordinary share capital of the Issuer. The Ordinary Shares carry full dividend rights. Each Ordinary Share confers the right to attend and to cast one vote in the general meeting of the Issuer, being the corporate body or, where the context so requires, the physical meeting (the "**General Meeting**"). There are no restrictions on voting rights attaching to the Ordinary Shares. Upon issuance of Ordinary Shares or the grant of rights to subscribe for Ordinary Shares, each holder of Ordinary Shares (each a "**Shareholder**") shall have a pre-emptive right in proportion to the aggregate nominal amount of his or her Ordinary Shares. Shareholders do not have pre-emptive rights in respect of Ordinary Shares issued (i) against contribution in kind, (ii) to the Group's employees or (iii) to persons exercising a previously granted right to subscribe for Ordinary Shares. Pre-emptive rights may be limited or excluded by a resolution of the General Meeting. The Issuer's board of directors (the "**Board**") is authorised to resolve on the limitation or exclusion of

		pre-emptive rights if and to the extent the Board has been designated by the General Meeting to do so. The designation will only be valid for a specific period, in each case not exceeding five years. Unless provided otherwise in the designation, the designation cannot be cancelled. A resolution of the General Meeting to limit or exclude the pre-emptive rights or a resolution to designate the Board to limit or exclude the pre-emptive rights requires a simple majority or, if less than half of the Issuer's issued share capital is represented at a General Meeting, a majority of two-thirds of the votes cast at a General Meeting. At its annual meeting held on 7 June 2018, the General Meeting authorised the Board to resolve to issue, or to grant rights to acquire, Ordinary Shares and to exclude pre-emptive rights in relation thereto. The Board's authorisation is irrevocable and expires at the earlier of the end of the next annual General Meeting and 15 months after 7 June 2018. The authorisation is further limited to 29,879,358 Ordinary Shares, which was the equivalent of approximately 66 per cent of the issued share capital as at 26 April 2018. Pre-emptive rights may be limited or excluded by the Board for: (i) up to 2,240,951 of these Ordinary Shares, being approximately 5 per cent of the Issuer's issued share capital as at 26 April 2018, without restrictions on the use of those (rights to subscribe for) Ordinary Shares, (ii) up to a further 2,240,951 of these Ordinary Shares when used to (re)finance an acquisition or capital investment and (iii) the remainder of these Ordinary Shares when used in connection with a rights issue which involves the limitation or exclusion of pre-emptive rights and the grant of near equivalent rights. Certain further restrictions apply, including that under certain circumstances the sale of treasury shares is considered the issue of Ordinary Shares. In addition, prior to the cross-border merger between the Company (as acquiring company) and RHI AG (as disappearing company), the General Meeting irrevocably authorised the Board to resolve to issue up to 10 million new Ordinary Shares to the shareholders of Magnesita, and to exclude all pre-emptive rights in relation thereto. This authorisation is valid for a period of five years from the date of the resolutions. At the date of the Prospectus, the Issuer has issued 9,657,408 Ordinary Shares under this authorisation.
C.5	Restrictions on free transferability of the Ordinary Shares	Not applicable. The Ordinary Shares are freely transferable under the Issuer's articles of association. However, the transfer of Ordinary Shares to persons who are located or resident in, citizens of, or have a registered address in countries other than the Netherlands, the United Kingdom and Austria may be subject to specific regulations or restrictions.
C.6	Listing and admission to trading	No securities will be offered under the Prospectus. Application has been made for the Ordinary Shares to be admitted to listing and

		trading on the Vienna Stock Exchange. Admission is expected to occur on 29 March 2019. Upon effectiveness of Admission, the Ordinary Shares will be listed and traded on the Vienna Stock Exchange under the symbol “RHIM” and will continue to have a Premium Listing and be admitted to trading on the LSE under the symbol “RHIM”.
C.7	Dividend policy	As a holding company, the ability of the Issuer to pay dividends and make distributions primarily depends upon the receipt of dividends and distributions from its subsidiaries. The payment of dividends and distributions by the Issuer’s subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves and other possible restrictions on the ability of the subsidiaries to make dividend payments and distributions to the Issuer. The Issuer’s dividend policy will be to progressively increase ordinary dividends and to target a dividend cover of less than 3.0x adjusted earnings per share over the medium term (which equates to a dividend pay-out ratio of at least 33 per cent). Dividends will be paid on a semi-annual basis with one third of the prior-year’s full year dividend being paid at the interim.
	Section D – Risks	
D.1	Key risks that are specific to the Group or its industry	The following is a summary of selected key risks that, alone or in combination with other events or circumstances, could have a material adverse effect on the Group’s business, results of operations, financial position, cash flows and prospects. In making the selection, the Issuer has considered circumstances such as the probability of the risk materialising on the basis of the current state of affairs, the potential impact which the materialisation of the risk could have on its business, results of operations, financial position, cash flows and prospects, and the attention that management would on the basis of current expectations have to devote to these risks if they were to materialise. Investors should read, understand and consider all risk factors, which risk factors are material and should be carefully read in their entirety, in the section entitled “*Risk Factors*” beginning on p. 20 of the Prospectus, before making an investment decision with respect to any Ordinary Shares. • General economic conditions impact the industries in which the Group’s customers operate, including the steel, cement, lime, non-ferrous metals and other process industries. A weak or uncertain economic climate in the relevant customer industries may result in lower sales volumes and price decreases for refractory and other products and services supplied by the Group, which in turn may adversely affect the Group’s results of operations. As a result, the Group’s business and results of operations is sensitive to global and

regional economic downturns, credit market tightness, declining business confidence, fluctuating commodity prices, volatile exchange rates, changes in interest rates, sovereign debt levels, disruptive political changes and other contingencies. Furthermore, geopolitical events, terrorism, natural catastrophes or other unforeseen events may prompt unexpected, short-term responses from the markets and declines in demand for the Group's products.

- The Group's business is subject to cycles in its regional markets and the industries in which its customers operate. The steel and cement industries are the Group's largest and second-largest end markets, respectively, and demand for its products is therefore largely dependent on the volume of steel and cement production in the Group's core markets of Europe, North America, Asia and South America. The demand for steel and cement products is highly cyclical and significantly affected by macroeconomic developments globally and in regional and local markets. The Steel sector is also particularly sensitive to trends in the automotive, construction, home appliances, packaging and distribution industries, while demand for cement is principally tied to the level of construction activity in local markets. Construction activity, in turn, is influenced by a number of factors, including general economic conditions, government policy, population growth, urbanisation and seasonal fluctuations. In 2018, the Group's results in the Industrial Division were adversely affected by a decline in cement production in the Chinese market as a result of a cooling domestic housing sector. Sustained downturns in one or more of the industries to which the Group sells its products or a slowdown or recession in markets from which the Group derives a substantial portion of its revenue would result in reduced demand for the Group's products and have a material adverse impact on the Group's business, results of operations and financial condition.
- The Group's results of operations are impacted by regulatory developments affecting the refractories markets. For example, in the years ended 31 December 2017 and 2018, the Group's results were favourably affected by a supply shortage of and dramatic price increases in sintered and fused magnesia from China as the Chinese government enforced stricter environmental standards, causing the closure of numerous Chinese raw material producers. As a partially vertically integrated manufacturer of refractories, the Group was able to contain its raw material costs while increasing its product prices in line with the market prices, thereby improving its profit margins. There can be no assurance that

these favourable market conditions will persist for any period of time in the future. Should China relax its environmental standards or the enforcement thereof and prices return to historic levels, the Group's results of operations and financial condition will be significantly and adversely affected.

- The Group competes with a large number of global and local market participants in the refractory industry and the markets for the Group's products are competitive in terms of pricing, product and service quality, product development and introduction time, customer service, financing terms and other factors. In particular, in a global refractories market marked by increasingly cost-conscious customers, the Group increasingly competes with suppliers of refractory products whose competitive strategy is based on commoditisation and that sell their products in large quantities, at relatively low price levels. If the Group is unable to compete with lower cost suppliers on price or to develop or implement appropriate competitive strategies, or if the Group's competitors are able to provide better customer-specific design and refractory solutions, react more quickly to the changing needs of customers, adapt to market developments related to new products, differentiate themselves more effectively, or improve the functionality or performance of their products more quickly than the Group or in a more cost-effective manner, this may have a negative impact on the Group's business, results of operations, financial position and prospects.
- The Group has customers and operations in numerous countries around the world, with a significant proportion of its production capacity located in emerging markets, including Brazil, India and China. The Group's presence in emerging markets exposes it to risks that are not present to the same extent in more mature economies, including less developed political, economic and legal systems and corporate governance and compliance structures, unpredictable changes in laws and regulations, burdensome governmental controls, high inflation and interest rates, exchange rate volatility, currency controls, commodity price instability, energy shortages, export and trade controls, the risk of nationalisation of assets, and in some cases war, civil unrest, terrorism, and governmental corruption. The Group in particular has significant operations in Brazil and is therefore materially impacted by regulatory, economic, political and other developments in that country, including persistent political uncertainty and instability. The Group also has significant sales, operations and joint ventures in

	China and as a result is exposed to Chinese rules with respect to foreign investment, currency controls, and general economic, political and legal risks in China. • The Group is exposed to risks relating to acquisitions and disposals, including the acquisition of Magnesita. Diligence reviews of acquisition targets may not identify all the material issues necessary to accurately estimate the cost or potential loss contingencies with respect to a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. The Group may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation and other liabilities, including related to warranties. The Group may also encounter difficulties in integrating acquisitions with its operations, applying its internal controls processes to these acquisitions or in managing strategic investments. Furthermore, the Group may not realise the targets for growth, economies of scale, cost savings, development, production and distribution targets, or other strategic goals that it seeks from the acquisition to the extent or in the timeframe anticipated, or it may incur higher one-off costs to realise these targets.
Other material risks that are specific to the Issuer or its industry	The following is a summary of all other risks that, alone or in combination with other events or circumstances could have a material adverse effect on the Group's business, results of operations, financial position, cash flows and prospects. Investors should read, understand and consider all risk factors, which risk factors are material and should be carefully read in their entirety, the section entitled "Risk Factors" beginning on p. 20 of the Prospectus, before making an investment decision with respect to any Ordinary Shares. **Risks relating to the Group's business and industry** • The Group's business could be adversely affected by the imposition or, in certain cases, the elimination, of protectionist measures, including tariffs and other barriers to trade. • The Group may not be able to adjust its production capacity in line with demand for its products. • The Group's global competitive position may be adversely affected if Chinese steel producers are successful in competing with the Group's customers. • Significant increases in the global proportion of steel produced using basic oxygen furnaces could impair the Group's profitability.

Risks relating to the Group's general operations

- The Group may experience a business interruption, production curtailment or loss of assets.
- The Group depends on a limited number of third party suppliers, especially for certain essential raw materials that are not available within the Group, and it may not obtain these raw materials in the required quantities or qualities or at economically viable prices.
- The Group is exposed to the risks of rising energy cost and disruption in energy supply and rising transportation costs.
- The Group depends on sales to a small number of large customers.
- The Group's mining operations are exposed to significant risks.
- A significant default by a financial counterparty, a major customer or a risk insurer could adversely affect the Group's performance and financial condition.
- The Group's business could be adversely affected by its investments in joint ventures and other entities which are not fully owned by the Group or in which the Group does not have full control.
- The Group may be subject to labour disputes from time to time that may adversely affect it.
- The failure to attract, develop or retain skilled or qualified employees could negatively impact the Group's business.

Legal, regulatory and financial risks

- The Group's international operations are subject to complex and evolving laws and regulations, and compliance with these regulatory requirements involves significant costs.
- The Group may be exposed to significant risks in relation to compliance with anti-corruption and anti-money-laundering laws and regulations and economic sanctions programs.
- The Group is subject to risks arising from legal disputes and government proceedings.
- Warranty issues and the assertion of product liability claims by customers due to defects in products may harm the Group's reputation and adversely affect its performance and financial condition.
- The Group is subject to stringent environmental and other laws, regulations and standards compliance with which may be costly.
- Costs to comply with carbon dioxide emissions limitation regimes could place the Group at a competitive disadvantage.

		• The Group could be held responsible for significant investigation and clean-up costs under applicable waste management and environmental remediation laws. • The Group could incur significant costs for the renewal or obtaining additional permits, sanctions for non-compliance with permit requirements and compliance costs for other regulations affecting mining operations. • The Group's operations are subject to health and safety risks. • The Group is exposed to legal risks regarding antitrust regulation and related enforcement actions and damage claims • The Group's failure to defend its intellectual property could adversely affect the Group's business. • The Group may infringe on the intellectual property rights of third parties. • The Group relies on the proper functioning and integrity of its computer and data processing systems. • The Group's financing agreements include covenants, including financial maintenance covenants and covenants restricting the incurrence of financial indebtedness, the providing of security over assets, and asset sales. • The Group is exposed to exchange rate fluctuations. • Increases in interest rates may have an adverse effect on the Group's results of operations. • Certain tax matters may have an adverse effect on the Group's cash flow, financial condition and results of operations. • The value of goodwill and other intangible assets reported in the Group's consolidated financial statements may need to be partially or fully impaired as a result of revaluations • The Group is subject to risks related to the funding requirements of its pension and other post-employment benefit plans.
D.3	Key risks that are specific to the securities	The following is a summary of selected key risks relating to the Ordinary Shares and Admission. In making the selection, the Issuer has considered circumstances such as the probability of the risk materialising on the basis of the current state of affairs and the potential impact which the materialisation of the risk could have on the Ordinary Shares, and the attention that management would on the basis of current expectations have to devote to these risks if they were to materialise. Investors should read, understand and consider all risk factors, which risk factors are material and should be carefully read in their entirety, in the section entitled "Risk Factors" beginning on p. 20 of the Prospectus, before making an investment decision with respect to any Ordinary Shares.

- The market price of the Ordinary Shares may fluctuate and may decline below the admission price. Publicly traded securities, such as the Ordinary Shares, from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them due to a number of factors, many of which are beyond the Group's control. Any of these events could result in a material decline in the price of the Ordinary Shares. Trading in the Ordinary Shares may be very limited which might lead to holders not being able to sell their Ordinary Shares at a reasonable price or at all. Future offerings of equity or equity-linked securities by the Issuer or any of the Issuer's shareholders may adversely affect the market price of the Ordinary Shares and may dilute investors' shareholdings.
- The Board is, within certain limits described in item C.4 "Rights attaching to Ordinary Shares", authorised to issue Ordinary Shares, grant rights to subscribe for Ordinary Shares and limit or exclude statutory pre-emptive rights in relation thereto. The issuance of any additional Ordinary Shares may dilute an investor's shareholding interest in the Issuer. Furthermore, any additional debt or equity financing the Issuer may need may not be available on terms favourable to the Issuer or at all, which could adversely affect the Issuer's future plans and the market price of the Ordinary Shares. Any future offering or sale of Ordinary Shares, or the perception that an offering or sale might occur, could also have a negative impact on the market price of the Ordinary Shares and could increase the volatility in the market price of the Ordinary Shares.
- Since the Issuer does not itself conduct any operating business, its ability to pay cash dividends or make other distributions depends on its operating subsidiaries and associated companies making profits or having sufficient cash available for distribution or transfer to the Issuer and the Issuer having sufficient distributable reserves. Any decision as to whether to pay cash dividends or make other distributions (such as a return of capital or share premium distributions to shareholders) will depend upon a variety of factors and no assurance can be given that cash dividends or other distributions will be paid in the future.
- In the event of an increase in the Issuer's share capital, Shareholders are generally entitled to full pre-emptive rights, unless these rights are limited or excluded either by a resolution of the General Meeting or by a resolution of the Board if the Board has been granted such authority by the General Meeting. However, certain Shareholders outside the

		Netherlands, the United Kingdom and Austria may not be able to exercise pre-emptive rights, and therefore suffer dilution, unless local securities laws have been complied with and the Issuer may not be able, or may choose not to take steps necessary, to make rights available for exercise by Shareholders outside the Netherlands, the United Kingdom and Austria in compliance with local laws.
	Other material risks that are specific to the securities	The following is a summary of all other risks relating to the Ordinary Shares and Admission. Investors should read, understand and consider all risk factors, which risk factors are material and should be carefully read in their entirety, in the section entitled "Risk Factors" beginning on p. 20 of the Prospectus, before making an investment decision with respect to any Ordinary Shares. • Investors with a reference currency other than the euro will become subject to foreign exchange rate risk when investing in the Ordinary Shares • The rights and responsibilities of Shareholders are governed by Dutch law and the Articles of Association, which differ in some respects from the rights and responsibilities of shareholders under Austrian law
	Section E – Offer	
E.1	Total net proceeds and estimate of total expenses	Not applicable. No securities will be publicly offered or sold under the Prospectus. The Issuer estimates that its total costs in connection with the Admission will amount to approximately EUR 400,000.
E.2a	Reasons for the offer and use of proceeds	Not applicable. No securities will be publicly offered or sold under the Prospectus. The Board has considered the uncertain regulatory environment that resulted from the United Kingdom's decision to withdraw from the European Union. Due to these uncertainties the Board has decided that it is prudent for RHI Magnesita to apply for a secondary listing on a regulated market in the European Union. While the Group is a global business and has a strong presence in many jurisdictions, it has its head office in Vienna and was historically listed on the Vienna Stock Exchange. The Board has therefore decided that the most logical secondary listing location for RHI Magnesita is Vienna. RHI Magnesita will continue to have a Premium Listing and be admitted to trading on the LSE, which will remain its primary listing venue.
E.3	Terms and conditions of the offer	Not applicable. No securities will be publicly offered or sold under the Prospectus.
E.4	Material interests to the issue/offer, including conflicting interests	Not applicable.

E.5	Lock-ups	Not applicable. No securities will be publicly offered or sold under the Prospectus.
E.6	Dilution	Not applicable. No securities will be publicly offered or sold under the Prospectus.
E.7	Estimated expenses charged to investors	Investors will not be charged expenses by the Issuer.

RISK FACTORS

*Before investing in the Ordinary Shares, prospective investors should consider carefully the risks and uncertainties described below, together with the other information contained or incorporated by reference in this Prospectus. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, may have a significant negative impact on the business, results of operations, financial condition and prospects of RHI Magnesita N.V. (the "**Issuer**" and, together with its consolidated subsidiaries, the "**Group**"). The price of the Ordinary Shares could decline and investors might lose part or all of their investments upon the occurrence of any such event.*

All of these risk factors and events are contingencies which may or may not occur. The Issuer may face a number of the risks described below simultaneously and one or more of the risks described below may be interdependent. The order in which these risks are presented is not necessarily an indication of the likelihood of such risks actually materialising, of the potential significance of the risks or of the scope of any potential negative impact on the Group's business, results of operations, financial condition or prospects.

The risk factors are based on assumptions that could turn out to be incorrect. Furthermore, although the Issuer believes that the risks and uncertainties described below are the material risks and uncertainties concerning the Group's business and industry, and the Ordinary Shares, they are not the only risks and uncertainties relating to the Group and the Ordinary Shares. Other risks, events, facts or circumstances not presently known to the Issuer, or that the Issuer currently deems to be immaterial, could, individually or together, prove to be important and could therefore have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Before making any investment decision with respect to Ordinary Shares, each prospective investor should carefully read and review this Prospectus in its entirety, consult its own stockbroker, bank manager, lawyer, auditor or other financial, legal and/or tax advisers, carefully review the risks associated with an investment in Ordinary Shares and consider any investment decision in light of the investor's own individual circumstances.

Risks relating to the Group's business and industry

Demand for the Group's products depends on economic conditions globally and in the Group's key markets

General economic conditions impact the industries in which the Group's customers operate, including the steel, cement, lime, non-ferrous metals and other process industries. A weak or uncertain economic climate in the relevant customer industries may result in lower sales volumes and price decreases for refractory and other products and services supplied by the Group, which in turn may adversely affect the Group's results of operations. As a result, the Group's business and results of operations is sensitive to global and regional economic downturns, credit market tightness, declining business confidence, fluctuating commodity prices, volatile exchange rates, changes in interest rates, sovereign debt levels, disruptive political changes and other contingencies. Furthermore, geopolitical events, terrorism, natural catastrophes or other unforeseen events may prompt unexpected, short-term responses from the markets and declines in demand for the Group's products.

The Group has significant operations in, and derives most of its revenue from, Europe, North America, Asia and South America, and its business and results of operations are therefore affected by economic developments in these regions.

While the global economy has been broadly supportive of the Group's business in recent years, the positive momentum in the global economy is expected to slow over the next few years, leaving many countries with a challenging mid-term outlook (IMF).

The European Union, one of the Group's key markets, is facing sharply slowing economic growth and a number of structural issues, such as a potential sovereign debt crisis and political instability in member states, each of which could pose a threat to future European integration and cause prolonged economic uncertainty or an economic downturn. Economic and financial conditions have also been affected, and may be further adversely affected, by the United Kingdom's exit from the European Union. In South America, another key market for the Group, the recovery from recession in several countries in 2015 and 2016 is expected to slow in the mid-term future and the region remains affected by significant political instability and uncertainty.

In addition, global economic developments are currently subject to a high degree of uncertainty with respect to the stability of the global trade and tariff framework. The introduction of new regional or international trade barriers, including tariffs such as those recently imposed by the U.S. on certain imports from a number of trading partners and a broad range of imports from China, withdrawal from or renegotiation of bi- and multilateral trade agreements by the United States, or any countermeasures by regional or global trading partners, including the European Union, could have a negative impact on the global economic environment and thereby result in lower demand for the Group's products. In China, one of the Group's most significant individual markets, economic growth decelerated to the slowest annual rate in decades in 2018 as consumer spending and capital investment declined amid the country's trade conflict with the United States.See also "*—The Group's business could be adversely affected by the imposition or, in certain cases, the elimination, of protectionist measures, including tariffs and other barriers to trade*."

Any economic downturn, lower than expected growth or an otherwise uncertain economic outlook either globally or in the markets in which the Group operates, or any perception thereof by the Group's customers, could have a material adverse effect on the Group's business, results of operations and financial condition. See also "*—The Group faces risks related to its operations and interests in emerging markets.*"

The Group faces risks related to its sales and operations in emerging markets, including in Brazil, where the Group has substantial operations

The Group has customers and operations in numerous countries around the world, with a significant proportion of its production capacity located in emerging markets, including Brazil, India and China. The Group's presence in emerging markets exposes it to risks that are not present to the same extent in more mature economies, including less developed political, economic and legal systems and corporate governance and compliance structures, unpredictable changes in laws and regulations, burdensome governmental controls, high inflation and interest rates, exchange rate volatility, currency controls, commodity price instability, energy shortages, export and trade controls, the risk of nationalisation of assets, and in some cases war, civil unrest, terrorism, and governmental corruption. The Group may also encounter difficulties in attracting and retaining qualified management and employees, and faces longer collection cycles and greater risk of customer defaults.

The Group in particular has significant operations in Brazil and is therefore materially impacted by regulatory, economic, political and other developments and uncertainties in that country. The recovery of the Brazilian economy from recession in 2015 and 2016 has been dampened by a high level of political instability, including as a result of the removal from office of former president Dilma Rousseff following impeachment for violations of federal budgetary laws, and a federal investigation that uncovered widespread corruption. Most recently, Brazil has faced political uncertainty following the election of a new government in October 2018 and with respect to pension reform necessary to prevent a debt sustainability crisis. In addition, inflation has had and may in the future have significant effects on the Brazilian economy and the Group's business. Certain of the Group's costs are sensitive to rises in inflation in Brazil. However, due to competitive pressures, the Group may be unable to raise the prices of its products and services sufficiently to cover rising cost and maintain its profit margins.

The Group also has significant sales and joint ventures in China and as a result is also exposed to Chinese rules with respect to foreign investment, currency controls, and general economic, political and legal risks in China. In particular, as laws and regulations in China are evolving, there may be uncertainty in their interpretation and enforcement. Administrative and court authorities in China have significant discretion in interpreting and implementing statutory terms. As a result, it may be more difficult for the Group to evaluate the outcome of administrative and court proceedings in China, should they arise, than in more developed legal systems.

The Group's success as a global business depends to a considerable extent on its ability to anticipate and effectively manage challenges with respect to legal, regulatory, political and economic conditions in emerging markets. The materialisation of local business risks or the Group's inability to adapt to changing conditions in these markets could have significant adverse effects on the Group's business, results of operations and financial condition.

The Group is subject to numerous industry, market and regional cycles, including in the steel and cement industries, and to regulatory developments affecting the refractory markets

The Group's business is subject to cycles in its regional markets and the industries in which its customers operate. The steel and cement industries are the Group's largest and second-largest end markets, respectively, and demand for its products is therefore largely dependent on the volume of steel and cement production in the Group's core markets of Europe, North America, Asia and South America. The demand for steel and cement products is highly cyclical and significantly affected by macroeconomic developments globally and in regional and local markets. See also "*—Demand for the Group's products depends on economic conditions globally and in the Group's key markets*." The Steel sector is also particularly sensitive to trends in the automotive, construction, home appliances, packaging and distribution industries, while demand for cement is principally tied to the level of construction activity in local markets. Construction activity, in turn, is influenced by a number of factors, including general economic conditions, government policy, population growth, urbanisation and seasonal fluctuations. In 2018, the Group's results in the Industrial Division were adversely affected by a decline in cement production in the Chinese market as a result of a cooling domestic housing sector.

The Group is also exposed to cyclical developments in other process industries. For example, low metals, oil and gas prices in recent years have resulted in reduced or delayed investments in the non-ferrous metals, oil and gas industries, creating a challenging market environment that has negatively affected demand for the Group's refractory products in 2016. Sustained downturns in one or more of the industries to which the Group sells its products or a slowdown or recession in markets from which the Group derives a substantial portion of its revenue would result in reduced demand for the Group's products and have a material adverse impact on the Group's business, results of operations and financial condition.

Finally, the Group's results of operations are impacted by regulatory developments affecting the refractories markets. For example, in the years ended 31 December 2017 and 2018, the Group's results were favourably affected by a supply shortage of and dramatic price increases in sintered and fused magnesia from China as the Chinese government enforced stricter environmental standards, causing the closure of numerous Chinese raw material producers. As a partially vertically integrated manufacturer of refractories, the Group was able to contain its raw material costs while increasing its product prices in line with the market prices, thereby improving its profit margins. There can be no assurance that these favourable market conditions will persist for any period of time in the future. Should China relax its environmental standards or the enforcement thereof and prices return to historic levels, the Group's results of operations, and financial condition will be significantly and adversely affected.

The Group operates in a competitive environment and may not be able to compete successfully if its businesses do not adequately adapt to market developments, including an increasingly commoditised refractories markets

The Group competes with a large number of global and local market participants in the refractory industry and its continued success depends upon its ability to continue to supply products, services and solutions tailored to the customer's requirements on a cost-effective and timely basis. The markets for the Group's products are competitive in terms of pricing, product and service quality, product development and introduction time, customer service, financing terms and other similar factors.

In particular, in a global refractories market marked by increasingly cost-conscious customers, the Group increasingly competes with suppliers of refractory products whose competitive strategy is based on commoditisation and that sell their products in large quantities, at relatively low price levels, resulting in low margins.

If the Group is unable to compete with lower cost suppliers on price or to develop or implement appropriate competitive strategies (e.g. as a niche supplier in certain segments), or if the Group's competitors are able to provide better customer-specific design and refractory solutions, react more quickly to the changing needs of customers, adapt to market developments related to new products (including growing demand for products with environmental features, digitalisation and services), differentiate themselves more effectively, or improve the functionality or performance of their products more quickly than the Group or in a more cost-effective manner, the Group may face price and margin declines and lose customers to other suppliers. These outcomes may have a negative impact on the Group's business, results of operations, financial position and prospects.

The Group may not be able to adjust its production capacity in line with demand for its products

The Group plans its production capacity for its manufacturing operations several years in advance on the basis of expected sales developments. If the Group overestimates demand for its products, there is a risk that available capacity will be underutilised, while pessimistic forecasts could result in insufficient capacity to meet demand. Lower than planned capacity utilisation results in lower returns on the capital invested in building such capacity and in reduced profit margins, whereas insufficient capacity could result in lost business and customer dissatisfaction. This requires the Group to continuously adjust production capacity at its facilities worldwide. However, neither the Group nor its key suppliers may be able to adjust production capacity sufficiently and in the timeframe required if demand fluctuates beyond their organisational and technical flexibility. For example, the Group faced capacity constraints at some of its production locations in 2018 as a result of higher demand for its products driven by the raw materials crisis in China described further in "*—The Group is subject to numerous industry, market and regional cycles, including in the steel and cement industries, and to regulatory developments affecting the refractory markets*." These capacity constraints caused production delays that resulted in delayed deliveries to customers and adversely affected margins. In addition, the Group may not be able to adjust production capacity as planned for political, regulatory or legal reasons, such as employment laws that limit the Group's ability to adjust the size of its workforce in certain jurisdictions. Any restructuring measures could lead to significant one-time costs. Any of the foregoing risks, if they materialise, could have a material adverse effect on the Group's business, results of operation, financial condition and prospects.

The Group's global competitive position may be adversely affected if Chinese steel producers are successful in competing with the Group's customers

China is the world's top steel producer in terms of metric tons sold and the leading exporter of steel in the world, representing approximately 17 per cent of all steel exported globally in 2017. Cheap steel exports from China indirectly affect the Group if its customers lose market share as a result. While the Chinese government has in recent years cut overcapacity in the steel sector and export volumes have declined as a result of U.S. tariffs, capacity continues to increase and there can be no assurance that Chinese steel exports will not further increase or that Chinese producers are not otherwise able to further increase low-cost steel exports from already high levels by developing sales know-how and effective distribution channels outside China. If the Group's non-Chinese steel customers lose market share to Chinese steel makers, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Significant increases in the global proportion of steel produced using basic oxygen furnaces could impair the Group's profitability

Steel is typically produced either in electric arc furnaces ("**EAF**") or basic oxygen furnaces ("**BOF**"). The EAF process entails significantly higher refractory consumption than processes using BOFs. Thus, if the market share of steelmakers that produce steel using the BOF technology increases globally, the relative consumption of refractories per ton of steel produced would likely decrease, resulting in decreased demand for refractory products. In particular, Chinese steel producers, which are the world's leading exporter of steel in terms of tonnage sold, generally rely on BOFs with only approximately 5 per cent of exported steel produced in EAFs in 2015. As a result, if China's steel export volume were to continue to increase and result in a loss of market share at the expense of the Group's non-Chinese steel customers, or the proportion of global steel volume manufactured in BOFs increases for another reason, this could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

The Group's business could be adversely affected by the imposition or, in certain cases, the elimination, of protectionist measures, including tariffs and other barriers to trade

The Group has been and may continue to be adversely affected by trade barriers, including tariffs, quotas, anti-dumping measures, and countervailing duties imposed on raw materials or finished products in jurisdictions in which it seeks to sell its products. For example, the United States in 2018 imposed tariffs on certain imports from a number of its trading partners and a broad range of imports from China. The United States is one of the Group's most important individual markets, accounting for 13.2 per cent of its revenue in 2018. Should tariffs also be imposed on the Group's exports to the United States, the adverse effect on the competitiveness of its products in the U.S. market could have a material adverse effect on the Group's total sales volume and results of operations. Barriers to trade can also increase the Group's production costs by increasing the cost of certain raw materials it sources externally. Finally, trade barriers can also adversely affect demand for the Group's products indirectly through the impact they have on its customers' businesses.

In certain markets, such as Brazil, where the Group sells domestically manufactured products, the Group on the other hand benefits from barriers to trade. The Group also indirectly benefits from trade barriers imposed by the U.S. and the European Union against certain low-cost steel imports from China by protecting the market share of its primarily non-Chinese customers. See also "—*The Group's global competitive position may be adversely affected if Chinese steel producers are successful in competing with the Group's customers*". If such trade barriers were to be reduced or lifted, this could negatively affect the Group's business in these markets by exposing it to greater competition from imports.

Any barriers to trade or other protectionist measures that increase the Group's cost of production or the price of its products and the elimination of any trade barriers from which it benefits could jeopardise the competitiveness of the Group's products and have an adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks relating to the Group's general operations

The Group may experience a business interruption, production curtailment or loss of assets

Interruptions in production at one of the Group's facilities may cause the productivity and results of operations to decline significantly during the affected period and may also adversely impact customer relationships. The

Group is dependent on critical equipment such as kilns, moulds, automated machinery and others. Such equipment may on occasion be out of service or become damaged or destroyed as a result of strikes, unanticipated failures, accidents or *force majeure* events. Similarly, accidents such as fires, explosions, mechanical failures, power outages, uncontrolled spills or releases of hazardous substances and other accidents associated with the manufacture of refractory materials may disrupt the Group's operations and result in a loss of production assets. In the event of an extended production interruption, the Group may be unable to fulfil customer orders in a timely manner, which may result in lost business volume and jeopardise customer relationships and may have a material adverse impact on the Group's business, results of operations and financial condition.

The Group depends on a limited number of third party suppliers, especially for certain essential raw materials that are not available within the Group, and it may not obtain these raw materials in the required quantities or qualities or at economically viable prices

The Group's production processes are dependent on the availability of various raw materials, including magnesite, dolomite, bauxite, and aluminas. Although the Group obtains a significant portion of its raw material requirements from its own mines, it also sources raw materials from third party suppliers due to price, location and other considerations. With respect to non-basic raw materials such as bauxite, the Group is fully dependent on third-party supply.

The Group depends on a limited number of suppliers to provide these non-basic raw materials in the required volumes and at appropriate quality and reliability levels. Under the Group's raw material supply agreements, any party may generally terminate the arrangement upon prior notice of as little as 30 to 60 days. The Group generally does not have long-term supply agreements for such materials and is therefore subject to supply risks, as there is no assurance that the arrangements with its suppliers can be maintained, renewed or extended on economically viable terms. If the Group's material supply agreements are terminated, or if its suppliers fail to fulfil the Group's orders in a timely manner for any reason, the Group could become unable to produce certain types of refractories in a timely fashion, in sufficient quantities or on terms acceptable to its customers.

The prices of magnesite, dolomite, alumina, and certain other raw materials used in the refractories industry are highly volatile and may be affected by, among other factors, the oligopolistic nature of the mining industry, the fragmented nature of the refractories industry, demand trends in the refractories industry or other industries, government intervention, changes in laws or regulations (including export restrictions), preferential allocations to other purchasers, disruptions in production or delivery by suppliers, wars, natural disasters, political disruptions, exchange rate fluctuations, and transportation costs. Market prices of the key raw materials that the Group sources have been on the rise in the period under review and may continue to rise in the future. Such price increases result in pressure on the Group's profit margins if they cannot be passed on to customers in full.

In 2017 and 2018, enforcement of stricter environmental controls by the Chinese government resulted in the temporary and, in certain cases, the permanent closure of numerous Chinese raw material facilities since 2017, causing a supply shortage and dramatic increase in the prices of certain magnesite-based raw materials from China. The Group sources a significant portion of its externally sourced fused magnesia and other raw materials from China, and while it has generally been able to pass higher raw material costs to customers, it has experienced supply bottlenecks with respect to materials sourced from China, which caused production delays and delayed deliveries to customers. Should adverse supply conditions in China continue or worsen, the Group's ability to fulfil customer orders in a timely manner could be further affected and it may need to source these materials through other supply channels. This could also result in production delays and consequently in a loss of business volumes and customers.

Hedging the future prices of most of the raw materials the Group sources from third parties typically is not possible due to the lack of functioning futures markets in those commodities. If the prices of these or other raw materials increase further and the Group is not able to at least partially pass such increases on to customers or otherwise mitigate costs, this would adversely affect its profitability. Failure by the Group to obtain the necessary raw materials in the required quantities and at acceptable cost could have a material adverse effect on the Group's business, results of operations and financial condition.

Dependence on raw materials purchased from third party suppliers also exposes the Group to quality risks. The quality of such materials may not be immediately verifiable, and fluctuating or poor quality may adversely affect the Group's end products and result in product failure, a deterioration of customer relationships, loss of customers, breach-of-warranty, contract or product-liability claims or litigation, any of which may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to the risk of rising energy costs and disruptions in energy supply

Energy accounts for a substantial proportion of the Group's operating costs. Consequently, the Group is exposed to energy price variations, in particular with regard to natural gas, which accounted for approximately two thirds of the Group's energy consumption in terms of gigawatt hours in 2018. Any significant increase in market prices for energy, either locally or globally, which cannot be fully passed on to customers, may have a material adverse effect on the Group's results of operations and financial condition, and could render the operation of certain of the Group's production facilities commercially unviable. Furthermore, energy supplies are subject to disruptions, including in connection with blackouts and other occurrences, in particular in emerging markets and developing countries. An interruption in oil or gas supply may result in production shortfalls that could, if significant, result in the Group's inability to fulfil customer orders or lost business volume and adversely affect the Group's results of operations and financial condition.

The Group is exposed to the risk of rising transportation costs

The production of refractory products involves the transportation of raw materials from mines and suppliers to processing plants, the transfer of materials from one plant to another, and the shipping of finished products to customers. Therefore, and in light of the heavy and bulky nature of raw materials and refractory products, transportation costs represent a significant portion of the Group's cost base and may adversely affect the Group's profit margins in the event of significant cost increases. As a portion of the Group's transportation costs is also passed on to the customers, they are therefore also a critical factor in its customers' purchasing decisions. Increases in transportation costs may cause refractories produced by the Group and raw materials sold to third parties to be less competitive than those sold by competitors whose mines and processing plants are geographically closer to customers. Transportation costs increased significantly in the year ended 31 December 2018 and any further increases may impact the Group's results of operations. Similarly, unavailability of appropriate means of transportation (e.g. containers), or any disturbance of transport routes, could lead to increased logistics costs. Any increases in the Group's cost of transportation, and any transportation disruptions that adversely affect the Group's dealings with its suppliers or customers, may have a material adverse effect on the Group's performance and financial condition.

The Group depends on sales to a small number of large customers

The Group is dependent on a small number of customers for a significant percentage of its revenue. The Group's ten largest customers accounted for approximately 30 per cent of its revenue for the year ended 31 December 2018, while its largest single customer accounted for approximately 10 per cent of its revenue in the same period. The Group's customers have no obligation to renew their contracts with it upon their expiration, and even if they do, they may not renew with a similar contract period or with the same or a greater amount of committed revenue. Customer retention may decline or fluctuate as a result of a number of factors, including the level of the customers' satisfaction with the Group's products and services, and its prices. If a customer is dissatisfied with the quality of the Group's products or services or the Group fails to meet quality or performance standards under its contracts, the Group may lose business volume from the customer or lose the customer altogether. In addition, there are a number of factors beyond the Group's control that could cause a reduction in business volume from a customer or the loss of a customer, including a challenging economic or competitive environment, consolidation, or customer insolvency. The loss of a major customer, or a significant reduction in volume of business from the Group's existing customers, would have a material adverse effect on the Group's business, results of operations and financial condition.

A significant default by a financial counterparty, a major customer or a risk insurer could adversely affect the Group's performance and financial condition

Credit risks and the related risks of default by financial counterparties of the Group arise primarily in the normal course of business in connection with trade receivables due from the Group's customers, in particular customers from certain emerging markets, including China and India. A significant default by the Group's financial counterparties or major customers could have a material adverse effect on the Group's performance and financial condition. Furthermore, in managing the risks inherent to its operations, the Group transfers risks to insurers where cost effective and, accordingly, the financial failure of one or more insurers used by the Group may result in a financial loss to it. Any of these events, if significant, may have a material adverse effect on the Group's business, results of operations or financial condition.

The Group is subject to risks associated with joint ventures and other entities that it does not fully own or control

The Group has investments in joint ventures and other entities which it does not fully own or control. For example, RHI has a 50 per cent interest in MAGNIFIN Magnesiaprodukte GmbH & Co. KG, a joint venture, a 70 per cent participation in Sinterco SA ("**Sinterco**"), a 50 per cent participation in Magnesita-Envoy Asia Ltd., and a 40 per cent participation in Krosaki Magnesita Refractories. Such investments involve risks, including the possibility that partners or co-investors might become bankrupt, fail to fund their required capital contributions, perform their obligations poorly or not at all, or that make the Group liable to its co-investors' creditors in respect of its partners' share of joint venture liabilities. For example, Sinterco, whose operations are managed by the entity's minority shareholder pursuant to a shareholder agreement and over which the Group has no control, has recently found to be potentially non-compliant with certain environmental regulations. See also "*—Legal, regulatory and financial risks—The Group is subject to stringent environmental and other laws, regulations and standards, compliance with which may be costly and non-compliance with which may result in fines, penalties and other sanctions.*" Co-investors may have objectives that are inconsistent or in conflict with the Group's business interests or goals and may be in a position to block action with respect to the Group's investments or take actions contrary to the Group's policies, objectives or interests; in some joint ventures the Group is further bound by shareholders' and other agreements which further limit control over the respective joint venture vehicle. Disputes between the Group and its co-investors may result in litigation or arbitration that would increase the Group's expenses and prevent its officers and directors from focusing their time and effort on the Group's business and result in the loss of business opportunities and growth. Furthermore, actions by the Group's co-investors, of which the Group may be unaware, or unable to control, such as political affiliations, illegal or corrupt practices and other activities, may cause reputational damage for the Group or result in adverse consequences to its investments, including incurring costs, damages, fines or penalties, construction delays, reputational losses or the loss of key customer relationships. The above risks could have a material adverse effect on the Group's performance and financial condition.

The Group's business may be adversely affected by labour disputes

Most of the Group's employees are represented by unions or similar organisations and are covered by collective bargaining or similar agreements that are subject to periodic renegotiation. The employees and/or these organisations may commence, in some circumstances, strikes or similar actions which may lead to the disruption of the production process and consequent increase of costs and delay in delivery of the Group's products. In particular, the Group may not successfully conclude its labour negotiations on mutually satisfactory terms, which may result in a significant increase in the cost of labour, work stoppages or labour disputes that disrupt operations. In addition, the Group is currently involved in numerous labour-related disputes with employees and unions in certain jurisdictions, particularly in Brazil, where the Group is subject to several hundred individual labour lawsuits relating to, among other things, salary parity, indemnity for occupational disease, work injuries, as well as health exposure, hazardous duty and overtime pay, which, although individually of low importance, could, as a whole, have a material effect on the Group if adversely determined Any deterioration in the Group's labour relations and disputes with its workforce may have a material adverse effect on the Group's business, results of operations or financial condition. See also "*—The Group is subject to risks arising from legal disputes and government proceedings.*"

Inability to attract, develop or retain skilled or qualified employees could negatively impact the Group's business

The Group depends on the capabilities and performance of its executive officers and employees. Competition for skilled employees in the industries in which the Group operates is intense, and there can be no assurance that it will be successful in recruiting, training and retaining the personnel required to successfully conduct its operations. Failure to recruit, retain, train or manage qualified employees or managerial staff could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group is exposed to risks relating to acquisitions and disposals, including the acquisition of Magnesita

The Group has made significant acquisitions and disposals in the past and may continue to enter into such transactions in the future. For example, the Group in 2017 acquired Magnesita Refratórios S.A. ("**Magnesita**", and together with its consolidated subsidiaries, the "**Magnesita Group**") and in this connection also made certain disposals as a condition for merger clearance by the European Commission. Corporate acquisitions and disposals are associated with significant risks.

Diligence reviews of acquisition targets may not identify all the material issues necessary to accurately estimate the cost or potential loss contingencies with respect to a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. The Group may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation and other liabilities, including related to warranties. The Group may also encounter difficulties in integrating acquisitions with its operations, applying its internal controls processes to these acquisitions or in managing strategic investments. For example, the Group has experienced certain challenges with respect to the integration of IT and management information systems, and other aspects of its operations following the acquisition of Magnesita. Target companies, as was the case with Magnesita, may be located in countries in which the underlying legal, economic, political and cultural conditions do not correspond to those customary in the European Union or have other national peculiarities with which the Group is not familiar. Moreover, any planned acquisition may be subject to review and approval by the competition and other regulatory authorities of a number of jurisdictions, which may impede a planned transaction.

The Group may not realise the targets for growth, economies of scale, cost savings, development, production and distribution targets, or other strategic goals that it seeks from the acquisition to the extent or in the timeframe anticipated and the attention of management and other personnel may be diverted for long periods of time. See also "*— The Group may be unable to realise the targeted synergies and other anticipated benefits of the acquisition of Magnesita*." Moreover, the purchase price may prove to have been too high or unforeseen restructuring or integration expenses may become necessary. Thus, the Group's corporate acquisitions or the acquisition of equity interests in companies may not be successful, which could adversely affect the Group's business, results of operations, financial condition and prospects.

Disposals may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the completion of the respective transactions. Under these arrangements, non-performance by those divested businesses could result in financial obligations for the Group and could affect its future financial results. In addition, the Group could be subject to potential liabilities resulting from contractual warranties and indemnities, as well as regulatory risks of not being able to obtain required approvals.

The materialisation of any of the foregoing risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may be unable to realise the targeted synergies and other anticipated benefits of the acquisition of Magnesita

The success of the Group's acquisition of Magnesita will depend, in part, on its ability to realise the anticipated benefits from combining the businesses of RHI AG (together with its consolidated subsidiaries, "**RHI**") and Magnesita, including, among others, expected capital expenditure synergies and working capital savings, as well as the expected strategic and other financial advantages of the acquisition. There can further be no assurance that the synergy will yield the targeted synergies, or that they will not entail higher than expected implementation costs that could significantly reduce the targeted economic benefits. The Group's targeted synergies from the acquisition are based on numerous estimates and assumptions that are inherently uncertain and therefore subject to change, resulting from a large number of factors, such as the general macroeconomic, industry, legal, regulatory and tax environment, as well as changes to the Group's business strategy, development and investment plans, all of which are difficult to predict and many of which are beyond the Group's control. As a result of the above factors, there can be no assurance that such synergies will be realised in the anticipated timeframe or at all, or that they will not entail higher than expected implementation costs that could significantly reduce the targeted economic benefits. There can further be no assurance that these initiatives will yield the targeted synergies, or that they will not entail higher than expected implementation costs that could significantly reduce the targeted economic benefits. Any failure to realise the synergies and benefits expected in connection with the acquisition could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Legal, regulatory and financial risks

The Group's international operations are subject to complex and evolving laws and regulations, and compliance with these regulatory requirements involves significant costs

Due to the Group's international presence in a large number of jurisdictions with different legal regimes, the Group's operations including exploration, mining and production are subject to international, federal, state, provincial and local laws and regulations. Compliance with these laws and regulations imposes financial and administrative burdens, and can cause delays in obtaining, or failure to obtain, government permits and approvals which may adversely impact the Group's performance and financial condition. The Group may expand its business into new countries and complexity in connection with compliance with the various national regulatory regimes will further increase. The costs of complying with the laws and regulations are significant and will continue to be so for the foreseeable future. Furthermore, evolving regulatory standards and expectations can result in increased costs (including but not limited to compliance and litigation costs) and can have a material and adverse effect on earnings and cash flows. The Group's results and operations and financial condition may be adversely affected if the Group cannot successfully adapt to country-specific legal or regulatory requirements in connection with its international operations. See also "—*Risks relating to the*

Group's business and industry—The Group faces risks related to its operations and interests in emerging markets."

The Group may be exposed to significant risks in relation to compliance with anti-corruption and anti-money-laundering laws and regulations and economic sanctions programs

The Group is required to comply with the laws and regulations of the various jurisdictions in which it conducts business, including in the United States. In particular, the Group's operations are subject to anti-corruption laws and regulations, including but not limited to the U.S. Foreign Corrupt Practices Act of 1977, the United Kingdom Bribery Act of 2010, the Brazilian Anti-Corruption Law (Law 12.846/2013), and economic sanctions programs, including those administered by the United Nations, the EU and the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**"), and regulations set forth under the Comprehensive Iran Accountability Divestment Act.

While the Group does not currently operate in jurisdictions that are subject to territorial sanctions imposed by OFAC or other relevant sanctions authorities, it derives limited revenue from exports to such jurisdictions, including in particular Iran. Economic sanctions programmes do and will continue to restrict the Group's ability to engage or confirm business dealings with certain sanctioned countries or impose administrative burdens on the Group in connection with dealings with those countries which may make exports to these countries uneconomical.

The Group is also required to comply with applicable anti-money laundering laws and financial recordkeeping and reporting requirements, rules, regulations and guidelines.

Violation of anti-corruption, anti-money-laundering and financial record-keeping, and sanctions laws and regulations, are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licences, as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on the Group's reputation and consequently on its ability to win future business.

In certain countries in which the Group operates, particularly in those with developing economies, certain business practices may exist that are prohibited by laws and regulations applicable to the Group, including anti-corruption laws. The Group continuously reviews existing policies and procedures to ensure compliance and seeks to continuously improve systems of internal controls and remedy any weaknesses identified. For example, the Group is currently in the process of upgrading Magnesita's internal controls to bring them in line with the standards of the overall Group and to ensure compliance with applicable laws. There can be no assurance that these policies and procedures will be followed at all times or that the Group's internal controls will effectively detect and prevent violations of the applicable laws by the Group's employees, consultants, agents or partners. Violations have occurred in the past, and there can be no assurance that further violations will not occur in the future or that they will not be material. As a result of any such violation, the Group could be subject to penalties which may have a material adverse effect on the Group's performance and financial condition.

The Group is subject to risks arising from legal disputes and government proceedings

The Group has been and continues to be subject to the risk of legal disputes arising in the course of its business, including general civil, tax, labour and criminal litigation, as well as environmental and other government or administrative proceedings. For example, Magnesita is currently subject to ongoing tax audits in Brazil in which the Brazilian tax authorities are challenging tax deductions that Magnesita had taken in prior years, in large part relating to goodwill amortisation, in an aggregate amount of approximately EUR 169.0 million as of 31 December 2018. See also "*—Certain tax matters may have an adverse effect on the Group's cash flow, financial condition and results of operations*".

In addition, the Group is currently involved in a number of labour disputes with employees and unions in Brazil, relating to, among other things, salary parity, indemnity for occupational disease, work injuries, as well as health exposure, hazardous duty and overtime pay. Such labour disputes are common in some jurisdictions in which the Group operates, particularly in Brazil, and the Group expects that it will continue to be exposed to such labour disputes in the future.

The outcome of pending or potential future legal or regulatory proceedings is, as a general matter, difficult to predict. If such proceedings are resolved against the Group, the Group may be subject to civil or criminal penalties, damages which may exceed any provisions set aside or any available insurance coverage or be required to change its business practices. Even if the Group ultimately prevails in legal and regulatory proceedings, defending such actions can be costly and result in diversion of management's attention away from the Group's business.

Warranty issues and the assertion of product liability claims by customers due to defects in products may harm the Group's reputation and adversely affect its performance and financial condition

Defects in the Group's refractory products may have significant adverse consequences for their users, including business interruptions and production downtimes causing financial losses, property damage, personal injuries and even death. For example, the Group is currently subject to a warranty claim with respect to certain services provided to a customer in the United States. The cost of defending product warranty and other product liability claims can be substantial and the Group could be responsible for paying some or all of the damages if it was found liable under statutory damages and product liability provisions or contractual guarantees granted to customers. The Group generally records warranty provisions in its accounts based on historical defect rates, but there can be no assurance that such provisions will be adequate for liability ultimately incurred. The publicity surrounding product liability claims is also likely to damage the Group's reputation, regardless of whether they are successful. Any of the above consequences resulting from defects in the Group's products may have a material adverse effect on the Group's performance and financial condition.

The Group is subject to stringent environmental and other laws, regulations and standards, compliance with which may be costly and non-compliance with which may result in fines, penalties and other sanctions

The Group is subject to a broad and increasingly stringent range of environmental, health and safety laws, regulations and standards in the jurisdictions in which it operates. The laws, regulations and standards relate to, among other things, noise emissions, carbon dioxide and other exhaust emissions, waste and waste water disposal, soil and groundwater contamination, recultivation obligations, the use and handling of hazardous materials, waste disposal practices and standards relating to refractory materials, hygiene, ventilation and fire and electrical safety. Compliance with such laws and regulations imposes substantial financial and administrative burdens on the Group. Environmental claims or the failure to comply with any present or future regulations could result in the assessment of damages or imposition of fines against the Group, suspension of production, cessation of operations, criminal sanctions or other liabilities. For example, the Group's joint venture Sinterco, in which it holds an equity accounted interest, has recently been found to be potentially non-compliant with certain environmental regulations at its dolomite production plant in Belgium. Non-compliance with these regulations could result in fines for Sinterco, and substantial investments in equipment, fixtures and production processes at the plant may be necessary on the part of the Group in order for Sinterco to become compliant and to maintain the necessary operating permits. Non-compliance may further result in a temporary or permanent closure of Sinterco's operations, which could result in a shortfall in the Group's internal supply of dolomite requiring it to source a larger proportion of its dolomite requirements externally at potentially unfavourable prices. New regulations could require the Group to acquire costly equipment, refit existing plants or redesign products or to incur other significant expenses and expose it to additional liability risks.

Costs to comply with carbon dioxide emissions limitation regimes could place the Group at a competitive disadvantage

Due to substantial process-driven emissions of carbon dioxide in refractory production, the Group is particularly affected by regulations taxing or limiting carbon dioxide emissions. Such regulations have been enacted in most countries in which the Group operates. In the European Union, the Group is subject to a cap and trade scheme on carbon dioxide emissions pursuant to the Industrial Emissions Directive on integrated pollution prevention and control of industrial emissions and the EU Emissions Trading Scheme ("**ETS**"). Since 2013, manufacturing companies, including the Group, have generally been required to purchase a steadily increasing amount of emission rights. Both the cap on total annual emissions in the EU and the amount of emission rights allocated at no cost are gradually reduced by 2020. In the event that the Group does not receive sufficient carbon leakage protection, or is not otherwise allocated a sufficient amount of emission rights in the future, including free emission rights, its costs will significantly increase. In 2018, the Group was for the first time required to purchase emissions rights on the market, and the volume and cost of such rights may increase in the future. Such costs are also dependent on the price of emission allowances, which is currently expected to increase. ETS and similar regulations that are implemented in the future, or amendments to such regimes, including those adopted to implement the 2015 Paris Agreement as defined below, could place the Group at a competitive disadvantage against companies that are not or are to a lesser degree subject to such regulations, or against companies that are subject to the same degree to such regulations but which do not comply or comply fully with the regulatory requirements or as to which the relevant regulatory authority fails to enforce such requirements. Therefore, regulations on carbon dioxide could have a material adverse effect on the Group's performance and financial condition.

The Group could be held responsible for significant investigation and clean-up costs under applicable waste management and environmental remediation laws

The discovery of previously unknown contamination at the Group's facilities, or at third-party sites to which it sent waste for disposal, could require the Group to incur significant investigation and clean-up costs. Some environmental laws, notably the U.S. Comprehensive Environmental Response, Compensation and Liability Act (also known as "Superfund"), as well as German and Brazilian environmental legislation, can impose liability on present and former owners or operators of contaminated properties, as well as on parties who disposed of or arranged for the disposal of hazardous wastes at those sites, without regard to knowledge or fault. In the past, the Group has been held responsible for certain environmental incidents in its mining and refractories production operations, including asbestos and silica-related damage claims, which originated prior to the acquisitions of the operations, against certain of the Group's U.S. subsidiaries in 2001 which resulted in their bankruptcy in 2002 and were settled in 2013. Additional contamination may exist at other facilities of the Group, which could result in investigation or remediation obligations being imposed on the Group in the future. The Group may also have liabilities for environmental contamination or damages relating to its former sites or operations. The Group's provisions may not be sufficient to cover all potential environmental issues. Therefore, future remediation liabilities and other developments such as changes in law or stricter enforcement of environmental issues could result in increased costs and liabilities for the Group and have a material adverse effect on the Group's performance and financial condition.

The Group could incur significant costs for the renewal or obtaining of additional permits, sanctions for non-compliance with permit requirements and compliance costs for other regulations affecting mining operations

In addition to environmental regulations, the Group's mining operations are subject to governmental regulations, such as permit and administrative licencing requirements as well as reclamation and restoration of mining properties after mining is completed. Non-compliance with permitting and licensing requirements may result in administrative sanctions such as fines and the suspension of operations and, in certain jurisdictions, in criminal sanctions. The Group expects that, in the ordinary course, it will need additional permits and renewals of permits for its mining operations.

Additional legal requirements, however, could be adopted in the future that would render compliance still more burdensome. Furthermore, obtaining or renewing required permits and licenses is sometimes delayed or prevented due to community opposition and other factors beyond the Group's control. The Group could be adversely affected if current provisions for reclamation and closure costs were determined to be insufficient at a later stage, or if future costs associated with reclamation were to be significantly greater than current estimates. Non-compliance with national laws and guidelines may also lead to non-renewal or revocation of licenses and permits. It is possible that current or future mining regulation, and the cost of compliance with such regulation, could prove to be more expensive than the Group anticipates, requiring a greater expenditure of funds than expected.

The Group's operations are subject to health and safety risks

The Group's mining and refractory production operations involve a number of health and safety risks. For example, the Group's production facilities require individuals to work with chemicals, equipment and other hazardous materials, including silica dust, that have in the past caused harm, injury and fatalities in the Group's operations. Notwithstanding preventive safety and health measures that the Group has already taken or may take in the future, there can be no assurance that such measures will be effective in reducing the number of incidents and any such incidents may result in disruption to the Group's operations, legal and regulatory consequences and reputational damage, any or all of which may have a material adverse effect on the Group's performance and financial condition.

The Group is exposed to legal risks regarding antitrust regulation and related enforcement actions and damage claims

The Group is subject to antitrust regulation in the European Union and other jurisdictions and is therefore exposed to risks regarding related enforcement actions and damage claims.

A finding of an infringement of antitrust regulations could adversely affect the Group in a variety of ways. For example, it could result in significant fines (based, among other factors, on the value of the relevant sales); private enforcement claims by third parties, such as customers and/or competitors; disclosure of and changes in business practices that may result in reduced revenue and/or margins; and reputational damage. In addition, antitrust rules and regulations in certain jurisdictions may impose restrictions on the Group's ability to carry out certain acquisitions, enter into joint ventures, or require forced divestments or the implementation of other measures. These potential consequences could have a material adverse effect on the business, results of operations and financial condition of the Group.

Adverse judgments in this or potential future antitrust matters could result in substantial liability for the Group, which could have a material adverse effect on its results of operations, financial condition and reputation.

The Group's failure to defend its intellectual property could adversely affect the Group's business

The Group's ability to compete is partially based upon proprietary knowledge and it relies on a combination of trade secrets, patents, confidentiality procedures and agreements, copyright and trade marks to protect its proprietary rights. If the Group fails to or is unable to protect, maintain and enforce its existing intellectual property, this may result in the loss of the Group's exclusive right to use technologies and processes which are included or used in its businesses. In addition, the laws of certain countries in which the Group operates may not provide protection of proprietary rights that the Group deems appropriate. The Group has applied for patents in a number of jurisdictions, including European countries and the United States. These applications are in the application process at various stages and patents may not be issued, or may be issued in a form narrower than that sought by the Group. If some of the patents or patent applications are not granted, expire or are successfully challenged, the Group may be unable to exclude competitors from using the technology covered by them. The Group has also acquired patents and patent applications from other parties. The Group's involvement in intellectual property litigation could result in significant expenses, the diversion of management attention, the invalidation of its patents or a finding that they are unenforceable, and may materially adversely affect the development of sales of the challenged product or intellectual property and may have a material adverse effect on the Group's performance and financial condition.

The Group may infringe on the intellectual property rights of third parties

Third parties may from time to time allege that the Group has infringed on their intellectual property rights. Successful claims by third parties of infringement, misuse or misappropriation by the Group could require the Group to cease making or using products that are alleged to infringe or misappropriate the intellectual property rights, to expend additional development resources to attempt to redesign the Group's products or otherwise to develop alternative technology, or to enter into potentially unfavourable royalty or licence agreements in order to obtain the right to use necessary technologies or intellectual property rights. In addition, the Group could be exposed to liability for damages. Even claims of infringement, misuse or misappropriation that ultimately are unsuccessful could cause reputational harm, result in expenditure of funds in litigation and divert management's time and other resources, any of which could materially adversely affect the Group's business, financial condition and results of operations.

The Group relies on the proper functioning and integrity of its computer and data processing systems and is exposed to risks relating to data breaches

The Group's ability to keep its businesses operating depends on the functional and efficient operation of its computer and data processing and telecommunications systems around the world. Computer and data processing systems are susceptible to malfunctions and interruptions (including due to equipment damage, power outages, fire, natural disasters, breakdowns, malicious attacks, computer viruses, and a range of other hardware, software and network problems), and the Group may be unable to prevent malfunctions or interruptions. A significant or large-scale malfunction or interruption of its computer or data processing systems could disrupt the Group's operations, for example by causing delays or the cancellation of customer orders, impeding the manufacture or shipment of products, the processing of transactions and the reporting of financial results, or could damage the Group's reputation.

In addition, the Group faces the risk of potential unauthorised access to, and the loss of, critical and sensitive information, for example as a result of hacking attacks. A leak of confidential information or the loss of critical and sensitive information could reveal trade secrets or know-how of the Group or its customers to competitors and harm the Group's business, competitive position and reputation. Large-scale cybersecurity attacks have occurred with increasing frequency in recent years. There can be no assurance that the Group's information technology security measures will adequately protect it against cybersecurity incidents or that such incidents will not have a material adverse impact on the Group's performance and financial condition.

The Group is also subject to privacy and information security regulations with respect to, among other things, the use and disclosure of personal data, and the confidentiality, integrity and availability of such information. In particular, the Group is subject to the stringent requirements of the EU General Data Protection Regulation, which entered into force in May 2018, and violation of which carries fines of up to 4 per cent of the offending entity's global turnover. If the Group fails to adequately safeguard confidential personal or other sensitive data or such data is wrongfully used by the Group (or by third parties) or disclosed to unauthorized persons, this could result in claims for damages and other liabilities, significant fines and other penalties and the loss of customers and reputation, which could in turn have an adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group’s financing agreements include covenants, including financial maintenance covenants and covenants restricting the incurrence of financial indebtedness, the providing of security over assets, and asset sales

Under the terms of its principal financing agreements and any financing agreement that the Group may enter into in the future, the Group is, and may in the future be, subject to covenants that could, among other things, restrict its business and operations. For example, the Group’s USD 600 million term and revolving facilities agreement, its EUR 305.6 million term facility agreement and outstanding debenture bonds in the amount of EUR 230.5 million each contain a financial covenant and a number of restrictive covenants including negative pledge undertakings, restrictions on mergers, acquisitions and disposals, and restrictions on subsidiary indebtedness and the granting of security. The financial covenant requires the Group to maintain a certain credit rating, the non-compliance with which triggers a net debt to EBITDA covenant to be tested semi-annually at the level of the Group. See also “*Operating and Financial Review—Liquidity and Capital Resources—Borrowings—Principal Financing Agreements*.”

If the Group breaches any of these covenants, its lenders and the holders of its debt securities will be entitled to accelerate debt obligations, which may also trigger cross-acceleration clauses. Any default under its debt obligations could require that the Group repay these debts prior to maturity as well as limit its ability to obtain additional financing, which in turn may have a material adverse effect on the Group’s cash flow and liquidity.

The Group has and will continue to have a substantial amount of outstanding debt with significant debt service requirements. Should the Group’s leverage increase, this could have adverse consequences for its business and operations, including making it more difficult for the Group to satisfy its obligations under its financing arrangements; increasing its vulnerability to a downturn in its business or general economic and industry conditions; requiring it to dedicate a substantial portion of its cash flow from operations to payments on its debt and reducing the availability of its cash flow to fund internal growth through capital expenditures and for other general corporate purposes; negatively impacting credit terms with its creditors; limiting, among other things, its ability to borrow additional funds or raise equity capital; and increasing the costs of such additional capital.

The Group is exposed to exchange rate fluctuations

The Group operates worldwide and is therefore exposed to risks arising from currency exchange rate fluctuations. A substantial portion of the Group’s assets, liabilities, sales revenue and costs is denominated in currencies other than the EUR, the Group’s reporting currency. The Group’s predominant exposures are in USD, BRL and INR. Transactional risk arises when the Group and its subsidiaries execute transactions in a currency other than its or their functional currency. For example, a significant portion of Magnesita’s costs are incurred in BRL while most of its sales are invoiced in other currencies. Additionally, currency risk arises in connection with the translation of the financial condition and results of operations of the Group’s international subsidiaries with non-EUR reporting currencies, in particular its Brazilian subsidiaries, whose reporting currency is the BRL. Since 2016, the Group’s financial result has been adversely affected by the depreciation of the BRL against the EUR. The Group relies on natural hedging techniques and, in some instances, financial derivatives aimed at protecting the Group against certain foreign currency exchange rate risks to which it is exposed. There can be no assurances that such measures offset the adverse financial impact resulting from currency variation, which may in turn have a material adverse impact on the Group’s business, results of operations and financial condition.

Increases in interest rates may have an adverse effect on the Group’s results of operations

As of 31 December 2018, a substantial portion of the Group’s liabilities, including borrowings under a USD 600 million term and revolving credit facility agreement, a EUR 305.6 million term facility agreement and certain tranches of a EUR 230.5 million debenture bond, were subject to variable interest rates. As a consequence, any rise in short-term interest rates exposes the Group to increased borrowing costs.. The Group seeks to manage interest rate risk with interest-rate swaps and other derivative instruments and by maintaining a balance between fixed rate and floating rate exposure. However, no assurance can be given that these measures will be effective in protecting the Group against interest rate risk and a failure to manage this risk could have an adverse effect on the Group's business, results of operations and financial condition.

The value of goodwill or other intangible assets reported in the Group's consolidated financial statements may need to be partially or fully impaired as a result of revaluations

As of 31 December 2018, the Group had EUR 117.4 million in goodwill and other intangible assets recorded on its balance sheet, most of which resulted from the Group's acquisition of Magnesita. Under the International Financial Reporting Standards as applicable in the EU ("**IFRS**"), the Group is required to annually test its recorded goodwill, and to assess the carrying values of other intangible assets when impairment indicators exist. As a result of such tests, the Group could be required to recognise impairment losses in its income statement if the carrying value is in excess of the fair value. Factors that could trigger an impairment of such assets include the underperformance of the Group's business relative to projected future operating results, negative industry developments or economic trends, including changes in borrowing rates or weighted average cost of capital, applicable tax rates or changes in working capital. Should the Group have to book any impairment losses, this could have a material adverse effect on its business, results of operations and financial condition.

Certain tax matters may have an adverse effect on the Group's cash flow, financial condition and results of operations

Due to the global nature of the Group's business, the Group is subject to income and other taxes in multiple jurisdictions. Significant judgment and estimation is required in determining the Group's worldwide provision for income taxes. In the ordinary course of the Group's business, there are various transactions and calculations, including intercompany transactions and cross-jurisdictional transfer pricing, for which the ultimate tax determination is uncertain or otherwise subject to interpretation. The Group is regularly audited by tax authorities. These authorities may become more aggressive in their interpretation of applicable laws, rules and regulations over time, whether as a result of economic pressures or otherwise. Tax authorities may disagree with the Group's intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. Although the Group believes that its tax estimates are reasonable, the final determination of tax audits could be materially different from the Group's historical income tax provisions and accruals. Any additional tax liabilities resulting from a final determination could have a material adverse effect on the Group's financial position, results of operations, or cash flows in the period or periods for which that determination is made.

For example, Magnesita is currently subject to ongoing tax audits in Brazil in which Brazilian tax authorities are challenging tax deductions that Magnesita had taken in prior years, in large part relating to goodwill amortisation in terms of value, in an aggregate amount of approximately EUR 169.0 million as of 31 December 2018. The Group is subject to various other tax proceedings that are individually of low importance, but that could become material in the aggregate. If the outcome of these proceedings in Brazil or of other tax proceedings the Group is involved in in any other jurisdiction deviates materially from the Group's estimate that is reflected in the Group's financial statements, this could result in substantial liabilities for the Group, which could have a material adverse effect on its results of operations, financial condition. The Group has not recognised any provisions in relation to these proceedings.

In addition, repatriation of funds held by subsidiaries in foreign jurisdictions may result in a higher effective tax rate and incremental cash tax payments. In addition, future changes in tax legislation could have a significant adverse effect on the Group's tax rate, the carrying value of deferred tax assets or deferred tax liabilities. Any of these changes could affect the Group's profitability. The Group's effective tax rate in the future could also be adversely affected by changes to its operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and the discovery of new information in the course of the Group's tax return preparation processes.

The Group is subject to risks related to the funding requirements of its pension and other post-employment benefit plans

The Group has obligations under defined benefit pension plans, mainly in the Issuer's subsidiaries in Austria, Germany, the United States, the United Kingdom and Brazil. As of 31 December 2018, the Group's net liability from pension obligations was EUR 302.2 million. The Group's funding obligations depend upon future asset performance, the level of interest rates used to measure future liabilities, actuarial assumptions and experience, benefit plan changes and government regulations. Since these variables are difficult to predict, future cash funding requirements for the Group's pension plans and other post-employment benefit plans could be significantly higher than the amounts estimated as at 31 December 2018, and such additional funding requirements, if they materialise, could have a material adverse effect on the Group's performance and financial condition.

Risks relating to the Ordinary Shares and Admission

The market price of the Ordinary Shares may fluctuate and may decline below the admission price, and trading in the Ordinary Shares may be very limited which might lead to holders not being able to sell their Ordinary Shares at a reasonable price or at all

No assurances can be given that an active trading market for the Ordinary Shares will develop or, if developed, can be sustained or will be liquid following the Admission. Furthermore, the price of the Ordinary Shares at the commencement of trading on the Vienna Stock Exchange is not necessarily indicative of the prices at which the Ordinary Shares will subsequently trade on the Vienna Stock Exchange or the LSE. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

Publicly traded securities, such as the Ordinary Shares, from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them due to a number of factors, many of which are beyond the Group's control, including new government regulation, variations in operating results in the Group's reporting periods, changes in financial estimates by securities analysts, changes in market valuation of similar companies, announcements by the Group or its competitors of significant contracts, acquisitions, strategic alliances, joint ventures, capital commitments or new services, loss of major customers, additions or departures of key personnel, any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts, future issues or sales of ordinary shares and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Ordinary Shares.

Future offerings of equity or equity-linked securities by the Issuer or any of the Issuer's shareholders may adversely affect the market price of the Ordinary Shares and may dilute investors' shareholdings

The Issuer's board of directors (the "**Board**") is, within certain limits, authorised to issue Ordinary Shares, grant rights to subscribe for Ordinary Shares and/or limit or exclude statutory pre-emptive rights in relation thereto. For further details on the authorisations of the Board to issue, or grant rights to subscribe for, Ordinary Shares. See "*Description of the share capital and the Articles of Association - Issuance of Ordinary Shares*". The equity interests of holders of the Ordinary Shares ("**Shareholders**") will be diluted to the extent that Ordinary Shares are issued pursuant to these authorisations and any additional rights allocated under the Group's share incentive scheme or a similar arrangement.

The Issuer may in the future seek to raise capital through public or private debt or equity financings by issuing additional Ordinary Shares, debt or equity securities convertible into Ordinary Shares, and exclude the pre-emptive rights pertaining to the then outstanding Ordinary Shares. In addition, the Issuer may in the future seek to issue additional Ordinary Shares as consideration for or otherwise in connection with the acquisition of new businesses. The issuance of any additional Ordinary Shares may dilute an investor's shareholding interest in the Issuer. Furthermore, any additional debt or equity financing the Issuer may need may not be available on terms favourable to the Issuer or at all, which could adversely affect the Issuer's future plans and the market price of the Ordinary Shares. Any future offering or issuance of Ordinary Shares, or the perception that an offering or issuance might occur, could also have a negative impact on the market price of the Ordinary Shares and could increase the volatility in the market price of the Ordinary Shares.

The market price of the Ordinary Shares could further decline if substantial numbers of Ordinary Shares are sold by any of the Shareholders in the public market or if there is a perception that such sales could occur.

The Group cannot make any assurance that it will pay cash dividends or make other distributions in the future

Since the Issuer does not itself conduct any operating business, its ability to pay cash dividends or make other distributions depends on its operating subsidiaries and associated companies making profits or having sufficient cash available for distribution or transfer to the Issuer and the Issuer having sufficient distributable reserves. Any decision as to whether to pay cash dividends or make other distributions (such as a return of capital or share premium distributions to shareholders) will depend upon a variety of factors, including the Group's cash flow, capital expenditure plans and other cash requirements existing at the time, covenants in the Group's financing arrangements and other considerations. Pursuant to the Issuer's articles of association (the "**Articles of Association**"), distributions may only be paid out of profits (including retained earnings) and distributable reserves (see "*Profits and Distributions*"). No assurance can be given that cash dividends or other distributions will be paid in the future.

Holders of Ordinary Shares outside the Netherlands, the United Kingdom and Austria may suffer dilution if they are unable to exercise pre-emptive rights in future offerings

In the event of an increase in the Issuer's share capital, Shareholders are generally entitled to full pre-emptive rights, unless these rights are limited or excluded either by a resolution of the general meeting of the Issuer, being the corporate body or, where the context so requires, the physical meeting (the "**General Meeting**") or by a resolution of the Board if the Board has been granted such authority by the General Meeting.

The Board is, within certain limits, authorised to resolve on the issuance, or grant of rights to subscribe for, Ordinary Shares and to limit or exclude the pre-emptive rights in connection therewith. See "*Description of the share capital and the Articles of Association – Pre-emptive rights*"

However, certain Shareholders outside the Netherlands, the United Kingdom and Austria may not be able to exercise pre-emptive rights, and therefore suffer dilution, unless local securities laws have been complied with and the Issuer may not be able, or may choose not to take steps necessary, to make rights available for exercise by Shareholders outside the Netherlands, the United Kingdom and Austria in compliance with local laws.

In particular, Shareholders located in the United States would not be able to receive (or trade) or exercise their pre-emptive rights in respect of any issue of Ordinary Shares unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. The Issuer does not plan to become a registrant under the U.S. securities laws. If U.S. holders of the Ordinary Shares are not able to receive (or trade) or exercise pre-emptive rights granted in respect of their shares in any pre-emptive offering by the Issuer or participation in a rights offer, as the case may be, then they may not receive the economic benefit of such rights or participation. In addition, their proportional ownership interests in the Issuer will be diluted.

The rights and responsibilities of Shareholders are governed by Dutch law and the Articles of Association, which differ in some respects from the rights and responsibilities of shareholders under Austrian law

The Issuer's corporate affairs are governed by its Articles of Association, the Board Rules (as defined in "*Management and Corporate Governance of RHI Magnesita*") and the laws governing companies incorporated in the Netherlands. The rights of Shareholders and the responsibilities of members of the Board under Dutch law differ from the rights of shareholders and the responsibilities of a company's board of directors under Austrian law.

For example, the provisions of Dutch corporate law and the Articles of Association have the effect of concentrating control over certain corporate decisions and transactions in the hands of the Board. As a result, Shareholders may have less control over actions by members of the Board than if the Issuer were incorporated in Austria. Dutch law also requires that, in the performance of its duties, the Board will need to consider the interests of the Issuer and its business, its Shareholders, employees and other stakeholders, and it is possible that some of these parties will have interests that differ from, or are in addition to, the interests of the Shareholders. It may further be difficult for Shareholders who are not familiar with Dutch corporate law and market practice to exercise their shareholder rights due to foreign legal concepts, language and customs. Any action to contest any of the Issuer's corporate actions must be filed with, and will be reviewed by, a Dutch court, in accordance with Dutch law.

These aspects could have a material adverse effect on the value of the Ordinary Shares and could materially impact the rights of Shareholders. See "*Management and Corporate Governance of RHI Magnesita*" for a summary of certain provisions in the Articles of Association regarding the Issuer's corporate bodies, management and corporate governance, "*Description of the Share Capital and the Articles of Association*" for a summary of certain other provisions of the Articles of Association, and "*Applicable Regulations*" for a summary of certain applicable Dutch, Austrian and UK laws.

Investors with a reference currency other than the euro will become subject to foreign exchange rate risk when investing in the Ordinary Shares

The Ordinary Shares are, and any dividends to be declared in respect of the Ordinary Shares will be, denominated in euro unless the Board determines in its sole discretion that payment shall be made in a different currency. An investment in the Ordinary Shares by an investor whose principal currency is not the euro exposes the investor to currency exchange rate risk that may impact the value of the investment in the Ordinary Shares or any dividends.

IMPORTANT INFORMATION

General

This Prospectus does not constitute an offer of securities by, or on behalf of, the Issuer or anyone else and has been prepared solely in connection with the Admission.

Prospective investors are expressly advised that an investment in the Ordinary Shares entails certain risks and therefore they should carefully review the entire content of this Prospectus. Furthermore, before making an investment decision with respect to any Ordinary Shares, prospective investors should consult their stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Ordinary Shares in light of their personal circumstances.

Prospective investors should rely only on the information contained in this Prospectus. The Issuer does not undertake to update this Prospectus, and potential investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus. No person is or has been authorised to give any information or to make any representation in connection with the Admission, other than as contained in this Prospectus, and, if given or made, any other such information or representations must not be relied upon as having been authorised by the Issuer, the members of the Board or any of their respective representatives. Without prejudice to any obligation of the Issuer to publish a supplementary prospectus, the delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Group's affairs since the date hereof or that the information set forth in this Prospectus is correct as of any other date.

Responsibility statement

This Prospectus is made available by the Issuer. The Issuer accepts responsibility for the information contained in this Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Notice to investors

This Prospectus may not be used for and does not constitute an offer to sell, or the solicitation of an offer to buy, any of the Ordinary Shares or any other securities issued by the Issuer.

Distribution of this Prospectus may, in certain jurisdictions, be subject to specific regulations or restrictions. Persons in possession of this Prospectus are urged to inform themselves of any such restrictions which may apply in their jurisdiction and to observe them. Any failure to comply with these regulations or restrictions may constitute a violation of the securities laws of that jurisdiction. The Issuer disclaims all responsibility for any violation of such regulations or restrictions by any such person.

Forward-looking statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as at the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on the Group's future earnings capacity, plans and expectations regarding its business growth and profitability, and the general economic conditions to which it is exposed. Statements made using words such as "predicts", "forecasts", "aims", "believes", "outlook", "estimates", "anticipates", "targets", "plans", "endeavours" or "expects" may be an indication of forward-looking statements.

The forward-looking statements in this Prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Issuer's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Issuer's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. These expressions can be found in several sections in this Prospectus, particularly in the sections entitled "*Risk Factors*", "*Operating and Financial Review*", and "*Business of the Group*", and wherever information is contained in this Prospectus regarding the Issuer's intentions, beliefs or current expectations relating to the Issuer's future financial condition and results of operations, plans, liquidity, business outlook, growth, strategy and profitability, as well as the economic and regulatory environment to which the Issuer and the Group are subject.

In light of these uncertainties and assumptions, it is also possible that the future events mentioned in this Prospectus might not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (for more information on the third-party sources used in this Prospectus, see "*—Sources of market and other data*"). Actual results, performance or events may differ materially from those in such statements due to, among other reasons:

- macroeconomic conditions and cyclicality in the markets in which the Group operates;
- protectionist measures, including tariffs and other barriers to trade;
- the availability and cost of raw materials;
- the development and performance of the steel industry and the cement, lime, glass, non-ferrous metals, environmental, chemicals and energy industries;
- unexpected changes in market demand for refractory products and for the Group's products in particular;
- pricing and margin pressure as a result of intense competition;
- the Group's ability to achieve the targeted benefits from the acquisition of Magnesita
- increasing consolidation and concentration of customers;
- business interruptions
- adverse interest rate and currency effects;
- legal, tax or regulatory proceedings;

and other factors described in this Prospectus.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Prospective investors should not place undue reliance on forward-looking statements. In addition, even if the Issuer's results of operations, financial condition and liquidity, the development of the industry in which it operates and the effect of acquisitions on it are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Moreover, it should be noted that none of the Issuer, the members of the Board or any of their respective representatives assumes any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. See "*Risk Factors*", "*Refractory Industry & Regulatory Overview*", "*Business of the Group*", and "*Operating and Financial Review*" for a more detailed discussion of the factors that could affect the Issuer's future performance and the industry in which it operates. New risks may emerge from time to time, and it is not possible for the Issuer to predict all such risks, or combination of risks and other factors, that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not rely on forward-looking statements as a prediction of actual performance or results.

Sources of market and other data

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which the Group operates is based on management's assessments. These assessments, in turn, are based in part on observations of the market and on various market studies.

In addition to information that has been based on assessments by management, the following sources were used in the preparation of this Prospectus:

- International Monetary Fund, "*World Economic Outlook*" (October 2018);
- World Steel Association, press release "*Global crude steel output increases by 4.6% in 2018"* (25 January 2018);
- World Steel Association, press release "*World crude steel output increases by 5.3%. in 2017"* (24 January 2018);
- World Steel Association, press release "*World crude steel output increases by 0.8%*" in 2016; and
- World Steel Association, "*Steel Statistical Yearbook 2018"* (2018).

In particular, it should be noted that reference has been made in this Prospectus to information concerning markets and market trends. Information in relation to such markets and market trends was obtained from the above-mentioned market studies. The Issuer has accurately reproduced such information and, as far as it is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. For example, market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Issuer (see "—*Responsibility statement*"), the Issuer has not independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Issuer makes no representation or warranty as to the accuracy of any such information from third-party studies included in this Prospectus. Prospective investors should also note that the Issuer's own estimates and statements of opinion and belief are not always based on studies of third parties.

Incorporation by reference

The Articles of Association (the official Dutch version and an English translation thereof) and the Audited Consolidated Financial Statements (as defined in *"Presentation of Financial and Other*

Information—Financial Statements") are incorporated into, and form part of, this Prospectus and can be obtained free of charge on the Issuer's website set up for purposes of this Prospectus (prospectus.rhimagnesita.com). Other than the Articles of Association and the Audited Consolidated Financial Statements, nothing is incorporated by reference into this Prospectus.

No incorporation of websites

Investors should only rely on the information that is provided in this Prospectus or incorporated by reference herein as noted above under "*—Incorporation by reference*". No other documents or information form part of, or are incorporated by reference into, this Prospectus, in particular, but without limitation, none of the information presented on or contained in the Issuer's website (www.rhimagnesita.com) or any website accessible via hyperlinks on this website.

Definitions

Defined terms are used in this Prospectus. Certain of these terms are listed and explained under "*Glossary/Definitions*".

In this Prospectus, all references to Ordinary Shares shall be deemed, where the context so permits, to be or include references to, the dematerialised depositary interests representing entitlements to Ordinary Shares and can be settled electronically through and held in CREST, as issued by Computershare Investor Services PLC (the "**Depositary**"), which will hold (itself or through its custodian) the underlying securities on trust (the "**Depositary Interests**").

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

RHI Magnesita N.V. (the "**Issuer**") was incorporated on 20 June 2017 and became the ultimate parent of the Group as of 26 October 2017, after completing a cross-border merger (as acquiring company) with RHI AG (as disappearing company) (the "**Merger**"). Until then, RHI AG was the ultimate parent of the Group. Effective 26 October 2017, the Issuer also acquired control of Magnesita via an indirect wholly-owned subsidiary, after acquiring 50 per cent plus one share and corresponding voting rights in Magnesita ("**Acquisition of Control**"). In November 2018, the Issuer made an integrated tender offer to the minority shareholders of Magnesita. Pursuant to this offer, the Issuer holds 97.5 per cent of the total share capital of Magnesita at the date of this Prospectus.

References in this Prospectus to the "**Group**" which relate to matters occurring prior to the effective date of the acquisition of Magnesita are to RHI AG and its consolidated subsidiaries (also referred to as the "**RHI Group**"), and references to the "**Group**" which relate to matters occurring after the effective date of the Acquisition of Control relate to the Issuer and its consolidated subsidiaries, including Magnesita.

Financial Statements

This Prospectus incorporates by reference (see *"Important Information — Incorporation by reference"*) the following financial statements:

- The audited consolidated financial statements of the Group as of and for the year ended 31 December 2018 (the "**2018 Financial Statements**");
- The audited consolidated financial statements of the Group as of and for the year ended 31 December 2017 (the "**2017 Financial Statements**"); and
- The audited consolidated financial statements of the RHI Group as of and for the year ended 31 December 2016 (the "**2016 Financial Statements**");

in each case, prepared in accordance with the International Financial Reporting Standard as adopted by the European Union ("**IFRS**"), together referred as the "**Audited Consolidated Financial Statements**".

The 2018 Financial Statements and the 2017 Financial Statements were audited by PricewaterhouseCoopers Accountants N.V. ("**PwC**"), Thomas R. Malthusstraat 5, 1066 JR Amsterdam, The Netherlands. The auditor signing the auditor's report on behalf of PwC is a member of the Royal Netherlands Institute of Chartered Accountants (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*). The 2016 Financial Statements were audited by PwC Wirtschaftsprüfung GmbH, Erdbergstraße 200, 1030 Vienna, Austria. PwC Wirtschaftsprüfung GmbH is registered with the Austrian chamber of certified public accountants and tax consultants (*Kammer der Wirtschaftstreuhänder*).

Presentation of Financial Disclosure

Except as stated otherwise, the financial information included in this Prospectus represents (1) as of and for the year ended 31 December 2016, the consolidated results of operations, financial position and cash flows of the legacy RHI Group; (2) as of and for the year ended 31 December 2017, the comparative figures as of and for the year ended 31 December 2017 included in the 2018 Financial Statements, which include the contribution of the legacy Magnesita Group from 26 October 2017 and are adjusted to reflect the factors discussed in "*—2017 Financial Information*" below (the "**2017 Financial Information**"); and 3) for the year ended 31 December 2018, the consolidated results of operations and financial position of the Group. Except as stated otherwise, the financial information in the Prospectus as of and for the years ended 31 December 2018, 2017 and 2016 is taken from the Audited Consolidated Financial Statements and audited. Financial data presented as "unaudited," is taken or derived from the Issuer's accounting records or its internal management reporting systems or is derived from the Audited Consolidated Financial Statements.

2017 Financial Information

The 2017 Financial Information included in this Prospectus, which reflects the comparative financial figures as of and for the year ended 31 December 2017 included in the 2018 Financial Statements, differs from the 2017 Financial Statements as a result of adjustments to reflect a) with respect to the statements of profit or loss and financial position, the finalisation of the purchase price allocation in connection with the Acquisition of Control and b) the change in presentation of certain items in the Group's consolidated statements of profit or loss and cash flows as of and for the year ended 31 December 2018. These adjustments are explained in further detail in "*Operating and Financial Review—Factors Affecting the Comparability of Results*" and Note 3 (*Other changes in comparative information*) to the 2018 Financial Statements incorporated by reference into this Prospectus. Except as stated otherwise, the 2017 Financial Information included in this Prospectus has been audited by PwC. However, as a result of the above procedures, the 2017 Financial Information is not covered by an auditor's opinion.

Segment reporting

Effective the financial year ending 31 December 2018, the Group's operations are divided into two reporting segments: (i) the Steel Division; and (ii) the Industrial Division. The segmentation represents a division according to the two main customer industries.

- ***Steel Division.*** The Steel segment specializes in supporting customers in the steel-producing and steel-processing industry with a broad range of commoditised products and higher-margin customised solutions and comprehensive packages for steel production consisting of (i) refractories (basic and non-basic mixes and bricks), (ii) machinery and (iii) services to the flow control business.
- ***Industrial Division.*** The Industrial segment serves customers in the glass, cement/lime, nonferrous metals and environment, energy, and chemicals industries.

The main activities of the two segments consist of market development, global sales of high-grade refractory bricks, mixes and special products as well as providing services at the customers' sites.

Prior to the year ended 31 December 2018, the Group also maintained a third reporting segment, the Raw Materials Division, which accounted for the sale of internally sourced raw materials to the Industrial Division and the Steel Division and to external customers. Effective 1 January 2018, this segment was discontinued as part of a reorganisation of the Group's internal reporting structure and external raw material sales are currently accounted for as part of the Industrial Division segment.

Currency presentation, presentation of figures and presentation of other information

In this Prospectus, "**euro**" and "**EUR**" refer to the single European currency adopted by certain participating member states of the European Union, "**Brazilian real**" and "**BRL**" refer to the currency of Brazil, "**U.S. dollar**" and "**USD**" refer to the currency of the United States of America, "**GBP**" refers to the currency of the United Kingdom and "**Indian rupee**" and "**INR**" refer to the official currency of the Republic of India.

The percentage changes that are stated in the text and the tables have been commercially rounded to one decimal point unless stated otherwise. With respect to financial data set out in the main body of this Prospectus, "-" signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but is or has been rounded to zero.

Rounding adjustments

As is customary in accounting, some numerical figures (including percentages) in this Prospectus have been commercially rounded for the ease of presentation. As a result, figures shown as totals in some tables may not be the exact arithmetic aggregation of the rounded figures that precede them. Percentages cited in the text, however, were calculated using the actual values rather than the rounded values. Accordingly, in certain cases it is possible that the percentages in the text differ from percentages based on the rounded values.

REASONS FOR ADMISSION AND TIMETABLE

Reasons for admission

The Board has considered the uncertain regulatory environment that resulted from the United Kingdom's decision to withdraw from the European Union. Due to these uncertainties the Board has decided that it is prudent for RHI Magnesita to apply for a secondary listing on a regulated market in the European Union. While the Group is a global business and has a strong presence in many jurisdictions, it has its head office in Vienna and was historically listed on the Vienna Stock Exchange. The Board has therefore decided that the most logical secondary listing location for RHI Magnesita is Vienna. RHI Magnesita will continue to have a Premium Listing and be admitted to trading on the LSE, which will remain its primary listing venue.

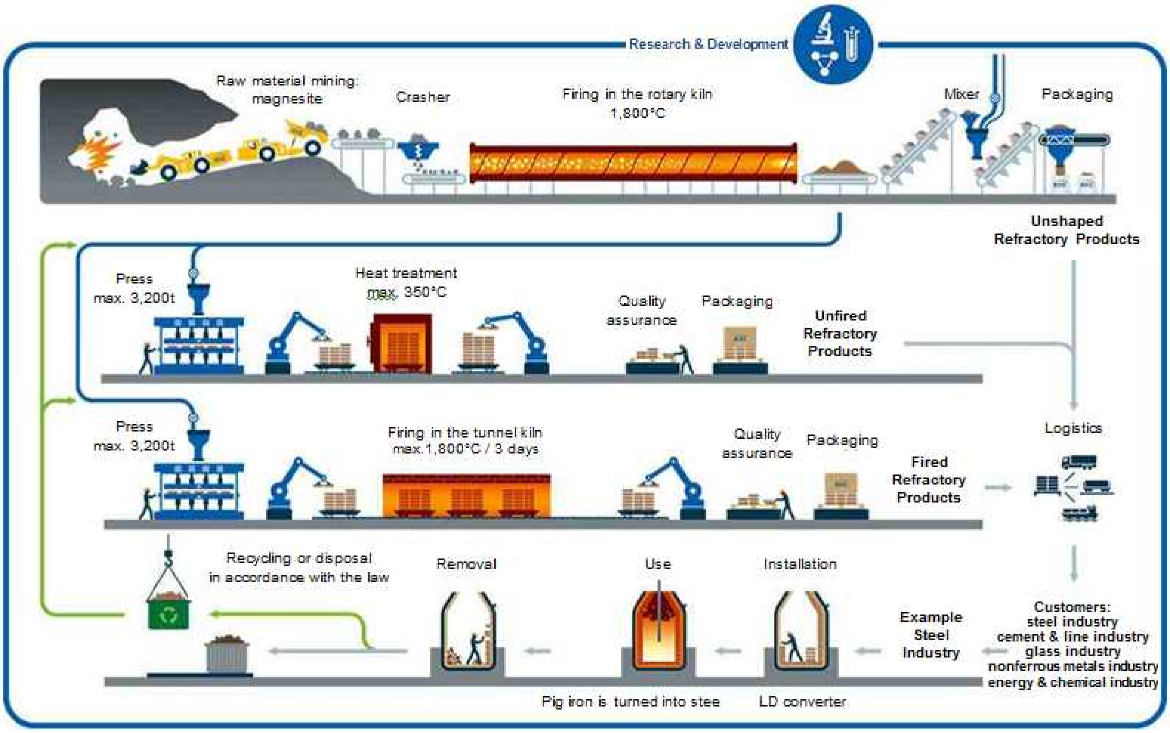
Timetable

The following table sets out the expected timetable of the principal events relating to the Admission following the date of this Prospectus. All references to times in this Prospectus are to Central European time unless otherwise stated. Dates and times are indicative and may be subject to change.

Date	Time	Events
27 March 2019	8:00 a.m.	Publication of this Prospectus
29 March 2019	9:00 a.m.	Commencement of continuous trading on the Vienna Stock Exchange

Production of refractory materials

Refractories are materials with physical and chemical properties that remain stable at high temperatures (some can resist up to 2,000° Celsius) and are indispensable for industrial high temperature processes. They are consumed in the ongoing production of steel, cement, ferroalloys and non-ferrous metals, among other industrial applications, and retain their physical and chemical properties in industrial furnaces, kilns, incinerators and reactors, without melting, retracting or deforming.



(Source: Internal data.)

The typical value chain in the production of refractory materials comprises the following main processes and activities:

Mining and seawater extraction

The production of refractories begins with the mining process by which the necessary raw materials are extracted from the earth. The primary raw materials that are used to produce refractory products are magnesite, dolomite and alumina.

RHI Magnesita mines magnesite and dolomite at five locations in Austria, Italy and Turkey. In above ground exploration, the raw material is extracted in open-cut mining following a terrace pattern by means of drilling and blasting. In underground mining, magnesite is excavated at different levels of the pit by means of drilling and blasting. Magnesita has its own magnesite and dolomite quarries which contain high-quality reserves and are accessed using standard quarrying methods.

After extraction, raw materials which are determined to have sufficient quality for use in refractories are separated from the other materials extracted in the mining process and sent to the kilns for sintering. Non-refractory grade minerals are generally sold to third parties for other uses.

In both Drogheda, Ireland, and Porsgrunn, Norway, the Group pursues an alternative method of extracting raw materials from seawater. In this production method, the magnesium chloride ($MgCl_2$) contained in seawater is converted into magnesium hydroxide and calcium chloride in a reactor using hydrated lime. The magnesium hydroxide settles in a sedimentation basin and is then dehydrated in filter systems and presses. It is heat-treated to turn it into caustic magnesia, which is then fired to become caustic calcined or sintered magnesia, which, through further processing, are turned into deadburned magnesia or fused magnesia. This process in use both in Drogheda and Porsgrunn requires more energy than the treatment of magnesite ore due to the two-stage procedure, but enables higher raw material qualities.

Sintering, caustering and melting and further processing

In sintering, caustering and melting plants, raw magnesite and dolomite from mines is placed in a kiln and burnt to caustic, sintered and fused magnesia and sintered dolomite, respectively, at temperatures ranging from 500° to 2,800° Celsius. In the case of magnesite, the chemical process consists of the conversion of magnesite (or magnesium carbonate, $MgCO_3$) into magnesia (or magnesium oxide, MgO) and carbon dioxide. In the case of dolomite, the chemical process consists of the transformation of dolomite in the double carbonate form ($CaCO_3$, $MgCO_3$) to the oxide form sintered dolomite (CaO, MgO), with carbon dioxide being driven off as gas. The purpose of the sintering process is to heat, in different types of kilns, the raw material to the maximum temperature possible without causing it to fuse, thus removing carbon dioxide from the raw material and increasing its density. Effective sintering is essential to the production of high-quality refractories, as a less dense and more porous refractory will degrade more rapidly when subjected to the severe conditions of the steel and cement making and other industrial processes and consequently contaminate the materials being produced. The temperature and duration of the burning procedure determines the respective reactive properties (grades) of magnesia and sintered dolomite:

- Caustic magnesia, requires the lowest temperatures, from approximately 500° to approximately 1,000° Celsius. During the burning procedure, the material decomposes carbon dioxide but retains its magnesia structure. Caustic magnesia is characterised by its high reactivity and used in the construction industry (e.g., heraklith plates, fire doors), in agriculture (as an additive for animal feed) and as an industrial mineral for various other applications (e.g., in the pulp and paper industry or for waste water treatment).
- Sintered magnesia: Burning at temperatures above 1,600° Celsius transforms magnesite into sintered magnesia, a magnesium oxide with extremely low reactivity, which due to its heat resistance is primarily used as refractory material.
- Fused magnesia: The production of fused magnesia involves the complete melting of the material in EAFs at temperatures of approximately 2,800° Celsius, which results in the characteristic properties of fused magnesia (namely, high density and very large crystals). In addition to its application as refractory material, fused magnesia is, for instance, used as filler for heating elements.
- Sintered dolomite: Sintered dolomite is obtained by treating dolomite at approximately 1,900° Celsius in sintering kilns. The material is characterised by its high density and constitutes the basic material for the production of bricks and unshaped products, which are mainly used as refractory linings in the steel industry.

The magnesite ore is crushed and fired at 1,800° Celsius in special kilns. In the burning process, the carbon dioxide contained in the magnesite is released, and the density of the material increases. Then the bulk material is either mixed with binding agents, packaged and shipped as repair materials, or pressed in different sizes and shapes with a pressing power of up to 3,200 tons. Depending on the application, the refractory bricks are then either subjected to heat treatment at up to 350° Celsius or fired at up to 1,800° Celsius in tunnel kilns for three days. While so-called unfired products are primarily used in the steel industry, the main applications of fired products are in the cement, non-ferrous metals, glass and energy industries.

The ratio of minerals employed to refractory materials produced is approximately 2:1, i.e., 1,000 tons of minerals (magnesite or dolomite) result in approximately 500 tons of magnesia/sintered dolomite. These resulting base materials are viewed by the Group as its “raw materials”.

Depending on the intended use or application of the refractory product to be produced, further processing can involve sieving, crushing, grinding and/or mixing the raw material with non-basic materials (bauxite, alumina, quartz, carbonates, various ores, clay, etc.) as well as various additives and binding agents. The Group purchases such non-basic materials, additives and binding agents primarily from third-party suppliers.

Refractory Products

Refractory products are a key input for steelmaking and have no substitutes. Although each phase of steel production has its technical specificities and needs, refractory products must withstand the physical and chemical conditions in each phase of liquid steel production such as chemical erosion and oxidation due to molten iron and slag penetration into the material, pH changes and carbon gas absorption, abrasion and mechanical impacts from raw materials charging, or abrupt temperature, pressure and humidity changes.

High-quality refractory products are essential to ensure high-quality steel output and conversion efficiency. High-quality refractories also ensure a lower consumption of fuel, energy, electrodes and raw materials, as well as a higher useful life of equipment and fewer maintenance stoppages and related expenses. Although crucial to steel production, refractories represent a relatively small cost when compared to iron ore or coke, accounting for approximately 3 per cent of the total costs of steel production. Areas of application for refractory products include:

- steel casting ladles, i.e., refractory-lined buckets for receiving and transporting hot steel e.g., from the furnace to the mold (customer solutions, including roof and lining concepts, ladle gas purging refractories and gas regulation systems);
- EAFs, i.e., furnaces that shoot electric arcs between electrodes to melt a combination of pig iron scrap and other materials to produce steel, with eccentric bottom tapping as well as gas purging systems facilitating the injection of argon, nitrogen and oxygen into melts;
- slide gate systems made out of ceramics which control the flow of molten metals (at the converters, at the ladles and at the tundish gate);
- BOFs, i.e., furnaces for conversion of iron into steel in which oxygen is blown through molten iron to lower the carbon content;
- tundishes, i.e., refractory-lined distributers that receive steel from the ladle used for the continuous production of steel in the casting process, for the separation of non-metallic inclusions and for reducing the current by balancing the temperature to prevent re-oxidation of the steel;
- isostatic products, i.e., special parts produced in high pressure containment vessels by applying pressure on the material from all directions via an inert gas, such as argon; isostatic products are used in continuous casting machines at the end of the steelmaking process, where their main function is to enable the safe and controlled transfer of liquid steel from the ladle to the mold, where the liquid steel solidifies; isostatic products are mainly tubes made out of special refractory ceramics with high technological requirements regarding thermal and chemical resistance; due to the variety of casting machines used, isostatic products are designed and developed individually for each customer, which renders production and service management very complex;

- vacuum degassers, i.e., treatment vessels in which liquid metals are exposed to low pressure in order to reduce the content of certain gases such as hydrogen (refractory products providing thermal, chemical and mechanical resistance);
- lining concepts for the transport of hot metal;
- argon oxygen decarburisation ("**AOD**") converters used in the production of stainless steel and other high-alloy grades that contain highly oxidisable elements such as chromium and aluminium to dilute the injected oxygen with argon to minimise the risk of oxidation of the alloying elements during the process of removing carbon from the metal bath (magnesia-dolomite bricks and lining concepts); and
- induction furnaces, i.e. electrical furnaces in which the heat is produced by electromagnetic induction (high-grade sinter magnesia and additives to enhance product properties according to application).

Production of end products

The raw materials, in particular sintered and fused products, are further processed into finished refractory products for customers in the respective industries. The variety of industrial applications of the Group's products is reflected in its product range of unshaped products (mixes and mortars), shaped products (in particular bricks) and functional products.

- Mixes are sold as castables, mortars and other monolithic products, but may also be used to repair wear or linings of kilns. Unshaped products are also frequently used as additives to the combustion process in furnaces or converters (e.g. in steel or glass production). In this case they partly serve insulation purposes while partly being consumed in the process, thereby enhancing the final product's features (e.g. by making steel more elastic or glass harder). For the production of unshaped products, magnesite, silicon, dolomite, alumina and other raw materials, which come either from the Group's own mines or are acquired from suppliers, are milled and weighed and go through a series of grinders and screens to ensure that the raw materials have been crushed into suitable gradings and are combined in a mixer, with exact proportions of dolomite, magnesite and other materials that vary depending on which individual product that will be produced. In the case of tempered bricks, a binding agent is added which helps to chemically bind the raw materials. In all facilities, the preparation and mixing functions have been fully automated, with centralised control and monitoring.
- Shaped products such as refractory bricks and cast products may, for instance, be used as wear or linings in all types of kilns. After the individual composition of a specific batch has been achieved, the resulting mixture moves on to the brick presses to be formed into specific shaped products. In all of the Group's plants, the brick presses have been fully automated, with robots used to remove the finished refractory pallet bricks from the presses and place them onto the kiln cars for firing. The kiln cars are then automatically moved from the loading area to the tunnel kilns. Temperatures in the tunnel kilns can reach up to 1800° Celsius for burnt bricks, with lower temperatures of between 250° Celsius and 300° Celsius for tempered products. Bricks move slowly along the length of the kiln, remaining inside for up to 24 hours. Fired bricks are then cooled before being moved from the kiln cars to pallets. The quality of the product, including its dimensions and physical properties, is controlled throughout the entire process with strict statistical limits.
- Functional products are specialised articles fulfilling process engineering and metallurgical functions. Extremely pure steel grades with low contents of accompanying and trace elements must be melted, treated and cast in the steel plant in order to produce steel grades that fulfil very stringent quality requirements and rigid specifications. Due to the high grade quality requirements of steel and the steel industry's demanding higher grade steel in increasing amounts, the importance of the continuous caster as a metallurgical unit is increasing continuously and ensured by the flow control system components.

Functional products include purging plugs, roofs, tap holes, slide gate ceramics, tundishes, zirconia nozzles, isostatic ceramics, the prefabricating of functional products (from monolithics) and kiln furnitures.

Product service life

The service life of refractory products depends on their industrial application. With periods from a few minutes to two months, the steel industry has the shortest intervals between product replacements. While service lives in the cement industry amount to roughly one year, the replacement cycle in the glass industry takes up to ten years. In the production of different nonferrous metals such as copper, nickel, zinc, aluminium and numerous ferroalloys, refractory products have service lives from one to ten years, depending on the aggregate. The Group offers its customers solutions specifically tailored to their production process and refractory requirements.

Regulatory overview

The Group is subject to numerous laws and regulations in the jurisdictions in which it operates, including with respect to environmental protection. The following is an overview of some of the main laws and regulations that are most relevant for the Group’s business in the European Union, the United States and Brazil. It is not a comprehensive summary of all laws and regulations to which the Group is subject.

European Union laws and regulations

Emission Directive and carbon dioxide emissions

Directive 2003/87/EC on emission trading as amended most recently by decision (EU) 2015/1814 of the European Parliament (the “**Emission Directive**”) provides for reductions of greenhouse gases. The Emission Directive establishes a scheme of greenhouse gas emission allowance trading in order to promote reductions of greenhouse gas emissions in an economically efficient manner. Installations listed in the directive are allocated a certain amount of allowances allowing a predetermined amount of greenhouse gas emission (one ton of carbon dioxide-equivalent per year per allowance). All industrial sectors in which the Group produces and processes raw materials have carbon leakage status. Therefore, the Group receives a higher share of free allowances for its installations, compared to certain other industrial installations. Allowances are freely tradable; a market for emission permits has developed. The total number of allowances for the entire European Union is fixed and decreases by 1.74 per cent per year between 2013 and 2020. The goal is to lower greenhouse gas emissions in compliance with the Kyoto Protocol, as prices for allowances are expected to be higher than the costs of installing production facilities that reduce the emission of greenhouse gas.

In implementing the directive, Austria enacted the Austrian Emission Certificate Act (*Emissionszertifikategesetz 2011*). In general, since 2013 auctioning is the default method for allocating emission allowances to companies participating in the emissions trading system of the European Union. However, in sectors other than power generation, the transition from the free allocation to auctioning is taking place progressively. The current level of free allowances is regulated under the national allocation tables valid for the period 2013 to 2020. In the period 2013 to 2020, a total amount of approximately 6.6 billion allowances, with 165 million allocated to Austria, will still be allocated free of charge. Pursuant to the Kyoto Protocol, operators since 2013 can no longer use international credits (so-called certified emission reductions which are financial instruments that represent one ton of carbon dioxide removed or reduced from the atmosphere as a result of an emissions reduction project) from emission reduction projects (so-called joint implementation or clean development mechanism projects) directly for compliance, but have to exchange them for so-called European allowances. (see also “*Business of RHI—Carbon dioxide emissions trading*”.)

The production of raw materials for refractories is energy-intensive and associated with emissions, because the materials only obtain the necessary refractory properties at temperatures of 1,800° Celsius and above and because carbon dioxide is released in the treatment of raw materials. This is inevitable as carbon dioxide is already contained in the raw material. While Magnesita produces magnesia by firing magnesite from mines ("dry route"), RHI uses this process and in addition extracts magnesia from seawater ("wet route"). In both processes the carbon dioxide emissions are largely raw-material-related; therefore, the options to lower emissions are limited: In the production of one ton of magnesia using the dry route, roughly 1.4 tons of carbon dioxide are created, which consist of roughly 1.0 tons of carbon dioxide contained in the raw material and roughly 0.4 tons from the use of the fuel. Consequently, carbon dioxide bound in the raw material accounts for more than 70 per cent of the emissions and cannot be avoided in the production process. Less than 20 per cent of the emissions come from the thermal energy required to separate the magnesium oxide from carbon dioxide and the fusion energy for crystal formation. Roughly 10 per cent is related to energy losses of the plant such as heat losses and waste gas temperature. Theoretically, a third of these 10 per cent could be reduced, which corresponds to about 0.05 tons of carbon dioxide (of the total 1.4 tons created to produce one ton of magnesia). Although RHI continuously takes measures to enhance energy efficiency, the physical and thermal possibilities have been nearly exhausted.

REACH Regulation

REACH stands for registration, evaluation, authorisation and restriction of chemicals. The REACH Regulation 2006/1907/EC (as most recently amended in 2016 by Regulation 2016/1688) (the "**REACH Regulation**") is concerned with chemicals and their safe use and increases control of the use of chemical products within the EU by imposing on all affected industries the responsibility for ensuring and demonstrating the safe manufacture, use and disposal of chemicals. It deals with the registration, evaluation, authorisation and restriction of chemical substances and has been in effect since 2007. Manufacturers and importers of chemical substances are required to collect information on the properties of their chemical substances and to register the information in a central database run by the European Chemicals Agency (ECHA) in Helsinki. The regulation also requires the substitution of the most dangerous chemicals if suitable alternatives have been identified. In connection with its use of chemicals, the Group has to comply with registering requirements as well as to adapt its production to REACH Regulation standards. Moreover, the REACH Regulation is supplemented by Regulation 1272/2008/EC, which regulates the classification, labelling and packaging of substances and mixtures. This regulation aligns existing EU legislation to the United Nations' globally harmonised system. It applies to dangerous substances and requires companies to classify, label and package appropriately their hazardous chemicals before placing them on the market.

NEC-Directive and its successor

Directive 2001/81/EC on national emission ceilings for certain atmospheric pollutants provided for a reduction of emissions of sulphur dioxide (SO_2), nitrogen oxide (NO_X), volatile organic compounds (VOC) and ammonia (NH_3) with the goal that by 2010 emissions of atmospheric pollutants in each member state of the European Union will not exceed certain levels. Until 2013 the European Commission conducted a review of the EU air policy in order to set new objectives for EU air policy for 2020 and 2030 and enacted Directive 2016/2284/EU which entered into force on 31 December 2016 and sets new national reduction commitments for the five pollutants (sulphur dioxide, nitrogen oxides, volatile organic compounds, ammonia and fine particulate matter) responsible for acidification, eutrophication and ground-level ozone pollution. In addition to process-driven carbon dioxide emissions, the production of magnesia involves emissions of, *inter alia*, sulphur dioxide and nitrogen oxide, with regard to which the RHI Group is subject to this Directive.

Industrial Emissions Directive and its national implementations

The Industrial Emissions Directive 2010/75/EU on integrated pollution prevention and control of industrial emissions ("**IED**") is a European Union directive which commits European Union member states to control and reduce the impact of industrial emissions on the environment following a review by the European Commission from 2005 through 2017 with all stakeholders to examine how the legislation on industrial emissions could be improved to offer a high level of protection for the environment and human health while simplifying the existing legislation and cutting unnecessary administrative costs. The IED had to be implemented in the EU member states by 2013. The IED is intended to provide significant improvement on the interaction between the previous seven directives (including the waste incineration Directive) which it replaced. It also strengthens, in several instances, some provisions in previous directives, for example the Large Combustion Plant Directive (2001/80/EC on the limitation of emissions of certain pollutants into the air from large combustion plants). The IED sets out the main principles for the permitting and control of installations based on an integrated approach and the application of best available techniques. Best available technique is the most effective technique to achieve a high level of environmental protection, taking into account the costs and benefits.

In each of Germany and France, the IEB was implemented through national legislation which established more stringent conditions and limits on the Group's operations than those required by IED. Several EU Directives with the collective objective of improving air quality and reducing pollutants from certain industrial activities, including by establishing strict limits or targets on specific emissions, are implemented through national legislation.

Environmental Liability Directive

The environmental liability Directive 2004/35/EC ("**ELD**"), which was required to be implemented into national law by member states by 2007, established comprehensive liability for operators whose manufacturing or other activities cause environmental damage. Based on the "polluter pays" principle, the Directive requires operators to remediate damages to water and soil as well as protected species and natural habitats. Claims may be brought by regulators based on fault or strict liability, but generally do not include compensation for losses to third parties. The Directive does not apply to historical contamination occurring prior to the date national implementing legislation was enacted in the relevant member state.

The ELD has been amended three times through Directive 2006/21/EC on the management of waste from extractive industries, through Directive 2009/31/EC on the geological storage of carbon dioxide, and through the offshore safety Directive 2013/30/EU, on safety of offshore oil and gas operations. The amendments broadened the scope of strict liability by adding the "management of extractive waste" and the "operation of storage sites" pursuant to Directive 2009/31/EC to the list of dangerous occupational activities in Annex III of the ELD.

In addition to laws and regulations of the European Union, the Group is also subject to state and local environmental laws and regulations in the various EU member states and other jurisdictions in which it operates. For example, the Group's operations in Austria are subject to the Federal Act on Water Rights, the Federal Act on Waste Management and a number of Austrian state statutes requiring authorisations for certain projects, including the construction, expansion and re-cultivation of facilities for the extraction of natural resources. Similarly, refractory companies in Germany, including the Group's operations, are subject to the Federal Emission Control Act (*Bundesimmissionsschutzgesetz*) and the Federal Soil Protection Act (*Bundesbodenschutzgesetz*).

Brazil

Environmental Liabilities

According to the Brazilian Constitution of 1988, environmental liability in Brazil can (independently) have civil, administrative and criminal consequences: The National Environmental Policy provides that all those who directly or indirectly cause damage to the environment can, regardless of fault, be held liable, severally or jointly, for the repair of the damage. Alternatively or in addition, administrative liability arises out of actions or omissions resulting in a violation of an environmental protection rule set out by Federal Decree or other state or local statute. Administrative penalties include, among others, fines and suspension of environmental permits.

In addition, the Environmental Crimes Act subjects individuals and legal entities to criminal liability, which requires proof of fault or wrongful intent on the part of the offender.

Environmental Permitting

According to the National Environmental Policy, the location, construction, installation, expansion, modification, and operation of undertakings or activities that use environmental resources and are considered to be effectively or potentially polluting, or that could in any way cause environmental deterioration, requires obtaining permits by the appropriate environmental authority.

A complementary law and resolutions passed by the National Environmental Council, called "**CONAMA**", establish rules on permitting, the jurisdiction of environmental agencies and applicable environmental assessments. The location of the project and/or the extent of its impact defines the federal, state or local agency which is competent for the environmental permit. Therefore, in addition to federal laws and regulations, the Group in Brazil is also subject to state and local environmental laws and regulations.

Air Emissions

Air emission standards are determined taking into consideration levels of concentration of air pollutants which, if exceeded, could adversely affect the health, safety and welfare of the population and cause damages to the environment. CONAMA over the years issued several technical rules relating to air emissions, which will be applied as conditions to the environmental permits: These include air quality control programs, levels of concentration of air pollutants, nationwide limits for emission of air pollutants by external combustion processes conducted by new stationary sources of pollution with total power ratings up to 70MW and higher, emission limits for air pollutants from stationary sources generally, and emission limits for air pollutants applicable to stationary sources initially permitted prior to 2007.

Further federal rules determine the Brazilian climate change policy: as a voluntary national commitment, Brazil plans measures to reduce greenhouse gas emissions by 36.1 per cent to 38.9 per cent of its projected emissions by 2020.

Changes in law regarding real property in Brazil

Brazilian law contains certain restrictions on the acquisition or lease of rural real property by foreigners that historically did not apply to Brazilian companies controlled by foreigners. In August 2010, the Brazilian Federal General Attorney's Office revised its interpretation, confirming that Brazilian companies controlled by foreigners are also subject to such restrictions.

On 26 July 2017, the Brazilian government proposed changes to mining legislation, including to the Brazilian Mining Code, pursuant to the Provisional Measures No. 789/2017, 790/2017 and 791/2017, which are in accordance with Brazilian Constitution and are currently in force (the implementation into federal law is under discussion by the National Congress).

The Provisional Measure 790/2017 (i) has broad scope, (ii) governs obligations and exemptions, grants and licenses, and (iii) regulates new rules in the mining sector. This Provisional Measure also changes the definitions of mining activities and mineral prospecting, and provides that mining licenses will now be governed by the existing Federal Law 6.567/1978 (which regulates the special regime for the exploitation and use of mineral substances). Pursuant to such Provisional Measure, miners are liable for environmental recovery in the areas affected by their activities and it also contains new rules on mineral prospecting, such as specifications on the definition of deposits, their evaluation, determinations as to economic use, and payments owed by miners.

In addition, the penalties for failure to comply with such new provisions of Mining Code have also been changed, and now include (i) a warning, (ii) administrative fines, in amounts that range from BRL 2,000.00 to BRL 30,000,000.00, which can be doubled in the case of repeat offenses, (iii) daily fines, (iv) suspension of mining activities, in part or in whole, (v) seizure of ore, equipment and other property, and (vi) forfeiture of mining or prospecting rights in case of (a) formal abandonment of the deposit or mine, (b) continued extraction that fails to conform with the pre-established plan, despite application of a fine, (c) failure to comply with repeated notices, as evidenced by repetition of the same offense, with imposition of a fine, within a period of two years.

The Brazilian National Congress is still discussing such Provisional Measures, which were valid for an initial period of 60 days and were extended for the same period on 22 September 2017.

United States

Clean Air Act and Climate Change

In the United States, the Clean Air Act ("**CAA**"), regulates air emissions from various sources and requires, among other things, monitoring and reporting of specified pollutants, including greenhouse gases and hazardous air pollutants such as volatile organic compounds and mercury. The CAA also imposes stringent air emissions limits on certain pollutants and requires federal permit holders to certify compliance with operating permit conditions and to report all deviations from any operating permit conditions. Strict federal and state controls on ozone, carbon monoxide, benzene, sulphur dioxide, nitrogen oxide and other emissions also apply to the Group's operations in the United States.

In addition, various bills have been introduced in the United States Congress and in various state legislatures that would seek to regulate emissions of carbon dioxide and other greenhouse gases and to significantly limit emissions of these gases from industrial facilities. The Group believes it is likely that greenhouse gas emissions will be regulated in the future, but the content of these regulations cannot yet predicted, or what the associated costs will be, which will depend on the timing of any reductions, the impact on energy prices, and, if a cap and trade system is enacted, whether emissions allowances will be allocated with or without cost to existing generators, among other factors.

The Comprehensive Environmental Response, Compensation and Liability Act

The U.S. Comprehensive Environmental Response, Compensation and Liability Act ("**Superfund**") and analogous state laws generally impose liability without regard to fault or legality of the original conduct, on classes of persons who are considered to be responsible for the release of a hazardous substance into the environment. These persons include the current owner or operator of a contaminated facility, a former owner or operator of the facility at the time of contamination and those persons that disposed or arranged for the disposal of the hazardous substance at the facility. Liability for the costs of removing or remediating previously disposed wastes or contamination, damages to natural resources, the costs of conducting certain health studies, amongst other things, is strict and joint and several. In addition, it is not uncommon for neighbouring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. In the course of its operations, the Group uses materials that, if released, would be subject to Superfund and comparable state laws. Therefore, governmental agencies or third parties may seek to hold the Group responsible under Superfund and comparable state statutes in connection with onsite or offsite contamination issues, including those caused by predecessors or relating to divested properties or operations.

Clean Water Act

The U.S. Clean Water Act (the "**Clean Water Act**") established a number of programs designed to restore and protect the quality of U.S. waters by controlling the discharge of pollutants. These programs include the National Pollutant Discharge Elimination System ("**NPDES**") permit program, which implements the Clean Water Act's prohibition on unauthorised discharges by requiring a permit for every discharge of pollutants from a point source into navigable waters of the United States. Discharges that require a permit include industrial process wastewater, non-contact cooling water and collected or channelled storm water runoff. The CWA also requires many facilities to develop and maintain plans for preventing and responding to spills of hazardous substances, called Spill Prevention Control and Countermeasure Plans, and certain high volume hazardous substance handling/storage facilities are required to prepare and maintain a more extensive plan called a Facility Response Plan. The EPA generally allocates permitting authority under the NPDES to the states. Breaches of the Clean Water Act can result in administrative, civil or criminal sanctions.

Other Regulations

Kyoto Protocol

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "**Kyoto Protocol**") entered into force. Adopting countries are required to implement national programs to reduce emissions of certain gases suspected of contributing to global warming. Currently, the greenhouse gas emissions from international shipping do not come under the Kyoto Protocol. In December 2009, more than 27 nations, including the United States, entered into the Copenhagen Accord. The Copenhagen Accord is non-binding, but is intended to pave the way for a comprehensive, international treaty on climate change.

Paris Agreement

On 12 December 2015 the Paris Agreement (the "**Paris Agreement**") was adopted by a large number of countries at the 2015 United Nations Climate Change conference in Paris. The Paris Agreement, which entered into force on 4 November 2016, deals with greenhouse gas emission reduction measures and targets from 2020 in order to limit global average temperature increases to well below 2° Celsius above pre-industrial levels. The Paris Agreement consists of two elements: (1) a legally binding commitment by each participating country to set an emissions reduction target, referred to as "nationally determined contributions" (*NDCs*) with a review of the NDCs that could lead to updates and enhancements every five years beginning in 2023, and (2) a transparency commitment requiring participating countries to disclose their progress. The Paris Agreement will become effective in 2020, once it has been ratified by 55 countries representing at least 55 per cent of global greenhouse gas emissions. Although the Paris Agreement does not impose penalties on countries that fail to comply with the agreement, once ratified, the terms of the Paris Agreement and individual countries' NDCs will encourage the further curtailment of greenhouse gas emissions.

Other

The Group is also subject to a number of other federal, state, local, foreign and transnational laws, regulations and recommendations, including laws in jurisdictions other than the European Union, Brazil and the United States and various laws, regulations and recommendations relating to emissions, environmental pollution, safe working conditions, manufacturing practices and the use, transportation and disposal of hazardous or potentially hazardous substances. Furthermore, import and export laws require the Group to abide by certain standards relating to the importation and exportation of finished goods, raw materials and supplies and the handling of information. The Group is also subject to certain laws and regulations concerning the conduct of foreign operations, including, but not limited to, the U.S. Foreign Corrupt Practices Act, the UK Anti-Bribery Act and other anti-bribery laws, various international sanction regimes administered by the United States and the European Union, among other jurisdictions, and laws pertaining to the accuracy of internal books and records. For more details on the regulatory requirements applicable to the Group, please see "*Risk Factors—Legal, regulatory and financial risks relating to the Group*".

BUSINESS OF THE GROUP

Overview

RHI Magnesita is a global manufacturer of high-grade refractory products, systems and services headquartered in Vienna, Austria. Refractory products are indispensable to modern industrial high-temperature processes, enabling manufacturing equipment and fixtures such as steel ladles, cement rotary kilns, copper converters and glass furnaces to withstand extreme thermal, mechanical and chemical stress. RHI Magnesita serves more than 10,000 customers in the steel, cement, non-ferrous metals, glass, energy, environment and chemical industries in nearly all countries of the world. The Group produces more than 3 million tons of refractory products per year at its 35 main production sites across Europe, Asia and America. A vertically integrated refractories manufacturer with its own raw materials production, it also sources the majority of its magnesite from its own mines and raw material production facilities in four continents.

In the year ended 31 December 2018, RHI Magnesita generated total revenue of EUR 3,081.4 million, EBIT of EUR 398.6 million and profit after income tax of EUR 187.1 million.

The RHI Group's business activities are divided into two operating divisions:

- The **Steel Division**, which provides customers with a broad range of refractories products and solutions for steel production, including refractories, machinery, flow controls systems and full line service solutions; and
- The **Industrial Division**, which provides refractory services and solutions to customers in the cement and line, non-ferrous metals and other process industries.

In the year ended 31 December 2018, the Steel and Industrial divisions accounted for 71.5 per cent and 28.5 per cent of the Group's total revenue, respectively.

The Group's principal geographic regions, North America, Europe, Asia-Pacific, South America and Middle East/Africa & CIS, accounted for 22.2 per cent, 28.6 per cent, 19.7 per cent, 15.3 per cent and 14.2 per cent, respectively, of its revenue in the same year.

RHI Magnesita attaches great importance to innovation and believes that its long-standing commitment to research and development have made it one of the global technology leaders in the refractories industry. In the year ended 31 December 2018, the Group invested more than EUR 32.6 million in R&D and considers it critical to maintaining a competitive edge. The Group employed more than 14,000 employees in 40 countries as of 31 December 2018.

History

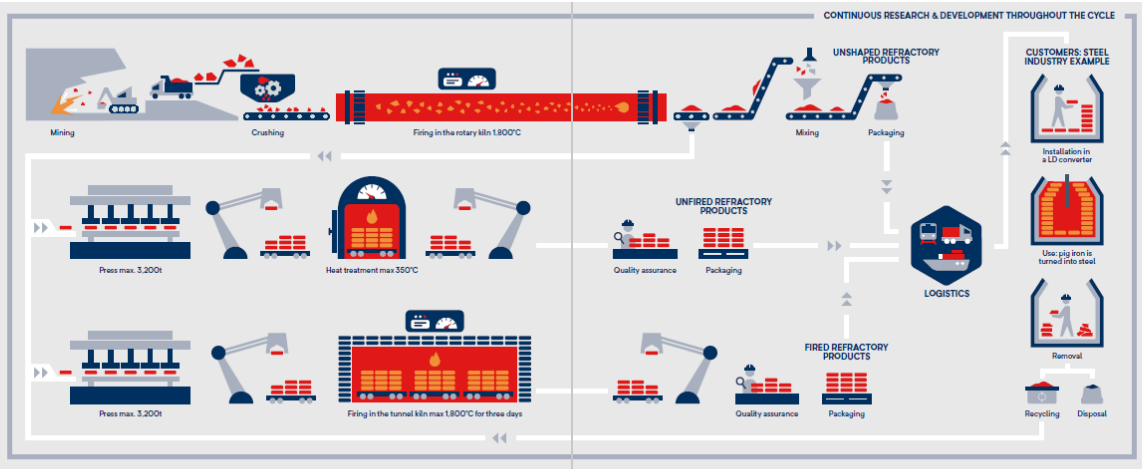
While the origins of RHI can be traced back to the early nineteenth century, the RHI Group was forged through the merger of a number of important refractory products manufacturers from the 1990s onwards. RHI (formerly known as Radex Heraklith Industriebeteiligungs AG) was listed on the Vienna Stock Exchange since 1987 and on the Official Market of the Frankfurt Stock Exchange since 1993. In 1995, RHI acquired control of Germany-based Didier-Werke AG, followed by the acquisition of the U.S.-based GIT/Harbison Walker Group in 1998 and the divestment of Heraklith, the Group's insulation business, in 2006.

RHI expanded further with a series of smaller acquisitions in the years thereafter and on 5 October 2016, RHI and certain large shareholders of Magnesita entered into a share purchase agreement for the sale by such shareholders of 50 per cent plus one share in the capital of Magnesita. Magnesita was founded in 1939 after the discovery of magnesite deposits in Brumado, Brazil. In 1944, Magnesita started its refractories production in

Contagem, Brazil. In the years thereafter, Magnesita became one of the global leaders in providing refractory solutions, services and industrial minerals.

On 26 October 2017, an indirect, wholly-owned subsidiary of RHI acquired 50 per cent plus one share of the issued and outstanding share capital of Magnesita. On 27 October 2017, the Merger became effective, pursuant to which (i) RHI was merged into RHI Magnesita and ceased to exist, (ii) RHI Magnesita assumed all of RHI's contractual relationships, assets and liabilities under universal succession of title and (iii) RHI's shareholders received one newly issued Ordinary Share for each no-par value bearer share in the capital of RHI. Immediately after the Merger became effective, all issued Ordinary Shares in the capital of RHI Magnesita were listed on the premium listing segment of the Official List of the FCA and admitted to trading on the LSE.

The Refractory Value Chain



RHI Magnesita maintains a resilient business model to create value sustainable for all of its stakeholders.

RHI Magnesita's products and services cover all core processes along the refractory value chain. This enables the Group to offer its customers high quality refractory products based on research and development, its own raw materials and technological product and process know-how. The core processes along the value chain include mining, crushing, mixing, firing, packaging, transportation, customer application, recycling and disposal according to legal requirements.

One of the basic materials for refractory products is magnesite, a mineral that RHI Magnesita mines in both underground and surface mines.

The magnesite ore is crushed and fired at 1,800°C in special kilns. In the burning process, the CO2 contained in the magnesite is released; moreover, the material's density is increased. Then the bricks and mixes are either mixed with binding agents, packaged and shipped as repair materials, or pressed in different sizes and shapes with a pressure of up to 3,200 tonnes. Depending on the application, the refractory bricks are then either subjected to heat treatment at up to 350°C or fired at up to 1,800°C in tunnel kilns for three days. If a service contract has been concluded, the refractory products are also installed by experienced employees of the RHI Magnesita Group. After their use in the customer's production process, worn refractory linings are broken out and, if possible, reused as secondary raw materials.

RHI Magnesita thus stands for the entire cycle from raw material production to recycling of finished products.

Products & Services

The Group's products and services are organised in two operating units based on the customer industries they serve: the Steel Division and the Industrial Division.

Steel Division

Within its Steel Division, RHI Magnesita provides customers with a broad range of customised solutions and comprehensive packages for steel production, including refractories (basic and non-basic mixes, bricks and functional products), machinery, flow controls systems and full line service solutions.

In the year ended 31 December 2018, the Steel Division reported revenue of EUR 2,204.3 million, accounting for 71.5 per cent of the Group's total revenue.

Refractories

The Steel Division offers a complex range of tailored refractory products for a variety of applications in the steel industry, including basic products for converters and ladles; non-basic products for blast furnaces, reheating furnaces and direct reduction; and functional products, including for continuous and ingot casting. For example, refractory applications for a steel ladle include bricks, monolothics and pre-casts (including mixes and pre-castables), and functional products such as slide gates, nozzles, purge plugs and isostatic pressed products.

Refractory products for application in the steel industry have a short service life, ranging from a few minutes to two months, making steel refractories consumables product with demand correlated to steel output.

Machinery

The Group also offers machinery, primarily for the application of unshaped products and/or the repair of kilns, furnaces, converters, ladles, and degassers. The Group's machinery portfolio includes rotary gunning machines for the application of unshaped products; pressure vessel machines used for unshaped products in a variety of production units such as furnaces, converters, ladles or degassers; demolition hammers and tap hole breakout devices (to break out the worn bricks from the tap hole channel and remove tap hole residual material); and converter shooters and gunning manipulators for repairs in various converter areas.

Services

The Group also provides services, know-how and individual package solutions to its customers in the steel industry, particularly through full line supply ("**FLS**") and other service contracts. Under service contracts the Group offers (besides material deliveries) the complete or partial refractory products' installation and the management of steelworks, thus allowing customers to outsource these non-core activities. These services include logistic services (demand planning, stock keeping), reports, machinery, consultation, engineering, and project management. FLS solutions include the development of economical lining concepts, the selection and supply of the best suited refractory products, machinery and its installation or servicing during operations, infrastructure (machines, stock-keeping), efficient logistics concepts and provision of qualified staff. In addition to FLS contracts, the Group offers other service contracts with less extensive service coverage. Under all types of service contracts, the Group charges a fixed amount per ton of steel produced depending on the output of the unit or steelworks.

Sales and distribution

In order to achieve customer proximity, the sales and distribution activities of the Group's Steel Division are regionally organised. The Group benefits from this regional organisation and the resulting proximity to customers since it enables it to obtain detailed knowledge of customer processes and technologies and to adjust and fine-tune the refractories to the production technologies. The Steel Division's sales regions comprise North

America, Europe & CIS, South America and Africa, Middle East & Asia Pacific, which accounted for 24.3 per cent, 28.6 per cent, 16.6 per cent, and 30.5 per cent, respectively, of the division's revenue in 2018.

In the Steel Division, the purchasing of refractories varies significantly depending, among other factors, on the customers' size: while large, global steel manufacturers agree with the Group's key account managers on global framework price lists on the basis of which individual customer subsidiaries or plants place their orders, smaller producers and individual steel plants place individual orders. No spot markets exist for refractory products and prices are usually individually agreed for three to six months based on minimum purchase volumes. Under its service contracts, the Group charges a fixed amount per ton of steel produced depending on the output of the unit or steelworks.

Market position and competition

The Group defines the refractory industry as supplying refractory products for industrial high-temperature processes exceeding 1,200° Celsius and believes that by this definition it is the largest refractory manufacturer worldwide in terms of revenue. The Group's main competitors include the UK-based Vesuvius, which specialises in flow-control products and is the only competitor of the Group that also offers a full range of refractories products globally to customers in the steel industry. Other competitors are the German Refratechnik Group, Calderys, a subsidiary of the Imerys group (France) that competes with the Group primarily in the area of unshaped products, and a number of regional refractory suppliers to the steel industry which do not have a global presence: Shinagawa and Krosaki Harima in the Japanese market, Magnezit in the Russian market, Minteq and HarbisonWalker International in the U.S. market and Chosun in the Korean market.

Industrial Division

Within its Industrial Division, the Group supplies customers in the cement/lime, non-ferrous metals and other process industries with refractory systems based on a global production and sales network. The Group provides customised solutions and consulting services which are increasingly required by customers that employ sophisticated process technologies.

In the year ended 31 December 2018, the Industrial Division reported revenue of EUR 877.1 million, accounting for 28.5 per cent of the Group's total revenue.

Industries

The division's range of products and services comprises refractories and refractories solutions for the following Industries:

- ***Cement/lime***: In the cement / lime industry, refractory applications provided by the Group include preheaters, kilns, grate coolers and planetary coolers (basic and non-basic bricks and unshaped products as linings and gunning mixes and mortars as well as auxiliary materials such as metallic and ceramic anchoring systems, calcium silicate boards and fibre products). The particular challenges for refractory products in the cement/lime industry to a large degree depend on the production methods and, in particular, the type of kiln used. The basic section of modern rotary kilns has to withstand the challenges of constantly changing operational parameters and must meet the demands of consistently changing processes (for example, due to the increased use of alternative fuels). Non-basic linings also play an important role in reliable kiln operation in this context. The Group has developed a series of new and more resistant non-basic linings to withstand attacks of alkalis, sulphur and chlorine in the course of alternative fuel burning. Alternative spinels such as hercynite and galaxite improve the kilns' lining lives. Shaft kilns used in the lime industry operate under a high gas pressure requiring tight fitting brickwork with a minimum of measurement tolerance and mortar joints. These kilns also subject the refractory lining to substantial abrasion and changes in temperature and chemical conditions resulting from the fact that the burning zone is difficult to control and the chemical composition of raw materials and the various fuels employed vary. Therefore, the choice of refractory grade requires detailed knowledge of customer processes.

In the year ended 31 December 2018, the cement / lime industry accounted for 35.6 per cent of the Industrial Division’s revenue.

- ***Non-ferrous metal***: Manufacturing processes in the non-ferrous metal industry require numerous, often customer specific furnaces and plants and process optimisation solutions. The Group offers a broad product line of different refractories such as magnesia, magnesia-chrome, alumina-chrome, and silicon-carbide. Within the non-ferrous metal industry segment the Group’s offering is focused on customised materials and solutions for manufacturers of heavy metals (such as copper, nickel, lead, zinc and tin) rather than the more commoditised segment of aluminium production.

  In the year ended 31 December 2018, the non-ferrous metal accounted for 24.8 per cent of the Industrial Division’s revenue.

- ***Other process industries***: The other process industries the Group serves include the glass, environment, energy and chemicals industries.

  In the glass industry, refractory applications provided by the Group include the different types of glass melting furnaces and auxiliary plants such as glass tank bottoms, basins, superstructures, feeders or regenerators operated by manufacturers of flat glass, container glass and special glass (e.g. the production of organic light-emitting diodes (OLED) or thin-film-transistor (TFT) liquid crystal displays). Applications also include linings of fused cast refractories which are made by melting alumina-, zirconia- and silica-refined raw materials and pouring them into specific molds to solidify gradually.

  In the environment, energy and chemicals industries, refractory applications of the Group’s products include petrochemical plants, refineries, power plants and waste incineration plants. The Group’s services in this segment include assistance in the design of the plants and furnaces, consulting during the process of selecting suitable refractories, installation, logistics and after sales services.

  The Group’s offerings in the area of other process industries also includes limited sales of raw materials produced at its own mines to third party customers.

  In the year ended 31 December 2018, other process industries accounted for 36.6 per cent of the Industrial Division’s revenue.

In each of these end markets, the Group’s portfolio is complemented by its offering of related services and process engineering capabilities. The service life of refractory products in the Industrial Division is significantly longer than in the Steel Division, ranging from roughly one year in the cement industry, to between one and ten years in the production of certain non-ferrous metals, such as copper, nickel, zinc, aluminium and numerous ferroalloys, and up to ten years in the glass industry. Customers in the Industrial Division regard the refurbishment of a plant, which includes the delivery of a full set of refractory material, as a maintenance investment (in the cement industry) or a general investment (in the other industries served by the Group’s Industrial Division). These refurbishments constitute a project-related, recurring installation business for the Group. In industries with longer life cycles typically certain engineering components and related services are involved, allowing the Group to achieve revenue along the entire value chain.

Sales and distribution

The global sales and distribution activities of the Industrial Divisions are managed out of Austria, Germany, the Netherlands and Canada and conducted by expert teams, which are specialists for the respective business units The organisation of sales and distribution according to customer and industry-oriented business units allows the Group to cater to the different requirements of its customers. As the Group acts not only as refractory supplier but also as a project planning, implementation and service partner in these industries this is of particular importance.

Market position and competition

The Group believes it is one of the leading refractory suppliers in all customer industries of the Industrial Division in terms of revenue, although its market position and the competitive environment varies in each industry. The majority of the Industrial Division's competitors specialise in one industrial segment only and the Group believes that it is the only full range supplier of refractory products across the three sectors it serves, the cement / lime, non-ferrous metals, and other process industries. The following is an overview of the competitive landscape in each industry:

- ***Cement/lime***: In the cement/lime industry, the Group's competitors vary from continent to continent, the most important one being Refratechnik.
- ***Non-ferrous metals***: In the non-ferrous metals industries, the Group's competitors vary from continent to continent, the most important one being HarbisonWalker International.
- ***Other process industries***: The Group's position in the glass industry is characterised by a broad product portfolio of high-grade products, combined with global market presence and a network with plant manufacturers and customers. The Group's main competitor in the glass industry is Saint-Gobain SEFPRO, a subsidiary of the Saint-Gobain group. In the environment, energy and chemicals industry, innovation, product and service quality as well as project engineering skills are the prerequisites for the Group's performance in the environment, energy and chemicals industries; its most important global competitors are HarbisonWalker International, Resco and Calderys, a subsidiary of the Imerys Group.

Production

Raw Materials

The Group is a vertically integrated refractories manufacturer with its own raw materials production and sources the majority of its magnesite and a portion of its dolomite requirements from its own mines and raw material production facilities in Austria, Brazil, the United States, Turkey, Norway, Ireland and China.

In the year ended 31 December 2018, the Group produced an aggregate of more than 1.5 tons of raw materials, approximately 87 per cent of which sintered raw materials (70 per cent sintered magnesia, 11 per cent sintered dolomite and 6 per cent non-basic sinter), 4 per cent melted materials and 9 per cent caustic magnesia for external sale.

Magnesite

Magnesite sinter is the main raw material used in refractory production due to its extreme resistance to high temperatures (up to 2,000° Celsius). The Group produces sintered magnesia primarily in its Brumado mine in Bahia, Brazil, which supplies to the Group's plants in Brazil, Argentina, the United States and Europe. Sintered magnesia in the single-stage burning process is primarily produced in Breitenau (Austria), Hochfilzen (Austria) and Eskisehir (Turkey), and in the two-stage burning procedure (caustering followed by sintering) primarily in Dashiqiao (China), Drogheda (Ireland), Radenthein (Austria); fused magnesia is primarily produced at the Groups sites in Radenthein (Austria), Dashiqiao (China), Cortagem (Brazil) and Porsgrunn (Norway). Caustic magnesia is primarily produced at the Radenthein, Breitenau (both Austria), Dashiqiao (China), Drogheda (Ireland) and Porsgrunn (Norway) sites. RHI Magnesita's management believes that its raw material reserves are sufficient for the RHI Group's operations as currently conducted for the foreseeable future.

Dolomite

Due to its extreme resistance to high temperatures (up to 1,800° Celsius), doloma sinter is also an important raw material for refractory products. The Group produces sintered doloma primarily in its York, Pennsylvania, mine in the United States. The Group's own sintered doloma sources are sufficient to cover its demands in the foreseeable future.

Other raw materials

The Group also mines alumina, chromite, kyanite, clays and pyrophyllite.

Mining Methods

Underground mining is primarily used at the Austrian sites in Radenthein and Breitenau, while raw materials are extracted in surface mining operations primarily in Brumado (Brazil), York (United States), Eskisehir (Turkey) and Hochfilzen (Austria). Core drilling activities are performed continuously in order to categorise deposits. Sustainable mining plans taking into account the lower mining districts are predominantly prepared within the Group, analysing where in the rock the resources are located and which mining options are available to develop rock strata that are located even lower in the future. In addition, the Group pursues an alternative method of extracting raw materials from seawater in Porsgrunn, Norway and Drogheda, Ireland. This process requires more energy than the treatment of magnesite ore due to the two-stage process described in "*Refractory Industry & Regulatory overview—Production of refractory materials—Mining and seawater extraction*" but enables higher raw material qualities.

Production of refractory goods

The Group has 35 main production plants in numerous countries, including Austria, Brazil, Germany, France, Belgium, Ireland, Norway, China, India, Mexico, Turkey, Switzerland, the UK, Canada, the United States, Argentina and Chile.

In 2018, the Group produced 44 per cent of its refractory products volume in Europe, 20 per cent in Asia (with Chinese plants accounting for 18 per cent), 15 per cent in North America, 16 in South America (of which 15 in Brazil) and 5 per cent in Turkey.

Procurement

The Group balances reliance on its own reserves against raw materials sourced from third parties on the open market based on its production costs and prevailing market conditions for the relevant raw materials. The Group also purchases a number of raw materials it does not produce, including bauxite, graphite, zirconia and other materials such as binders, from third-party traders on the commodities market or directly from producers. The Group's centralised global procurement department purchases raw materials on the basis of spot market, mid-term or long-term agreements. The prices of the Group's principal raw materials can generally not be hedged, as there is no active trading market for them.

See "*Risk factors—Risks relating to the Group's general operations—The Group depends on a limited number of third party suppliers for certain raw materials and may not obtain the raw materials in the required quantities or qualities or at economically viable prices*".

Quality Control

An integrated management system in the areas of quality (ISO 9001), environment (ISO 14001), and occupational health and safety (OHSAS 18001) serves as an instrument to continuously improve performance and processes throughout the Group. The potential for improvement is continuously identified through internal and external audits and implemented as part of the continuous improvement process. Following the acquisition of Magnesita, the Group integrated all existing systems throughout the Group and aims to transition to the new ISO 45001 by the end of 2020.

Research and development

The Group believes its innovative capability is an important prerequisite to remain competitive in the competitive global refractories market and to sustain profitable growth. The Group aims to drive innovation in every aspect of its business, from materials, robotics and big data to bespoke new business models and efficient new processes.

The Group's R&D division consists of two R&D hubs in Leoben (Austria) and Contagem (Brasil) and three R&D centres in York (USA), Dalian (China) and Bhiwadi / Visakhapatnam (India). As of 31 December 2018, the Group's R&D function employed 250 employees, nearly one hundred of whom hold master's degrees or PhDs. In the year ended 31 December 2018, the Group's R&D expenses amounted to EUR 32.6 million, of which EUR 8.3 million were capitalised.

The Group's R&D activities focus on basic research, the development of new products and production methods, the optimisation of existing products and production methods and process improvements, as well as environmental protection and energy efficiency.

Basic research

In basic research, an important focus lies on gaining an understanding of corrosion and erosion mechanisms of RHI Magnesita products in different customer processes. The development of the models for simulation systems used at RHI Magnesita also takes place as part of scientific collaborations. Various methods enable the analysis of the flow conditions of liquid steel from the steel ladle through the tundish to solidification in the mould. Based on the models, customer-specific design and refractory solutions are created. Most recently, research using a new water model for the simulation of slide gate valves resulted in an improved understanding of flow-relevant parameters in the casting channel of the slide gate system.

Development of new products and production methods

Innovative, new fused raw materials are developed at the test plants of the technology centres in Leoben and Contagem and developed further until ready for series production at the production facilities. In addition to classic oxidic raw materials, research is also conducted with non-oxidic raw materials. So-called sol mixes are a new product group in the non-basic mixes segment which replace cement bonding and due to their better refractory properties have set new standards in many areas of application. In 2016, the Group developed a frost-resistant liquid binder for sol mixes which no longer irreversibly destroys the mixes when it freezes, making a seamless (and costly) temperature control of the entire logistics chain dispensable. Also, in 2017, it developed a new technology for the application of a thin material layer in the bore of isostatically pressed refractories, which allows for a thin insulating or anti-clogging layer to be incorporated into a range of continuous casting products.

In the coming years, the Group also intends to focus on the development of new service products involving the Industry 4.0 initiatives, i.e. an increased interaction between industrial production and modern information and communication technology by using intelligent digital networks. RHI Magnesita expects the development to be completed within approximately three years.

Optimisation of existing products, production methods and process improvements

To enhance existing production processes, the process data and data from the automatic product test facilities are interlinked and analysed on the basis of big data approaches, including with a software tool developed for the rapid processing of complex mass data in order to be able to derive proposals for optimisation for a longer service life of refractory linings and improvements of the customer's specific process costs. Used refractory materials taken from a variety of customer aggregates are thoroughly studied. The results of the analyses often lead to product innovations or improvements of the properties of existing products; raw material alternatives to existing products are examined to secure raw material availability and to optimise the customer's total cost of ownership. To transfer knowledge to customers, they are invited to the training centre in Leoben where they are introduced to RHI Magnesita's refractory products and lining techniques on a full-scale model of a cement rotary kiln using modern lining machinery.

Environmental protection and energy efficiency

Energy-intensive processes such as drying, curing and sintering are analysed to further develop the environmental standards and to lower the energy consumption of the Group. RHI Magnesita's material development professionals look for alternatives for substances which may no longer be used within the EU after the implementation of the REACH Regulation (see also "*Refractory industry & Regulatory overview—Regulatory overview—European Union laws and regulations*") or are considered to cause concern for other environmental reasons. New developments with reduced emissions have already been successfully placed in the market. New refractory insulating materials with improved density, porosity, strength, thermal conductivity and thermal capacity, allowing a reduction of the use of ceramic fibres in some sub-segments, have been developed in order to support customers in reducing their energy consumption.

The main focus is on energy-intensive processes such as drying, curing and sintering to further develop internal environmental standards and to lower the Group's energy consumption. Most recently, the Group has also developed environmentally friendly binder systems.

Intellectual property

The Group seeks to protect its intellectual property through patents and trademarks and continuously examines the patentability of newly developed products, systems and technologies.

Patents

As of 31 December 2018, the Group has filed for approximately 1,700 patents in approximately 150 patent families worldwide, covering both products (mostly flow control and functional products) and processes. The business activities and profitability of the Group do not depend to a material extent on any particular patents.

Trademarks

The Group's trademark portfolio includes the trademark "RHI Magnesita" and numerous other registered trademarks.

Internet domain

The Group also owns a number of internet domains, including www.rhimagnesita.com.

Employees

As of 31 December 2018, the Group employed 14,325 employees.

The table below provides a breakdown of the Group's employee numbers by region as of 31 December 2018.

	2018	%
South America	5,834	40.7
Europe	4,359	30.4
North America	1,163	8.1
Near and Middle East	251	1.8
Africa	110	0.8
Asia Pacific	2,608	18.2
Total	14,325	100

The table below provides a breakdown of the Group's employee numbers by operating segment as of 31 December 2018.

	2018	%
Sales	4,255	29.7
Operations	9,170	64.0
Central Units	900	6.3
Total	141,325	100

As of 31 December 2018, approximately 72 per cent of the Group's employees were covered by collective bargaining agreements. In Austria, Germany and Brazil, most employees are members of unions. The Group considers its employee representatives as business partners. The Group through its subsidiary Magnesita is currently involved in a number of labour and employment lawsuits in relation to, among other issues, salary parity, indemnity for occupational disease, work injuries, health exposure pay, hazardous duty pay and overtime, which, although individually of low importance, could, as a whole, have a material effect on the Group if adversely determined. See also "*Litigation and regulatory proceedings*".

The Group has in the past experienced brief work slowdowns and strikes, especially in Brazil and in Argentina. Management believes its employee relations are currently good.

Health and Safety Matters

The Group attaches significant importance to its employees' health and safety at work. Safe business and production processes and measures to improve conduct serve to minimise risks. The Group monitors data on accidents as well as reported near accidents for the purpose of accident prevention. The accident rate, defined as the number of accidents resulting in lost time of more than eight hours per 200,000 working hours, was 0.43 in the year 2018. The number of days lost based on an eight-hour working day per 200,000 working hours amounted to 16 days in 2018. The calculation takes into account the Group's employees and contracted personnel. Most of the time lost accidents at work are due to human error and non-adherence to safety policies. The Group benchmarks itself with peer companies which have operational procedures similar to it according to publicly available sources such as their published financial reports and targets a group-wide accident rate of less than 1.0 within the next several years.

Real property and plants

The following is an overview of the Group's main production plants and mines both owned and leased or based on mining rights.

		Plant function				Title status	
	Location	Mine	Seawater plant	Production of Raw materials	Production of finished refractory products	Mine/ seawater plant owned by Group	Land not owned/ mining based on mining right
Country							
Austria	Breitenau	●		●	●		●

		Plant function				Title status	
	Location	**Mine**	**Seawater plant**	**Production of Raw materials**	**Production of finished refractory products**	**Mine/ seawater plant owned by Group**	**Land not owned/ mining based on mining right**
	Hochfilzen	●		●	●		●
	Radenthein	●		●	●	●	
	Trieben			●	●		
	Veitsch				●		
Argentina	Rasa				●		
Brazil	Brumado	●				●	
	Contagem				●		
	Coronel Fabriciano				●		
China	Bayuquan				●		●
	Dalian (2)				●		●
	Dashiqiao			●	●		●
France	Valenciennes				●		
	Flaumont				●		
Germany	Kruft				●		
	Hagen				●		
	Mainzlar				●		
	Marktredwitz				●		
	Niederdollendorf				●		
	Urmitz				●		
Ireland	Droheda		●	●			●
Norway	Porsgrunn		●	●			●
India	Venkatapuram				●		
	Bhiwadi				●		
Mexico	Ramos Arizpe				●		
	Tlalnepantla				●		
Turkey	Eskisehir	●			●		●
United States	York	●		●	●	●	

Mining Ownership and Rights

Mines and raw material deposits are fully owned by the Group at Radenthein and partially owned at Hochfilzen, where the Group partially owns the mountain and relies on mining rights with respect to other parts of the mountain owned by third parties. At the Breitenau site in Austria and in Turkey, the Group has mining rights.

In Brazil, the Group holds several active mineral concessions registered with the National Department of Mineral Production (*Departamento Nacional de Produção Mineral*, "**DNPM**"). These mineral concessions are valid until all of the minerals at the mines have been consumed. The Group is also subject to a governmental royalty fee on the exploitation of mineral which is payable to the DNPM and assessable on the transportation of minerals from its mines at a rate of 0.2 per cent to 3 per cent on the net revenue from these minerals.

The Group owns a 83.3 per cent stake in Liaoning Jinding Magnesite Group Co., Ltd. in Dashiqiao, China, which produces magnesia for the Group's Steel Division plant in Bayuquan and its Industrial Division plant in Dalian, China. The company's minority shareholder provides the ore for the magnesia production. The plant allows the Group to produce refractory raw materials at a logistically efficient location in the immediate vicinity of raw material sources and its own plants and provides the Group with an important source of magnesia.

Significant subsidiaries

Set forth below is a table of the Group's significant subsidiaries as of 31 December 2018:

Name of the subsidiary	Registered office	Share in percentage
Didier-Werke Aktiengesellschaft	Wiesbaden, Germany	100.0
Magnesit Anonim Sirketi	Eskisehir, Turkey	100.0
Magnesita Mineracão S.A., Brazil	Brumado, Brazil	100.0
Magnesita Refractories Company	York, USA	100.0
Magnesita Refractories GmbH	Hagen, Germany	100.0
Magnesita Refratários S.A.	Cortagem, Brazil	85.2
Orient Refractories Limited	New Delhi, India	66.5
RHI Canada Inc.	Burlington, Canada	100.0
RHI GLAS GmbH	Wiesbaden, Germany	100.0
RHI Magnesita GmbH	Vienna, Austria	100,0
RHI Refractories (Dalian) Co., Ltd.	Dalian, People's Republic of China	100.0
RHI US Ltd.	Wilmington, DE, USA	100.0
RHI-Refmex, S.A. de C.V.	Ramos Arizpe, Mexico	100.0
Veitsch-Radex GmbH & Co OG	Vienna, Austria	100.0

Insurance

The Group maintains insurance with such coverage as management believes is reasonable and prudent. The Group's key insurance policies cover general liability, customer default, property damage, business interruption, construction, transport and environmental risks. Furthermore, it has D&O and legal expenses insurance, the costs of which are borne by the Group.

Material contracts

For a description of the Group's material finance agreements see "*Operating and financial review—Borrowings*".

Litigation and regulatory proceedings

The Group is party to a number of lawsuits and administrative proceedings arising from the ordinary course of business and expects this to continue to be the case in the future. Proceedings relating to the Group's operative business have in the past and will in the future likely include, among others, disputes relating to contractual, labour, tax and other matters, including disputes with suppliers or customers concerning the quality of goods and services provided (such as warranty disputes) or disputes with distributors. The Group believes that, other than the proceedings described below, there have been no governmental, legal or arbitral proceedings, during the twelve months preceding the date of the Prospectus, that may have or have had in the recent past significant effects on the Group's and financial position or profitability.

Employment litigation

The Group through its subsidiary Magnesita is currently involved in numerous labour and employment lawsuits in relation to, among other issues, salary parity, indemnity for occupational disease, work injuries, health exposure pay, hazardous duty pay and overtime, which, although individually of low importance, could, as a whole, have a material effect on the Group if adversely determined.

Tax proceedings

The Group is currently subject to a number of tax proceedings in Brazil, described in further detail below. With respect to these proceedings, the total amount in controversy involving risks of loss classified as possible is estimated at EUR 169.0 million as of 31 December 2018, for which no provision has been made.

In 2011, Brazilian tax authorities issued tax assessments for income tax and social contributions on tax goodwill deducted in the tax years 2008 and 2009. The assessments challenged the deductibility of the amortization of tax goodwill arising from the merger of subsidiaries. In 2016, the Administrative Council of Tax Appeals ("**CARF**") annulled over 90 per cent of the taxes assessed by the authorities. Both the Group and the General Counsel to the National Treasury (PGFN) have appealed this decision. The Group estimates that the potential losses, including interest and penalties, will amount to EUR 81.4 million in the event of an unfavourable ruling.

In 2016, the Brazilian Tax Authorities expanded their review to include the tax years 2011 and 2012, issuing an additional assessment. The Group appealed the assessment in December 2016. The potential losses, including interest and penalties are expected to amount to EUR 37.5 million in the event of an unfavorable ruling.

In 2013, the Brazilian Tax Authorities issued an assessment for allegedly failing to pay social security contributions during the period from January to December 2009. The Group has appealed this assessment. In the event of an unfavorable ruling, the Group expects potential losses, including interest and penalties, to amount to EUR 4.8 million. The Brazilian Tax Authorities have also issued an assessment relating to the federal income taxes of a former holding company in Brazil. The assessment challenges federal tax offsets made by the company during and prior to the 2008 tax year. In the event of an unfavorable ruling, the Group expects potential losses, including interest and penalties, to amount to EUR 10.7 million.

In addition, the Brazilian Tax Authorities raised an assessment into the calculation basis of Financial Compensation for Exploration of Mineral Resources ("**CFEM**"). The Company has appealed the assessment. The potential loss from this proceeding amounts to EUR 12.9 million (including interest and penalties) as at 31 December 2018.

In 2018, the Brazilian Tax Authorities raised an assessment in respect of tax on the circulation of goods and services for the alleged non-fulfillment of ancillary obligation and non-payment of tax in the period from 2013 to 2017. The potential loss from this proceeding amounts to EUR 4.1 million (including interest and penalties) as at 31 December 2018.

Magnesita is also involved in other minor lawsuits totalling EUR 17.6 million which relate to a number of assessments concerning various taxes and related obligations.

Other proceedings

Magnesita is party to a public civil action for damages caused by overloaded trucks in contravention with the Brazilian traffic legislation. A favourable decision by the trial court in 2017 has been appealed by the Public Ministry of Minas Gerais. The potential loss from this proceeding amounts to EUR 12.1 million as at 31 December 2018.

PROFITS AND DISTRIBUTIONS

General

The Issuer may only make distributions to its Shareholders insofar as the Issuer's equity exceeds the aggregate of the issued capital and the reserves which must be maintained pursuant to Dutch law or by the Articles of Association (including a mandatory reserve of EUR 288,699,230.59 which was created in connection with the Merger to comply with Austrian creditor protection rules). Under the Articles of Association, distribution of profit, meaning the net earnings after taxes shown by the adopted annual accounts referred to in Section 2:391 of the DCC (the "**Annual Accounts**"), will be made after the adoption of the Annual Accounts from which it appears that they are permitted for the respective financial year, entirely without prejudice to any of the other provisions of the Articles of Association.

The Board may resolve that the profits realised during a financial year will be fully or partially appropriated to create increase and/or form reserves, taking into account the financial condition, earnings, cash needs, capital requirements (including requirements of its subsidiaries, group companies and other affiliated companies) and any other factors that the Board deems relevant in making such a determination. Any remaining part of the profits after the addition to reserves will be at the disposal of the General Meeting. The Board shall make a proposal to the General Meeting regarding any such remaining part of the profits.

Dividends and other distributions are further summarised in "*Description of the Share Capital and the Articles of Association—Dividends and other distributions*".

Issuer dividend history

The Issuer was incorporated on 20 June 2017. The Issuer declared and paid a dividend of EUR 0.75 per Ordinary Share for the financial year ended 31 December 2017. For the financial year ended 31 December 2018, the Issuer has proposed a dividend of EUR 1.50 per Ordinary Share. The payment of such dividend is subject to approval at the General Meeting which is expected to be held on 6 June 2019.

RHI dividend history

RHI declared and paid a dividend of EUR 0.75 per share for the financial year ended 31 December 2016.

Dividend policy

The Issuer's dividend policy will be to progressively increase ordinary dividends and to target a dividend cover of less than 3.0x adjusted earnings per share over the medium term (which equates to a dividend pay-out ratio of at least 33 per cent). Dividends will be paid on a semi-annual basis with one third of the prior-year's full year dividend being paid at the interim.

In this context, "adjusted earnings per share" is used to assess the Company's underlying operational performance per Ordinary Share outstanding, removing the impact of foreign exchange effects, restructuring expenses, merger-related adjustments and other non-merger related income and expenses that are not directly related to operational performance.

The Issuer's intentions in relation to dividends are subject to numerous assumptions, risks and uncertainties, many of which may be beyond the Issuer's control. Since the Issuer does not itself conduct any operating business, its ability to pay dividends depends on its operating subsidiaries, group companies and other associated companies making profits and distributing these to the Issuer. Furthermore, the timing and amount of future dividend payments, if any, will depend on the Issuer's financial performance, including, among other factors, its earnings, its general financial condition and liquidity situation, general conditions in the markets in which it operates, inflow of funds from its subsidiaries, group companies and other associated companies and legal, tax and regulatory considerations, as well as such other factors as the Board may consider relevant. For further information on these limitations see "*Operating and Financial Review—Liquidity and Capital Resources—Borrowings*". As a consequence of these factors, there can be no assurance as to whether dividends or similar payments will be paid in future or, if they are paid, there is consent. See also "*Risk Factors—Risks relating to the Ordinary Shares and Admission—The Group cannot make any assurance that it will pay cash dividends or make other distributions in the future*".

Manner and time of dividend payments

Payment of any dividend in cash will in principle be made in euro. According to the Articles of Association, the Board may determine that distributions on Ordinary Shares will be made payable in another currency. Any distributions that are paid to holders of Depositary Interests through CREST will be automatically credited to the accounts of the relevant holders of Depositary Interests without the need for such holders to present documentation proving their ownership of such Depositary Interests. Payment of distributions on the Shares in registered form will be made directly to the relevant Shareholder using the information contained in the Issuer's shareholders' register and records.

Distributions shall be made payable four weeks after adoption of the resolution to pay such dividend, unless the General Meeting determines another date upon a proposal by the Board.

Uncollected dividends

A claim for any declared dividend and other distributions lapses five years after the date those dividends or distributions were released for payment. Any dividend or distribution that is not collected within this period will be considered to have been forfeited to the Issuer.

Taxation

Dividend payments on the Ordinary Shares are generally subject to withholding tax in the Netherlands or to withholding tax in Austria. See "*Taxation for Shareholders—Taxation in the Netherlands*" and "*Taxation for Shareholders—Taxation in Austria*".

CAPITALISATION AND INDEBTEDNESS

The following tables set forth the Group's capitalisation and indebtedness derived from the Issuer's Audited Consolidated Financial Statements as of and for the year ended 31 December 2018.

Investors should read this table in conjunction with "*Selected Consolidated Financial Data*", "*Operating and Financial Review*" and the Audited Consolidated Financial Statements, including the notes thereto, incorporated by reference into this Prospectus.

Capitalisation and Indebtedness

	As at 31 December 2018
	(*unaudited*)
	in EUR million
Current debt	
Guaranteed	—
Secured[(1)]	34.0
Unguaranteed/Unsecured	287.6
Total current debt[(2)]	**321.6**
Non-current debt	
Guaranteed	—
Secured	—
Unguaranteed/Unsecured	844.8
Total non-current debt[(3)]	**844.8**
Total debt	**1,166.4**
Shareholder's equity	
Share capital[(4)]	48.3
Group reserves[(5)]	752.2
Non-controlling interests [(6)]	84.8
Total equity[(7)]	**885.3**
Total capitalisation	**2,051.7**

(1) Secured current debt consists of liabilities to financial institutions secured by receivables.
(2) Reflects "Borrowings" as shown under "Current liabilities" in the balance sheet of the 2018 Financial Statements.
(3) Reflects "Borrowings" as shown under "Non-current liabilities" in the balance sheet of the 2018 Financial Statements.
(4) Reflects "Share capital" as shown in the balance sheet of the 2018 Financial Statements.
(5) Reflects "Group reserves" as shown in the balance sheet of the 2018 Financial Statements.
(6) Reflects "Non-controlling interests" as shown in the balance sheet of the 2018 Financial Statements.
(7) Reflects "Equity" as shown in the balance sheet of the 2018 Financial Statements.

Net Indebtedness

	As at 31 December 2018
	(*unaudited*)
	in EUR million
A. Cash(1)	426.7
B. Cash equivalent(2)	64.5
C. Trading securities(3)	36.3
D. Liquidity (A) + (B) + (C)	**527.5**
E. Current financial receivables	—
F. Current bank debt(4)	320.2
G. Current portion of non-current debt	—
H. Other current financial debt(5)	1.4
I. Current financial indebtedness (F) + (G) + (H)	**321,6**
J. Net current financial indebtedness (I) – (E) – (D)	**(205.9)**
K. Non-current bank loans(6)	833.4
L. Bonds issued	—
M. Other non-current loans(7)	11.4
N. Non-current financial indebtedness (K) + (L) + (M)	**844.8**
O. Net financial indebtedness (J) + (N)	**638.9**
P. Indirect and contingent indebtedness(8)	212.3
Q. Total financial and contingent indebtedness (O) + (P)	**851.2**

(1) Reflects "Cash at banks" as shown in Note 22 to the 2018 Financial Statements.
(2) Reflects the sum of "Money market funds" and "Cheques" as shown in Note 22 to the 2018 Financial Statements.
(3) Reflects "Marketable securities" as shown in Note 21 to the 2018 Financial Statements.
(4) Reflects "Total liabilities to financial institutions" with a remaining contractual term of up to 1 year, as shown in Note 26 to the 2018 Financial Statements.
(5) Reflects the sum of "Other financial liabilities and Capitalised transaction costs with a remaining contractual term of up to 1 year, as shown in Note 26 to the 2018 Financial Statements.
(6) Reflects the sum of "Total liabilities to financial institutions" with a remaining contractual term of 2-5 years and more than 5 years as shown in Note 26 to the 2018 Financial Statements.
(7) Reflects the sum of "Other financial liabilities and capitalised transaction costs with a remaining contractual term of 2-5 years and more than 5 years as shown in Note 26 to the 2018 Financial Statements.
(8) The Group's indirect and contingent indebtedness entirely relates to contingent liabilities in the amount of EUR 212.3 million. Other than as reported under Note 57 to the 2018 Financial Statements, the Group had not incurred indirect or contingent indebtedness as of 31 December 2018. See also "*Operating and Financial Review—Liquidity and capital resources—Contingent liabilities and guarantees*."

Statement on Working Capital

The Issuer is of the opinion that the working capital available to the Group is sufficient for its present requirements; that is, for at least 12 months following the date of this Prospectus.

No Significant Change

Between 31 December 2018 and the date of this Prospectus, there have been no significant changes to the Group's financial or trading position. For information on management's view on full year trends, see "*Recent Developments*".

SELECTED CONSOLIDATED FINANCIAL DATA

The selected historical financial information of the Group as at and for the years ended 31 December 2018, 2017 and 2016 set out below has been extracted or derived from the Audited Consolidated Financial Statements, which are incorporated by reference into this Prospectus. The Audited Consolidated Financial Statements were prepared in accordance with EU-IFRS and are presented in euro.

The Group's reported results presented below represent (1) as of and for the year ended 31 December 2016, the results of operations and financial position of the legacy RHI Group; (2) as of and for the year ended 31 December 2017, the comparative figures as of and for the year ended 31 December 2017 included in the 2018 Financial Statements, which include the contribution of the legacy Magnesita Group from 26 October 2017 and are adjusted to reflect the factors discussed in "Presentation of Financial and Other Information—2017 Financial Information"; and 3) for the year ended 31 December 2018, the results of operations and financial position of the Group including Magnesita for the full year. As a result, the comparability of the following financial information is limited.

The following selected consolidated financial data of the Group should be read in conjunction with the Operating and Financial Review and the Audited Consolidated Financial Statements incorporated by reference into this Prospectus. See also "Presentation of Financial and Other Information".

Consolidated Statement of Profit or Loss Data

	Year ended 31 December		
	2018	**2017(1)**	**2016**
	(in EUR million, except as otherwise noted)		
Revenue	3,081.4	1,950.1	1,651.2
Cost of sales	(2,344.5)	(1,543.4)	(1,294.8)
Gross profit	**736.9**	**406.7**	**356.4**
Selling and marketing expenses	(128.9)	(101.2)	(105.2)
General and administrative expenses	(208.4)	(143.1)	(134.5)
Other income	43.9	10.4	102.7
Other expenses	(44.9)	(107.3)	(103.3)
EBIT	**398.6**	**65.5**	**116.1**
Interest income	9.7	5.6	4.1
Interest expenses on borrowings	(48.5)	(23.6)	(17.5)
Net expense on foreign exchange and related derivatives	(81.3)	(50.8)	—
Other net financial expenses	(42.6)	(13.6)	(7.8)
Net finance cost	**(162.7)**	**(82.4)**	**(21.2)**
Share of profit of joint ventures and associates	10.1	11.0	10.9
Profit/(Loss) before income tax	**246.0**	**(5.9)**	**105.8**
Income tax	(58.9)	(4.9)	(29.9)
Profit/(Loss) after income tax	**187.1**	**(10.8)**	**75.9**

Note:

(1) Adjusted to reflect the effects of the final purchase price allocation of Magnesita and changes in presentation discussed under "*Presentation of Financial and Other Information—2017 Financial Disclosure.*"

Consolidated Statement of Financial Position Data

	31 December		
	2018	**2017(1)**	**2016**
	(in EUR million, except as otherwise noted)		
Goodwill	117.4	120.2	37.8
Other intangible assets	334.4	373.0	71.1
Property, plant and equipment	1,094.8	1,141.7	521.8
Investments in joint ventures and associates	21.8	21.4	20.5
Other non-current financial assets	18.0	25.1	18.9
Other non-current assets	34.3	24.2	17.7
Deferred tax assets	171.1	140.1	144.8
Non-current assets	**1,791.8**	**1,845.7**	**832.6**
Inventories	717.8	654.5	365.3
Trade and other current receivables	481.2	522.6	399.1
Income tax receivables	18.4	13.5	9.3
Other current financial assets	38.6	34.1	3.0
Cash and cash equivalents	491.2	442.4	182.9
Current assets	**1,747.2**	**1,667.1**	**959.6**
Total assets	**3,539.0**	**3,512.8**	**1,792.2**
Share capital	48.3	44.8	289.4
Group reserves	752.2	574.0	219.3
Equity attributable to shareholders of RHI Magnesita N.V.	800.5	618.8	508.7
Non-controlling interests	84.8	226.9	15.3
Equity	**885.3**	**845.7**	**524.0**
Borrowings	844.8	983.8	327.2
Other non-current financial liabilities	49.5	55.5	66.9
Deferred tax liabilities	78.4	64.7	13.5
Provisions for pensions	304.3	308.7	236.8
Other personnel provisions	78.5	82.5	80.6
Other non-current provisions	109.2	115.7	4.5
Other non-current liabilities	10.3	9.0	6.9
Non-current liabilities	**1,475.0**	**1,619.9**	**736.4**

	31 December		
	2018	2017(1)	2016
	(in EUR million, except as otherwise noted)		
Borrowings	321.6	241.8	156.0
Other current financial liabilities	15.0	17.4	15.6
Trade payables and other current liabilities	756.9	678.2	312.7
Income tax liabilities	32.2	16.1	18.4
Current provisions	53.0	93.7	29.1
Current liabilities	**1,178.7**	**1,047.2**	**531.8**
Total equity and liabilities	**3,539.0**	**3,512.8**	**1,792.2**

Note:

(1) Adjusted to reflect the effects of the final purchase price allocation of Magnesita. See also "*Presentation of Financial and Other Information—2017 Financial Disclosure.*"

Selected Consolidated Cash Flow Data

	Year ended 31 December		
	2018	2017(1)	2016
	(in EUR million, except as otherwise noted)		
Net cash flow from operating activities	394.3	213.4	162.7
Net cash flow from investing activities	(100.8)	33.3	(52.9)
Net cash flow from financing activities	(245.0)	24.6	(80.7)
Total cash flow	48.5	271.3	29.1
Foreign exchange impact	0.3	(11.8)	4.1
Cash and cash equivalents at end of period	491.2	442.4	182.9

Note:

(1) Adjusted to reflect the changes in presentation discussed under "*Presentation of Financial and Other Information—2017 Financial Disclosure.*"

Segment Disclosure

The following table sets forth certain income statement data broken down according to the Group's reportable segments and product type for the periods indicated:

	Year ended 31 December		
	2018	2017(1)	2016
	(in EUR million, except as otherwise noted)		
Steel Division			
Segment revenue	2,204.3	1,312.6	1,071.4
...thereof shaped products	*1,110.3*	*654.8*	*675.6*
...thereof which unshaped products	*336.8*	*252.9*	*314.8*
thereof management refractory services	*616.0*	*334.5*	—
...thereof other	*141.2*	*70.4*	*81.0*
Segment gross profit	522.4	284.4	216.4
Industrial Division			
Segment revenue	877.1	637.5	538.6
...thereof shaped products	*580.5*	*436.0*	*403.8*
...thereof which unshaped products	*196.2*	*123.6*	*61.5*
thereof management refractory services	*0.0*	*0.0*	—
...thereof which other products	*100.4*	*77.9*	*73.3*
Segment gross profit	*214.5*	*122.3*	*124.7*
Raw Materials Division(1)			
Segment revenue	—	—	41.2
...thereof shaped products	—	—	—
...thereof which unshaped products	—	—	*40.9*
...thereof which other products	—	—	*0.3*
Segment gross profit	—	—	*15.3*

Notes:

(1) Adjusted to reflect the changes in presentation discussed under "*Presentation of Financial and Other Information—2017 Financial Disclosure.*"

(2) The Group's Raw Materials Division segment was discontinued effective 1 January 2018. In the 2018 Financial Statements and the comparative figures as of and for the year ended 31 December 2017 presented herein, external sales of raw materials are accounted for under the Industrial Division segment.

Reporting by country

The following table sets forth the Group's revenue broken down according to the location of customers for the periods indicated:

	Year ended 31 December		
	2018	**2017[(1)]**	**2016**
	(in EUR million, except as otherwise noted)		
USA	407.9	195.3	151.2
Brazil	333.2	92.5	32.9
India	245.3	204.1	170.7
Germany	183.4	137.3	142.7
PR China	165.7	121.9	88.9
Mexico	161.0	119.3	113.6
Italy	131.6	105.7	93.2
Canada	92.2	70.8	60.8
Russia	86.9	59.0	49.1
Netherlands	25.8	14.1	14.7
Other countries	1,248.4	830.1	733.4
Revenue	**3.081.4**	**1,950.1**	**1,651.2**

Note:

(1) Adjusted to reflect the changes in presentation discussed under "*Presentation of Financial and Other Information—2017 Financial Disclosure.*"

OPERATING AND FINANCIAL REVIEW

This operating and financial review is based on the Audited Consolidated Financial Statements as of and for the years ended 31 December 2018, 2017 and 2016, which are incorporated by reference into this Prospectus. The Audited Consolidated Financial Statements have been prepared in accordance with EU-IFRS and are presented in Euros.

The Group's reported results presented below represent (1) as of and for the year ended 31 December 2016, the results of operations and the and financial position of the legacy RHI Group; (2) as of and for the year ended 31 December 2017, the comparative figures as of and for the year ended 31 December 2017 included in the 2018 Financial Statements, which include the contribution of the legacy Magnesita Group from 26 October 2017 and are adjusted to reflect the factors discussed in "Presentation of Financial and Other Information—2017 Financial Information"; and 3) for the year as of and for the year ended 31 December 2018, the results of operations and financial position of the Group including Magnesita for the full year. As a result, the comparability of the Group's reported results presented herein is limited.

The following operating and financial review contains certain forward-looking statements that are based on assumptions about the Group and its business. The Group's actual results could differ materially from those anticipated in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly under "*Risk Factors*".

Overview

RHI Magnesita is a global manufacturer of high-grade refractory products, systems and services headquartered in Vienna, Austria. Refractory products are indispensable to modern industrial high-temperature processes, enabling manufacturing equipment and fixtures such as steel ladles, cement rotary kilns, copper converters and glass furnaces to withstand extreme thermal, mechanical and chemical stress. RHI Magnesita serves more than 10,000 customers in the steel, cement, non-ferrous metals, glass, energy, environment and chemical industries in nearly all countries of the world. The Group produces more than 3 million tons of refractory products per year at its 35 main production sites across Europe, Asia and America. A vertically integrated refractories manufacturer with its own raw materials production, it also sources the majority of its magnesite requirements from its own mines and raw material production facilities in four continents.

In the year ended 31 December 2018, RHI Magnesita generated total revenue of EUR 3,081.4 million, EBIT of EUR 398.6 million and profit after income tax of EUR 187.1 million.

The RHI Group's business activities are divided into two operating divisions:

- The **Steel Division**, which provides customers with a broad range of refractories products and solutions for steel production, including refractories, machinery, flow controls systems and full line service solutions; and
- The **Industrial Division**, which provides refractory services and solutions to customers in the cement and line, non-ferrous metals and other process industries.

In the year ended 31 December 2018, the Steel and Industrial divisions accounted for 71.5 per cent and 28.5 per cent of the Group's total revenue, respectively.

The Group's principal geographic regions, North America, Europe, Asia-Pacific, South America and Middle East/Africa & CIS, accounted for 22.2 per cent, 28.6 per cent, 19.7 per cent, 15.3 per cent and 14.2 per cent, respectively, of its revenue in the same year.

RHI Magnesita attaches great importance to innovation and believes that its long-standing commitment to research and development have made it one of the global technology leaders in the refractories industry. In the year ended 31 December 2018, the Group invested more than EUR 32.6 million in R&D and considers it critical to maintaining a competitive edge. The Group employed more than 14,000 employees in 40 countries as of 31 December 2018.

Segment reporting

Effective the financial year ending 31 December 2018, the Group's operations are divided into two reporting segments: (i) the Steel Division; and (ii) the Industrial Division. The segmentation represents a division according to the Group's two main customer industries:

- ***Steel Division.*** The Steel segment specializes in supporting customers in the steel-producing and steel-processing industry with a broad range of commoditised products and higher-margin customised solutions and comprehensive packages for steel production consisting of (i) refractories (basic and non-basic mixes and bricks), (ii) machinery and (iii) services to the flow control business.
- ***Industrial Division.*** The Industrial segment serves customers in the glass, cement/lime, nonferrous metals and environment, energy, and chemicals industries.

The main activities of the two segments consist of market development, global sales of high-grade refractory bricks, mixes and special products, and services rendered at the customer sites.

Prior to the year ended 31 December 2018, the Group also maintained a third reporting segment, the Raw Materials Division, which accounted for the sale of internally sourced raw materials to the Industrial Division and the Steel Division and to external customers. Effective 1 January 2018, this segment was discontinued as part of a reorganisation of the Group's internal reporting structure and external raw material sales are currently accounted for as part of the Industrial Division segment.

For an overview of segment results for the financial years ended 31 December 2018, 2017 and 2016, please see "*Selected Consolidated Financial Data.*"

Reporting by product type and geography

The Group also reports revenue by product type and geography.

Sales revenue is allocated to the following product types: shaped products (e.g. hydraulically pressed bricks, fused cast bricks, isostatically pressed products); unshaped products (e.g. repair mixes, construction mixes and castables); services and other revenue. Other revenue includes revenue mainly from the sale of non-Group refractory products.

Sales revenue is allocated to the following regions based on customer location: USA, Brazil, India, Germany, People's Republic of China, Mexico, Italy, Canada, Russia, the Netherlands and other countries.

For an overview of the Group's revenue broken down by product type and geography for the financial years ended 31 December 2018, 2017 and 2016, please see "*Selected Consolidated Financial Data.*"

Factors Affecting the Comparability of Results

The Issuer's acquisition of Magnesita, which was completed on 26 October 2017 (with the Magnesita Group entities consolidated from that date), disposals and the change of presentation of certain items in the Group's statements of profit or loss and cash flows beginning with the year ended 31 December 2018 have collectively significantly affected the comparability of the Group's results of operations and financial position as of and for the years ended 31 December 2018, 2017 and 2016. Each of these factors is described in more detail below.

Acquisition of Magnesita

On 26 October 2017, the Acquisition of Control became effective as the Company via its indirect, wholly-owned subsidiary Dutch Brasil Holding B.V. acquired 50 per cent plus one share and corresponding voting rights in Magnesita. The purchase price amounted to EUR 296.8 million and was paid in the form of 5,000,000 newly issued ordinary shares of RHI Magnesita N.V. (reflecting the value of the shares on the date of settlement) and EUR 117.3 million in cash.

The Group's results of operations presented in this Prospectus for the year ended 31 December 2016 reflect only the RHI Group's results of operations and do not reflect the results of operations of the Magnesita Group. In the results of operations for the year ended 31 December 2017, the contribution of the Magnesita Group is reflected only for the period from 26 October 2017 to 31 December 2017, whereas the contribution of the Magnesita Group is included for the full year in the results of operations for the year ended 31 December 2018. As a result, the Group's results of operations for the years ended 31 December 2018, 2017 and 2016 are not fully comparable.

In the period from November to December 2017, Magnesita generated revenue of EUR 172.2 million. If the acquisition had been carried out at 1 January 2017, consolidated revenue would have amounted to EUR 2,677.2 million. The Group has managed the legacy RHI and Magnesita entities as a single integrated business since the Acquisition and in the course of 2018 implemented extensive synergy programs. As a result of the synergy and integration effects, the impact of the Acquisition on the Group's results of operations in 2018 cannot be quantified. The Group recorded goodwill in the amount of EUR 79.8 million in connection with this transaction as of 31 December 2018.

The purchase price allocation ("**PPA**") exercise in relation to the Acquisition of Control was finalized in 2018 and is reflected in the comparative figures as of and for the year ended 31 December 2017 included in the 2018 Financial Statements.

Disposals

In order to satisfy merger clearance conditions imposed by the European Commission for its approval of the acquisition of Magnesita, the Group in 2017 sold its magnesia-carbon bricks business based in Oberhausen, Germany, and its entire dolomite business in the European Economic Area, which consisted of 100 per cent of the shares in Dolomite Franchi S.p.A., (Brescia, Italy) and its production site in Lugones, Spain (together the "**Merger Control Divestments**"). The proceeds from the sale amounted to EUR 42.6 million, EUR 40 million of which was paid in cash in 2017 and EUR 2.6 million of which will be due on the second anniversary of the disposal. The loss from deconsolidation of the Merger Control Divestments includes an investment reimbursement obligation of EUR 3.7 million to the former subsidiary Dolomite Franchi S.p.A.

In October 2017, the Group sold all shares in REFEL S.p.A, San Vito al Tagliamento (Italy) and CJSC RHI Podolsk Refractories (Russia) (together, the "**Fused Cast Entities**") for a total cash consideration of EUR 0.3 million.

The total result from deconsolidation of the Fused Cased Entities and the Merger Control Divestments was a loss in the amount of EUR 23 million, recognised in other expenses in the Group's profit or loss statement for the year ended 31 December 2017.

Change in presentation of results

Beginning with the year ended 31 December 2018, the Group reclassified certain items in its statements of profit or loss and cash flows. These changes in presentation were applied retrospectively to the consolidated comparative figures as of and for the year ended 31 December 2017 included in the 2018 Financial Statements and on which financial information as of and for the year ended 31 December 2017 included in this Prospectus is based. The financial figures as of and for the year ended 31 December 2016 presented in this Prospectus were not adjusted. As a result, the comparability of the financial information for the years ended 31 December 2017 and 2016 is limited. The changes in presentation are described in detail below. See also "*Presentation of Financial and Other Information*" and Note 3 (*Other changes in comparative information*) to the 2018 Financial Statements.

Statement of profit or loss

In order to improve comparability with other FTSE 350 companies and ensure better understanding of the Group's financial performance, certain items in the Group's statement of profit or loss were reclassified beginning with the year ended 31 December 2018. As of 31 December 2017, the effect on revenue amounted to EUR 4.0 million, on gross profit to EUR (23.3) million, on EBIT to EUR (50.8) million and on net finance costs to EUR (50.8) million. Variable commissions in the amount of EUR (27.3) million as of 31 December 2017 were reclassified from selling and marketing expenses to cost of sales and the expenses for strategic and merger related projects in the amount of EUR 24.4 million as of 31 December 2017 are now presented in other expenses, instead of general and administrative expenses. Variable commissions are costs directly linked to the generation of revenue and the change in presentation is aimed at facilitating an accurate interpretation of these costs. Foreign exchange gains and losses as well as the effects from derivatives were reclassified from other income and expenses to a separate line item in net finance costs referred to as "Net expense on foreign exchange effects and related derivatives". This item was reclassified as the majority of foreign exchange effects are incurred due to financing activities, and the effects from derivatives are related to foreign exchange effects. Additionally, interest expenses on borrowings are now reported as a separate item due to its significance. Other net financial expenses include all remaining financial income and expenses.

Statement of cash flows

Cash flows from derivatives in the amount of EUR 8.2 million were reclassified from cash flow from operating activities to net cash flow from financing activities because they are related to foreign exchange effects of financing activities.

Key factors affecting the Group's Results of Operations

The Group believes that the following factors have been the key drivers affecting the Group's business, results of operations and financial condition over the past three years, and will continue to be the key drivers.

Economic environment

Global macroeconomic developments are a key factor affecting the Group's results of operations. Worldwide economic conditions impact the industries in which the Group's customers are active, including the steel, cement and other process industries.

Global economic conditions were largely favourable in the period under review. The world economy grew by 3.7 per cent in 2018 and 2017, as compared to 3.3 per cent in 2016 (IMF). In North America, the Group's largest region in terms of revenue contribution, the economy was broadly supportive of the Group's business, growing at 2.7 per cent, 2.2 per cent and 1.7 per cent in 2018, 2017 and 2016, respectively, with higher growth in the United States (IMF). In Europe, economic growth slowed to 2.2 per cent in 2018 after growing 2.5 per cent in 2017, compared to 1.7 per cent in 2016 (IMF) in the face of economic uncertainty in connection with the United

Kingdom's exit from the European Union, political instability in the member states, and lingering effects of the sovereign debt crisis. In Asia-Pacific, economic growth remained strong at 5.5 per cent, 5.7 per cent and 5.3 per cent in 2018, 2017 and 2016, respectively while South America has seen a modest recovery from recession, growing at 0.6 per cent and 0.7 per cent in 2018 and 2017, respectively after declining by 2.4 per cent in 2016 (IMF).

The positive momentum in the global economy is forecast to slow over the next few years, leaving many countries with a challenging outlook. Global economic growth is projected to decelerate to 3.5 per cent in 2019 and 3.6 per cent 2020 (IMF). While economic growth is forecast to accelerate in 2019 and the mid-term future in South America and to remain stable in Asia-Pacific, it is forecast to slow in Europe and North America (IMF).

Financial conditions are expected to tighten as a result of monetary policy normalization. In addition, a number of other macroeconomic factors and political uncertainties, including with respect to the stability of the global trade and tariff framework and the impact of the United Kingdom's exit from the European Union, are expected to have a negative economic impact and result in heightened market volatility. The Group expects that its results of operations will be affected by these and other economic developments in its key markets in the near to mid-term future.

See also *"Risk Factors —Risks relating to the Group's Business and Industry—Demand for the Group's products depends on economic conditions globally and in the Group's key markets."*

Global steel output

Demand for the Group's refractories products depends on demand from its customers in the steel industry, which in the year ended 31 December 2018 accounted for 71.5 per cent of its total revenue.

Refractories demand from the steel industry is directly associated with the number of furnaces in operation (with respect to linings) and the steel volumes produced (with respect to flow control systems). In the long run, the number of furnaces correlates with the development of steel production. Therefore, overall refractories demand from the steel industry in the long run positively correlates with steel production, although the Group expects that, due to technological progress and efficiency gains, an increase in steel production will not necessarily result in a proportionate increase in refractories demand in the future. The steel sector is cyclical and particularly sensitive to trends in the automotive, construction, home appliances, packaging and distribution industries.

In 2017 and 2018, the global steel output was broadly favourable to the Group's business, growing 5.3 per cent to 1.69 billion tonnes and 4.6 per cent to 1.80 billion tonnes, respectively, excluding China, after stagnating with growth of 0.8 per cent from 1.62 billion tonnes in 2016 (World Steel Association).

In Europe, steel output decreased slightly from high levels in 2018 amid tensions over U.S. tariffs on European steel and uncertainty with regard to the stability of the global trade and tariff network. In 2017, steel output in Europe saw robust growth, driven by a combination of antidumping measures, economic growth and strong exports. In the CIS region, steel output remained flat in 2018 and 2017 amid continuing political instability in the Ukraine. In 2017, lower output in Ukraine was offset by higher output in Russia and Moldova.

In North America, steel output grew significantly in 2018 and 2017 on the back of higher demand in the United States driven by robust economic activity, the federal government's infrastructure plan, tariffs imposed on Chinese steel and other barriers to trade to protect the domestic steel industry, and higher raw material prices. Steel output in Mexico also increased.

In South America, including Brazil, steel output grew modestly in 2018 after growing significantly in 2017 driven by the region's continuing recovery from the recession of 2015 and 2016. Factors adversely affecting growth in 2018 included political uncertainty in Brazil and Colombia as a result of elections, the financial crisis in Argentina and, in Venezuela, political turmoil that largely halted steel production in the country. In addition, a month-long strike by truck drivers in Brazil May 2018, which brought the country to a near stand-still, hindered further growth in steel sales in the Brazilian domestic market in 2018 and the U.S. decision to restrict the market to steel imports triggered protectionist escalation on the part of the other countries, jeopardising growth in export volumes.

In Asia-Pacific, steel output grew significantly in both 2018 and 2017, driven by strong volume growth in China and India following lower demand in 2016. In 2018, Chinese mills ramped up output to cash in on strong profit margins, with steel prices driven higher by production burbs as part of the government's campaign for clearer skies.

In Africa/Middle East, steel output grew significantly in 2018 and 2017, including as a result of higher output volume in Egypt, Algeria and Morocco. In 2017, the Egyptian market reacted positively to the implementation of import duties on billets from several countries, in addition to the stronger local demand. In South Africa, steel production was adversely affected by higher imports from China but rebounded in the second half as antidumping and import duties led refractory consumption to return to normal levels.

Raw material prices

The price of refractory products depends to a significant extent on the price of raw materials, in particular sintered and fused magnesia. Fluctuations in raw material and energy prices are generally passed on to customers. However, the Group produces the majority of its magnesite requirements and a portion of its dolomite requirements from its own mines and raw material production facilities (with the exact proportion depending on product mix of finished products sold and market prices of raw materials). Therefore, increases in raw material prices generally affect the Group's results only to a limited extent while less vertically integrated competitors may have greater exposure to increasing prices for raw materials.

Increases in raw material prices can have a positive effect on the Group's operating margins. In particular, in the financial years ended 31 December 2017 and 2018, the Group's results of operations were very favourably impacted by a dramatic change in the refractory raw material markets after the Chinese government started to enforce stricter environmental controls that resulting in temporary and, in some cases, permanent closure of Chinese raw material facilities during the second half of 2017. This resulted in a sudden shortage of supply and a sharp increase the prices for raw materials, including sintered and fused magnesia. As a result of its partially vertically integrated business model, the Group was able to ensure supply to its customers while managing to maintain competitive costs. At the same time, the Group was able to raise its product prices as a result of the demand/supply imbalance in the refractories market, thereby increasing its profit margins. See also "*Risk Factors—Risks relating to the Group's Business and Industry—The Group depends on a limited number of third party suppliers, especially for certain essential raw materials that are not available within the Group, and it may not obtain these raw materials in the required quantities or qualities or at economically viable prices*."

Impact of Acquisition Synergies and One-Off Costs

The Group's results of operations in the financial years ended 31 December 2018 and 2017 were significantly impacted by synergies and one-off costs related to the acquisition of Magnesita in October 2017 and the Group's profitability in the future will be affected by its ability to realise further synergies from this transaction.

In the year ended 31 December 2016, the Group incurred transaction costs in the amount of EUR 12.1 million in connection with the acquisition of Magnesita. In the year ended 31 December 2017, the Group's results of operations were significantly affected by acquisition-related restructuring and other one-off costs. The Group incurred restructuring costs in the amount of EUR 35.3 million related to a global restructuring programme put in place to achieve the targeted synergies from the acquisition, expenses in the amount of EUR 13.5 million related to the merger control divestments and EUR 24.2 million in other acquisition-related costs. In addition, the Group recognised EUR 9.1 million issue costs, less income tax amounting to EUR 0.3 million, directly in equity in 2017.

The Group targets merger-related cost synergies in the total amount of EUR 110 million by 2020. In the year ended 31 December 2018, the Group realised cost synergies in the amount of approximately EUR 70 million towards this target, including reduced selling, general and administrative expenses, procurement synergies and optimization of the combined production network, with reduction in production and supply chain costs. The Group targets further synergies in the amount of approximately EUR 20 million in the financial year ended 31 December 2019.

The Group's ability to achieve the targeted synergies depends on a large number factors, including the extent to which it succeeds in integrating Magnesita into its operations, macroeconomic and developments in the Group's end markets and the global and Chinese raw material markets. For a description of risks relating to the Group's synergy targets, please see "*Risk Factors—Risks relating to the Group's General Operations—The Group may be unable to realise the targeted synergies and other anticipated benefits of the acquisition of Magnesita*."

Growing importance of China

China is the world's largest consumer of refractory products as well as the largest producer of raw materials used to create refractory products. In 2018, China produced approximately 50 per cent of the world's steel, and it holds significant deposits of many raw materials required for the production of refractory products.

Exports of raw materials from China have in the past been restricted and heavily taxed. However, this system of export quotas and export taxes was mostly lifted at the end of 2016. On the other hand, the Chinese government in 2017 started to enforce stricter requirements and implemented stricter production controls in an effort to improve environmental and safety standards. As a result, many local manufacturers of sintered and fused magnesia had to shut down their production, which subsequently caused a sudden shortage of supply and increasing market prices. In the year ended 31 December 2018, the Group's results of operations were very favourably impacted by this development, as further described in "*—Raw material prices*" above.

Steel production in China increased from 702 million tons in 2011 to 928 million tons in 2018 (World Steel Association), an increase of 32.2 per cent. Due to the limited sales of the Group in China, which accounted for less than 5 per cent of revenue in the Steel Division in each of the years between 2016 and 2018, the development of Chinese steel production affects the Group's results primarily through the effects of Chinese exports on the global steel industry. Such effects of Chinese steel exports primarily include price pressure and a decrease of the market share of other steel manufacturers. A consolidation of the Chinese steel sector may result in a further increase in Chinese steel exports and result in further price and cost pressure on the Group's customers.

Production capacity and investments

The Group's margins depend to a certain extent on the capacity utilisation of its plants. This is particularly relevant in the Industrial Division, where the proportion of fixed costs is higher than in the Steel Division. Fired refractories used in the Industrial Division are predominantly produced in tunnel kilns, which are among the most energy efficient firing aggregates if utilisation is consistent and high and firing temperatures are stable. However, if utilisation fluctuates and batch sizes decrease, these advantages decrease and consequently production costs per unit increase at the expense of the Group's margins. In 2017 and 2018, the Group generally operated at very high capacity as a result of increased demand for its products driven by the favourable raw materials pricing environment discussed further under "*Raw material prices*" above, which had a favourable impact on margins. See also "*Risk Factors—Risks relating to the Group's Business and Industry—The Group may not be able to adjust its production capacity in line with demand for its products*."

The Group's total investments in property, plant and equipment and intangible assets increased by 1.7 per cent from EUR 70.8 million in 2016 to EUR 72.0 million in 2017 and by 70.3 per cent to EUR 122.6 million in 2018, accounting for 4.3 per cent, 3.7 per cent, and 4.0 per cent, of the Group's revenue, respectively. These investments primarily related to the maintenance of Group's production facilities, with the modification of the smelter at the Group's site in Radentheim, Austria, the largest investment in progress in the period under review. In light of the substantial excess capacities in global refractories production (particularly in China), the Group only makes limited growth investments. This is in line with the Group's strategy to focus on technological leadership and outstanding service in strategically important segments, which does not require substantial growth investments. However, the Group currently plans a EUR 20 million strategic investment in the reopening of a dolomite plant in Chizhou, China.

Exchange rate fluctuations

Due to the broad scope of the Group's international operations, a portion of its assets, liabilities, revenue and expenses are denominated in currencies other than the EUR. The Group's predominant exposures are in USD, BRL and INR. Changes in the exchange rates between these currencies can therefore affect the Group's operations and financial position, as a result of both translational and transactional exchange rate effects.

Translational effects of exchange rate fluctuations arise because financial results of the Company's subsidiaries are measured in the currency of the primary economic environment in which the subsidiary operates (its functional currency). The results of operations of a number of the Company's global subsidiaries are, therefore, measured in currencies other than EUR and are then translated into EUR for presentation of the Group's financial results in the consolidated financial statements. Consequently, fluctuations in the applicable foreign currency exchange rates may increase or decrease the EUR value of the Group's non-EUR assets, liabilities, revenue and costs, even if their value has not changed in their local functional currency. The Group is particularly exposed to such effects with respect to the BRL, the functional currency of Magnesita.

Transactional effects of exchange rate fluctuations arise when a member of the Group enters into a sale or purchase transaction in a currency other than its functional currency. The Group's biggest transactional exposure arises from a mismatch between the currencies in which procurement and labour costs are incurred and revenue is generated. For example, a significant majority of Magnesita's costs are incurred in BRL, while the significant majority of its revenue in is generated in other currencies. Where possible, the Group seeks to mitigate such exposure by matching revenue and expenditures in the same currency negotiating terms with suppliers that include invoicing them in their functional currencies. In addition, on a global level, the Group generally seeks to denominate their external borrowings in a number of currencies in order to provide a partial natural hedge for their obligations. The Group also uses financial derivatives to hedge currency exposure. In 2017 and 2018, the Group's results of operations overall were adversely affected by fluctuations in exchange rates, primarily as a result of the depreciation of the BRL against the EUR. See also "*Risk Factors—Risks relating to the Group's Business and Industry—The Group is exposed to changes in exchange rate fluctuations.*"

Explanation of certain line items used in the Group's statement of profit or loss

"**Revenue**" means all turnover generated by the Group in connection with the sale of refractory products, raw materials, refractory machineries and the rendering of services.

"**Cost of sales**" comprises the production cost of goods sold as well as the purchase price of merchandise sold. In addition to direct materials and production costs, this item also contains the costs of services provided and allocated overhead costs, as well as commissions.

"**Gross profit**" is revenue less cost of sales.

"**Selling and marketing expenses**" consists of personnel expenses for sales staff, depreciation charges and other operating expenses related to the market and sales processes.

"**General and administrative expenses**" primarily consist of personnel expenses for the administrative functions, legal and other consulting costs, expenses for research and non-capitalisable development costs.

"**Other income**" includes (i) gains from the disposal of property, plant and equipment and intangible assets, (ii) gains from the valuation of derivative financial instruments and supply contracts, (iii) income from restructuring, and (iv) miscellaneous income.

"**Other expenses**" include (i) losses from the disposal of property, plant and equipment and intangible assets, (ii) restructuring costs, (iii) impairment losses, and (iv) miscellaneous expenses, including special project costs (e.g., strategic and merger related projects).

"**EBIT**" (earnings before interest and tax) equals the operating results and is profit before income taxes and net finance costs and share of profit of joint ventures and associates.

"**Interest income**" includes income from cash at banks, securities and non-current receivables as well as other interest and similar income.

"**Interest expenses on borrowings**" includes interest expenses for bonded loans and bank loans less capitalised interest on borrowings, interest from interest rate swaps and similar expenses.

"**Net expense on foreign exchange effects and related derivatives**" includes foreign exchange gains and losses and derivatives expenses relating to the remeasurement of forward exchange contracts in currencies other than the functional currency.

"**Other net financial expenses**" means (i) the net interest expenses on personnel provisions, (ii) interest income on plan assets, (iii) tax-related interest, (iv) interest expenses attributable to non-controlling interests and other interests, (v) gains or losses from the measurement of a put option and (vi) gains or losses from the measurement as well as the disposal of securities.

"**Net finance cost**" is interest income less interest expenses and other net financial expenses.

"**Share of profit of joint ventures and associates**" is the profits made by joint ventures and associates attributable to the Group.

"**Income tax**" includes the Group's current and deferred income tax expenses.

Comparison of Group results

Group results for the fiscal years ended 31 December 2018, 2017 and 2016

	Year ended 31 December 2018	**% Change**	**Year ended 31 December 2017**	**% Change**	**Year ended 31 December 2016**
	(in EUR million, except percentages)				
Consolidated statement of profit or loss					
Revenue	3,081.4	58.0	1,950.1	18.1	1,651.2
Cost of sales	(2,344.5)	51.9	(1,543.4)	19.2	(1,294.8)
Gross profit	736.9	81.2	406.7	14.1	356.4
Selling and marketing expenses	(128.9)	27.4	(101.2)	(3.8)	(105.2)
General and administrative expenses	(208.4)	45.6	(143.1)	6.4	(134.5)
Other income	43.9	322.1	10.4	(89.9)	102.7
Other expenses	(44.9)	(58.2)	(107.3)	3.9	(103.3)
EBIT	398.6	508.5	65.5	(43.6)	116.1

	Year ended 31 December 2018	% Change	Year ended 31 December 2017	% Change	Year ended 31 December 2016
	(in EUR million, except percentages)				
Interest income	9.7	73.2	5.6	36.6	4.1
Interest expenses on borrowings	(48.5)	105.5	(23.6)	34.9	(17.5)
Net expense on foreign exchange and related derivatives	(81.3)	60.0	(50.8)	—	—
Other net financial expenses	(42.6)	213.2	(13.6)	74.4	(7.8)
Net finance costs	(162.7)	97.5	(82.4)	288.7	(21.2)
Share of profit of joint ventures and associates	10.1	(8.2)	11.0	0.9	10.9
Profit/(Loss) before income tax	246.0	(4,269.5)	(5.9)	(105.8)	105.8
Income tax	(58.9)	1,102.0	(4.9)	(83.6)	(29.9)
Profit/(Loss) after income tax	187.1	(1,832.4)	(10.8)	(114.2)	75.9

Revenue

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's revenue increased by EUR 1,131.3 million, or 58.0 per cent, from EUR 1,950.1 million in the financial year ended 31 December 2017 to EUR 3,081.4 million in the financial year ended 31 December 2018. The increase was primarily driven by the full-year impact of the acquisition of Magnesita. See also "*—Factors Affecting the Comparability of Results—Acquisition of Magnesita*". To a lesser extent, revenue also increased as a result of organic growth in both the Steel Division and the Industrial Division, driven by favourable market conditions in most of the Group's key geographic markets, with positive dynamics in customer industries and the raw material pricing environment. In particular, the Group's revenue in 2018 was favourably impacted by price increases as a result of a demand / supply balance in the refractories market caused by China's enforcement of certain environmental laws that resulted in the shut-down of a portion of China's raw materials production capacity. See also "*—Raw material prices*" above.

<u>Steel</u>

In the Steel Division, the Group's revenue increased by EUR 891.7 million, or 67.9 per cent, from EUR 1,312.6 million in the financial year ended 31 December 2017 to EUR 2,204.3 million in the financial year ended 31 December 2018. The increase was primarily the result of the full-year impact of the acquisition of Magnesita. To a lesser extent, the increase in revenue was also driven by organic growth across the Group's key geographic regions, as discussed in further detail below. Revenue from the Steel Division accounted for 71.5 per cent of the Group's total revenue in the financial year ended 31 December 2018, compared to 67.3 per cent in the financial year ended 31 December 2017.

In North America, strong organic revenue growth was recorded in 2018 on the back of higher demand in the United States, driven by robust economic activity, the federal government's infrastructure plan, tariffs on Chinese steel exports and other barriers to trade to protect the domestic steel industry, and higher raw material prices. Higher steel output in Mexico, the Group's focus on key strategic initiatives, an enhanced portfolio of products and market price adjustments also contributed to the increase in revenue from North America in 2018. At the same time, revenue growth was constrained by challenges fulfilling demand for dolomite-based shaped products driven by production capacity and increased steel pour.

In Europe, organic growth in revenue in 2018 was supported by portfolio optimisation with a favourable pricing impact, in spite of stagnant steel output across the region amid tensions over U.S. tariffs on European steel imports and uncertainty with regard to the stability of the global trade and tariff network.

In South America, organic revenue increased as a result of higher steel output driven by the region's continuing recovery from recession. Factors adversely affecting growth in 2018 included political uncertainty in Brazil and Colombia as a result of elections, the financial crisis in Argentina and, in Venezuela, political turmoil that largely halted steel output in the country. In addition, a month-long strike by truck drivers in Brazil in May 2018, which brought the country to a near stand-still, hindered further growth in steel sales in the Brazilian domestic market in 2018.

In Middle East & Africa and Asia-Pacific, the Group's organic revenue grew significantly in 2018 supported by strong steel output across these regions including, in particular, in China, Egypt, Morocco and Algeria. Revenue growth was also supported by price increases, in particular in the Middle East and Africa. In the CIS, steel output stagnated amid continued political instability and uncertainty, holding back demand for the Group's products.

Industrial

In the Industrial Division, the Group's revenue increased by EUR 239.6 million, or 37.6 per cent, from EUR 637.5 million in the financial year ended 31 December 2017 to EUR 877.1 million in the financial year ended 31 December 2018. The increase was primarily driven by the full-year effect of the acquisition of Magnesita. To a lesser extent, the increase in revenue was also driven by organic growth in the Division's three sub-segments. Revenue from the Industrial Division accounted for 28.5 per cent of the Group's total revenue in the financial year ended 31 December 2018, compared to 32.7 per cent in the financial year ended 31 December 2017.

Cement / Lime

Revenue from sales to cement / line customers amounted to EUR 321.3 million in the financial year ended 31 December 2018, increasing by EUR 94.5, or 41.7 per cent, from the 226.8 million in the financial year ended 31 December 2017. The revenue increase was driven by the full-year effect of the acquisition of Magnesita and organic growth as a result of price increases and portfolio optimisation.

The Company saw a successful turnaround of its cement business in 2018, driven by strong order volume. Volume was favourably affected by steady growth and relative stability in the cement and lime segments of the global refractory market, although with significant variances across regions. In China, the world's largest cement producer, output decreased against the background of the country's continued focus on environmental improvements, which resulted in plant closures and a reduction in cement production capacity. In other markets, such as Brazil and the near Middle East, cement output was adversely affected by challenging economic environments. Eastern Europe, Central Asia and North America saw significant increases in demand for cement, which favourable affected the Group's sales.

The revenue increase from the cement business was partially offset by lower revenue from customers in the lime industry in spite of stable market demand for lime, driven by a lower number of projects in vertical shift kilns, one of the Group's key market areas.

Revenue contribution of the cement /lime business increased from 35.6 per cent of the Industrial Division's revenue in 2017 to 36.6 per cent in 2018.

Non-ferrous metals

Revenue from sales to non-ferrous metals customers amounted to EUR 217.2 million in the financial year ended 31 December 2018, increasing by EUR 69.5 million, or 47.1 per cent, from EUR 147.7 million in the financial year ended 31 December 2017. The revenue increase was driven by strong organic growth, with volume outpacing a robust market including as a result of a number of new projects with long-standing customers. Continuing the trend seen in 2017, there were virtually no greenfield projects in most of the non-ferrous segments in 2018 amid uncertainty surrounding metal price developments. As a result, revenue from the non-ferrous business was primarily derived from major repairs and other standard business with existing customers. To a lesser extent, the full-year effect of the acquisition of Magnesita also contributed to the growth in sales to non-ferrous metals customers in 2018.

Revenue contribution of non-ferrous business to the Industrial Division's revenue decreased from 25.2 per cent of the Industrial Division's revenue in 2017 to 24.8 per cent in 2018.

Other process industries

Revenue from sales to customers in other process industries amounted to EUR 338.6 million in the financial year ended 31 December 2018, increasing by EUR 75.5 million, or 28.7 per cent, compared to EUR 263.1 million in the year ended 31 December 2017. The revenue increase was driven by the full-year effect of the acquisition of Magnesita.

The Group also recorded strong organic revenue growth from customers in the glass industries driven by a favourable market environment in the glass sector, increases in market share as a result of new strategic measures, and pricing increases. The loss of fused cast revenue after the sale of the Group's fused cast product line in 2017 was offset by growth in the bonded product portfolio.

Organic revenue also increased in the EEC sector, in spite of flat demand for most applications amid volatile oil markets. 2018 saw strong demand in the pelletising industry, mainly in the Middle East, as well as an increase in business with the Group's special waste customers worldwide. European and CIS demand was strong throughout 2018. As a result of the challenging oil and gas environment in Canada in 2018, in which a large proportion of investment projects were halted, this market saw subdued demand during the year.

Other process industries accounted for 38.6 per cent of the Industrial Division's revenues in 2018 compared to 41.3 per cent in 2017.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's revenue increased by EUR 298.9 million, or 18.1 per cent, from EUR 1,651.2 million in the financial year ended 31 December 2016 to EUR 1,950.1 million in the financial year ended 31 December 2017. The increase was primarily driven by the acquisition of Magnesita, whose business contributed EUR 172.2 million to the Group's revenue in November and December 2017, accounting for 57.6 per cent of the revenue increase and 8.8 per cent of the Group's revenue in 2017. To a lesser extent, the increase in revenue was also driven by organic growth in steel division as a result of robust growth in steel production in the Group's key geographic regions.

<u>*Steel*</u>

Revenue from the Steel Division increased by EUR 241.2 million, or 22.5 per cent from EUR 1,071.4 million in the financial year ended 31 December 2016 to EUR 1,312.6 million in the financial year ended 31 December 2017. The increase was primarily driven by the acquisition of Magnesita, whose business contributed EUR 142.7 million to the Group's steel revenue, accounting for 59.2 per cent of the revenue increase and 10.9 per cent of the Group's Steel Division revenue in 2017. To a lesser extent, the strong increase in steel production in Europe, North America, South America, and certain markets in Asia also contributed to the revenue increase. See also "—*Global steel output*." Revenue from the Steel Division accounted for 67.3 per cent of the Group's total revenue in the year ended 31 December 2017, compared to 64.9 per cent in the year ended 31 December 2016.

In Europe, the improvement of the underlying market was the main driver for the Group's sales performance in the region during the year. A combination of antidumping measures, economic growth and robust exports boosted the performance of sectors using steel.

In North America, the Group's sales were driven by an increase in steel output as the US. The steel industry recovered on the back of higher internal demand, stronger economic activity and supported by the trade cases enacted in 2016. Sales in the region outperformed the market, as key growth initiatives came into fruition, with two new EAF plants starting production during the year. Steel production in the CIS remained virtually flat. Lower production in Ukraine was offset by higher output in Russia and Moldova. Business in Russia, the most important market in the region, recorded mid single-digit growth, with higher deliveries to EAF, ladle and tundish applications. Moreover, market share gains in flow control contributed to sales growth in the region.

Higher deliveries in South America were driven by a strong surge in steel production, with Brazil and Argentina posting strong performance.

Performance in Middle East & Africa was modestly positive. The Egyptian market reacted positively to the implementation of import duties on billets from several countries, in addition to the stronger local demand. In south Africa, steel production was adversely affected by higher imports from China, but rebounded in the second half as antidumping and import duties led refractory consumption to return to normal levels.

Sales in Asia-Pacific recorded double-digit growth in 2017, with positive performance across the product spectrum. The market environment in Asia-Pacific was dominated by China and its effect on all steel-producing countries, as it remains a major exporter to the region. In 2017, several countries implemented antidumping measures on steel products from China. Initiatives by the Chinese government to cut capacity, improve product quality, rationalise and modernise the local industry led to lower Chinese exports and higher steel prices. Countries like Thailand, the Philippines and Malaysia were among the biggest beneficiaries of such developments, with steel output increasing significantly compared with 2016. Sales also increased in Vietnam and India. In the CIS, steel output stagnated, driven by lower steel output in the Ukraine amid political instability and resultant lower business activity.

Industrial

Revenue from the Industrial Division increased by EUR 98.9 million, or 18.4 per cent, from EUR 538.6 million in the financial year ended 31 December 2016 to EUR 637.5 million in the financial year ended 31 December 2017. Excluding the effect of the reclassification of revenue from raw material sales from the former Raw Materials segment to the Industrial Division segment in the amount of EUR 59.7 million, revenue from the Industrial Division would have increased by EUR 39.2 million, or 7.5 per cent. This increase was primarily the result of the two months of Magnesita sales starting in November 2017, which accounted for EUR 29.5 million, or 75.3 per cent, of the EUR 39.2 million growth. Revenue from the industrial division accounted for 32.7 per cent of the Group's total revenue in the year ended 31 December 2017, compared to 32.6 per cent in the year ended 31 December 2016.

Cement/Lime

Revenue from sales to cement customers amounted to EUR 226.8 million in 2017, increasing EUR 37.5, or 19.8 per cent from the 189.3 million in 2016. This improvement was driven by a significantly better market environment in 2017, particularly in the second half of the year, and, to a lesser extent, two months of Magnesita's sales, which contributed EUR 17.2 million, or 7.6 per cent, of the revenue in 2017.

Demand for cement in China, the Group's largest market in the cement business, continued to rise in 2017 with the development of construction projects. In addition, the raw material crisis in China described in "—*Raw material prices*" above also influenced the demand for refractories as customers accelerated orders to secure supply. In India, the second largest cement producer worldwide, demand declined year-on-year, influenced by lower investments in infrastructure and housing projects. However, sales in the region remained nearly stable compared to 2016 as new contracts offset the weaker underlying demand. In Europe, cement production performed positively after several years of decline. In North America, the cement industry developed favourable and the Group's sales exceeded market growth as a result of a greenfield project in the region. Lower activity in South America drove weaker performance of the repair business in the region. Demand in Brazil, which suffered massive declines in the previous years, stabilised in 2017. Revenue contribution of the cement business increased from 35.2 per cent of the Industrial Division's sales in 2016 to 35.6 per cent in 2017.

Non-ferrous metals

Revenue from sales to customers in the non-ferrous customers remained stable at EUR 147.7 million in 2017 as compared to EUR 146.5 million in 2016. Excluding the EUR 3.0 million in revenue contributed by Magnesita, revenue from non-ferrous metals customers would have slightly decreased in 2017. Despite recovering metal prices in 2017, there were virtually no greenfield projects in most of the non-ferrous segments in the year, consequently reducing most of the business to standard repairs with very few major new relining activities. Nickel lost ground in 2017 while zinc, copper, lead and aluminium grew significantly. Sales to the lead sector were weaker compared to 2016 after two significant relining projects in Mexico and the U.S. were delivered. Furthermore, demand from copper and aluminium customers in China was slightly weaker in 2017. On the other hand, higher sales were recorded to the Chinese copper and nickel industries. A positive trend also continued in Africa. Revenue contribution of the non-ferrous business to the Industrial Business's sales was 23.2 per cent in 2017 compared to 27.2 per cent in 2016.

Other process industries

Revenue from sales to customers in other process industries amounted to EUR 263.1 million in 2017, an increase of EUR 60.4, or 29.8 per cent compared to the EUR 202.7 million recorded in 2016. Excluding the EUR 59.7 million revenue due to the reclassification of the raw materials revenue discussed above, revenue from other process industries would have increased by 3.5 per cent. This increase was primarily driven by a EUR 9.3 million contribution from Magnesita, without which revenue from other process industries slightly decreased. Demand of refractories for the glass industry improved during the year, particularly from flat glass, as greenfield projects globally came into operation throughout the year. For the container glass segment, demand remained nearly flat. Repair activities started to recover, however, from more efficient plants in which refractory life is typically longer. Sales to the EEC segment were flat compared to 2016, as oil and gas prices recovered to a level that could trigger new investments. Other process industries accounted for 41.3 per cent of the Industrial Division sales in 2017 compared to 37.6 per cent in 2016.

Raw Materials

Year ended 31 December 2017 compared to year ended 31 December 2016

External Revenue from the Raw Materials Division amounted to EUR 41.2 million in the financial year ended 31 December 2016.

The Group's Raw Materials Division segment was discontinued beginning with the year ended 31 December 2018. In the 2018 Financial Statements and the comparative figures as of and for the year ended 31 December 2017 presented herein, external sales of raw materials are accounted for under the Industrial Division segment. See also "*Segment Reporting*" above.

Cost of sales

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's cost of sales increased by EUR 801.1 million, or 51.9 per cent, from EUR 1,543.4 million in the financial year ended 31 December 2017 to EUR 2,344.5 million in the financial year ended 31 December 2018.

Cost of sales increased proportionately less than the increase in revenue as a result of price increases due to the favourable raw material pricing environment and, to a lesser extent, the implementation of group synergies, in spite of certain production and supply chain challenges experienced in the second half of 2018 resulting from the shortage of raw materials ex-China.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's cost of sales increased by EUR 248.6 million, or 19.2 per cent, from EUR 1,294.8 million in the financial year ended 31 December 2016 to EUR 1,543.4 million in the financial year ended 31 December 2017. Excluding the effect of a EUR 27.3 million increase due the reclassification of commission expenses from selling and marketing expenses to cost of sales and adjustments relating to the finalisation of the PPA exercise relating to the acquisition of Magnesita in the amount of EUR 30.5 million, cost of sales increased by 14.7 per cent. Cost of sales increased proportionately less than revenue on this basis as a result of higher revenue and the resultant digression of fixed costs, and the impact of the acquisition of Magnesita, whose operations have a lower cost of sales base than the legacy RHI Group's.

Gross profit

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's gross profit increased by EUR 330.2 million, or 81.2 per cent, from EUR 406.7 million in the financial year ended 31 December 2017 to EUR 736.9 million in the financial year ended 31 December 2018. The increase was the result of the factors discussed above.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's gross profit increased by EUR 50.3 million, or 14.1 per cent, from EUR 356.4 million in the financial year ended 31 December 2016 to EUR 406.7 million in the financial year ended 31 December 2017. The increase was the result of the factors discussed above.

Selling and marketing expenses

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's selling and marketing expenses increased by EUR 27.7 million, or 27.4 per cent, from EUR 101.2 million in the financial year ended 31 December 2017 to EUR 128.9 million in the financial year ended 31 December 2018. The increase was proportionately less than the increase in revenue, owing to the implementation of synergies during 2018 and fixed cost dilution in light of higher revenues.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's selling and marketing expenses decreased by EUR 4.0 million, or 3.8 per cent, from EUR 105.2 million in the financial year ended 31 December 2016 to EUR 101.2 million in the financial year ended 31 December 2017. Excluding the effect of a classification of commission expenses amounting to EUR 27.3 million which had been treated as selling and marketing expenses in previous years, selling and marketing expenses increased broadly in line with revenue, driven primarily by the effect of the acquisition of Magnesita whereas the legacy Group's costs increased proportionately significantly lower, driven by general cost inflation.

General and administrative expenses

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's general and administrative expenses increased by EUR 65.3 million, or 45.6 per cent, from EUR 143.1 million in the financial year ended 31 December 2017 to EUR 208.4 million in the financial year ended 31 December 2018. The increase was primarily driven by the full-year effect of the acquisition of Magnesita, partially offset by the realisation of Group synergies in 2018.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's general and administrative expenses increased by EUR 8.6 million, or 6.4 per cent, from EUR 134.5 million in the financial year ended 31 December 2016 to EUR 143.1 million in the financial year ended 31 December 2017. Excluding the effect of the reclassification of certain expenses relating to acquisition-related projects amounting to EUR 24.4 million, the increase was 24. per cent, primarily driven by the acquisition of Magnesita. The legacy RHI Group's increase was primarily driven by management bonuses paid in connection with the acquisition of Magnesita, but were proportionately significantly lower, primarily as a result of a conservative headcount policy.

Other income

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's other income increased by EUR 33.5 million, or 322.1 per cent, from EUR 10.4 million in the financial year ended 31 December 2017 to EUR 43.9 million in the financial year ended 31 December 2018. The increase was primarily driven by favourable results from derivatives from supply contracts, which accounted for EUR 19.6 million in 2018, compared to EUR 4.9 million in 2017, and by the write-off of accrued liabilities relating to the divestment of the Group's magnesia-carbon bricks business in Oberhausen, Germany of EUR 10.0 million compared to a write-off of EUR 1.6 million in 2017. The Group also recognized income from restructuring amounting to EUR 5.4 million due to the reversal of certain acquisition-related provisions.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's other income decreased by EUR 92.3 million, or 89.9 per cent, from EUR 102.7 million in the financial year ended 31 December 2016 to EUR 10.4 million in the financial year ended 31 December 2017. The decrease was primarily a result of a change in accounting policies, whereby foreign exchange gains of EUR 82.4 million were separately identified under the position "*Net expense on foreign exchange and related derivatives*" beginning in the financial year ended 31 December 2017. The remainder of the decrease was driven by lower income from the valuation of the Group's commodity futures contract for electricity for its fusion plant in Porsgrunn, Norway in 2017 compared to the prior year.

Other expenses

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's other expenses decreased by EUR 62.4 million, or 58.2 per cent, from EUR 107.3 million in the financial year ended 31 December 2017 to EUR 44.9 million in the financial year ended 31 December 2018. The decrease was primarily due to the Group having incurred restructuring costs relating to the implementation of acquisition synergies and plant divestments in the amount of EUR 62.7 million in 2017, compared to EUR 22.3 million in 2018.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's other expenses increased by EUR 4.0 million, or 3.9 per cent, from EUR 103.3 million in the financial year ended 31 December 2016 to EUR 107.3 million in the financial year ended 31 December 2017. Excluding the effect of a change in accounting policies, whereby unrealized foreign exchange losses of EUR 133.2 million were separately identified under the position "*Net expense on foreign exchange and related derivatives*" beginning in the financial year ended 31 December 2017, other expenses would have increased by 109.2 per cent. This increase was driven by restructuring costs mainly relating to the implementation of acquisition synergies and plant divestments in the amount of EUR 62.7 million and transaction costs in the amount of EUR 24.4 million, EUR 10.5 million miscellaneous expenses, losses from the disposal of non-current assets of EUR 7.6 million, and non-recoverable input tax expenses of EUR 6.5 million.

EBIT

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's EBIT increased by EUR 333.1 million, or 508.5 per cent, from EUR 65.5 million in the financial year ended 31 December 2017 to EUR 398.6 million in the financial year ended 31 December 2018. The increase was primarily the result of the factors discussed above.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's EBIT decreased by EUR 50.6 million, or 43.6 per cent, from EUR 116.1 million in the financial year ended 31 December 2016 to EUR 65.5 million in the financial year ended 31 December 2017. The decrease was primarily the result of the factors discussed above.

Interest income

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's interest income increased by EUR 4.1 million, or 73.2 per cent, from EUR 5.6 million in the financial year ended 31 December 2017 to EUR 9.7 million in the financial year ended 31 December 2018. The increase was primarily driven by higher average cash balances at banks, generating EUR 6.0 million more interest income than in the previous year.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's interest income increased by EUR 1.5 million, or 36.6 per cent, from EUR 4.1 million in the financial year ended 31 December 2016 to EUR 5.6 million in the financial year ended 31 December 2017. The increase was driven by a EUR 1.5 million increase in interest income on available-for-sale securities and shares from EUR 1.0 million in 2016 to EUR 2.5 million 2017.

Interest expenses on borrowings

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's interest expenses on borrowings increased by EUR 24.9 million, or 105.5 per cent, from EUR 23.6 million in the financial year ended 31 December 2017 to EUR 48.5 million in the financial year ended 31 December 2018. The increase was primarily driven by the full-year effect of interest paid on interest-bearing debt of Magnesita, partially offset by lower interest rates following the refinancing of a substantial portion of the Group's debt in March and August 2018.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's interest expenses on borrowings increased by EUR 6.1 million, or 34.9 per cent, from EUR 17.5 million in the financial year ended 31 December 2016 to EUR 23.6 million in the financial year ended 31 December 2017. Excluding the effect of the reclassification of certain interest expenses to "other net financial expenses", interest expenses would have increased by 54.9 per cent. This increase was primarily the result of an increase in long term, interest bearing liabilities on the Group's balance sheet as a result of debt incurred to finance the acquisition of Magnesita and interest paid on debt assumed from Magnesita.

Net expense on foreign exchange and related derivatives

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's net expense on foreign exchange and related derivatives increased by EUR 30.5 million, or 60.0 per cent, from EUR 50.8 million in the financial year ended 31 December 2017 to EUR 81.3 million in the financial year ended 31 December 2018. The increase was primarily driven by the devaluation of the Euro, the Brazilian Real and the Argentinian Peso against the U.S. Dollar, which affected both intercompany and third-party loans, accounts payable and accounts receivable. As a result, foreign exchange losses increased from EUR 126.3 million in 2017 to EUR 160.2 million in 2018, while foreign exchange gains increased from EUR 68.2 million in 2017 to EUR 98.6 million in 2018. Concurrently, during the year 2018, the Group incurred net losses from derivative financial instruments of EUR 19.7 million, while in 2017 it made net gains on derivative financial instruments of EUR 7.3 million.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group recorded net foreign exchange and related derivative expenses of EUR 50.8 million in the financial year ended 31 December 2017. No such expenses were recorded in the financial year ended 31 December 2016, as unrealized foreign exchange gains and losses relating to derivatives had been included under "*other income*" and "*other expenses*" respectively during the financial year ended 31 December 2016.

Other net financial expenses

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's other net financial expenses increased by EUR 29.0 million, or 213.2 per cent, from EUR 13.6 million in the financial year ended 31 December 2017 to EUR 42.6 million in the financial year ended 31 December 2018. The increase was primarily driven by expenses relating to the unwinding of discounts on provisions and payables of EUR 15.6 million in 2018, compared to EUR 0.9 million in 2017. Increases in interest expenses on pension provisions of EUR 8.0 million, and in other interest and similar expenses of EUR 10.6 million, also contributed to the overall increase.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's other net financial expenses increased by EUR 5.8 million, or 74.4 per cent, from EUR 7.8 million in the financial year ended 31 December 2016 to EUR 13.6 million in the financial year ended 31 December 2017. The increase was primarily the result of the reclassification of financial expenses in the amount of EUR 3.5 million relating to non-controlling interests, which were included in "*interest expense*" during the financial year ended 31 December 2016 and the reversal of impairment losses on securities relating to certain pension-related financial investments in 2016.

Net finance costs

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's net finance costs increased by EUR 80.3 million, or 97.5 per cent, from EUR 82.4 million in the financial year ended 31 December 2017 to EUR 162.7 million in the financial year ended 31 December 2018. The increase was the result of the factors discussed above.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's net finance costs increased by EUR 61.2 million, or 288.7 per cent, from EUR 21.2 million in the financial year ended 31 December 2016 to EUR 82.4 million in the financial year ended 31 December 2017. The increase was the result of the factors discussed above.

Share of profit of joint ventures and associates

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's share of profit of joint ventures and associates decreased by EUR 0.9 million, or 8.2 per cent, from EUR 11.0 million in the financial year ended 31 December 2017 to EUR 10.1 million in the financial year ended

31 December 2018. The decrease was primarily driven by a EUR 2.9 million decrease in profits of MAGNIFIN Magnesiaprodukte GmbH & Co KG, in which the Group holds a share of 50 per cent.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's share of profit of joint ventures and associates was nearly unchanged, with an increase of EUR 0.1 million, or 0.9 per cent, from EUR 10.9 million in the financial year ended 31 December 2016 to EUR 11.0 million in the financial year ended 31 December 2017.

Profit before income tax

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's profit before income tax increased by EUR 246 million, or 4,269.5 per cent, from a loss of EUR 5.9 million in the financial year ended 31 December 2017 to a profit of EUR 246.0 million in the financial year ended 31 December 2018. The increase was the result of the factors discussed above.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's profit before income tax decreased by EUR 111.7 million, or 105.6 per cent, from a profit of EUR 105.8 million in the financial year ended 31 December 2016, to a loss of before income tax of EUR 5.9 million in the financial year ended 31 December 2017. The decrease was the result of the factors discussed above.

Income tax

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's income tax increased by EUR 54.0 million, or 1,102.0 per cent, from EUR 4.9 million in the financial year ended 31 December 2017 to EUR 58.9 million in the financial year ended 31 December 2018. The increase was primarily a result of higher profits before tax, resulting in higher current tax expenses, partially offset by the non-occurrence of non-recurring costs relating to a decrease in deferred tax assets due to tax reform and non-deductible merger and restructuring costs which occurred in 2017.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's income tax decreased by EUR 25.0 million, or 83.6 per cent, from EUR 29.9 million in the financial year ended 31 December 2016 to EUR 4.9 million in the financial year ended 31 December 2017. The decrease was primarily driven by the decrease in profit before tax in 2017, partially offset by a one-off deferred income tax expense in the United States, resulting from a decrease in the deferred tax asset due to tax reform and non-deductible merger and restructuring costs.

Profit after income tax

Year ended 31 December 2018 compared to year ended 31 December 2017

The Group's profit after income tax increased by EUR 197.9 million, or 1,832.4 per cent, from a loss of EUR 10.8 million in the financial year ended 31 December 2017 to a net profit of EUR 187.1 million in the financial year ended 31 December 2018. The increase was the result of the factors discussed above.

Year ended 31 December 2017 compared to year ended 31 December 2016

The Group's profit after income tax decreased by EUR 86.7 million, or 83.6 per cent, from EUR 75.9 million in the financial year ended 31 December 2016 to a loss of EUR 10.8 million in the financial year ended 31 December 2017. The decrease was the result of the factors discussed above.

Liquidity and capital resources

Overview

The Group's principal source of liquidity has been and is expected to continue to be cash generated from operations together with loans and borrowings. The Group's liquidity requirements primarily relate to funding its working capital requirements, operating expenses, acquisitions and debt service obligations and, to a lesser degree, its capital expenditures. The Group's ability to generate cash flow from operations depends on its future operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond the Group's control. See "*Risk Factors*" for a discussion of certain factors that could affect the Group's future performance and the industries in which it operates.

Cash flow

	Year ended 31 December		
	2018	**2017**	**2016**
	(in EUR million, except as otherwise noted)		
Net cash flow from operating activities	394.3	213.4	162.7
Net cash flow from/(used in) investing activities	(100.8)	33.3	(52.9)
Net cash flow from/(used in) financing activities	(245.0)	24.6	(80.7)
Total cash flow	48.5	271.3	29.1
Foreign exchange impact	0.3	(11.8)	4.1
Cash and cash equivalents at end of period	491.2	442.4	182.9

Net cash flow from operating activities

Net cash flow from operating activities is derived indirectly based on profit after income tax. Profit after income tax is adjusted for results which are allocable of cash flows from investing or financing activities and for non-cash expenses and income.

The Group's net cash flow provided by operating activities increased by EUR 180.9 million, or 84.8 per cent, from EUR 213.4 million in the financial year ended 31 December 2017 to EUR 394.3 million in the financial year ended 31 December 2018. The increase was primarily the result of an increase in net profit / (loss) after income tax in the amount of EUR 197.9 million from a net loss after income tax of EUR 10.8 million in the financial year ended 31 December 2017 to a net profit after income tax of EUR 187.1 million in the financial year ended 31 December 2018 driven by the acquisition of Magnesita. To a lesser extent, efficiencies in working capital management also contributed to the increase in net cash flow provided by operating activities. The increase was partially offset by the payment of employee termination benefits in connection with the implementation of synergy programs.

The Group's net cash flow provided by operating activities increased by EUR 50.7 million, or 31.2 per cent, from EUR 162.7 million in the financial year ended 31 December 2016 to EUR 213.4 million in the financial year ended 31 December 2017. The increase was primarily driven by changes in working capital structure, measures to leverage the Group's vertical integration and working capital discipline and was partially offset by the reclassification of cash flows from derivatives in the amount of EUR 8.2 million from cash flow from operating activities to net cash flow from financing activities. Magnesita accounted for EUR 3.6 million, or 7.1 per cent., of the increase in net cash flow provided by operating activities in the financial year ended 31 December 2017.

Cash flow from investing activities

The Group's net cash flows used in investing activities decreased by EUR 134.1 million, or 402.7 per cent, from a net cash inflow of EUR 33.3 million in the financial year ended 31 December 2017 to a net cash outflow of EUR 100.8 million in the financial year ended 31 December 2018. The decrease primarily results from the non-occurrence in 2018 of significant cash inflows that took place in 2017, namely net cash acquired due to the acquisition of Magnesita of EUR 50.2 million and cash inflow of EUR 30.6 million resulting from the sale of the Fused Cast Entities. In addition, during 2018 the Group's investments in property, plant and equipment, and intangible assets, exceeded 2017 levels by EUR 50.6 million.

The Group's cash flows provided by investing activities increased by EUR 86.2 million, or 162.9 per cent, from a net outflow of EUR 52.9 million in the financial year ended 31 December 2016 to a net cash inflow of EUR 33.3 million provided by investing activities in the financial year ended 31 December 2017. The increase was primarily driven by cash inflows due to the acquisition of Magnesita net of cash acquired of EUR 50.2 million and cash inflow of EUR 30.6 million resulting from the sale of the Fused Cast Entities, which both took place during the financial year ended 31 December 2017.

Cash flow from financing activities

The Group's net cash flows used in financing activities decreased by EUR 269.6 million, or 1,095.9 per cent, from a net inflow of EUR 24.6 million in the financial year ended 31 December 2017 to a net outflow of EUR 245.0 million in the financial year ended 31 December 2018. The decrease was primarily driven by payments to non-controlling interests of EUR 80.1 million, and by the Group's optimization of its financial structure, which entailed the refinancing and redemption of both current and non-current legacy debt of Magnesita.

The Group's cash flows provided by financing activities increased by EUR 97.1 million, or 130.5 per cent, from a net outflow of EUR 80.7 million in the financial year ended 31 December 2016 to a net inflow of EUR 24.6 million provided by financing activities in the financial year ended 31 December 2017. the increase was primarily driven by net proceeds from borrowings and loans of EUR 84.2 million related to debt financing of the acquisition of Magnesita and exchange rate gains of EUR 8.2 million in the financial year ended 31 December 2017, compared to net repayment of bond of EUR 27.4 million and exchange rate losses of EUR 3.6 million in the financial year ended 31 December 2016. The increase also reflects the reclassification of cash flows from derivatives in the amount of EUR 8.2 million from cash flow from operating activities to net cash flow from financing activities.

Capital Expenditures

The Group's business is capital intensive. The Group's capital expenditures are reflected in property, plant and equipment and intangible assets in the cash flow statement and primarily relate to maintenance investments in production plants.

In the years ended 31 December 2018, 2017 and 2016 the Group's capital expenditures amounted to EUR 122.6 million, EUR 72.0 million and EUR 70.8 million, respectively, accounting for 4.0 per cent, 3.7 per cent and 4.3 per cent of the Group's revenue, respectively. The modification of the smelter at the Group's site in Radentheim, Austria, was the largest investment project under construction in each of these years.

Investments in progress and other planned investments

The Group's investments in progress primarily relate to maintenance investments and, to a significantly lesser extent, growth investments, in production plants in Brazil, Austria, Germany and the U.S. The principal future investments on which the Group's management bodies have already made firm commitments primarily include a EUR 20 million investment in a dolomite plant in Chizhou, China.

Borrowings

As of 31 December 2018, the Group had borrowings with a principal amount outstanding of EUR 1,166.4 million, as set forth in the following table:

	31 December 2018
	In EUR million
Syndicated term loan	479.9
Bonded loans ("*Schuldscheindarlehen*")	216.0
Export credits and investment financing	171.9
Other credit lines and other loans	278.9
Accrued interest	6.9
Total liabilities to financial institutions	1,153.6
Other financial liabilities	16.6
Capitalised transaction costs	(3.8)
Borrowings	**1,166.4**

Description of the Group's principal financing contracts as of 31 December 2018

Term and Revolving Facilities Agreement

On August 3, 2018 RHI Magnesita N.V. (as the guarantor) and RHI Feuerfest GmbH (as theborrower) entered into a dollar term facility and multicurrency revolving facility agreement (the "**Facilities Agreement**") with a syndicate of mandated lead arrangers and Commerzbank Finance & Covered Bond S.A. as facilities agent. The facilities agreement provides for a revolving credit facility of USD 400 million and a term loan facility of USD 200 million. The applicable interest rate is the aggregate of (i) the applicable margin and (ii) LIBOR or, in relation to any loan in Euro, Euribor.

The funds received under the term facility may be applied toward (i) refinancing of the existing indebtedness of the Group and (ii) working capital and general corporate purposes. Amounts borrowed under the revolving facility are restricted to working capital and general corporate purposes.

The Facilities Agreement contains customary representations, general covenants including a negative pledge undertaking, a *pari passu* clause, restrictions on disposals, cross-default, and change of control provisions, each subject to exceptions. The Facilities Agreement further requires the Group to maintain a credit rating of any of BBB- or higher from Standard & Poor's Rating Services ("**S&P**"), Baa3 or higher from Moody's Investors Services Limited ("**Moody's**") or BBB- or higher from Fitch Ratings Limited ("**Fitch**"). Non-compliance with this requirement triggers a financial covenant whereby the Group's leverage, as defined as consolidated total net debt to EBITDA for the last twelve months, may not exceed 3.5:1. The covenant ratio is tested on a semi-annual basis.

The term facility has a maturity of five years, and is to be repaid on the termination date. The revolving facility also has a maturity of five years, and under its terms the borrower must pay any amounts drawn on the last day of its interest period. Interest on both facilities is payable on the sooner of the last day of each interest period, or every six.

The borrower is permitted to make voluntary prepayments subject to certain customary requirements. A lender may cancel its commitments and demand prepayment of all its participations in any loans outstanding under the Facilities Agreement in case of illegality, a change of control, conduct resulting in the breach of sanctions laws, or the disposal of all or substantially all of the assets of the Group (in each case as described in the Facilities Agreement).

Term Facility Agreement

RHI Magnesita N.V. (as the guarantor) and RHI Feuerfest GmbH (as the borrower) entered into a term facilities agreement dated March 21, 2018 (the "**Term Facility Agreement**"), which provides for credit facilities in a total principal amount of EUR 305.6 million with Commerzbank Aktiengesellschaft, Erste Group Bank AG, and Unicredit Bank Austria AG as mandated lead arrangers and Commerzbank Finance & Covered Bond S.A. as facilities agent.

The Term Facility Agreement provides for a loan in the amount of EUR 305.6 million, which amounts to the total outstanding facility commitments entered into between the Group as borrower, and Oesterreichische Kantonalbank AG ("OeKG"), as lender. The facility is available for utilization only to (i) refinance any amounts outstanding under the 2017 facilities agreements and (ii) fund amounts payable under the mandatory tender offer made within the context of the merger between RHI Group and Magnesita. The agreement contains customary representations, general covenants (including a negative pledge undertaking and restrictions on disposals, each subject to baskets and/or exceptions) and events of default (including cross-default payment and cross-acceleration provisions).

The Term Facility Agreement further requires the Group to maintain a credit rating of any of BBB- or higher from S&P, Baa3 or higher from Moody's or BBB- or higher from Fitch. Non-compliance with this requirement triggers a financial covenant whereby the Group's leverage, as defined as consolidated total net debt to EBITDA for the last twelve months, may not exceed 3.5:1. The covenant ratio is tested on a semi-annual basis.

The rate of interest on each loan for each term is the percentage rate per annum equal to the aggregate of (i) the applicable margin and (ii) the OeKB financing rate (in each case subject to a zero floor). As of 31 December 2018, the applicable margin was 0.55 per cent per annum.

Repayment takes place in semi-annual instalments starting on 31 December 2020 and in accordance with a repayment schedule, whereby 70 per cent of the loan balance are paid at the termination date on 30 June 2023. Voluntary prepayments by the borrower are permitted subject to certain customary requirements. A lender may cancel its commitments and demand prepayment of all its participations in any loans outstanding under the Facilities Agreement in case of illegality, change of control or if a Lender is obliged to prepay the OeKB Funding (in each case as described in the Facilities Agreement).

Debenture Bonds

As of 31 December 2018, the Group had a number of debenture bonds (*Schuldscheindarlehen*), which had been placed with institutional lenders, outstanding in an aggregate principal amount of EUR 230.5 million. The debenture bonds had variable maturities and carried fixed and variable interest rates.

The outstanding debenture bonds consist of multiple tranches including:

- a EUR 87.0 million tranche with a variable interest of 6-month Euribor plus margin to mature in 2022;
- a EUR 62.0 million tranche with a fixed interest rate of 1.739 per cent to mature in 2022;
- a EUR 35.0 million tranche with a fixed interest rate of 3.1 per cent to mature in 2024; and
- a EUR 26.0 million tranche with a variable interest rate of 6-month Euribor plus margin to mature in 2024.

The outstanding debenture bonds provide for customary termination rights and change of control provisions (in case a third party or a group acting in concert directly or indirectly acquires more than 50 per cent of the Group's share capital or voting rights entitled to vote in the Group's shareholders' meetings) and cross default clauses in case the defaulted amount exceeds EUR 50 million. The debenture bonds also include customary restrictive covenants, including a negative pledge, restrictions on the incurrence of subsidiary indebtedness and limitations on the disposal of assets, as well as a *pari passu* clause. The debenture bonds further require the Group to maintain a credit rating of any of BBB- or higher from S&P, Baa3 or higher from Moody's or BBB- or higher from Fitch. Non-compliance with this requirement triggers a financial covenant whereby the Group's leverage, as defined as consolidated total net debt to EBITDA for the last twelve months, may not exceed 3.5:1. The covenant ratio is tested on a semi-annual basis.

Covenant compliance

As of and for the year ended 31 December 2018, the Group complied with the covenants of all its borrowing instruments.

Other financial obligations

As of 31 December 2018, the Group's other financial obligations primarily consisted of obligations from rental and leasing contracts and capital commitments. The following table shows the nominal value of other financial obligations not included in the Group's statement of financial position as of 31 December 2018:

	Total	**Remaining term**		
		Up to 1 year	**2 to 5 years**	**Over 5 years**
	(in EUR million, except as otherwise noted) *(unaudited)*			
Obligations from rental and leasing contracts	73.7	16.3	27.7	29.7
Capital commitments	5.4	5.4	0.0	0.0
Other financial obligations	79.1	21.7	27.7	29.7

Other financial obligations are exclusively due to third parties.

The Group's operating rental and leasing agreements primarily relate to RHI's new head office in Vienna (lease term until 2028), other offices (lease term until 2020), a new office in Oviedo, Spain (lease term until 2028) and a production site (lease term until 2062). The Group also rents equipment for terms ranging from two to seven years. Rental and leasing obligations for property, plant and equipment of EUR 34.4 (2017: EUR 23.1 million) are recognized in the statement of profit or loss of the financial year ended 31 December 2018.

In addition to the aforementioned financial obligations, the Group also has long-term purchase obligations related to the supply of raw materials, especially for electricity, natural gas, strategic basic and non-basic raw materials as well as for the transport of raw materials within the Group. This resulted in other financial obligations of the nominal value of EUR 99.8 million as of 31 December 2018 (compared to EUR 99.9 million as of 31 December 2017). The remaining terms of the contracts amount to up to eight years. Purchases from these arrangements are recognised in accordance with the usual course of business. Purchase contracts are regularly reviewed for imminent losses, which may occur, for example, if requirements fall below the agreed minimum purchase volume, or when contractually agreed prices deviate from the current market price level.

Contingent liabilities and guarantees

The following table summarises contingent liabilities as of 31 December 2018, 2017 and 2016.

	Year ended 31 December		
	2018	**2017**	**2016**
	(in EUR million, except as otherwise noted)		
	(unaudited)		
Liabilities from warranties, performance guarantees and other guarantees	43.0	39.8	32.0
Contingent liabilities from sureties	0.3	0.5	0.7
Contingent liabilities relating to lawsuits and similar proceedings	169.0	178.3	0.0
Contingent liabilities and guarantees	212.4	218.6	32.7

The Group's contingent liabilities relate primarily to bid bonds, performance bonds, advance payment guarantees and warranty bonds which have to be provided in connection with operating business, as well as ongoing legal proceedings for which the outcome is not yet sufficiently estimable to record a provision. For a description of these legal proceedings, please see "*Business— Litigation and regulatory proceedings*."

Off-Balance Sheet Arrangements

As of 31 December 2018, the Group is not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, results of operations, liquidity or capital resources.

Pension Obligations

The Group's pension obligations primarily relate to its Austrian, German, US, UK and Brazilian operations. Defined benefit pension plans exist in these five jurisdictions, but are generally closed for new entrants in Austria, Germany and the USA. Defined contribution pension models exist in Austria and other jurisdictions, but not in Germany, while the Brazilian model includes characteristics of defined benefits and defined contribution plans.

The following table summarises the net liability from pension obligations as of 31 December 2018, 2017 and 2016:

	Year ended 31 December		
	2018	**2017**	**2016**
	(in EUR million, except as otherwise noted)		
Present value of pension obligations	506.6	517.1	289.2
Fair value of plan assets	(223.9)	(228.6)	(56.4)
Funded status	282.7	288.5	232.8
Asset ceiling	19.5	18.3	1.9

	Year ended 31 December		
	2018	2017	2016
	(in EUR million, except as otherwise noted)		
Net liability from pension obligations	302.2	306.8	234.7
thereof assets from overfunded pension plans.......................	2.1	1.9	2.1
thereof provisions for pensions	304.3	308.7	236.8

As of 31 December 2018, the Austrian companies of the Group accounted for EUR 125.8 million of the present value of pension obligations and for EUR 26.4 million of the plan assets. The agreed benefits include pensions, invalidity benefits and benefits for surviving dependents. Commitments in the form of company or individual agreements depend on the length of service and the salary at the time of retirement. Pensions are predominantly paid in the form of annuities and are partially indexed. There are commitments based on the deferred compensation principle, which are fully covered by pension reinsurance policies, and commitments for pre-retirement benefits for employees in mining operations.

As of 31 December 2018, the pension plans of the German companies of the Group accounted for EUR 155.1 million of the present value of pension obligations and for EUR 0.7 million of plan assets. The benefits included in company agreements comprise pensions, invalidity benefits and benefits for surviving dependents. The amount of the pension depends on the length of service for the majority of the commitments and is calculated as a percentage of the average monthly wage/salary of the last 12 months prior to retirement. In some cases, commitments to fixed benefits per year of service have been made. Individual commitments have been made, primarily with retired beneficiaries.

As of 31 December 2018, the pension plans of the US group company Magnesita Refractories Company accounted for EUR 74.2 million of the present value of pension obligations and for EUR 61.8 million of plan assets. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective 21 June 1999, the Company offered the participants the opportunity to elect to participate in a single enhanced defined contribution plan. Participants who make this election are no longer eligible for future accruals under this plan. All benefits accrued as of the date of transfer will be retained. Employees hired after 21 June 1999 and employees that did not meet the plan's eligibility requirements as of 21 June 1999 are not eligible for this plan. The pensions are predominantly paid in the form of annuities and are adjusted annually based on the U.S. consumer price index. The Company's contributions for the year ended 31 December 2018 met, or exceeded, the minimum funding requirements of ERISA.

As of 31 December 2018, the pension plans of the UK group company Magnesita Refractories Ltd., accounted for EUR 53.0 million of the present value of pension obligations and for EUR 69.6 million of plan assets, although only EUR 53.0 million of the plan assets are reflected on the balance sheet due to the application of IFRIC 14 (asset ceiling). Under the plan, employees are entitled to annual pensions on retirement at age 65 of one-sixtieth of final pensionable salary for each year of service. Pensionable salary is defined as basic salary less the Lower Earnings Limit. Benefits are also payable on death and following other events such as withdrawing from active service. No other postretirement benefits are provided to these employees.

As of 31 December 2018, the pension plans of the Brazilian group company Magnesita Refratários S.A. accounted for EUR 62.6 million of the present value of pension obligations and for EUR 34.6 million of plan assets. Employees are entitled to contribute to the plan, with the company contributing 1.5 times this value. The agreed benefits include pensions, invalidity benefits and benefits for surviving dependents. Commitments in the form of company or individual agreements depend on the length of service and salary at the time of retirement. For the majority of commitments, the amount of the company pension obligation is limited to 75 per cent of the final remuneration. At retirement the employee may choose to receive up to 25 per cent of their amount at once or receive it on a pro-rata basis.

Qualitative and Quantitative Disclosure about Market Risk

See note 55 of the 2018 Financial Statements for a description of the Group's financial risk management with respect to credit, liquidity, foreign currency, interest other market risks.

Key Accounting Policies and Judgments

For a description of the Group's accounting policies and significant estimates and assessments in preparing the financial statements, please see notes 8 and 10, respectively, of the 2018 Financial Statements.

Changes in Accounting Standards

See note 2 of the 2018 Financial Statements for a description of changes in accounting standards and interpretations that may be relevant for the Group but are not yet effective.

Recent Developments

On 22 January 2019, Fersen Lambranho, non-executive director, resigned from the Group's board of directors with immediate effect.

On 23 January 2019, the Securities and Exchange Commission in Brazil ("**CVM**") approved the cancellation of the listing of Magnesita as publicly held company in Brazil. As of this date, Magnesita is a privately held Company.

On 14 February 2019, the Company entered into an exclusivity agreement with Yıldız Holding A.Ş. and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., as sellers, in connection with a potential transaction involving the Turkish refractories maker Kumas Manyezit Sanazi AS.

Integrated Tender Offer

As previously noted, the Issuer launched an integrated tender offer ("**ITO**") to the minority shareholders of Magnesita in November 2018. Following the final closing of the ITO on 20 March 2019, RHI Magnesita owned 97.5 per cent of the total share capital of Magnesita and had issued a total of 4,657,408 new Ordinary Shares, along with a total €115.4 million of cash consideration. On 25 March 2019, Magnesita's extraordinary general meeting approved the redemption of the outstanding Magnesita shares. The remaining Magnesita shareholders who have not yet participated in the ITO have the right to do so, under the current terms, until 1 April 2019. Any Magnesita shareholders who have not accepted by this date will have their shares redeemed and receive the cash only consideration. Settlement of this redemption is expected to take place on 9 April 2019.

MANAGEMENT AND CORPORATE GOVERNANCE OF RHI MAGNESITA

Introduction

Below is a summary of relevant information concerning the Board and employees of the Group as well as a brief summary of certain significant provisions of Dutch corporate law and the listing rules of the FCA (the "**UK Listing Rules**"), the Articles of Association and the Board Rules (as defined below), the Dutch corporate governance code (the "**Dutch Corporate Governance Code**") and the United Kingdom corporate governance code (the "**UK Corporate Governance Code**"), in respect of the Board, all as in effect on the date of this Prospectus.

This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the relevant provisions of Dutch law and the UK Listing Rules as in force on the date of this Prospectus and the Articles of Association and the Board Rules. The Articles of Association are available in the governing Dutch language and an unofficial English translation thereof, and the Board Rules are available in English, on the Issuer's website for purposes of this Prospectus (prospectus.rhimagnesita.com).

Management structure

The Issuer has a one-tier board structure with a Board consisting of both executive directors (the "**Executive Directors**") and non-executive directors (the "**Non-Executive Directors**" and collectively with the Executive Directors, the "**Directors**"). As at the date of this Prospectus, the provisions of Dutch law that are commonly referred to as the "large company regime" (*structuurregime*) do not apply to the Issuer.

The Board

Powers, responsibilities and functioning

Under Dutch law, the Board is collectively responsible for and has the power to conduct the general affairs of the Issuer. Pursuant to the Articles of Association, the Board may if it elects to do so assign duties and powers to individual Directors and/or committees that are composed of two or more Directors, with the day-to-day management of the Issuer entrusted to the Executive Directors. The Non-Executive Directors have the task of supervising the performance of duties by the Executive Directors as well as the general course of affairs of the Issuer and the business connected with it. In addition, both Executive Directors and Non-Executive Directors must perform such duties as are assigned to them pursuant to the Articles of Association and, as applicable, the Board Rules or a resolution of the Board. Each Director has a duty towards the Issuer to properly perform the duties assigned to him or her. Furthermore, each Director has a duty to act in the corporate interest of the Issuer and its business. Under Dutch law, the corporate interest extends to the interests of all stakeholders of the Issuer, such as shareholders, creditors, employees and other stakeholders.

In accordance with Dutch law, the Board may draft regulations which determine that one or more Directors can make valid decisions concerning matters belonging to his/her or their duties. For more information, see "—*Meetings and decision-making*".

The Board as a whole is entitled to represent the Issuer. Additionally, the chief executive officer ("**CEO**") and the chairman (the "**Chairman**"), acting individually, and two Executive Directors, acting jointly, are also authorised to represent the Issuer. In addition, pursuant to the Articles of Association the Board may appoint officers who are authorised to represent the Issuer within the limits of the specific delegated powers to them.

Composition, appointment, term and dismissal

The Articles of Association provide that the Board shall consist of one or more Executive Directors and three or more Non-Executive Directors with a maximum of nineteen (19) Directors in total. The majority of the Directors shall be Non-Executive Directors and one-third of the Non-Executive Directors (rounded upwards) (the "**Employee Nominated Directors**") shall be appointed by employee representatives from various EEA Member States in accordance with the terms of reference agreed upon in the context of the Merger. The exact number of Executive Directors and Non-Executive Directors shall be determined by the Board taking into account the foregoing. The General Meeting may designate (i) one Non-Executive Director as the Chairman, (ii) one or more Non-Executive Directors as deputy-chairman/deputy-chairmen (the "**Deputy-Chairman**" or the "**Deputy-Chairmen**"), (iii) one Executive Director as CEO, (iv) one Executive Director as chief financial officer and (v) grant other titles to Executive Directors, in each case for a term to be determined by the General Meeting. An Executive Director can have more than one title. The General Meeting will also decide whether a Director is appointed as an Executive Director or as a Non-Executive Director.

Pursuant to the Articles of Association, Directors other than the Employee Nominated Directors will be appointed by the General Meeting. The Board may make a nomination for such appointments by the General Meeting. The Executive Directors shall not take part in discussions or decision-making by the Board relating to nominations for the appointment of Directors. A resolution to appoint a Director nominated by the Board may be adopted by the General Meeting by an absolute majority of votes cast, irrespective of the represented capital. A resolution to appoint the Director other than in accordance with a nomination by the Board may be adopted by the General Meeting by an absolute majority of votes cast representing more than one-third of the Issuer's issued share capital.

Pursuant to an agreement between the Issuer and Alumina Holdings LLC ("**Alumina**"), and its successor Alumina II Holdings S.À.R.L., (the "**DAA**"), the vehicle through which GP Investments IV Limited holds its participation in the Issuer, Alumina is entitled to nominate one person for appointment as a Non-Executive Director. The DAA provides that Alumina or one of its affiliated companies can only exercise their nomination right if Alumina or one of its affiliated companies holds at least 5 per cent of the Issuer's issued share capital and prohibits the Issuer from entering into agreements with other Shareholders concerning the nomination or appointment of Directors at more favourable conditions, except where such Shareholders hold 20 per cent or more of the Issuer's issued share capital.

The legal relationship between a Director and the Issuer will not be considered an employment agreement. However, each Executive Director has entered into a service agreement with a group company of the Issuer or the Issuer as described in "*—Remuneration Policy and Share Plan — Remuneration Policy – Executive Directors – Severance Arrangements*" below. Furthermore, each Non-Executive Director has entered into an appointment letter with the Issuer, see "*—Remuneration Policy and Share Plan — Remuneration Policy — Non-Executive Directors*" for a description thereof.

Non-Executive Directors (other than Employee Nominated Directors) will be nominated for a term of three years, subject to satisfactory performance and annual re-appointment at the annual General Meeting. This approach is consistent with Code Provision B.7.1 of the UK Corporate Governance Code which recommends that directors should seek re-election on an annual basis. Employee Nominated Directors are appointed for a term of not more than four years. The term of office for each Director (other than Employee Nominated Directors) will end on the day of the annual General Meeting in the year following appointment. Pursuant to the Articles of Association, Directors may be re-appointed for an unlimited number of terms but it is anticipated that the Non-Executive Directors (other than Employee Nominated Directors) may be offered a second term of three years, at the expiry of which they will not ordinarily be considered for re-appointment.

The General Meeting has the power to suspend or remove a Director at any time, by means of a resolution for suspension or removal. The Directors may be suspended or removed by the General Meeting upon a proposal by the Board. A resolution to suspend or remove a Director requires adoption by at least an absolute majority of the votes cast, if adopted upon a proposal by the Board. A resolution by the General Meeting to suspend or remove a Director other than upon such proposal requires adoption by an absolute majority of the votes cast representing at least one-third of the Issuer's issued capital. Executive Directors may also be suspended by the Board. The Executive Directors shall not participate in the discussion or decision-making process of the Board in relation to the making of any proposal for suspension and removal of any Director.

Any suspension may be extended one or more times, but may not last longer than three months in aggregate. If, at the end of such period, no decision has been taken on termination of the suspension or on removal of the relevant Director, the suspension shall end. A suspension can be ended by the General Meeting at any time.

Meetings and decision-making

The Board commits to meet six times a year or additionally as often as deemed necessary by the Chairman, or, in his absence, a Deputy-Chairman. Board meetings will be held in Vienna, Austria unless the Board decides otherwise. Pursuant to Dutch law, an Executive Director may not be allocated the tasks of: (i) serving as Chairman; (ii) participating in the adoption of resolutions (including any deliberations in respect of such resolutions) related to the remuneration of Executive Directors; or (iii) nominating Directors for appointment. Tasks that have not been specifically allocated to a specific Director fall within the power of the Board as a whole. The Directors share responsibility for all decisions and acts of the Board and for the acts of each individual member of the Board regardless of the allocation of tasks.

Pursuant to the Articles of Association, the Board has adopted board rules (the "**Board Rules**"). The Board Rules describe, *inter alia*, the procedure of holding meetings and decision-making by the Board, and the Board's operating procedures. The Board Rules have been established taking into account the Dutch Corporate Governance Code and the UK Corporate Governance Code. For further information on the Dutch Corporate Governance Code and UK Corporate Governance Code, see "*—Corporate governance*".

Pursuant to the Articles of Association and the Board Rules, resolutions can be adopted without holding a meeting if the proposal is submitted to all Directors, each of them consents in writing and none of them has objected to this manner of adopting resolutions.

Resolutions requiring prior approval

Pursuant to Chapters 10 and 11 of the UK Listing Rules, certain significant or related party transactions to be entered into by the Issuer (or its subsidiary) may, depending on the nature and the size of such transaction, be subject to: (i) announcement or additional obligations including the publication of a circular; and (ii) prior approval of the General Meeting:

- Significant transactions
    - these include acquisitions and disposals outside the ordinary course of business;
    - different requirements apply to such transactions depending on the nature and size of the transactions and the relative size of the Issuer as the transactions are evaluated by using percentage ratios from applying four 'class tests' (the gross assets test, the gross profits test, the consideration test and the gross capital test); and
    - where the ratio for a transaction in any one of the 'class tests' is 25 per cent or more, prior approval from the General Meeting and the publication of an explanatory circular for the Shareholders are required.

- Related party transactions
    - these are transactions (other than transactions in the ordinary course of business) between the Issuer and a related party of the Issuer, including: (i) a person who (or within the 12 months prior to the date of the transaction) controls 10 per cent or more of the votes at General Meeting; (ii) a person who is (or was within the 12 months prior to the date of the transaction) a Director; (iii) any other person who exercises significant influence over the Issuer; or (iv) any associate of a person as described under (i) to (iii) above;
    - where the ratio for a transaction in any of the 'class tests' referred to above is five per cent or more, prior approval from the General Meeting is required where the related party will not be permitted to vote; and
    - less onerous requirements apply to related party transactions for which the ratios in the 'class tests' are lower than five per cent.

In addition, under Dutch law resolutions of the Board on a major change in the identity or the character of the Issuer or its business require the prior approval of the General Meeting, including in any case:

- transfer of the business or substantially all of the business to a third party;
- entry into or termination of a long-term co-operation of the Issuer or any of its subsidiaries with another legal entity or company or as fully liable partner in a limited partnership or general partnership, in case the entry into or termination of such co-operation will or is likely to be of material importance to the Issuer; and
- acquiring or disposing by the Issuer or a subsidiary of the Issuer of a participation in the capital of a company with a value equal to at least one third of the sum of the assets of the Issuer as shown on the balance sheet with explanatory notes or, in case the Issuer draws up a consolidated balance sheet, shown on the consolidated balance sheet with explanatory notes according to the most recently adopted annual accounts of the Issuer.

The absence of approval of a Board's resolution by the General Meeting will not affect the authority of the Board, the CEO or the Chairman, acting individually, or two Executive Directors, acting jointly, to represent the Issuer.

Conflicts of interest

Dutch law provides that a Director may not participate in the discussions and decision-making by the Board if he or she has a direct or indirect personal interest conflicting with the interests of the Issuer or the business connected with it. Pursuant to the Articles of Association, this prohibition does not apply if all Directors have such a conflict of interest. A conflict of interest only exists if in the situation at hand the Director is deemed to be unable to serve the interests of the Issuer and the business connected with it with the required level of integrity and objectivity. Pursuant to the Articles of Association and the Board Rules, each Director shall declare the nature and extent of any personal conflict of interest to the other Directors.

All transactions in which there are conflicts of interest with Directors will be agreed on terms that are customary in the sector concerned and disclosed in the Issuer's annual management report.

The existence of a (potential) personal conflict of interest does not affect the authority to represent the Issuer, as described under "*—The Board—Powers, responsibilities and functioning*" above.

Directors

The following table sets forth the Directors. The business address of the Directors is the Issuer's registered address at Kranichberggasse 6, 1120 Vienna, Austria.

Name	Position	Year of birth	Date of initial appointment	Expiry/ reappointment date(5)
Stefan Borgas	Executive Director (CEO)	1964	20 June 2017	2019 AGM
Herbert Cordt	Non-Independent Non-Executive Director, Chairman(1)	1947	20 June 2017	2019 AGM
David A. Schlaff	Non-independent Non-Executive Director(1)	1978	6 October 2017	2019 AGM
Stanislaus Prinz zu Sayn-Wittgenstein	Non-independent Non-Executive Director(1)	1965	6 October 2017	2019 AGM
Celia Baxter	Independent Non-Executive Director(2), (3)	1958	6 October 2017	2019 AGM
Andrew Hosty	Independent Non-Executive Director(2), (3)	1965	6 October 2017	2019 AGM
James Leng	Independent Non-Executive Director, Deputy Chairman and Senior Independent Director(2), (3)	1945	6 October 2017	2019 AGM
John Ramsay	Independent Non-Executive Director(2), (3)	1957	6 October 2017	2019 AGM
Wolfgang Ruttenstorfer	Independent Non-Executive Director(2), (4)	1950	20 June 2017	2019 AGM
Karl Sevelda	Independent Non-Executive Director(2), (3)	1950	6 October 2017	2019 AGM
Franz Reiter	Non-Executive Director, Employee Nominated Director	1962	26 October 2017	26 October 2021
Michael Schwarz	Non-Executive Director, Employee Nominated Director	1966	8 December 2017	8 December 2021

Notes:

(1) Non-independent within the meaning of the UK Corporate Governance Code but independent within the meaning of the Dutch Corporate Governance Code due to a difference in independence requirements under the respective codes.

(2) Independent within the meaning of the UK Corporate Governance Code.

(3) Independent within the meaning of the Dutch Corporate Governance Code.

(4) Mr Ruttenstorfer is, as a result of having undertaken a management board role for RHI on a temporary basis between June and November 2016, not considered to be independent within the meaning of the Dutch Corporate Governance Code. Notwithstanding this historic role, the Board considers Mr Ruttenstorfer to be independent for the purposes of the UK Corporate Governance Code.

(5) 2019 AGM means the annual General Meeting which is expected to be held on 6 June 2019.

In addition to the above Directors, Ian Botha has been nominated for appointment as Executive Director and CFO and Fiona Paulus and Janet Ashdown have been nominated for appointment as Non-Executive Directors. The appointment of these persons will be voted upon at the annual General Meeting which is expected to be held on 6 June 2019. Pending the appointment of Ian Botha as CFO, Eduardo Gotilla, Vice-President of Corporate Finance and Investor Relations, is serving as acting CFO.

Biographies

Executive Directors

Stefan Borgas

Stefan Borgas was appointed as an Chief Executive Director on 20 June 2017. He was Chief Executive Officer at RHI from December 2016 until October 2017. From 2012 to 2016, he was president and Chief Executive Officer at Israel Chemicals Ltd. Between 2004 and 2012, he was Chief Executive Officer at Lonza Group. Before this, he worked at BASF Group, where he held various management positions from 1998 to 2004. He was elected new President of the World Refractories Association in January 2018. Stefan Borgas has a business administration degree from the University of Saarbrücken and an MBA from the University of St. Gallen-HSG.

Non-Executive Directors

Celia Baxter

Celia Baxter was appointed as an Independent Non-Executive Director on 6 October 2017. She is also a Non-Executive Director, Chair of the Remuneration Committee, member of the Audit Committee and the Nominations Committee of Senior plc since 2013 and will be appointed as Senior Independent Director of Senior plc in 2019. Furthermore, Celia Baxter is a Non-Executive Director and member of the Nomination Committee and the Remuneration Committee of Bekaert SA. She was Director of Group Human Resources for Bunzl plc from 2003 to 2016. Previously she served as Head of Human Resources of Enterprise Oil plc, having been Director of Group Human Resources at Tate & Lyle plc. In 1988, she joined KPMG Peat Marwick as a Human Resources consultant. She started her professional career in 1982 at the Ford Motor Company where she held several management positions. She holds a PhD and BSc in botany from the University of Reading.

Herbert Cordt

Herbert Cordt was appointed as a Non-Executive Director on 20 June 2017 and is designated as Chairman. Herbert Cordt was Chairman of the Supervisory Board of RHI from 2010 until 2017 as well as Vice-Chairman from 2007 to 2010. He was a member of the Advisory Board at Delta Partners, Dubai from 2013 to 2015 as well as Watermill Group Boston, a position he has held since 2013. He was a senior advisor at Citigroup in London from 1999 to 2014. Since 1992, he has been Managing Partner at CORDT & PARTNER Management- und Finanzierungsconsulting GmbH. He was Managing Director at GASKOKS – Österreichische Warenhandelsgesellschaft mbH from 1991 to 1992. From 1979 to 1984, he was Vice Governor at Österreichische Postsparkasse. From 1984 to 1991 Herbert Cordt was a member of the Executive board of Österreichische Länderbank, the second largest commercial bank in Austria. He worked as chief economic adviser for the Federal Minister of Finance of Austria from 1975 to 1979. Additionally, since 2015 he has been a member of the Board of Advisors for the MSFS Program, School of Foreign Service at Georgetown University, Washington D.C. Herbert Cordt obtained a Doctorate in Law from the University of Vienna, graduated from the Diplomatic Academy of Vienna (*Diplomatische Akademie Wien*) and received a Masters Degree of Science in Foreign Service from Georgetown University Washington D.C.

Andrew Hosty

Andrew Hosty was appointed as an Independent Non-Executive Director on 6 October 2017. He was Chief Executive of the Sir Henry Royce Institute for Advanced Materials from 2016 to 2018. Previously, he was Chief Operating Officer at Morgan Advanced Materials plc, an appointment he held from February 2013 until January 2016. He also held a number of senior positions within Morgan Advanced Materials plc, including as Chief Executive Officer of Morgan Ceramics. He was previously a Non-Executive Director of Fiberweb plc and past President of the British Ceramics Confederation. He is a fellow of the Royal Academy of Engineering, and holds a PhD from the Faculty of Engineering at the University of Sheffield and a BSc in materials science.

James Leng

James Leng was appointed as an Independent Non-Executive Director on 6 October 2017 and is designated as Deputy Chairman. He serves as Senior Independent Director. James Leng was previously Chairman of Corus Group plc (2001 to 2008), Chairman of HSBC Bank plc (2010 to 2013) and Chairman of Nomura European Holdings plc (2015 to 2017). Other directorships have included AON plc, Alstom SA, Pilkington plc, Hanson plc, IMI plc, TNK-BP and lead Non-Executive Director at the UK's Ministry of Justice. In the early part of 2009, he was a Director and Chairman designate of Rio Tinto. In an executive capacity James Leng was Chief Executive Officer of two publicly listed companies: from 1995 to 2001 at Laporte PLC, and prior to that at Low & Bonar PLC. His early career was spent at John Waddington plc, where he was Managing Director of a number of their subsidiaries.

Stanislaus Prinz zu Sayn-Wittgenstein

Stanislaus Prinz zu Sayn-Wittgenstein was appointed as a Non-Executive Director on 6 October 2017. Since 2016, he is a member of the Supervisory Board of Endurance Capital AG, a German industrial holding company that invests in mid cap special situations. He was Chief Executive Officer and Chief Restructuring Officer at Energieservice Westfalen Weser GmbH in 2015. From 2013 to 2015, he was Chief Financial Officer and Deputy Chief Executive Officer at Westfalen Weser Energie GmbH & Co KG and member of the Supervisory Boards of Stadtwerke Lage GmbH and Stadtwerke Hessisch-Oldendorf GmbH. Between 2004 and 2012 Stanislaus held numerous management positions within the EON group. Previously, he was Managing Director at GMD Gesellschaft für medizinische Datenverarbeitung mbH and Director at the Deutsche Bank AG, Investment Banking Division. He was a member of the Supervisory Board of RHI between 2001 and 2017. Between 2000 and 2002, he was a member of the supervisory board of Didier Werke AG. He holds a Master's Degree in Business Administration from MIT Sloan School of Management and studied Business Administration and Economics at Université de Fribourg and is a Chartered Financial Analyst.

John Ramsay

John Ramsay was appointed as an Independent Non-Executive Director on 6 October 2017. He is also a member of the Supervisory Board of Koninklijke DSM N.V. and a Non-Executive Director of G4S plc. He served as Chief Financial Officer of Syngenta AG from 2007 to 2016 and was also Interim Chief Executive Officer from October 2015 to June 2016. Prior to this, John served as Group Financial Controller of Syngenta from 2000 to 2007 and as the Finance Head of Asia Pacific for Zeneca Agrochemicals from 1993 to 1999. Earlier in his career he was a Financial Controller of ICI Malaysia and regional controller for Latin America. Before joining ICI in 1984, he worked in audit and tax at KPMG. He is a Chartered Accountant and also holds an Honours Degree in accounting.

Franz Reiter

Franz Reiter was appointed as a Non-Executive Director (Employee Nominated Director) on 26 October 2017. He joined the Group in 1977 and has been Chairman of the group-wide Works Council since 2012. Franz was appointed to the Group's Board of Supervisors in 2008 and continues to serve in this role. He has also served on the Group's European Works Council since 2004, and on the Works Council for the Group's wholly-owned subsidiary Veitsch-Radex GmbH & Co.OG in Hochfilzen, Austria, since 1992. From 2000 to 2009, Franz was a member of the Austrian Chamber of Labour and a member of the Board of the Tyrol Chamber of Labour, and from 2000 to 2008 he was a member of the board of the Austrian federation of trade unions. Franz served as a delegate and second vice president of the Tyrol state parliament from 2003 to 2008. He holds a degree in business administration from the Humboldt Fern-Lehr Institut and studied law at the University of Salzburg.

Wolfgang Ruttenstorfer

Wolfgang Ruttenstorfer was appointed as a Non-Executive Director on 20 June 2017. He had served as a member of the Supervisory Board of RHI from 2012 to 2017. Following the sickness related absence of the CEO, he acted as the Interim Chief Executive Officer of RHI from 26 June 2016 until 30 November 2016. He started his professional career in 1976 at OMV, becoming Chief Executive Officer and Chairman of the Management Board between 2002 and 2011. He served as Secretary of State in the Austrian Federal Ministry of Finance between 1997 and 1999. He was a member of the Administrative Board of Roche Holding from 2007 to 2011. From 2010 to 2014 he was Chairman of the Supervisory Board at Vienna Insurance Group as well as a member of the Supervisory Board at Telekom Austria. He was Chairman of the Supervisory Board at CA Immobilien Anlagen AG from 2009 to 2016 and at Telekom Austria from 2015 to 2018. He graduated from the Vienna University of Economics.

David A. Schlaff

David A. Schlaff was appointed as a Non-Executive Director on 6 October 2017. He has been chief investment officer at M-Tel Holding GmbH since 2008, where he is responsible for due diligence and acquisitions as well as the management of investments. From 2004 to 2007, he was a member of the management team at LH Financial Services Corporation. Previously he worked for Forstmann-Leff Associates Inc. David was a member of the Supervisory Board at RHI from 2010 until 2017. Between 2007 and 2011, he was also a member of the Board of Advisors at Latrobe Specialty Steel Company. From 2010 to 2011, he was a member of the Supervisory Council at A/S Ventspils Nafta. He holds a Bachelor's Degree in Business Administration from the Interdisciplinary Center Herzliya in Israel.

Michael Schwarz

Michael Schwarz was appointed as a Non-Executive Director (Employee Nominated Director) on 8 December 2017. Michael joined the group in 1983. Since 2009 he has served as Chairman of the General Works Council for the Group's wholly owned subsidiary, Didier-Werke Aktiengesellschaft, to which he was appointed in 1994. He also serves on the Supervisory Board for Didier-Werke Aktiengesellschaft and on the Group's Works Council, having been appointed to both positions in 2006. Michael has been a member of the Group's European Works Council since 2002, and served as its Deputy Chairman from 2006 to 2014. He is also the Chairman of the Independent Works Council for the Group's plant in Mainzlar since his appointment in 1998. From 2001 to 2006 he was a plant representative for the transport of hazardous materials. Michael is also an honorary labour and employment judge at the Frankfurt labour court.

Karl Sevelda

Karl Sevelda was appointed as a Non-Executive Director on 6 October 2017. He was Chief Executive Officer from June 2013 to March 2017 and Deputy Chief Executive Officer from 2010 to 2013 at Raiffeisen Bank International AG. Previously, he joined Raiffeisen Zentralbank Österreich AG in 1998, where he was a member of the Management Board, and responsible for corporate customers and corporate, trade and export finance worldwide until 2010. From 1986 to 1997, he held several senior management positions at Creditanstalt-Bankverein. In 1985 he worked at Creditanstalt- Bankverein in London and New York. Between 1983 and 1985, he held the position of Secretary to the Federal Minister for Trade and Industry of Austria. From 1977 to 1983, he worked in corporate finance and export finance at Creditanstalt- Bankverein. Karl Sevelda holds a Master and Doctorate Degree from the Vienna University of Economics and Business.

Acting Chief Financial Officer

Eduardo Gotilla

Eduardo Gotilla assumed the role of acting CFO of the Issuer on 21 September 2018 after a brief period as the VP of Corporate Finance and Investor Relations, where he played a pivotal role in the integration of the finance organisation into the Group, and also successfully led the refinancing of the Group and its repositioning amongst other global industrial companies in the FTSE 350. Previously he served as CFO at Magnesita from 2014 to 2017. He has held diverse finance positions in mostly private equity led companies with experience in corporate finance, tax, capital strategy, turnaround, performance management and investor relations. He has also served as a Board member for BB Previdencia, one of Brazil's largest multi-sponsored pension funds, from 2013 - 2017. For the purpose of the information included under the headings "— *Potential conflicts of interest*", "— *Other information in relation to Directors*" and "— *Activities performed outside the Group*", the term Directors shall include Eduardo Gotilla.

Committees

The Board has established an audit and compliance committee (the "**Audit and Compliance Committee**"), a remuneration committee (the "**Remuneration Committee**") and a nomination committee (the "**Nomination Committee**"). The Board appoints the members of each committee and has drawn up respective terms of reference on each committee's role, responsibilities and functioning. At the date of this Prospectus, each committee consists of three Non-Executive Directors, respectively. They report their findings to the Board, which is ultimately responsible for all decision-making. The Board remains collectively responsible for decisions prepared or taken by one or more of the committees.

Audit and Compliance Committee

The Audit and Compliance Committee has, *inter alia*, the following duties:

(a) monitoring the integrity of the Issuer's financial statements, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance;

(b) reviewing of and reporting to the Board on significant financial reporting issues and judgements which those statements contain having regard to any matters communicated to it by the internal or external auditor;

(c) reviewing the Issuer's internal financial controls systems and risk management that identify, assess, manage and monitor financial risks, and its other internal control and risk management systems;

(d) monitoring and assessing the compliance with recommendations and observations from internal and external auditors such as management letters and management's responses;

(e) monitoring the role and functioning of the internal audit function and review of Audit Committee effectiveness; reviewing of compliance, whistle-blowing and anti-fraud framework; and

(f) maintaining relations with the external auditor, including, in particular, their independence, remuneration and any non-audit services carried out by them for the Issuer.

The Audit and Compliance Committee meets at least three times each year and otherwise as required. All members of the Audit and Compliance Committee are Independent Non-Executive Directors from UK Corporate Governance Code standpoint with at least one of whom having recent and relevant financial experience and with competence in accounting and/or auditing. The Audit and Compliance Committee as a whole has competence relevant to the sector in which the Issuer operates. Members of the Audit and Compliance Committee are appointed by the Board on the recommendation of the Nomination Committee in consultation with the chairman of the Audit and Compliance Committee. The Board appoints one of the members of the Audit and Compliance Committee as chairman of the Audit and Compliance Committee. The Audit and Compliance Committee consists of John Ramsay (chairman), Andrew Hosty and Wolfgang Ruttenstorfer.

The composition of the Audit Committee is compliant with the UK Corporate Governance Code and the Dutch Corporate Governance Code.

Remuneration Committee

The Remuneration Committee has, *inter alia*, the following duties:

(a) developing the remuneration policy for Executive Directors to be proposed by the Board for approval at the General Meeting, and within that shareholder-approved policy and in consultation with the other Non-Executive Directors, setting the total remuneration package for the Executive Directors, the Chairman and other designated senior executives, including bonuses, incentive payments and share options or other share awards, and any other benefits;

(b) defining policy and setting the level and structure of remuneration for senior management;

(c) reviewing the design of all share incentive plans for approval by the Board and General Meeting;

(d) reviewing workforce remuneration and related policies and the alignment of incentives with culture;

(e) reviewing the performance of any retained advisors and the effectiveness of the Remuneration Committee;

(f) monitoring the progress of any relevant corporate governance or regulatory developments that may impact the Remuneration Committee and recommending any action or changes it considers necessary to the Board for approval; and

(g) preparing the remuneration report.

The Remuneration Committee meets not less than three times a year and otherwise as required. A member of the Remuneration Committee may request a meeting if they consider that one is necessary. The Remuneration Committee consists of at least three members, all of whom are Non-Executive Directors who meet the independence requirements of the Dutch Corporate Governance Code and the UK Corporate Governance Code. Members of the Remuneration Committee are appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Remuneration Committee. The Board appoints one of the members of the Remuneration Committee as chairman of the Remuneration Committee. The Remuneration Committee consists of Celia Baxter (chairman), James Leng and Karl Sevelda.

The composition of the Remuneration Committee is compliant with the UK Corporate Governance Code and the Dutch Corporate Governance Code.

Nomination Committee

The Nomination Committee has, *inter alia*, the following duties:

(a) reviewing the structure, size, functioning and composition of the Board, the diversity policy and degree of achievement, succession planning, and making recommendations to the Board with regard to any changes;

(b) keeping under review succession plans for senior management appointments, including in relation to the Executive Directors, and the Issuer's policy and process in relation to the recruitment of candidates for these roles;

(c) making proposals for (re)appointments of Directors; and

(d) making recommendations concerning membership of the audit and remuneration committees and any other Board committees as appropriate, in consultation with the chairman of those committees.

The Nomination Committee meets at least twice each year and otherwise as required. The Nomination Committee consists of at least three members, a majority of whom are Independent Non-Executive Directors. Members of the Nomination Committee are appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Nomination Committee. The Board appoints the chairman of the Nomination Committee who should be either the Chairman or a Non-Executive Director. The Nomination Committee consists of Herbert Cordt (chairman), James Leng and Celia Baxter.

The composition of the Nomination Committee is compliant with the UK Corporate Governance Code and the Dutch Corporate Governance Code.

Remuneration policy and share plan

The Directors' remuneration policy as adopted at the annual General Meeting held in 2018 and effective from 1 January 2018 (the "**Remuneration Policy**") is intended to operate for a three-year period to 1 January 2021. It has been designed to be in line with market practice for companies listed in the United Kingdom, while taking into account a number of legacy issues and Dutch law. The objective of the Remuneration Policy is to provide a level of fixed pay that, together with incentives, will attract, retain and motivate high-calibre, high-performing executives, to align the Directors with the long-term performance of the Issuer and its long-term share performance and to reward Directors for creating and delivering shareholder value.

Executive Directors

The compensation package for the Executive Directors as laid down in the Remuneration Policy consists of the following fixed and variable components which are discussed in more detail below:

(a) base salary;

(b) retirement allowance;

(c) other benefits;

(d) annual bonus; and

(e) long-term incentive plan.

Base salary

The base salary is a fixed cash compensation to the Executive Directors to provide a fair fixed level of remuneration commensurate for the role and to ensure no over-reliance on variable remuneration. The base salary is paid on a monthly basis and reviewed annually by the Remuneration Committee.

The Remuneration Policy is aimed to set base salaries at mid-market levels taking into account salaries at companies of a similar size by market capitalisation, revenue and any other factors considered relevant by the Remuneration Committee such as international business mix and complexity. Decisions on the base salary of an Executive Director are influenced by, among others, the Executive Director's role and responsibilities, the

Executive Director's performance and experience and the performance of the Group. There is no prescribed maximum annual base salary or salary increase.

Retirement allowance

Executive Directors may participate in a defined pension contribution plan, and/or receive cash in lieu for all or some of such benefit. Only the base salary is pensionable. The maximum retirement allowance for Executive Directors is 15 per cent of the base salary. The retirement allowance for Executive Directors outside the United Kingdom will be structured and maximised as required by local regulation and in line with industry norms.

Other benefits

Executive Directors are entitled to a number of other benefits to provide a competitive benefit package for recruitment and retention purposes as well as to support the personal health and well-being of the Executive Directors. Other benefits currently provided to the Executive Directors comprise of private health insurance, life insurance, a car (or car allowance) and fuel allowance. Additional benefits and tax payable as a result of reimbursements of reasonable business expenses may be provided from time to time if the Remuneration Committee decides payment of such benefits and tax is appropriate and in line with market practice.

Annual bonus

Executive Directors are entitled to an annual cash bonus as set and assessed by the Remuneration Committee on an annual basis and based on the Group's performance. The objective of the entitlement to an annual bonus is to provide (i) focus on the short-term performance of the Issuer, (ii) a reward for achieving short-term personal, strategic and financial performance of the Issuer and (iii) a mechanism for alignment with longer term performance and shareholder alignment.

The performance of the Executive Directors is measured over a one-year period. Targets will be based on the Group's annual financial and non-financial performance for the particular performance year. At least 70 per cent of the annual bonus will be subject to financial performance metrics.

The Executive Directors are required to acquire Ordinary Shares with 50 per cent of the amount paid in excess of the target potential opportunity (after tax), which Ordinary Shares must be held for a minimum period of three years.

The maximum potential opportunity of the annual bonus is 150 per cent of the base salary, while the target potential opportunity is 50 per cent of such maximum potential opportunity. For the financial targets, not more than 25 per cent of the maximum opportunity of the annual bonus will be payable for achieving the threshold performance, rising on a graduated scale to 100 per cent for maximum performance, where the threshold performance is the level of performance required for the annual bonus to start paying.

The Remuneration Committee may scale back the bonus that is payable if it considers the outcome to be reasonably unacceptable or if it is not reflective of the underlying performance of the Issuer and/or there have been regulatory, environmental or health and safety issues that the Remuneration Committee considers are of such severity that a scale back of the bonus is appropriate. Payments under the annual bonus plan may be subject to clawback/malus for a period of three years from payment in the event of a material misstatement of the Issuer's financial results, an error in calculating the level of grant or level of vesting or payment, a failure of risk management including the liquidation of the Group, if the participant has been guilty of fraud or gross misconduct or the Issuer has been brought into disrepute. The clawback/malus provisions as set out above do not limit Article 2:135 of the Dutch Civil Code.

Long-term incentive plan

The Executive Directors (as well as other selected employees) may be eligible to receive annual awards under the RHI Magnesita Long-Term Incentive Plan (the "**LTIP**"), which was approved by the General Meeting in the annual General Meeting held in 2018. Under the LTIP, Executive Directors can be compensated in nil-cost options or conditional awards. For a more detailed description of the LTIP, see "— *LTIP*" below.

Awards granted to the Executive Directors vest based on three-year (or longer) performance measured against a range of challenging targets set and assessed by the Remuneration Committee. The Remuneration Committee will determine the specific metrics and targets that will apply to each award prior to the date of award subject to the vesting of at least 25 per cent of an award being determined by the total shareholder return. The targets for each award will be consistent with the Remuneration Policy and set out in the annual report.

In relation to financial targets, not more than 25 per cent of the total award will vest for threshold performance rising on a graduated scale to 100 per cent for maximum performance. The threshold performance is the level of performance required for the awarded Ordinary Shares to start vesting. In relation to strategic targets, the structure of the targets will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale and so vesting may take place in full if specific criteria are met in full.

Shareholding requirements

The Executive Directors have a shareholding requirement under which they will be required to build up over five years a holding of Ordinary Shares which will be retained while they are Executive Directors of the Issuer. This shareholding requirement is set at 200 per cent of their base salary. Requirement for the Executive Directors is to normally retain all of the Ordinary Shares acquired from the annual bonus payments following expiry of the three-year holding period and normally 50 per cent of vested Ordinary Shares under the LTIP (net of tax) following the two-year holding period until the shareholding requirement is achieved.

Severance arrangements

It is the Issuer's policy that notice periods for Executive Directors will not exceed 12 months and the service contracts are terminable by either the Issuer or the Executive Director on 12 months' notice. There are no enhanced provisions on change of control and there are no specific severance arrangements.

Non-Executive Directors

The remuneration of the Non-Executive Directors consists of a basic fee in cash which is paid on a quarterly basis. The objective of the remuneration of the Non-Executive Directors is to provide fees reflecting time commitments and responsibilities of each role and to enable the recruitment of the right calibre of Non-Executive Directors who can further the interests of the Group through their experience, stewardship and contribution to strategic development of the Group.

Additional fees in cash may be paid for additional roles, responsibilities and activities of a Non-Executive Director, such as serving as a member or chairman of a Committee or serving as the Senior Independent Director. The Chairman's basic fee is inclusive of all of his responsibilities.

There is no prescribed maximum annual fee or fee increase for Non-Executive Directors. The Board is guided by the general increase in the non-executive market but may decide to award a lower or higher fee increase to recognise, for example, an increase in the scale, scope or responsibility of the role and/or take account of relevant market movements.

Reasonable expenses incurred by the Non-Executive Directors in carrying out their duties may be reimbursed by the Issuer, including any personal tax payable by the Non-Executive Directors as a result of reimbursement of those expenses. The Issuer may also pay an allowance in lieu of expenses if it deems this is appropriate.

All Non-Executive Directors have letters of appointment for a fixed period of three years, subject to reappointment each year at the annual General Meeting. No additional compensation is payable on termination, with fees being payable to the date of termination. The appointments are terminable by either party on three months' written notice.

LTIP

The Executive Directors and employees of the Group are eligible to receive annual awards under the LTIP. The objectives of the LTIP are (i) to incentivise and reward execution of the longer term business strategy, (ii) to provide alignment to shareholders and the longer term performance of the Issuer and (iii) to recognise and reward value creation over the longer term.

Form of awards

Awards granted under the LTIP can have the form of either rights to receive free Ordinary Shares ("**conditional awards**"), options to acquire Ordinary Shares at an exercise price set at the time of award (which may be zero) ("**options**"), Ordinary Shares issued or transferred at award which are forfeited to the extent the award lapses ("**forfeitable shares**") or a combination of these. At the date of this Prospectus, only conditional awards and nil-cost options have been granted under the LTIP.

Granting, vesting and retaining awards

A grant of an award may be subject to performance conditions set by the Directors. The award will vest if the performance targets are met at the end of the performance period. If the performance targets are only partially met then only part of the award will vest. If conditional awards vest or options are exercised upon vesting, Ordinary Shares will be issued or transferred to the participant shortly after vesting of such award, unless the Issuer decides to satisfy such award in cash. The Directors may stipulate that Ordinary Shares issued or transferred upon vesting of an award are subject to a holding period.

Individual limits

The aggregate market value (at the time of the award) of the Ordinary Shares granted to any participant in respect of any financial year will not exceed 200 per cent of his or her annual base salary or 250 per cent if the Directors consider that there are exceptional circumstances which justify grants at the higher level. This limit does not include (i) dividend or other distribution equivalents or (ii) awards granted to compensate a new joiner for awards forfeited on leaving his or her previous employment which may be up to 250 per cent of the base salary.

LTIP limits

In any 10-year period, not more than 10 per cent of the issued and outstanding Ordinary Shares may be issued or be issuable under the LTIP and all other employees' share plans operated by the Issuer. In addition, in any 10-year period, not more than 5 per cent of the issued and outstanding Ordinary Shares may be issued or be issuable under awards under all discretionary share award plans adopted by the Issuer. These limits do not include awards which have lapsed.

Malus and clawback

The amount by which an award will vest may be subject to clawback/malus if results announced for any period have subsequently appeared materially financially inaccurate or misleading as determined by the Directors, if there has been an error in calculating the level of grant or level of vesting or payment, if there has been a failure of risk management or if the participant has been guilty of fraud or gross misconduct or has brought the Issuer into disrepute and for Directors, on the basis of Section 2:135 of the Dutch Civil Code.

Remuneration of Directors

The following table sets out remuneration details for 2018.

Name[(1)(2)]	Salary	Taxable benefits[(3)]	Bonus	Pension	Legacy incentive payments	Total
Stefan Borgas	EUR 826,000	EUR 8,823	EUR 1,090,876	EUR 147,650	-	EUR 2,073,350
Eduardo Gotilla[(4)]	EUR 82,897	-	EUR 82,897	EUR 24,869	-	EUR 190,663
Herbert Cordt	GBP 220,000	-	-	-	-	GBP 220,000
Celia Baxter	GBP 82,501	-	-	-	-	GBP 82,501
Andrew Hosty	GBP 77,501	-	-	-	-	GBP 77,501
James Leng	GBP 102,501	-	-	-	-	GBP 102,501
Stanislaus Prinz zu Sayn-Wittgenstein	GBP 65,001	-	-	-	-	GBP 65,001
John Ramsay	GBP 77,500	-	-	-	-	GBP 77,500
Wolfgang Ruttenstorfer	GBP 72,500	-	-	-	-	GBP 72,500
David A. Schlaff	GBP 65,000	-	-	-	-	GBP 65,000
Karl Sevelda	GBP 72,500	-	-	-	-	GBP 72,500
Franz Reiter[(1)]	-	-	-	-	-	-
Michael Schwarz[(1)]	-	-	-	-	-	-

Notes:

(1) Employee Nominated Directors do not receive remuneration for that role, they are remunerated as employees of the group.

(2) All amounts are disclosed in the currencies in which the relevant elements of pay are set. Actual payment may be made in the currency where the recipient resides using the exchange rate at the time of payment.

(3) Benefits in 2018 comprise for Stefan Borgas a car benefit of €8,500 for the year.

(4) Details for the period from 21 September 2018 up to and including 31 December 2018, the period in 2018 during which Edardo Gotilla held the position of acting CFO.

Other than as set out above, no amounts were set aside or accrued by the Issuer or its subsidiaries to provide pension, retirement or similar benefit to any of the Directors which were appointed.

Equity holdings

The following table sets out the equity holdings as at 22 March 2018.

Name	Shares	Share Awards
Stefan Borgas	9,750	28,594
Eduardo Gotilla	34,829	1,964
Herbert Cordt	-	-
Celia Baxter	1,002	-
Andrew Hosty	379	-
James Leng	-	-
Stanislaus Prinz zu Sayn-Wittgenstein	-	-
John Ramsay	2,130	-
Wolfgang Ruttenstorfer	-	-
David A. Schlaff	-	-

Name	Shares	Share Awards
Karl Sevelda	-	-
Franz Reiter	-	-
Michael Schwarz	-	-

Certain Directors have family relationships with individuals who have indirect interests in the issued share capital of the Issuer:

Mr. Stanislaus Prinz zu Sayn-Wittgenstein is the husband of Ms. Elisabeth Prinzessin zu Sayn-Wittgenstein, who holds a controlling interest in Chestnut, while Mr Konstantin Alfred Winterstein, who shares a family relationship with Ms. Sayn-Wittgenstein, exercises control over Silver. Ms. Sayn-Wittgenstein made an agreement with Mr Winterstein which allows Chestnut to exercise the voting rights of Silver in the Issuer.

Mr David A. Schlaff is the son of Mag. Martin Schlaff, the founder of MSP Stiftung, a major Shareholder.

See also "*Additional Information — Major shareholders*" for more details.

Potential conflicts of interest

The Issuer is not aware of any potential conflicts of interest between the private interest or other duties of the Directors and their duties to the Issuer.

Liability of the Directors

Under Dutch law, Directors may be liable to the Issuer for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to the Issuer and to third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code. In certain circumstances, they may also incur additional specific civil, administrative and criminal liabilities.

The liability of Directors and other key employees is covered by a directors and officers' liability insurance policy. This policy contains limitations and exclusions, such as wilful misconduct or intentional recklessness (*opzet of bewuste roekeloosheid*).

Indemnification

Pursuant to an indemnity agreement that has been entered into with each Director, the Issuer shall indemnify the Directors from and against any liability and all claims, decisions, penalties and loss ("**Claims**") that the Director suffered in connection with imminent, pending or terminated actions, investigations or other civil, criminal or administrative proceedings initiated by a party other than the Issuer itself or any of its group companies, as a result of acts or omissions in his/her capacity as Director or a related capacity. Claims also include derivative proceedings against the Director, which were initiated on behalf of the Issuer or its group companies and claims of the Issuer (or one of its group companies) to compensate claims of third parties that arose because the Director was jointly and severally liable towards such third party in addition to the Issuer. No entitlement to indemnification exists from and against Claims to the extent they relate to personal gain, benefits or fees to which he/she was not entitled under applicable law, or if the Director's liability on account of gross negligence, wilful misconduct or deliberate recklessness has been established at law.

The Issuer shall reimburse all costs (including reasonable attorney's fees, procedural costs and taxes payable on the indemnification granted) incurred by the Director in connection with the abovementioned proceedings, less any amounts reimbursed to the Director, or amounts the Director is entitled to be reimbursed, under any applicable directors' and officers' liability insurance or other insurance, but only after receipt of a written undertaking by the Director that he/she will repay such costs if a competent court establishes that he/she was not entitled to be reimbursed in this manner or, in the event of proceedings initiated by the Issuer or one of its group companies, if a competent court rules in favour of the Issuer or such group company.

Other information in relation to Directors

Within the five years prior to the date of this Prospectus, none of the Directors:

- has been convicted in relation to fraudulent offences; or
- has been associated with bankruptcies, receiverships or liquidations in his capacity as a member of an administrative, management or supervisory body, officer or as a founder.

None of the Directors has been officially and publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer, or from acting in the management or conduct of the affairs of any issuer.

Other than the DAA as described in "*Management and Corporate Governance of RHI Magnesita—The Board—Composition, appointment, term and dismissal*", the Issuer is not aware of any arrangement or understanding with major Shareholders, holders of Depositary Interests, suppliers, customers or others pursuant to which any Director was selected as a member of the Board.

Activities performed outside the Group

The following table sets out the names of companies, business partnerships (excluding Group Companies) and associations outside the Group of which members of the Board have been a member of the administrative, management or supervisory boards or partner (as the case may be) at any time in the five years prior to the date of this Prospectus:

Name	Name of the company	Function	Current function (yes/no)
Stefan Borgas	SB Industry LLC	Owner	Yes
	Syngenta AG	Non-executive director	No
	Israel Chemicals Ltd	President & chief executive officer	No
Herbert Cordt	Ebner Industrieofenbau GmbH	Member of the supervisory board	No
	Citigroup London	Senior advisor	No
	Delta Partners, Dubai	Member of the advisory board	Yes
	Citigroup Germany and Austria	Guest member of the advisory board	Yes
	Watermill Group Boston	Member of the advisory board	Yes
	Georgetown University, School of Foreign Service, MSFS Program	Member of the advisory board	Yes
	CORDT & PARTNER Management- und	Managing partner	Yes

Name	Name of the company	Function	Current function (yes/no)
	Finanzierungsconsulting GesmbH		
	Cooper & Turner, UK	Member of the advisory board	Yes
	QMC/EMI, USA	Member of the advisory board	Yes
David A. Schlaff	M-Tel Holding GmbH	Chief investment officer	Yes
Stanislaus Prinz zu Sayn-Wittgenstein	Endurance Capital AG	Member of the supervisory board	Yes
	Westfalen Weser Energie GmbH & Co KG	Member of the management board	No
	Energieservice Westfalen Weser GmbH	Member of the management board	No
	Stadtwerke Lage GmbH	Member of the supervisory board	No
	Stadtwerke Hessisch-Oldendorf GmbH	Member of the supervisory board	No
Celia Baxter	Senior plc	Non-executive director	Yes
	Bekaert SA	Non-executive director	Yes
	HR Tech LLP	Partner	Yes
	Bunzl plc	Member of the executive committee	No
	Bunzl Pension Trustees Limited	Chair	No
Andrew Hosty	James Cropper plc	Senior independent director	Yes
	Consort Medical plc	Non-executive director	Yes
	mOm Incubators Ltd	Non-executive director	Yes
	Rights and Issues Investment Trust plc	Non-executive director	Yes
	Sir Henry Royce Institute	Chief executive officer	No
	CEME Spa	Member of the advisory board	No
	Fiberweb plc	Non-executive director	No
	Morgan Advanced Materials plc	Executive director	No
James Leng	Nomura Europe Holdings plc	Non-executive chairman	No
	Nomura International plc	Non-executive chairman	No
	Nomura Bank International plc	Non-executive chairman	No
	Aon plc	Director	No
	Genel Energy plc	Senior independent director	No
	HSBC Bank plc	Non-executive chairman	No
	UK Ministry of Justice	Non-executive director	No
	Alstom SA	Director	No

Name	Name of the company	Function	Current function (yes/no)
John Ramsay	Koninklijke DSM N.V.	Member of the supervisory board	Yes
	G4S plc	Non-executive director	Yes
	Syngenta AG	Member of the executive committee	No
	Syngenta Inc	Member of the board	No
	UK Pension Fund	Member of the board of trustees	No
Wolfgang Ruttenstorfer	CollPlant Holdings Ltd.	Member of the management board	Yes
	Flughafen Wien Aktiengesellschaft	Member of the supervisory board	Yes
	NIS a.d. Naftna industrija Srbije, Novi Sad	Member of the supervisory board	Yes
	Erne Fittings GmbH	Member of the supervisory board	Yes
	Telekom Austria AG	Chairman of the supervisory board	No
	CA Immobilien Anlagen Aktiengesellschaft	Chairman of the supervisory board	No
	AMIC Energy Management GmbH	Member of the supervisory board	No
	Vienna Insurance Group AG	Member of the supervisory board	No
Karl Sevelda	Siemens Aktiengesellschaft Österreich	Member of the supervisory board	Yes
	SIGNA Development Selection AG	Member of the supervisory board	Yes
	SIGNA Prime Selection AG	Member of the supervisory board	Yes
	SIGMA Kreditbank AG	Member of the supervisory board	Yes
	Custos Privatstiftung	Member of the management board	Yes
	Semper Constantia Privatbank AG	Member of the supervisory board	No
	Raiffeisen Bank International AG	Chief executive officer	No
	Tatra banka, a.s.	Member of the supervisory board	No
	Raiffeisen Bank d.d. Bosna i Hercegovina	Member of the supervisory board	No

Name	Name of the company	Function	Current function (yes/no)
	Raiffeisen Bank S.A.	Member of the supervisory board	No
	AO Raiffeisenbank	Member of the supervisory board	No
	Raiffeisen banka a.d.	Member of the supervisory board	No
	Raiffeisen Bank Aval JSC	Member of the supervisory board	No
	Raiffeisen Bank Polska S.A.	Member of the supervisory board	No
	Raiffeisenbank a.s.	Member of the supervisory board	No
	Raiffeisenbank Austria d.d.	Member of the supervisory board	No
	Raiffeisen Bank Zrt.	Member of the supervisory board	No
	Priorbank JSC	Member of the supervisory board	No
	Oesterreichische Kontrollbank Aktiengesellschaft	Member of the supervisory board	No
	Bene Privatstiftung	Member of the management board	No
	BestLine Privatstiftung	Member of the management board	No
Franz Reiter	-	-	-
Michael Schwarz	-	-	-
Eduardo Gotilla	Steetley Refractories pension plan	Trustee	Yes
	BB Previdencia	Member of the Board	No

(Source: Internal data.)

Limitation of supervisory positions of Directors

Since 1 January 2013, restrictions apply with respect to the overall number of supervisory positions that may be occupied by executive directors and non-executive directors of "large Dutch companies". The term "large Dutch company" applies to any Dutch public limited liability company, Dutch private limited liability company or Dutch foundation that meets at least two of the following three criteria: (i) the value of the company's/foundation's assets according to its balance sheet together with explanatory notes on the basis of the purchase price or manufacturing costs exceeds EUR 20.0 million; (ii) its net turnover in the applicable year exceeds EUR 40.0 million; and (iii) its average number of employees in the applicable year is 250 or more.

(i) A person cannot be appointed as a managing or executive director of a "large Dutch company" if he/she already holds more than two supervisory positions at another "large Dutch company" or if he/she is the chairman of the supervisory board or one-tier board of another "large Dutch company"; and (ii) a person cannot be appointed as a supervisory director or non-executive director of a “large Dutch company” if he/she already holds supervisory positions or non-executive positions at five or more other “large Dutch companies”, whereby the position of chairman of the supervisory board or one-tier board of another “large Dutch company” is counted twice.

An appointment in violation of these restrictions will result in that last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making.

At the date of this Prospectus, all Directors comply with the above restrictions.

Diversity

Dutch law requires large Dutch companies (see above for the explanation of this term) to pursue a policy of having at least 30 per cent of the seats on both the board of directors and supervisory board held by men and at least 30 per cent of the seats on the board of directors and the supervisory board held by women, each to the extent these seats are held by natural persons. Under Dutch law, this is referred to as a well-balanced allocation of seats. This allocation of seats needed to be taken into account in connection with: (a) the appointment, or nomination for the appointment, of executive directors and non-executive directors; (b) drafting the criteria for the size and composition of the Board, as well as the designation, appointment, recommendation and nomination for appointment of non-executive directors; and (c) drafting the criteria for the non-executive directors. If a large Dutch company did not comply with the gender diversity rules, it was required to explain in its annual report (i) why the seats were not allocated in a well-balanced manner, (ii) how it had attempted to achieve a well-balanced allocation and (iii) how it aimed to achieve a well-balanced allocation in the future. This statutory requirement will automatically lapse on 1 January 2020.

The Issuer currently does not meet these gender diversity targets. The Issuer has explained in its annual report for the year 2018: (a) why the seats are not allocated in a well-balanced manner as aforementioned; (b) how the Issuer has attempted to achieve a well-balanced allocation; and (c) how the Issuer aims to achieve a well-balanced allocation in the future. Subject to the appointment of Janet Ashdown and Fiona Paulus and excluding the Employee Nominated Directors, female representation on the Board will stand at 25 per cent, with half of the Board committees (including the new Corporate Sustainability Committee) chaired by women.

In the UK, the Hampton-Alexander Review, published in November 2016, set the following voluntary targets and recommendations: (a) FTSE 100 companies should aim for a minimum of 33 per cent of women on their executive committees and direct reports to the executive committees by 2020; (b) FTSE 350 companies should aim for a minimum of 33 per cent female directors by 2020; and (c) FTSE 350 companies should voluntarily publish details of the number of women on the executive committee and direct reports to the executive committee in their annual reports, or on a website, and submit this data to the Hampton-Alexander Review.

Whilst the recommendations set out in the Hampton-Alexander Review are not part of UK law, the Issuer intends to work towards the relevant targets by 2020.

Corporate governance

The Issuer is committed to achieving the highest standards of corporate governance. As a result of its incorporation in the Netherlands and its listing on the LSE, the Issuer is required to take due regard of both the Dutch Corporate Governance Code and the UK Corporate Governance Code. The Board has applied the principles of, complies and intends to continue to comply with the requirements of, both the Dutch Corporate Governance Code and UK Corporate Governance Code in full to the fullest extent possible, except for a limited number of deviations set out below.

The Chairman is not considered to be independent for the purposes of the UK Corporate Governance Code because he has served on the board of RHI, prior to the Merger, for more than nine years, which constitutes non-compliance with Code Provision A.3.1. The Board believes that Mr. Cordt continues to demonstrate integrity and independence of character and judgement, and that his experience as Chairman of RHI's supervisory board is valuable to the Company and therefore warrants his position as Chairman.

The Board is non-compliant with best practice provision 2.2.2 of the Dutch Corporate Governance Code. This provision recommends that a non-executive director should be appointed for a period of four years. Provision B.2.3 of the UK Corporate Governance Code recommends that non-executive directors should be appointed for specified terms, with the offer of any term beyond six years subject to particularly rigorous review and take into account the need for progressive refreshing of the board, while provision B.7.1 of the UK Corporate Governance Code recommends that directors should seek re-election on an annual basis. The General Meeting appoints the Non-Executive Directors (other than Employee Nominated Directors) for a term of approximately three years, subject to performance and annual re-election, with an expectation that the Board will then consider extending their tenure for a further three-year period. All Directors (other than Employee Nominated Directors) will seek re-election on an annual basis.

DESCRIPTION OF THE SHARE CAPITAL AND THE ARTICLES OF ASSOCIATION

Introduction

This section summarises certain information concerning the Issuer's share capital and certain material provisions of the Articles of Association and applicable Dutch law. It is based on relevant provisions of Dutch law as in effect on the date of this Prospectus and on the Articles of Association.

This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the Articles of Association and the relevant provisions of Dutch law as in force on the date of this Prospectus. The Articles of Association are incorporated by reference in this Prospectus and are available in the governing Dutch language and an unofficial English translation thereof on the Issuer's website set up for purposes of this Prospectus (prospectus.rhimagnesita.com). See also "*Management and Corporate Governance of RHI Magnesita*" for a summary of certain material provisions of the Articles of Association, the Board Rules and Dutch law relating to the Board.

General

RHI Magnesita N.V. is a public company with limited liability (*naamloze vennootschap*) under Dutch law and was incorporated on 20 June 2017. It has its corporate seat in Arnhem, the Netherlands, its administrative seat (*administratieve zetel*) in Vienna, Austria and its registered office at Kranichberggasse 6, 1120 Vienna, Austria. RHI Magnesita N.V. is registered with the Dutch Trade Register of the Chamber of Commerce (*Kamer van Koophandel*) under number 68991665. The telephone number of the Issuer is +43 50 2136200. The commercial name of the Issuer is RHI Magnesita. The Articles of Association, *inter alia,* contain the provisions summarised below.

Corporate purpose

The Issuer's corporate objects, as set out in article 3 of its Articles of Association, are:

(a) to acquire businesses, companies and partnerships or interests therein, including, but not limited to, industrial enterprises;

(b) to incorporate, to participate in any way whatsoever in, to manage or to supervise businesses, companies and partnerships;

(c) to finance businesses, companies and partnerships;

(d) to borrow, to lend and to raise funds, including the issue of bonds, debt instruments or other securities or evidence of indebtedness as well as to enter into agreements in connection with the aforementioned activities;

(e) to render advice and services to businesses, companies and partnerships;

(f) to grant guarantees, to bind the Issuer and to pledge its assets for obligations of the Issuer or third parties;

(g) to acquire, alienate, encumber, manage and exploit registered property and items of property in general;

(h) to trade in currencies, securities and items of property in general;

(i) to exploit and trade in patents, trademarks, licences, knowhow, copyrights, data base rights and other intellectual property rights;

(j) to perform any and all activities of an industrial, financial or commercial nature, and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

Share capital

Authorised and issued share capital

At the date of this Prospectus, the Issuer's authorised share capital amounts to EUR 100,000,000 and is divided into 100,000,000 Ordinary Shares with a nominal value of EUR 1 each, of which 49,476,447 Ordinary Shares are issued and outstanding.

History of share capital

In addition to the 45,000 Ordinary Shares issued upon the Issuer's incorporation and which were cancelled when the Merger took effect, the Issuer has issued the following Ordinary Shares:

- 44,819,039 Ordinary Shares on 27 October 2017, of which 39,819,039 were allotted and paid-up as part of the Merger;
- 3,518,008 Ordinary Shares on 15 December 2018;
- 428,368 Ordinary Shares on 22 January 2019;
- 622,255 Ordinary Shares on 21 February 2019; and
- 88,777 Ordinary Shares on 20 March 2019.

Ordinary Shares

Form of Ordinary Shares

All Ordinary Shares are in registered form (*op naam*). No share certificates (*aandeelbewijzen*) are or may be issued. If requested, the Board will provide a Shareholder, usufructuary or pledgee of Ordinary Shares with an extract from the register relating to his or her title to an Ordinary Share free of charge. If the Ordinary Shares are encumbered with a right of usufruct, the extract will state to whom such rights will fall. The shareholders' register is kept by the Board.

The Issuer's shareholders' register records the names and addresses of the Shareholders, the number of Ordinary Shares held, the date on which the Ordinary Shares were acquired, the date of acknowledgement and/or service upon the Issuer of the instrument of transfer, the amount paid on each Ordinary Share and the date of registration in the shareholders' register. In addition, each transfer or passing of ownership is registered in the shareholders' register. The shareholders' register also includes the names and addresses of persons and legal entities with a right of pledge (*pandrecht*) or a right of usufruct (*vruchtgebruik*) on those Ordinary Shares.

CREST and Depositary Interests

The Issuer has entered into depositary arrangements to enable investors to settle and pay for interests in Ordinary Shares through the CREST system. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a share certificate and transferred otherwise than by a written instrument. Securities issued by non-UK companies in certain jurisdictions, including the Netherlands, cannot themselves be held electronically or transferred in the CREST system. However, Depositary Interests, representing the securities, can be dematerialised and settled electronically within the CREST system in the same way as any other CREST securities. Shareholders who hold their shares through the Depositary Interests facility are bound by a deed poll, as described in more detail under "*—Deed Poll*" below.

The Depositary holds, through a custodian, the Ordinary Shares and issues dematerialised Depositary Interests representing those underlying Ordinary Shares which are legally held on trust for the holders of the Depositary

Interests. The Issuer's share register shows Computershare Company Nominees Limited ("**CCNL**"), in its capacity as the custodian nominated by the Depositary (the "**Custodian**"), as the legal holder of the Ordinary Shares, but the beneficial interest is held by the Shareholders. The Depositary has agreed to pass on to the holders of Depositary Interests all economic rights attaching to the shares received by it as holder of the shares on trust for such holder of Depositary Interests.

If a holder of a Depositary Interest wishes itself to hold legal title to the Ordinary Shares represented by its Depositary Interest, it may request that the relevant Depositary Interest is removed from CREST and that it is recorded in the Issuer's shareholders' register. A separate register of Depositary Interests may be kept by the Depositary in the United Kingdom, of which excerpts may be obtained by the Board. The Board is allowed to request the Depositary (i) to inspect the register of holders of Depositary Interests, (ii) for excerpts from the register of holders of Depositary Interests and (iii) for all such other information as the Board thinks fit. For so long as it (or its nominee) is a Shareholder, the Depositary is under the obligation to comply promptly with any request referred to herein.

Trades in Ordinary Shares on the Vienna Stock Exchange will be settled in Depositary Interests via OeKB CSD GmbH, which is the Austrian central securities depositary, Clearstream, and Vidacos Nominees Limited as Clearstream custodian as CREST participant.

Deed Poll

The Depositary Interests are created pursuant to, and issued on the terms of, a deed poll executed by the Depositary (the "**Deed Poll**").

Each Depositary Interest is treated by the Depositary as one Ordinary Share for the purposes of determining, for example, eligibility for any distributions. The Deed Poll contains provisions to the following effect:

- The Depositary, which is regulated by the FCA, will hold (itself or through the Custodian), as bare trustee, the underlying Ordinary Shares and all and any rights and other securities, property and cash attributable to the underlying Ordinary Shares for the time being held by the Depositary or Custodian pertaining to the Depositary Interests for the benefit of the holders of Depositary Interests.
- The Custodian provides custodial services, including the holding of the Ordinary Shares in respect of which Depositary Interests are issued by the Depositary and the execution of instructions received from CREST members in relation to the Ordinary Shares held on their behalf.
- Holders of Depositary Interests warrant, *inter alia*, that the Ordinary Shares transferred, issued or held by the Depositary or the CCNL as the Custodian (on behalf of the Depositary) for the account of such Depositary Interests holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Issuer's constitutional documents or any contractual obligation, applicable law or regulations binding or affecting such holder. Each holder of Depositary Interests indemnifies the Depositary from and against any losses the Depositary incurs as a result of a breach of this warranty.
- The Depositary and any Custodian must pass on to holders of Depositary Interests and, so far as they are reasonably able, exercise on behalf of holders of Depositary Interests all rights and entitlements received or to which they are entitled in respect of the underlying shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received, together with amendments and additional documentation necessary to effect such passing-on. The Depositary is not entitled to vote on any Ordinary Shares without the prior explicit written instruction of the Depositary Interests holder. If arrangements are made which allow a Depositary Interests holder to take up rights in the Ordinary Shares requiring further payment, the Depositary

Interests holder must put the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.

- The Depositary is entitled to cancel Depositary Interests and treat the Depositary Interests holder as having requested a withdrawal of the Ordinary Shares in certain circumstances.

It should also be noted that the holders of Depositary Interests do not have the opportunity to exercise all of the rights and entitlements which Dutch law and the Articles of Association confer on Shareholders. In relation to voting, it is important for holders of Depositary Interests to give prompt instructions to the Depositary to vote on the Ordinary Shares on their behalf. The Issuer qualifies the Depositary Interests as dematerialised depositary interests issued by the Depositary for Ordinary Shares from time to time that can be settled electronically through and held in CREST and, where the context so permits or requires, depositary receipts (*certificaten van aandelen*) issued for Ordinary Shares with the co-operation of the Issuer within the meaning of Dutch law. As a result thereof, holders of Depositary Interests have the same rights which, by virtue of the law, accrue to holders of depositary receipts of shares issued with a company's co-operation under Dutch law, including: the right to information regarding the agenda of general meetings of shareholders, the right to apply to the interim provisions judge of the Dutch court for the convocation of a general meeting of shareholders, the right to attend and address the general meeting of shareholders and the right to inspect the corporate documentation of a company.

A copy of the Deed Poll can be obtained on request in writing to the Depositary or the Issuer.

Depositary Agreement

Under the terms of the agreement for the provision of depositary and custodial services entered into between RHI Magnesita and the Depositary (the "**Depositary Agreement**"), RHI Magnesita has appointed the Depositary to constitute and issue from time to time, upon the terms of the Deed Poll, Depositary Interests representing the Ordinary Shares and to provide certain other services in connection with such Depositary Interests (including custodial services).

The Depositary provides the various services with all reasonable skill and care. The depositary services to be provided by the Depositary include, for example, to maintain the register of Depositary Interests, to issue Depositary Interests to CREST members and to effect transactions relating to the Depositary Interests on behalf of CREST members and the Custodian.

In addition, the Depositary Agreement sets out the procedures to be followed where RHI Magnesita is to pay or make a dividend or other distribution.

RHI Magnesita provides such assistance, information and documentation to the Depositary as is reasonably required by the Depositary for the purposes of performing the services under the Depositary Agreement.

Qualification of Depositary Interests under Dutch law

Under Dutch law, holders of depositary receipts (*certificaten van aandelen*) have certain rights vis-à-vis a Dutch public limited liability company. For example, holders of depositary receipts who solely or jointly represent a minimum stake in the capital of a Dutch public limited liability company have the right to file an application for an inquiry into the policy and conduct of business of a Dutch public limited liability company. In addition, a Dutch public limited liability company must, in principle, treat equally situated holders of depositary receipts and shares equally.

Under Dutch law, there are two categories of depositary receipts: (i) depositary receipts for underlying shares issued with the co-operation of the issuer (that is, the Dutch public limited liability company), and (ii) depositary receipts for the underlying shares issued without the co-operation of the issuer (that is, the Dutch public limited liability company).

Holders of depositary receipts issued with the co-operation of the Dutch public limited liability company have certain additional rights vis-à-vis the Dutch public limited liability company and its shareholders. Such additional rights, which are generally of a mandatory nature *(dwingend recht*), include the right to request the Dutch public limited liability company to convene general meetings of shareholders and the right to attend and speak at such meetings. In addition, Dutch law provides that holders of such depositary receipts have, jointly, a right of pledge over the underlying shares *(pandrecht van certificaathouders).* Holders of depositary receipts issued with the co-operation of the Dutch public limited liability company also have certain rights vis-à-vis other shareholders pursuant to Dutch takeover legislation, which implements Directive 2004/25/EC on takeover bids, including, for example, the right to require a bidder that has acquired in total 95 per cent of the Dutch public limited liability company's issued share capital by nominal value to purchase its depositary receipts as referred to in "*Applicable Regulations — Squeeze-out proceedings*".

The Articles of Association provide that depositary receipts issued with the co-operation of the Issuer within the meaning of Dutch law include, but are not limited to, Depositary Interests for Ordinary Shares issued by the Depositary.

Under Dutch law, in the absence of a court decision or other authoritative guidance on point, it is uncertain whether or not the Depositary Interests, which are governed by English law, qualify as depositary receipts, although it is considered likely. It is therefore uncertain whether the holders of Depositary Interests are entitled to all of the abovementioned rights, most of which rights are of a mandatory nature. To the extent that the Depositary Interests do qualify as depositary receipts pursuant to Dutch law, it is likely that they are deemed to have been issued with the co-operation of the Issuer.

Finally, holders of Depositary Interests can exercise the voting rights attached to the underlying Ordinary Shares through voting instructions to, or a power of attorney from, the Depositary or any Custodian and are, in principle, entitled to any distributions on, or pre-emptive rights with respect to, the underlying Ordinary Shares, as described in "*—CREST and Depositary Interests*".

Issuance of Ordinary Shares

Pursuant to the Articles of Association, the General Meeting or the Board, if so designated by the General Meeting for a specific period, may resolve to issue Ordinary Shares or grant rights to acquire Ordinary Shares. Pursuant to the Articles of Association and Dutch law, the period of designation may not exceed five years but may be renewed by a resolution of the General Meeting for periods of up to five years. If not otherwise stated in the resolution approving the designation, such authority is irrevocable. The General Meeting is not authorised to resolve on the issuance of Ordinary Shares or the granting of rights to acquire Ordinary Shares if it has designated the Board as the competent body for such purpose. The resolution designating such authority to the Board must specify the number of Ordinary Shares which may be issued (which may be expressed as a percentage of the issued capital). No resolution of the General Meeting or, if so designated, the Board is required for an issue of Ordinary Shares pursuant to the exercise of a previously granted right to Ordinary Shares. The Issuer may not acquire its own Ordinary Shares on issue.

At its annual meeting held on 7 June 2018, the General Meeting authorised the Board to resolve to issue, or to grant rights to acquire, Ordinary Shares and to exclude pre-emptive rights in relation thereto. The Board's authorisation is irrevocable and expires at the earlier of the end of the next annual General Meeting and 15 months after 7 June 2018. The authorisation is further limited to 29,879,358 Ordinary Shares, which was the equivalent of approximately 66 per cent of RHI Magnesita's issued share capital as at 26 April 2018. Pre-emptive rights may be limited or excluded by the Board for: (i) up to 2,240,951 of these Ordinary Shares, being approximately 5 per cent of the Issuer's issued share capital as at 26 April 2018, without restrictions on the use of those (rights to acquire) Ordinary Shares, (ii) up to a further 2,240,951 of these Ordinary Shares when used to (re)finance an acquisition or capital investment and (iii) the remainder of these Ordinary Shares when used in connection with a rights issue which involves the limitation or exclusion of pre-emptive rights and the grant of near equivalent rights. Certain further restrictions apply, including that under certain circumstances the sale of treasury shares is considered the issue of Ordinary Shares.

In addition, prior to the Merger, the General Meeting irrevocably authorised the Board to resolve to issue up to 10 million new Ordinary Shares to the shareholders of Magnesita, and to exclude all pre-emptive rights in relation thereto. This authorisation is valid for a period of five years from the date of the resolutions. At the date of this Prospectus, the Issuer has issued 9,657,408 Ordinary Shares under this authorisation.

Pre-emptive rights

Upon the issuance of Ordinary Shares or granting of rights to acquire Ordinary Shares, each Shareholder shall have a pre-emptive right in respect of the Ordinary Shares to be issued in proportion to the aggregate nominal amount of his or her Ordinary Shares. Shareholders do not have pre-emptive rights in respect of Ordinary Shares issued against contribution in kind, Ordinary Shares issued to the Group's employees or Ordinary Shares issued to persons exercising a previously granted right to acquire Ordinary Shares.

Pre-emptive rights may be limited or excluded by a resolution of the General Meeting. The Board is authorised to resolve on the limitation or exclusion of the pre-emptive right if and to the extent the Board has been designated by the General Meeting to do so. The designation will only be valid for a specific period, in each case not exceeding five years. Unless provided otherwise in the designation, the designation cannot be cancelled. A resolution of the General Meeting to limit or exclude the pre-emptive rights or a resolution to designate the Board to limit or exclude the pre-emptive rights requires a simple majority or, if less than half of the Issuer's issued share capital is represented at a General Meeting, a majority of two-thirds the votes cast at a General Meeting.

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Acquisition of Ordinary Shares

The Issuer may acquire fully paid-up Ordinary Shares (which include Depositary Interests where the context so allows) at any time for no consideration, under universal succession of title or, subject to Dutch law and the Articles of Association if: (i) the freely distributable part of the shareholders' equity is at least equal to the total purchase price of the repurchased Ordinary Shares; (ii) the aggregate nominal value of the Ordinary Shares that the Issuer acquires, holds or holds as a pledge or that are held by a subsidiary does not exceed 50 per cent of the issued share capital; and (iii) the Board has been authorised by the General Meeting to repurchase Ordinary Shares, in which case the authorisation will be valid for a specific period, in each case not exceeding 18 months. As part of the authorisation, the General Meeting must specify the number of Ordinary Shares that may be acquired, the manner in which the Ordinary Shares may be acquired and the price range within which the Ordinary Shares may be acquired. No authorisation from the General Meeting is required for the acquisition of fully paid-up Ordinary Shares for the purpose of transferring these Ordinary Shares to the employees of the Group pursuant to any applicable plan, provided that such Ordinary Shares are quoted on the official list of any stock exchange.

At the annual General Meeting held in 2018, the General Meeting irrevocably authorised the Board in the such meeting to acquire Ordinary Shares or depositary receipts of Ordinary Shares (including depositary interests) by way of transfer pursuant to a transfer deed, electronic settlement or such other way as deemed appropriate by the Board at its discretion, up 5 per cent of the Issuer's issued share capital at the close of the acquisition, at a price between the nominal value and up to 5 per cent above the average market price at the LSE for the five business days prior to the date of the acquisition. Ordinary Shares may only be acquired up to 5 per cent of the issued share capital at the date of the acquisition and provided that the Issuer and its subsidiaries will not hold more than 5 per cent of the issued share capital of the Issuer following such acquisition.

The aforementioned Board authorisations are valid until the end of the next annual General Meeting or the date which falls 15 months from the annual General Meeting held in 2018, whichever is earlier.

The Issuer may not cast votes on Ordinary Shares held by it or by a subsidiary or for which the Issuer holds the Depositary Interests nor will such Ordinary Shares be counted for the purpose of calculating any voting quorum. Pledgees and usufructaries of Ordinary Shares owned by the Issuer or a subsidiary are not excluded from exercising voting rights if the right of pledge or usufruct was created before the Ordinary Share was owned by the Issuer or such subsidiary.

The Issuer is not entitled to dividends paid or other distributions made on Ordinary Shares held by it or for which the Issuer holds the Depositary Interests. Pledgees of Ordinary Shares and Depositary Interests owned by the Issuer or in respect of which a right of pledge or usufruct are not excluded from receiving distributions.

For the computation of the profit distribution, the Ordinary Shares held by the Issuer or for which the Issuer holds the Depositary Interests shall not be included unless such Ordinary Shares or Depositary Interests are subject to a usufruct or right of pledge for the benefit of a party other than the Issuer. The Board is authorised to dispose of the Issuer's own Ordinary Shares held by it.

Transfer of Ordinary Shares

A transfer of an Ordinary Share (not being, for the avoidance of doubt, a Depositary Interest held through the system of CREST) or a restricted right thereto (*beperkt recht*) requires a deed of transfer and the acknowledgement by the Issuer of the transfer in writing. Such acknowledgement is not required if the Issuer itself is a party to the transfer.

Capital reduction

Subject to the provisions of Dutch law and the Articles of Association, the General Meeting may upon the proposal of the Board resolve to reduce the issued share capital by (i) cancelling Ordinary Shares or (ii) reducing the nominal value of Ordinary Shares through an amendment of the Articles of Association. A resolution to cancel Ordinary Shares may only relate to Ordinary Shares held by the Issuer itself or of which it holds the

Depositary Interests. A reduction of the nominal value of Ordinary Shares, with or without repayment, must be made pro rata on all Ordinary Shares concerned. This pro rata requirement may be waived if all Shareholders concerned so agree.

A resolution of the General Meeting to reduce the share capital requires a majority of at least two-thirds of the votes cast, if less than half of the issued and outstanding share capital is present or represented at the General Meeting.

In addition, Dutch law contains detailed provisions regarding the reduction of capital. A resolution to reduce the issued share capital shall not take effect as long as creditors can have legal recourse against the resolution. Certain aspects of taxation of a reduction of share capital are described in the sections "*Taxation for Shareholders—Taxation in the Netherlands*" and "*Taxation for Shareholders—Taxation in Austria*" of this Prospectus.

Dividends and other distributions

Annual profit distribution

Distribution of profits other than an interim distribution only takes place following the adoption of the Issuer's annual accounts from which it appears that the distribution is allowed. The Issuer may only make distributions, whether a distribution of profits or of freely distributable reserves, to its shareholders if its shareholders' equity exceeds the sum of the paid-up and called-up share capital plus the reserves as required to be maintained by Dutch law or by the Articles of Association (including a mandatory reserve of EUR 288,699,230.59 which was created in connection with the Merger to comply with Austrian creditor protection rules). See "*Profits and Distributions —Dividend policy*" for a more detailed description regarding dividends.

Right to reserve

The Board may resolve to reserve the profits or a part of the profits. Any profits remaining after any such reservation will be at the disposal of the General Meeting. See "*Dividend Policy*" for a more detailed description regarding dividends.

Interim distribution

Subject to Dutch law and the Articles of Association, the Board may resolve to make an interim distribution of profits provided that it appears from an interim statement of assets signed by the Board that the Issuer's equity does not fall below the sum of called-up and paid-up share capital, any statutory reserves and the reserves to be maintained pursuant to the Articles of Association.

Distribution in kind

The Board may decide that a distribution on Ordinary Shares shall not take place as a cash payment but as a payment in kind or in Ordinary Shares, or decide that Shareholders shall have the option to receive a distribution as a cash payment and/or as a payment in Ordinary Shares, provided that the Board is designated by the General Meeting to do so.

Payment

Payment of any future dividend on Ordinary Shares in cash will be made in euro. Any dividends on Ordinary Shares that are paid to holders of Depositary Interests through CREST will be automatically credited to the accounts of the relevant holders of Depositary Interests. There are no restrictions in relation to the payment of dividends under Dutch law in respect of holders of Ordinary Shares who are non-residents of the Netherlands. However, see "*Taxation for Shareholders—Taxation in the Netherlands*" and "*Taxation for Shareholders—Taxation in Austria*" for a discussion of certain aspects of taxation of dividends and refund procedures for non-tax residents of the Netherlands.

Payments of profit and other payments are announced in a notice by the Issuer and shall be made payable four weeks after adoption, unless the Board or the General Meeting at the proposal of the Board determines another date. A Shareholder's claim to payments of profits and other payments lapses five years after the day on which the claim became payable. Any profit or other payments that are not collected within this period revert to the Issuer.

Exchange controls and other provisions relating to non-Dutch Shareholders

Under Dutch law, subject to the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions, there are no exchange control restrictions on investments in, or payments on, Ordinary Shares (except as to cash amounts). There are no special restrictions in the Articles of Association or Dutch law that limit the right of Shareholders who are not citizens or residents of the Netherlands to hold or vote Ordinary Shares.

General Meetings and voting rights

General Meetings

General Meetings must be held in Arnhem, the Netherlands, Amsterdam, the Netherlands, or Haarlemmermeer (including Schiphol Airport), the Netherlands. The annual General Meeting must be held at least once a year, no later than 30 June. Extraordinary General Meetings may be held, as often as the Board, the CEO or the Chairman deems necessary. In addition, one or more Shareholders or holders of Depositary Interests, who solely or jointly represent at least one-tenth of the Issuer's issued capital, may request that a General Meeting be convened, the request setting out in detail matters to be considered. If no General Meeting has been held within eight weeks of making such request, those Shareholders or holders of Depositary Interests will be authorised to request in summary proceedings a District Court to convene a General Meeting. In any event, within three months of it becoming apparent to the Board that the shareholders' equity of the Issuer has decreased to an amount equal to or lower than one-half of the paid-up part of the capital, a General Meeting will be held to discuss any requisite measures.

The convocation of a General Meeting, be it the annual General Meeting or an extraordinary General Meeting, must be published through an announcement by electronic means. The notice must state the time and place of the meeting, the record date, the manner in which persons entitled to attend the General Meeting may register and exercise their rights, the time on which registration for the meeting must have occurred ultimately, as well as the place where the meeting documents may be obtained. The notice must be given by at least such number of days prior to the day of the meeting as required by Dutch law, which is currently 42 days.

The agenda for the annual General Meeting must contain certain items, including, among other things, the adoption of the Issuer's annual accounts, the discussion of any substantial change in the corporate governance structure of the Issuer and the allocation of the profit, insofar as this is at the disposal of the General Meeting. In addition, the agenda shall include such items as have been included therein by the Board, Shareholders or holders of Depositary Interests (with due observance of Dutch law as described below). If the agenda of the General Meeting contains the item of granting discharge to the Executive Directors and Non-Executive Directors concerning the performance of their duties in the financial year in question, the matter of the discharge shall be mentioned on the agenda as separate items for the Board. The agenda shall also include such items as one or more Shareholders or holders of Depositary Interests and others entitled to attend General Meetings, representing, pursuant to the Articles of Association, at least the percentage of the issued and outstanding share capital as required by law (which, as at the date of this Prospectus, is 3 per cent) have requested the Board by a motivated request to include in the agenda, at least 60 days before the day of the General Meeting. No resolutions may be adopted on items other than those that have been included in the agenda (unless the resolution would be adopted unanimously during a meeting where the entire issued capital of the Issuer is present or represented).

The General Meeting is chaired by the Chairman or such other person as designated by him. Members of the Board may attend a General Meeting. In these General Meetings, they have an advisory vote. The chairman of the General Meeting may decide at his or her discretion to admit other persons to the General Meeting.

Voting rights

Each Ordinary Share confers the right to cast one vote in the General Meeting. Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast. Pursuant to Dutch law, no votes may be cast at a General Meeting in respect of Ordinary Shares that are held by the Issuer or any of its subsidiaries.

Each holder of Depositary Interests shall, upon request, be granted a proxy to exercise the right to cast the vote for the relevant Ordinary Share or Ordinary Shares, to the exclusion of the holder thereof, indicated in the proxy in the General Meeting. A holder of Depositary Interests who has been granted such proxy may exercise the right to vote such Ordinary Share or Ordinary Shares at his discretion. The proxy may not be limited, excluded or revoked.

Amendment of the Articles of Association

The General Meeting may resolve to amend the Articles of Association upon the proposal of the Board. A proposal to amend the Articles of Association must be included in the agenda for the General Meeting and include the verbatim text thereof. A copy of the proposal, containing the verbatim text of the proposed amendment, must be lodged with the Issuer for the inspection of every shareholder until the end of the General Meeting.

Dissolution and liquidation

The Issuer may only be dissolved by a resolution of the General Meeting, upon proposal by the Board. A proposal to dissolve the Issuer must be included in the agenda for the General Meeting. During liquidation, the provisions of the Articles of Association will remain in force as far as possible.

The balance remaining after satisfaction of the Issuer’s debts shall be distributed evenly on the Ordinary Shares.

APPLICABLE REGULATIONS

The summary of the Dutch, UK and Austrian laws and regulations (including European laws that are directly applicable) set forth below is for general information only and contains a description of certain important Dutch, UK and Austrian laws and regulations which are applicable to the Issuer by virtue of the Admission. This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the relevant provisions of Dutch, UK and Austrian law as in force on the date of this Prospectus.

Brexit and applicable UK laws

As at the date of this Prospectus and until the date (if any) as maybe agreed between the United Kingdom and the European Union as the day on which the United Kingdom leaves the European Union without agreeing any transitional provisions to govern the UK's orderly withdrawal from the European Union and European Atomic Energy Community ("**Brexit**", and such applicable date being, the "**Exit Date**"), any proposal for a takeover of the Issuer would be subject to a shared jurisdiction regime between the UK and Dutch competent authorities, whereby the UK City Code on Takeovers and Mergers (the "**City Code**") will apply and be supervised by the UK Panel on Takeovers and Mergers (the "**UK Panel**") in respect of consideration and procedural matters of a takeover offer, and Dutch legislation will apply and be supervised by the AFM in relation to employee information and company law matters in such takeover offer.

One of the consequences of Brexit, if it were to take place after the date of this Prospectus, would be that as from the Exit Date the Issuer would cease to be subject to the shared jurisdiction regime described above. As from the Exit Date, the rules that would govern any proposal for a public takeover bid of the Issuer are set out under *"— Rules governing obligations of shareholders to make a public takeover bid"* on pages 149 and 150 of this Prospectus.

As of the Exit Date, a number of European laws that were applicable in the UK and to the Issuer prior to the Exit Date will be amended and incorporated to form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018. Any references in this "Applicable Regulations" section of this Prospectus to European Union Regulations as applicable in the United Kingdom to the Issuer, including in particular references to the Short Selling Regulation and the Market Abuse Regulation, are to be construed as such European Union Regulation, in the form and to the extent implemented in United Kingdom law by virtue of section 3 of the European Union (Withdrawal) Act 2018, and as amended from time to time thereafter. As from the Exit Date, the competent authority for the Issuer in the United Kingdom, by virtue of the Issuer's listing on the LSE, will be the FCA.

Notification and disclosure of holdings

Shareholders and holders of Depositary Interests may be subject to notification obligations under the Dutch Financial Supervision Act. Shareholders and holders of Depositary Interests are advised to seek professional advice on these obligations.

Disclosure of holdings by Shareholders and holders of Depositary Interests under Dutch law

Pursuant to the Dutch Financial Supervision Act, any person who, directly or indirectly, acquires or disposes of an actual or potential interest in the capital or voting rights of the Issuer must immediately notify the AFM, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person in the Issuer reaches, exceeds or falls below any of the following thresholds: 3 per cent, 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent, 40 per cent, 50 per cent, 60 per cent, 75 per cent and 95 per cent.

A notification requirement also applies if a person's capital interest or voting rights reaches, exceeds or falls below the above-mentioned thresholds as a result of a change in the Issuer's total outstanding share capital or voting rights. Such notification has to be made no later than the fourth trading day after the AFM has published the Issuer's notification of the change in its outstanding share capital.

Under the Dutch Financial Supervision Act, the Issuer is required to notify the AFM without delay of any changes in its share capital if its share capital has changed by 1 per cent or more compared to the previous disclosure in respect of its share capital. The Issuer is also required to notify the AFM within eight days after each quarter in the event its share capital or voting rights have changed by less than 1 per cent in that relevant quarter or since its previous notification.

In addition, each person who is or ought to be aware that the substantial holding he holds in the Issuer reaches, exceeds or falls below any of the following thresholds: 3 per cent, 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent, 40 per cent, 50 per cent, 60 per cent, 75 per cent and 95 per cent, vis-à-vis his most recent notification to the AFM, which change relates to the composition of the notification as a result of certain acts (e.g. (i) the exchange of certain financial instruments for shares or depositary receipts for shares, (ii) the exchange of shares for depositary receipts for shares, or (iii) as a result of the exercise of rights pursuant to a contract for the acquisition of voting rights) must give notice to the AFM no later than the fourth trading day after he became or ought to be aware of this change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes all notifications received by it. The notifications referred to in this paragraph should be made electronically through the notification system of the AFM or in writing by means of a standard form.

Controlled entities, within the meaning of the Dutch Financial Supervision Act, do not have notification obligations under the Dutch Financial Supervision Act as their direct and indirect interests are attributed to their (ultimate) parent. Any person may qualify as a parent for purposes of the Dutch Financial Supervision Act, including an individual. A person who has a 3 per cent or larger interest in the Issuer's share capital or voting rights and who ceases to be a controlled entity for these purposes must immediately notify the AFM. As of that moment, all notification obligations under the Dutch Financial Supervision Act will become applicable to the former controlled entity.

Apart from the attribution of interests of controlled entities to their (ultimate) parent, the following other interests must, among other things, be taken into account for the purpose of calculating the percentage of capital interest or voting rights: (i) shares or depositary receipts for shares or voting rights directly held (or acquired or disposed of) by any person; (ii) shares, depositary receipts for shares or and voting rights held by (or acquired or disposed of by) such person's controlled undertakings or a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement (including a discretionary power of attorney); (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment; (iv) shares or depositary receipts for shares or voting rights that such person, or any controlled undertaking or third party referred to above, may acquire pursuant to any option or other right held by such person (including, but not limited to, on the basis of convertible bonds); (v) shares that determine the value of certain cash settled instruments such as contracts for difference and total return swaps; (vi) shares that must be acquired upon exercise of a put option by a counterparty; and (vii) shares that are the subject of another contract creating an economic position similar to a direct or indirect holding in those shares.

For the purpose of calculating the percentage of capital interest or voting rights, the following instruments qualify as 'shares': (i) shares; (ii) depositary receipts for shares (or negotiable instruments similar to such receipts); (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds); and (iv) options for acquiring the instruments under (i) or (ii).

The notification to the AFM should indicate whether the interest is held directly or indirectly and whether the interest is an actual or a potential interest.

A holder of a right of pledge or usufruct in respect of shares or depositary receipts for shares can also be subject to the reporting obligations of the Dutch Financial Supervision Act, if such person has, or acquires, the right to vote on the shares or, in the case of depositary receipts for shares, the underlying shares. If a pledgee or usufructuary acquires the voting rights on the shares or depositary receipts for shares, this may trigger a corresponding reporting obligation for the holder of the shares or depositary receipts for shares. Special rules apply with respect to the attribution of shares or depositary receipts for shares or voting rights that are part of the property of a partnership or other community of property.

Disclosure of holdings by Shareholders and holders of Depositary Interests under UK law

By virtue of the listing of the Ordinary Shares on the London Stock Exchange, post Exit Date, Shareholders are required to disclose the percentage voting rights attributable to holdings of Ordinary Shares and related financial instruments to the Issuer when they reach, exceed or fall below certain thresholds pursuant to the Disclosure Guidance and Transparency Rules as implemented by virtue of the Financial Services and Markets Act 2000 (as amended from time to time) in the UK.

Under the Disclosure Guidance and Transparency Rules, a person who holds or controls 3 per cent or more of the voting rights attaching to the Ordinary Shares must notify the Issuer of his or her holding of Ordinary Shares or financial instruments. Voting rights become notifiable when they reach, exceed or fall below the threshold of 3 per cent of the voting rights attached to the Issuer's share capital and each 1 per cent thereafter up to 100 per cent.

The disclosure requirements apply to holdings of the Ordinary Shares and other instruments such as options, futures, swaps, forward rate agreements and any other derivative contracts that give the holder the right to acquire the Ordinary Shares with voting rights attached. All disclosable interests must be notified to the Issuer within two trading days. Any information disclosed to the Issuer in accordance with the notification of major shareholding provisions must be disclosed by the Issuer to a regulatory information service announcement as soon as possible and, in any event, by not later than the end of the trading day following receipt of the information.

Disclosure of holdings by Shareholders and holders of Depositary Interests under Austrian law

Where securities are admitted to trading on a regulated market in only a host member state (and not in the home member state), Article 21 of the Transparency Directive 2004/109/EC as amended with Directive 2013/50/EU (the "**Transparency Directive**") obliges such host member state to ensure disclosure of regulated information in a manner ensuring fast access to such information on a non-discriminatory basis and to make it available to the officially appointed mechanism of the home member state. The term regulated information as defined in Article 1(1)(k) of the Transparency Directive includes holdings disclosures. Following Admission, the FMA thus has to ensure disclosure and mechanism availability of all information the Issuer is required to disclose under the Transparency Directive or under the laws, regulations or administrative provisions of the home member state adopted in accordance with Article 3 paragraph 1 of the Transparency Directive.

Short selling under the Dutch Financial Supervision Act

Gross short positions in shares must also be notified to the AFM. For these gross short positions the same thresholds apply as for notifying an actual or potential interest in the capital and/or voting rights of a Dutch listed company, as referred to above, and without any set-off against long positions. If a person's gross short position reaches, exceeds or falls below one of the above-mentioned thresholds as a result of a change in the Issuer's issued share capital, such person must make a notification not later than the fourth trading day after the AFM has published the Issuer's notification in the public register of the AFM. Shareholders and holders of Depositary Interests are advised to consult with their own legal advisers to determine whether the gross short selling notification obligation applies to them.

Short selling under the Short Selling Regulation

Short selling transactions are regulated by Regulation (EU) No 236/2012 of the European Parliament and of the Council of the European Union of March 2012 on short selling and certain aspects of credit default swaps (the "**Short Selling Regulation**"), the European Commission's implementing and delegated regulations.

In addition, pursuant to the Short Selling Regulation, each person holding a net short position in relation to the issued share capital of a company whose shares are admitted to trading on a regulated market or a multilateral trading facility in the European Union (such as the Issuer) is required to notify the relevant competent authority if such position reaches or falls below 0.2 per cent of the company's issued share capital or reaches or falls below each percentage of 0.1 per cent above this 0.2 per cent. Furthermore, each net short position that reaches or falls below 0.5 per cent of the company's issued share capital or that reaches or falls below each percentage of 0.1 per cent above this 0.5 per cent will have to be publicly disclosed. The applicable percentage of an individual net short position is calculated by deducting any long position that the respective person holds in relation to the specific issued share capital from any short position that this person holds in relation to the same issued share capital. The competent authority for the Short Selling Regulation is the competent authority of the most relevant market within the European Union in terms of liquidity for that financial instrument, which currently is the FCA. Following Brexit, the Vienna Stock Exchange will be the relevant market for the Short Selling Regulation and the FMA will be the competent authority to monitor compliance therewith pursuant to Section 176 of the Austrian Stock Exchange Act (*Börsegesetz*).

Disclosure of holdings and transactions by management

Market Abuse Regulation

Pursuant to the Market Abuse Regulation ((EU) No 596/2014 (the "**MAR**")), which entered into force on 3 July 2016, persons discharging managerial responsibilities (including the members of the Board) (the "**PDMRs**") must notify the AFM and the Issuer of any transactions conducted for his or her own account relating to shares or any debt instruments of the Issuer or to derivatives or other financial instruments linked thereto.

In addition, pursuant to the MAR and the regulations promulgated thereunder, certain persons who are closely associated with PDMRs are also required to notify the AFM and the Issuer of any transactions conducted for their own account relating to shares or any debt instruments of the Issuer or to derivatives or other financial instruments linked thereto. The MAR and the regulations promulgated thereunder cover, *inter alia*, the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, the managerial responsibilities of which are discharged by a PDMR or by a person referred to under (i), (ii) or (iii), which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

These notification obligations under the MAR apply when the total amount of the transactions conducted by a PDMR or a person closely associated to a PDMR reaches or exceeds the threshold of EUR 5,000 within a calendar year (calculated without netting). When calculating whether the threshold is reached or exceeded, PDMRs do not need to add any transactions conducted by persons closely associated with them to their own transactions and vice versa. The first transaction reaching or exceeding the threshold must be notified as set forth above. The notifications pursuant to the MAR described above must be made to the AFM and the Issuer no later than the third business day following the relevant transaction date.

A PDMR is not permitted to (directly or indirectly) conduct any transactions on its own account or for the account of a third party, relating to Ordinary Shares or debt instruments of the Issuer or other financial instruments linked thereto, during a closed period of 30 calendar days before the announcement of a half-yearly report or an annual report of the Issuer.

Dutch law

In addition to the aforementioned notification obligations and pursuant to the Dutch Financial Supervision Act, each member of the Board must notify the AFM: (a) immediately following the admission to trading and listing of the Ordinary Shares of the number of Ordinary Shares he/she holds and the number of votes he/she is entitled to cast in respect of the Issuer's issued share capital, and (b) subsequently of each change in the number of Ordinary Shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Issuer's issued share capital, immediately after the relevant change. If a member of the Board has notified a transaction to the AFM under the Dutch Financial Supervision Act as described above under "*—Notification and disclosure of holdings — Disclosure of holdings by Shareholders and holders of Depositary Interests under Dutch law*", such notification is sufficient for purposes of the Dutch Financial Supervision Act as described in this paragraph.

Public registries

The Netherlands

The AFM does not issue separate public announcements of these notifications. It does, however, keep a public register of all notifications under the Dutch Financial Supervision Act on its website (www.afm.nl). Third parties can request to be notified automatically by e-mail of changes to the public register in relation to a particular company's shares or a particular notifying party.

United Kingdom

The FCA does not keep an official public registry of the notifications made with it. Certain notifications, however, are publicly accessible through the FCA's website (www.fca.org.uk) and the National Storage Mechanism (www.morningstar.co.uk/uk/nsm).

Austria

The FMA does not keep an official public registry of the notifications made with it. Austria's appointed mechanism according to Article 21 of the Transparency Directive is accessible through the OeKB's website (http://issuerinfo.oekb.at/startpage.html).

Insider trading and market abuse

The MAR contains specific rules intended to prevent insider trading and market manipulation that are directly applicable in the Netherlands, the UK and Austria.

Pursuant to the applicable rules on insider trading and market manipulation, the Issuer has adopted a policy on insider trading and communications for transactions in its securities.

The rules on preventing market abuse set out in MAR are applicable to the Issuer, PDMRs, persons closely associated with PDMRs, other insiders and persons performing or conducting transactions in the Issuer's financial instruments. Certain important market abuse rules set out in MAR that are relevant for investors are described hereunder.

The Issuer is required to make inside information public. Pursuant to MAR, inside information is information of a precise nature, which has not been made public, relating, directly or indirectly, to the Issuer or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments. Unless an exception applies, the Issuer must without delay publish the inside information by means of a press release and post and maintain it on its website for at least five years. The Issuer shall not combine the disclosure of inside information to the public with the marketing of its activities. The Issuer must also provide the competent authority, which currently is the FCA, with this inside information at the time of publication. Following Brexit, the competent authority for the disclosure of inside information by the Issuer under MAR will be the FMA.

It is prohibited for any person to make use of inside information by acquiring or disposing of, for its own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates, as well as an attempt thereto (insider dealing). The use of inside information by cancelling or amending an order concerning a financial instrument to which the information relates where the order was placed before the person concerned possessed the inside information also constitutes insider dealing. In addition, it is prohibited for any person to disclose inside information to anyone else (except where the disclosure is made in the normal exercise of an employment, profession or duties) or, whilst in possession of inside information, to recommend or induce anyone to acquire or dispose of financial instruments to which the information relates. Furthermore, it is prohibited for any person to engage in or attempt to engage in market manipulation, for instance by conducting transactions which give, or are likely to give, false or misleading signals as to the supply of, the demand for or the price of a financial instrument.

Consequences of non-compliance

Dutch law

Non-compliance with the notification obligations under the MAR and the Dutch Financial Supervision Act set out under "*—Notification and disclosure of holdings—Disclosure of holdings by Shareholders and holders of Depositary Interests under Dutch law*" and "*—Disclosure of holdings and transactions by management*" is an economic offence (*economisch delict*) and could lead to the imposition of criminal fines, administrative fines, imprisonment or other sanctions. The AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance. If criminal charges are pressed, the AFM is no longer allowed to impose administrative penalties and vice versa, the AFM is no longer allowed to seek criminal prosecution if administrative penalties have been imposed. Furthermore, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be correctly notified. A claim requiring that such measures be imposed must be instituted by the Issuer and/or one or more Shareholders who alone or together with others represent(s) at least 3 per cent of the Issuer's issued share capital or are able to exercise at least 3 per cent of the voting rights. The measures that the civil court may impose include:

- an order requiring the person violating the disclosure obligations under the Dutch Financial Supervision Act to make appropriate disclosure;
- suspension of voting rights in respect of such person's shares for a period of up to three years as determined by the court;
- voiding a resolution adopted by a General Meeting, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person who is obliged to notify, or suspension of a resolution until the court makes a decision about such voiding; and

- an order to the person violating the disclosure obligations under the Dutch Financial Supervision Act to refrain, during a period of up to five years as determined by the court, from acquiring the shares and/or voting rights in the shares.

UK law

Non-compliance under MAR in the UK could lead to the imposition of criminal fines, administrative fines, imprisonment or other sanctions.

Under the civil regime, the FCA has the authority to:

- impose an unlimited fine on the Issuer or any of its Directors;
- publish a report or a statement (known as public censure) naming the offender for his or her misdeeds;
- take certain actions through court proceedings such as applying for injunctions, freezing orders and restitution orders;
- suspend the permission of authorised persons who breach MAR to carry on regulated activities;
- impose a requirement on an offender to publish a specified statement or specified information; or
- in extreme cases, suspend trading of the shares of the offending company.

The Criminal Justice Act 1993 (the "**CJA**") sets out the criminal regime in the UK. The FCA has primary responsibility for enforcing the CJA, with power to investigate insider dealing offences and to appoint inspectors to investigate and report on suspected offences. Proceedings must be commenced within three years of the offence or within 12 months after the date on which sufficient evidence to justify the proceedings comes to the knowledge of the FCA. An individual, if found to be in breach of the CJA, is liable to unlimited fines and/or imprisonment for a term not exceeding six months on summary conviction or seven years on a conviction on indictment.

Austrian law

Non-compliance under MAR in Austria could lead to the imposition of administrative fines, criminal fines (including imprisonment) or other sanctions in accordance with Section 154 *et seq.* of the Austrian Stock Exchange Act, which is the Austrian transposition of Directive 2014/57/EU. If criminal charges are pressed, the competent criminal court has jurisdiction (at the same time administrative proceedings already initiated must be suspended). Criminal charges may result in imprisonment of up to five years.

Amongst others, the FMA has the authority to:

- impose an administrative fine on the Issuer, depending on the nature of the violation;
- publish a warning regarding the person responsible for the infringement and the nature of the breach;
- issue a (temporary) ban on persons performing management functions in a legal entity, or for any other natural person responsible for the violation, to perform management duties in the legal entity;
- publish any decision imposing an administrative sanction or administrative measure on its official website immediately after informing the person affected by the decision, including the nature and character of the infringement and the identity of the persons responsible;
- suspend trading of the shares of the offending company in accordance with Article 32, respectively Article 52 of Regulation (EU) No 2014/65.

Financial reporting

Dutch law

The Netherlands will be the Issuer's home member state for the purposes of the Transparency Directive as a consequence of which the Issuer will be subject to the Dutch Financial Supervision Act in respect of certain ongoing transparency and disclosure obligations.

Annually, within four months after the end of the financial year, the Board must prepare the Issuer's annual accounts and make them available for inspection by the Shareholders at the office of the Issuer and on its website. The Issuer's annual accounts must be accompanied by an auditor's statement, a management report and certain other information required under Dutch law. The Issuer's annual accounts must be signed by the members of the Board.

The annual accounts, the auditor's statement, the management report and the other information required under Dutch law must be made available to the Shareholders for review as from the day of the notice convening the annual General Meeting. The annual accounts must be adopted by the General Meeting. The Board must send the adopted annual accounts to the AFM within five business days after adoption.

The Issuer must prepare and make publicly available a semi-annual financial report as soon as possible, but at the latest three months after the end of the first six months of the financial year. If the semi-annual financial report is audited or reviewed, the independent auditor's audit or review report, respectively, must be published together with the semi-annual financial report.

Dutch Financial Reporting Supervision Act

On the basis of the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*) (the "**FRSA**"), the AFM supervises the application of financial reporting standards by, among others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange, such as the Issuer.

Pursuant to the FRSA, the AFM has an independent right to (i) request an explanation from the Issuer regarding its application of the applicable financial reporting standards and (ii) recommend the Issuer to make available further explanations. If the Issuer does not comply with such a request or recommendation, the AFM may request the enterprise chamber of the court of appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) (the "**Enterprise Chamber**") to order the Issuer to (i) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (ii) prepare its financial reports in accordance with the Enterprise Chamber's instructions.

UK law

Under the Disclosure Guidance and Transparency Rules, the Issuer must publish annual and half-yearly financial information.

The annual report and accounts must be published within four months of the end of the financial period to which they relate. The consolidated accounts of the Issuer must be prepared in accordance with IFRS and the Issuer's own accounts must also be published. The annual accounts of the Issuer must be independently audited and the auditor's report disclosed in full. The auditors must be qualified to carry out company audits in the UK or another EEA state. The accounts must be accompanied by a management report of the Issuer containing, amongst other things, a fair review of the Issuer's business and a description of the principal risks and uncertainties facing the Issuer.

A management responsibility statement must be made, confirming that, to the best of the knowledge of the management, the financial statements give a true and fair view and that the management report contains a fair review of the business and financial position of the Issuer, its consolidated undertakings, and the principal risks and uncertainties that it faces.

Audited or unaudited interim results in respect of the first six months of the financial year must be published no later than three months after the end of the half-year of the Issuer. If the half-yearly report of the Issuer has been audited or reviewed by auditors the review report must be reproduced in full in the half-yearly report. The half-yearly report must contain condensed financial statements, in accordance with IAS 34, or equivalent information, and must also contain information about any significant events that have occurred in the half-year and the principal risks and uncertainties for the remaining six months. The half-yearly report is required to include a responsibility statement in a similar form to that required for annual reports.

Austrian law

In line with the above described Dutch law obligations, the annual report has to be published within four months of the end of the financial period to which it relates. According to Section 124 of the Austrian Stock Exchange Act, the audited financial statements, the management report and the management responsibility statement (confirmation that the report provides a faithful presentation of the assets, earnings and financial situation of the Issuer, its consolidated subsidiaries and the principal risks and uncertainties that it faces) must be published within four months of the end of the financial year. The annual accounts have to be audited.

The semi-annual report has to be published as soon as possible, but not later than three months after the end of the half-year of the Issuer and can be either audited or unaudited (Section 125 of the Austrian Stock Exchange Act). It must include a condensed financial statement, a semi-annual management report and the management responsibility statement. If the half-year financial report has been audited, the auditor's report must be fully reproduced in the report.

Rules governing obligations of shareholders to make a public takeover bid

In accordance with Directive 2004/25/EC on takeover bids, each EEA Member State should ensure the protection of minority shareholders by obliging any person that acquires control of a company to make an offer to all the holders of that company’s voting securities for all their holdings at an equitable price.

Directive 2004/25/EC applies to all companies governed by the laws of an EEA Member State of which all or some voting securities are admitted to trading on a regulated market in one or more EEA Member States. The laws of the EEA Member State in which a company has its registered office will determine the percentage of voting rights that is regarded as conferring control over that company.

Dutch law

In accordance with Section 5:70 of the Dutch Financial Supervision Act, any person – whether acting alone or in concert with others – who, directly or indirectly, acquires a controlling interest in the Issuer will be obliged to launch a mandatory public offer for all outstanding shares in the share capital of the Issuer and depositary receipts for such shares issued with the Issuer’s co-operation. A controlling interest is deemed to exist if a (legal) person is able to exercise, alone or acting in concert, at least 30 per cent of the voting rights in the General Meeting. An exception is made for, among others, Shareholders who – whether alone or acting in concert with others: (i) have an interest of at least 30 per cent of the Issuer’s voting rights before Admission and who still have such an interest after Admission; and (ii) reduce their holding to below 30 per cent of the voting rights within 30 days of the acquisition of the controlling interest, provided that (a) the reduction of their holding was not effected by a transfer of Ordinary Shares to an exempted party and (b) during such period, such Shareholders or group of Shareholders did not exercise their voting rights.

The rules under the Dutch Financial Supervision Act regarding mandatory public offers apply to the Issuer because it has its corporate seat in the Netherlands. However, as the Ordinary Shares are not admitted to trading on a regulated market in the Netherlands but are admitted to trading on the LSE, the Dutch Decree on public offers (*Besluit openbare biedingen Wft*) will only apply in relation to matters relating to information to be provided to trade unions and employees and company law matters, including the convocation of a General Meeting in the event of a public offer and a position statement of the Issuer.

Austrian law

Following Brexit, the Austrian Takeover Act would be partially applicable. As the Issuer is incorporated under the laws of the Netherlands and has its registered office in the Netherlands, it will continue to be subject to the Dutch decree on public offers as described above. According to section 27c paragraph 1 of the Austrian Takeover Act, companies registered in their home member state with their shares admitted to the regulated market of another member state but not on the regulated market of the home member state, are subject to the legal provisions of the host member state in matters relating to content of the offer document, conditions to the offer and rights of withdrawal, procedures and sanctions, publication requirements, the review and filing of the offer document, statements by the target company, parallel transactions, improvements of the offer, competing offers, offer periods, allocation rules, exclusion periods, voluntary offers to acquire control, and pricing rules for mandatory offers in accordance with Directive 2004/25/EC. In these cases, the Austrian Takeover Commission is partially competent. In contrast, substantial takeover rules such as the definition of control, parties acting in concert, the passive acquisition of control, the aggregation of interests, and exceptions from offer obligations are governed by Dutch takeover rules. The bidder must notify the Austrian Takeover Commission of the offer, including the offer documents and the report including the expert's opinion. As long as the UK is a EU member state, the City Code takes precedence over the Austrian takeover rules.

Squeeze-out proceedings

Pursuant to Section 2:92a Dutch Civil Code, a shareholder who for his or her own account contributes at least 95 per cent of a Dutch company's issued share capital may institute proceedings against such company's minority shareholders jointly for the transfer of their shares to him or her. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to him, he is required to publish the same in a daily newspaper with nationwide circulation.

The offeror under a public takeover bid is also entitled to start squeeze-out proceedings if, following the public takeover bid, the offeror contributes at least 95 per cent of the outstanding share capital and represents at least 95 per cent of the total voting rights. The claim of a takeover squeeze-out needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim for squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. In principle, the offer price is considered reasonable if the offer was a mandatory offer or if at least 90 per cent of the shares to which the offer related were received by way of voluntary offer.

The Dutch takeover provisions of the Dutch Financial Supervision Act also entitle those minority shareholders that have not previously tendered their shares under an offer to transfer their shares to the offeror, provided that the offeror has acquired at least 95 per cent of the outstanding share capital and represents at least 95 per cent of the total voting rights. With regard to price, the same procedure as for takeover squeeze-out proceedings initiated by an offeror applies. The claim also needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. UK law is not relevant in relation to squeeze-out proceedings.

TAXATION FOR SHAREHOLDERS

Taxation in Austria and the Netherlands

The following statements are intended only as a general guidance to certain Austrian and Dutch tax considerations and do not purport to be a complete analysis of all potential Austrian and Dutch tax consequences of holding or disposing of the Ordinary Shares or to deal with the tax consequences applicable to all categories of investors. They are based on Austrian and Dutch tax legislation, published case law, double tax treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and (except where discussed expressly) they do not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect. They have been prepared on the basis that the Issuer is considered tax resident in Austria under the tax laws of Austria and under the double taxation treaty between Austria and the Netherlands.

Except where the position of non-residents is expressly referred to, the summary relates solely to persons who are resident in the country to which the section refers for this country's tax purposes and who (in the case of individuals only) are domiciled in the country for this country's tax purposes. The discussion does not address all of the tax consequences that may be relevant to persons or entities subject to special treatment (such as brokers, dealers or traders in securities, insurance companies, collective investment schemes, tax-exempt organisations or any person who is connected with the Issuer or acquired (or is deemed to have acquired) their shares by reason of an office or employment).

Persons interested in purchasing the Ordinary Shares should seek advice from their own tax counsel regarding the tax implications of purchasing, holding, disposing, donating and bequeathing the Ordinary Shares, and the regulations on reclaiming previously withheld withholding tax. Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax consultation.

The statements are intended as a general guidance only and do not constitute legal or tax advice. Neither the Issuer or any director, officer, employer, employee or agent of any of them, or affiliate of any such person, assumes liability to shareholders on these matters under contract law. Holders of the Ordinary Shares who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than Austria or the Netherlands are strongly recommended to consult their own professional advisers.

Taxation in Austria

General

The Issuer is considered tax resident in Austria under the tax rules of Austria and under the double taxation treaty between Austria and the Netherlands. The following sections describe a number of key Austrian taxation principles that may be relevant to purchasing, holding or transferring the Ordinary Shares, given that the Issuer is tax resident in Austria.

Shareholders of the Issuer are subject to taxation in connection with the holding of the Ordinary Shares (see "–*Taxes on Income (Dividends)*") and the disposal of the Ordinary Shares (see "–*Taxes on Capital Gains*").

Taxes on Income (Dividends)

Withholding Tax

Under Austrian domestic law, there is generally a 25 per cent withholding tax ("**WHT**", in German: *Kapitalertragsteuer*) for corporations and 27.5 per cent WHT for other recipients on dividends (profit distributions), which can be reclaimed, if exemptions are applicable. The WHT has to be deducted and forwarded to the tax office by the corporation tax resident in Austria distributing the dividend.

Austrian Resident Corporations

Dividends (profit distributions) paid by a corporation tax resident in Austria to corporations that are tax resident in Austria and subject to corporate income tax are generally exempt from tax. However, a WHT of 25 per cent must be withheld and an additional 2.5 per cent can be withheld, unless the receiving corporation holds a direct or indirect participation of at least 10 per cent. WHT deducted can subsequently be reclaimed in the annual tax return. As a general rule of Austrian tax law, expenses related to non-taxable income (in this case the dividends) are not tax deductible but interest expenses are – subject to certain exceptions – deductible for corporations acquiring shares as business assets.

Austrian Resident Individuals

Dividends (profit distributions) paid by a corporation tax resident in Austria to individuals (including other legal forms, e.g. partnerships with individuals as partners) tax resident in Austria are subject to income tax. The tax liability is generally satisfied by withholding a flat tax of 27.5 per cent on the amount of the distribution (i.e. the income does not have to be declared in an annual tax return). The flat tax has to be deducted and forwarded by the corporation to the tax office. Expenses incurred in connection with income taxable at the special (flat) tax rate are not tax deductible.

Should the individual effective tax rate be lower than 27.5 per cent, shareholders may apply for the whole amount of their investment income, including dividends, to be taxed at the progressive income tax rate based on their personal circumstances instead of the flat-rate WHT. For such cases, it is also not possible to deduct any income-related expenses.

Upon application, certain losses from investment income (including losses generated by the disposal of shares) may be set off against dividend income.

Non-Austrian Residents (Individual and Corporate)

Generally, dividends (profit distributions) paid by corporations tax resident in Austria to persons tax resident in other countries are subject to tax in Austria due to limited tax liability. The tax liability is generally satisfied by withholding a flat tax of 27.5 per cent. Tax exemptions or reductions might be available, according to an applicable double tax treaty. To end up with the reduced WHT rate as set forth under the double tax treaty applicable, Austrian tax law provides for the following alternative methods of WHT relief: refund method or exemption at source method.

Refunds have to be applied for at the competent Austrian tax authority (*Finanzamt Bruck Eisenstadt Oberwart*). The application for refund cannot be filed before expiration of the calendar year, in which the WHT was deducted, and not later than five years after the end of the calendar year in which the WHT was deducted. In addition a non-resident shareholder must file an electronic pre-notification with the competent Austrian tax office (using the web forms available on the website of the Austrian Ministry of Finance) before the application for refund can be submitted and provide a certificate of residence issued by the competent authority of the shareholder’s state of residence.

The exemption at source is granted in line with the Austrian *DBA-Entlastungsverordnung* (double tax treaty relief regulation). A prerequisite for the admissibility of the tax relief at source is that the withholding agent (i.e. the company distributing the dividend) complies with the recording requirements as stipulated in the regulation. The scope of the recording obligations depends on the amount and type of remuneration and on the legal form of the dividend recipient.

If the remuneration to a foreign beneficiary is more than EUR 10,000 per calendar year, a tax relief at source is permissible only if he submits a certificate of residence issued by the foreign tax administration.

If the total remuneration to a foreign recipient does not exceed EUR 10,000, the certificate of residence can be replaced by the following statement in a written declaration:

(i) family and first name or name of the legal person (e.g. company);

(ii) declaration that there is no place of residence in Austria (for individuals);

(iii) addresses of dwellings in foreign countries, denomination of centre of vital interests (for individuals);

(iv) country of incorporation and address of the place of effective management (for corporations);

(v) declaration that there is no obligation to transfer the income to other persons;

(vi) a statement that the income is not attributable to a domestic permanent establishment; and

(vii) nature and amount of remuneration received.

Irrespective of the amount of the remuneration, if the foreign recipient of the income is a corporation, the recipient has to declare the following to prove substance ("**substance declaration**"):

(i) the activity goes beyond asset management;

(ii) they employ own workforce; and

(iii) they have their own premises available.

A successful application for refund within the last three years replaces the substance declaration described above.

The Issuer is under no obligation to grant tax relief at source.

With regard to dividends paid to EU resident corporate shareholders, Austria has implemented the EU Parent/Subsidiary Directive according to which domestic WHT is reduced to zero. The requirements for the reduction are that the EU resident parent company must hold at least 10 per cent of the share capital of the Austrian subsidiary for a period of at least one year. Further, a certificate of residence is required and the substance requirements have to be met so that an exemption at source is possible. Consequently, pure holding companies cannot benefit from an exemption at source but have to go through the refund procedure.

If the requirements according to the EU Parent/Subsidiary Directive are not met, Austrian WHT has to be deducted. If an EU parent company cannot credit the Austrian WHT deducted against the corporate income tax of its residence state (e.g. because the dividend income is exempt from corporate income tax or due to a loss position of the shareholder), it is entitled to apply for a refund of the Austrian WHT. This application has to include a confirmation/documentation that the Austrian WHT could (fully or partly) not be credited at the level of the parent company.

Taxes on Capital Gains

Austrian Resident Corporations

Capital gains from the sale of shares are, in general, subject to corporate income tax at the rate of 25 per cent and have to be declared in the annual tax return. The taxable capital gain is calculated by deducting the acquisition costs (including the acquisition-related costs) of the shares from the disposal proceeds. A tax-deductible loss has to be spread over seven years.

Austrian Resident Individuals

Capital gains from the sale of shares owned by Austrian tax resident individuals (including other legal forms that are not corporations, e.g. partnerships with individuals as partners) are generally classified as capital income and are subject to income tax at the special (flat) tax rate of 27.5 per cent, irrespective of how long the shares have been held subject to certain exceptions for shareholders who have acquired their shares (in former RHI AG) by 31 December 2010.

If the shares are held in an Austrian securities deposit, the tax on the capital gain will in general be deducted on behalf of the seller of the shares by the Austrian withholding agent (i.e. the Austrian bank where the shares are deposited or which pays out the capital gain) at the rate of 27.5 per cent. If not, the capital income has to be declared in the annual tax return. Should the individual effective tax rate be lower than 27.5 per cent, shareholders may apply for the whole amount of their capital income to be taxed at the progressive income tax rate based on their personal circumstances instead of the flat-rate WHT.

The tax base is calculated by deducting the acquisition costs from the disposal proceeds. For individuals holding the shares in their private accounts, acquisition-related costs do not count as acquisition costs. If the shares are business assets, acquisition-related costs may be deducted. Expenses incurred in connection with income taxable at the special (flat) tax rate are not tax deductible.

Capital losses derived from the sale of shares may only be set off against other capital income (except, *inter alia*, interest derived from bank deposits). For private investors, a loss carry-forward is not possible. If the investments are held as business assets, 55 per cent of the excess amount can be carried forward.

Non-Austrian Residents (Individual and Corporate)

Capital gains derived from the sale of shares held in Austrian tax-resident corporations are taxable in Austria, if the participation is at least 1 per cent (once in an observation period of five years). An exemption due to an applicable double tax treaty might be available. Generally, double tax treaties that follow the OECD model convention grant the exclusive taxation right to the residence state of the investor.

The tax treaty between Austria and the UK grants, subject to certain exemptions, the taxation right only to the residence state of the shareholder. The tax treaty between Austria and the Netherlands grants, subject to certain exemptions, the taxation right only to the state of residence of the shareholder.

Exit Tax and Transfer to Other Deposit

Generally, capital gains are only taxed at the disposal of the shares. Circumstances that lead to the loss of Austria's taxation right regarding the hidden reserves in the shares, e.g. the moving away from Austria or the moving away from a country that grants Austria the taxation right on capital gains in shares in the applicable double taxation treaty, lead to a deemed sale of the shares and thus to the realisation of a taxable capital gain (25 per cent for corporations and 27.5 per cent for individuals).

Special rules apply to the loss of the taxation right in relation to EEA Member States: Generally, the taxpayer can apply for the tax on the capital gain to be paid in annual instalments (five years for non-current assets, two years for current assets). A later disposal of the shares and certain other events such as the further loss of the taxation right to a non-EEA member state lead to the acceleration of the outstanding instalments. If an individual moves to another EEA Member State, instead of the instalment mechanism, they may apply for the tax to be only calculated, but not paid until a later disposal of the shares (the further loss of the taxation right to a non-EEA member state also counts as such disposal).

Additionally, the transfer of shares from a securities deposit or a transfer to another securities deposit is regarded as a deemed sale. The fair market value at the time of the withdrawal or the transfer of the shares is regarded as the disposal proceeds. Certain exemptions may apply if certain notification requirements to the Austrian bank where the securities deposit is held or to the competent Austrian tax office are met.

Gift and Inheritance Tax/Other Taxes

Generally, there are no gift or inheritance taxes in Austria. However, there may be a notification requirement to the Austrian tax office and if gifts or inheritances lead to the loss of Austria's taxation right, the exit tax rules might apply (see above). For Austrian VAT purposes, the issuance or sale of shares does not represent a VATable event. No stamp duties or other transfer taxes are imposed on the issuance or sale of shares.

Taxation in the Netherlands

General

The Issuer is considered tax resident in Austria under the tax laws of Austria and under the double taxation treaty between Austria and the Netherlands.

For the purpose of this summary, the term "**entity**" refers to a corporation as well as any other person that is taxable as a corporation for Dutch corporate income tax purposes.

Where this summary refers to a holder of an Ordinary Share, an individual holding an Ordinary Share or an entity holding an Ordinary Share, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Ordinary Share or otherwise being regarded as owning an Ordinary Share for Dutch tax purposes. It is noted that, for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where this summary refers to "the Netherlands" or "Dutch", it refers only to the European part of the Kingdom of the Netherlands.

Except for the section *"—Withholding tax"*, this summary does not describe the Dutch tax consequences for an individual or non-resident entity holding an Ordinary Share, which individual or non-resident entity has or will have a substantial interest or a deemed substantial interest in the Issuer.

Generally speaking, an individual holding an Ordinary Share has a substantial interest in the Issuer if (a) such individual, either alone or together with his partner, directly or indirectly, has or (b) certain relatives by blood or marriage in the direct line (including foster children) of such individual or his partner, directly or indirectly have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of the Issuer or the issued and outstanding capital of any class of shares of the Issuer or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of the Issuer. Also, an individual holding an Ordinary Share has a substantial interest in the Issuer, if his partner has, or if certain relatives of the individual or his partner have, a deemed substantial interest in the Issuer. Generally, an individual holding an Ordinary Share, or his partner or relevant relative, has a deemed substantial interest in the Issuer if either (a) such person or his predecessor has disposed of or is deemed to have disposed of all or part of a substantial interest or (b) such person has transferred an enterprise in exchange for shares in the Issuer, on a non-recognition basis.

Generally speaking, a non-resident entity holding an Ordinary Share has a substantial interest in the Issuer if such entity, directly or indirectly, has (i) the ownership of, a right to acquire the ownership of, or certain rights over shares representing 5 per cent or more of either the total issued and outstanding capital of the Issuer or the issued and outstanding capital of any class of shares of the Issuer or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of the Issuer, provided that the non-resident entity holds such shares or certificates with the main purpose or one of the main purposes of avoiding Dutch personal income tax in the hands of another person and the holding of such shares or certificates in the Dutch entity is part of an artificial arrangement or a series of arrangements. Generally, an entity holding an Ordinary Share has a deemed substantial interest in the Issuer if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

This summary does not describe the Dutch tax consequences for investment institutions (*fiscale beleggingsinstellingen*), pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other Dutch tax resident entities that are not subject to or exempt from Dutch corporate income tax.

Furthermore, this summary does not describe the Dutch tax consequences for entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) on Bonaire, Sint Eustatius or Saba and the Ordinary Shares are attributable to such permanent establishment or permanent representative.

Withholding Tax

The Issuer is generally required to withhold Dutch dividend withholding tax from dividends distributed on the Ordinary Shares at the rate of 15 per cent.

As an exception to this rule, the Issuer may not be required to withhold Dutch dividend withholding tax, if it is considered to be a tax resident of both the Netherlands and Austria or the Netherlands and another jurisdiction in accordance with the domestic tax residency provisions applied by each of these jurisdictions, while an applicable double tax treaty between the Netherlands and Austria or the Netherlands and such other jurisdiction attributes tax residency to Austria or that other jurisdiction, respectively. This exception does not apply to dividends distributed by the Issuer to a holder which is resident or deemed to be resident in the Netherlands for Dutch income tax purposes or Dutch corporate income tax purposes.

The concept of dividends distributed on the Ordinary Shares includes, without limitation:

(i) distributions of profits (including paid-in capital not recognised for dividend withholding tax purposes) in cash or in kind, including deemed and constructive dividends;

(ii) liquidation distributions and, generally, proceeds realised upon a repurchase of Ordinary Shares by the Issuer or upon the transfer of Ordinary Shares to a direct or indirect subsidiary of the Issuer, in excess of the average paid-in capital recognised for dividend withholding tax purposes;

(iii) the nominal value of Ordinary Shares issued or any increase in the nominal value of Ordinary Shares, except where such (increase in) the nominal value of Ordinary Shares is funded out of the Issuer's paid-in capital recognised for dividend withholding tax purposes; and

(iv) repayments of paid-in capital recognised for dividend withholding tax purposes up to the amount of the Issuer's profits (*zuivere winst*) unless the General Meeting has resolved in advance that the Issuer shall make such repayments and the nominal value of the Ordinary Shares concerned has been reduced by a corresponding amount through an amendment of the Articles of Association.

A holder of an Ordinary Share who is, or is deemed to be, resident in the Netherlands for Dutch tax purposes may generally be entitled to credit the dividend withholding tax withheld against such holder's liability to Dutch tax on income and capital gains.

Under the terms of Dutch domestic anti-dividend stripping rules, a recipient of dividends distributed on an Ordinary Share will not be entitled to an exemption from, reduction, refund or credit of dividend tax if the recipient is not the beneficial owner of such dividends as meant in those rules.

Taxes on Income and Capital Gains

Resident Entities

An entity holding an Ordinary Share which is, or is deemed to be, resident in the Netherlands for Dutch tax purposes and which is not tax exempt, will generally be subject to corporate income tax in the Netherlands in respect of income or a capital gain derived from such Ordinary Share at the prevailing statutory rates (at up to a maximum rate of 25 per cent), unless the holder has the benefit of the participation exemption (*deelnemingsvrijstelling*) with respect to such Ordinary Share. The holder of an Ordinary Share may under certain circumstances have the benefit of the participation exemption (*deelnemingsvrijstelling*) if the holder owns at least 5 per cent of the nominally paid-up share capital of the Issuer or has a right to acquire such interest.

Resident Individuals

An individual holding an Ordinary Share who is, or is deemed to be, resident in the Netherlands for Dutch tax purposes will be subject to income tax in the Netherlands in respect of income or a capital gain derived from such Ordinary Share at rates up to 51.75 per cent if:

(i) the holder has an enterprise or an interest in an enterprise to which the Ordinary Share is attributable; or

(ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*).

If neither condition (i) nor condition (ii) applies, such individual will be subject to income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from an Ordinary Share. The deemed return currently amounts to up to 5.60 per cent of the value of the individual's net assets as per the beginning of the relevant financial year (including the Ordinary Share). Subject to application of personal allowances, the deemed return shall be taxed at a rate of 30 per cent.

Non-residents (Entities and Individuals)

A holder of an Ordinary Share which is not, and is not deemed to be, resident in the Netherlands for Dutch tax purposes will not be subject to taxation in the Netherlands on income or a capital gain derived from an Ordinary Share unless:

(i) such income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) taxable in the Netherlands; or

(ii) the holder is an individual and such income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*).

Gift and Inheritance Tax

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of an Ordinary Share by way of gift by, or on the death of, a holder unless:

(i) the holder is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions, or

(ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

Value Added Tax

Generally, no value added tax should be due in the Netherlands in respect of payments in consideration for the issuance of an Ordinary Share, payments on an Ordinary Share or payments made upon a transfer of an Ordinary Share.

Other Taxes and Duties

There is no registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of an Ordinary Share.

Residence

A holder of an Ordinary Share will not be, or deemed to be, resident in the Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise be subject to Dutch taxation, by reason only of acquiring, holding or disposing of an Ordinary Share.

ADDITIONAL INFORMATION

Costs in connection with the Admission

The Issuer estimates that its total costs in connection with the Admission will amount to approximately EUR 400,000.

Documents available for inspection

For the period during which this Prospectus is valid, the following documents will be available free of charge for inspection during regular business hours at the offices of the Issuer, located at Kranichberggasse 6, 1120 Vienna, Austria:

- the Articles of Association;
- this Prospectus; and
- the Audited Consolidated Financial Statements.

The above documents are also available on the Issuer's website set up for purposes of this Prospectus (prospectus.rhimagnesita.com).

Major shareholders

The public register of the AFM identifies the following investors holding a substantial interest of 3 per cent or more in the Issuer's share capital and/or voting rights on 22 March 2019:

Shareholder	Number of Ordinary Shares	Percentage of voting rights(1)
MSP Stiftung(2)	14,076,021	28.45%
GP Investments IV Ltd.(3)	4,258,905	8.61%
E. Prinzessin zu Sayn-Wittgenstein-Berleburg(4)	2,088,461	8.44%
K.A. Winterstein(5)	2,088,461	0%
W. Winterstein(6)	1,590,000	3.21%

Notes:

(1) Percentages calculated on the basis of the number of shares obtained from the AFM register on 22 March 2019 or the Issuer (as indicated below).

(2) Information obtained from the Issuer. Held directly by MSP Stiftung and through a subsidiary. MSP Stiftung is a foundation under Liechtenstein law, whose founder is Mag. Martin Schlaff.

(3) Information obtained from the Issuer. Held through GP Capital Partners IV, L.P., Grafita Holdings, Inc and Alumina II Holdings S.À.R.L.

(4) The interest is held through Chestnut Beteiligungsgesellschaft mbH ("Chestnut"). Ms. Sayn-Wittgenstein made an agreement with Mr. Winterstein which allows Chestnut to exercise the voting rights of Silver Beteiligungsgesellschaft mbH ("Silver") in the Issuer. Ms. Sayn-Wittgenstein and Mr. Winterstein share a family relationship.

(5) The interest is held through Silver. Ms. Sayn-Wittgenstein made an agreement with Mr. Winterstein which allows Chestnut to exercise the voting rights of Silver in the Issuer. Ms. Sayn-Wittgenstein and Mr. Winterstein share a family relationship.

(5) Held directly and through FEWI Beteiligungsgesellschaft mbH.

These Shareholders do not have voting rights different from the other holders of Ordinary Shares.

Related party transactions

For a detailed description of the DAA which entitles Alumina to nominate one Non-Executive Director see described in "*Management and Corporate Governance of RHI Magnesita—The Board—Composition, appointment, term and dismissal*".

On 23 August 2018, the Issuer entered into an advisory agreement with Mr. Martin Schlaff, who is the founder of MSP Stiftung (a major Shareholder) and is a close relative of Mr. David Schlaff (a Non-Executive Director). Pursuant to this agreement, Mr. Martin Schlaff is engaged to advise the Issuer on potential transactions in countries in which it does not have strong business links. No consideration is payable under this agreement to Mr. Martin Schlaff.

For further information regarding related party transactions, see Note (61) to the 2018 Financial Statements, Note (63) to the 2017 Financial Statements and Note (65) to the 2016 Financial Statements.

Other than these, there are no arrangements or understanding between the Issuer and its major shareholders or the Issuer and the members of the administrative, management or supervisory bodies of the Issuer.

Security identification number of the Ordinary Shares

The Ordinary Shares are registered with ISIN code NL0012650360, SEDOL number BYZ2JR8. Upon effectiveness of Admission, the Ordinary Shares will be listed and traded on the Vienna Stock Exchange under the symbol "RHIM" and will continue to be listed on the Premium Listing and admitted to trading on the LSE under the symbol "RHIM".

Depositary

Computershare Investor Services PLC, with its offices on The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom, is acting as depositary for the Ordinary Shares.

GLOSSARY/DEFINITIONS

2016 Financial Statements	The audited consolidated financial statements of the RHI Group as of and for the year ended 31 December 2016.
2017 Financial Statements	The audited consolidated financial statements of the Group as of and for the year ended 31 December 2017.
2018 Financial Statements	The audited consolidated financial statements of the Group as of and for the year ended 31 December 2018.
Acquisition of Control	The acquisition, via an indirect wholly-owned subsidiary of the Issuer, 50 per cent plus one share and corresponding voting rights in Magnesita.
Admission	The admission of the Ordinary Shares to listing and trading on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange (Standard Market segment), which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU, as amended.
AFM	Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).
Alumina	Alumina Holdings LLC.
Annual Accounts	RHI Magnesita's annual accounts.
AOD	Argon oxygen decarburisation.
Articles of Association	The articles of association of the Issuer, as they read on the date of this Prospectus.
Audit and Compliance Committee	Audit and compliance committee of the Board.
Audited Consolidated Financial Statements	The audited consolidated financial statements of RHI Magnesita N.V. as of and for the years ended 31 December 2016, 2017 and 2018.
Board	The board of directors of the Issuer.
Board Rules	Board rules adopted by the Board.
BOF	Basic oxygen furnace(s).
Brazilian real or **BRL**	The legal currency of Brazil.
Brexit	United Kingdom leaving the European Union on without agreeing any transitional provisions to govern the United Kingdom's orderly withdrawal from the European Union and European Atomic Energy Community.
CAA	United States Clean Air Act.
CARF	Brazil's Administrative Council of Tax Appeals (*Conselho Administrativo de Recursos Fiscais*).
CCNL	Computershare Company Nominees Limited.
CEO	Chief Executive Officer of the Issuer.

Chairman	Chairman of the Board.
City Code	The UK City Code on Takeovers and Mergers.
CJA	The UK Criminal Justice Act 1993.
Claim	Any liability, claim, decision, penalty and loss relating to an indemnity agreement.
Clean Water Act	The U.S. Clean Water Act.
Conditional Awards	Awards granted under the LTIP with rights to receive free Ordinary Shares.
CREST	UK-based central securities depositary operating a paperless settlement procedure enabling securities to be evidenced otherwise than by a share certificate and transferred otherwise than by a written instrument.
Custodian	The custodian nominated by the Depositary.
DAA	Director Appointment and Relationship Agreement between the Issuer and Alumina pursuant to which Alumina will be entitled to nominate one Non-Executive Director under certain circumstances.
Depositary	CIS as CREST depositary.
Depositary Agreement	Agreement for the provision of depositary and custodial services as entered into between RHI Magnesita and the Depositary.
Depositary Interests	The dematerialised depositary interests representing entitlements to Ordinary Shares that can be settled electronically through and held in CREST, as issued by the Depositary, which holds the underlying securities on trust.
Deputy-Chairman	Deputy-chairman of the Board.
Directors	The Non-Executive Directors and the Executive Directors.
DNPM	National Department of Mineral Production (*Departamento Nacional de Produção Mineral*).
Dutch Corporate Governance Code	The corporate governance code of the Netherlands.
Dutch Financial Supervision Act	The Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder.
EAF	Electric arc furnaces.
EEA	European Economic Area.
ELD	Environmental Liability Directive 2004/35/EC.
Emission Directive	Directive 2003/87/EC on emission trading as amended most recently by decision (EU) 2015/1814 of the European Parliament.
Employee Nominated Directors	One-third of the Non-Executive Directors to be appointed by employee representatives who will sit on the Board.
Enterprise Chamber	Enterprise chamber of the court of appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*).

Envoy	Magnesita-Envoy Asia Ltd.
ETS	The EU Emissions Trading Scheme.
EUR or **euro**	The single legal currency adopted by certain participating member states of the European Union.
Executive Directors	The executive directors of the Issuer.
Exit Date	The applicable date of Brexit.
FCA	UK Financial Conduct Authority.
FLS	Full line supply.
FMA	Austria's Financial Market Authority (*Finanzmarktaufsicht*).
Forfeitable Shares	Awards granted under the LTIP with rights to receive Ordinary Shares issued or transferred at award which are forfeited to the extent the award lapses.
FRSA	The Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*).
GBP	The currency of the United Kingdom.
General Meeting	The annual general meeting of shareholders of the Issuer, being the corporate body or, where the context so requires, the physical meeting.
Group	RHI Magnesita and its consolidated subsidiaries and subsidiary undertakings from time to time.
IED	Industrial Emissions Directive 2010/75/EU on integrated pollution prevention and control of industrial emissions.
IFRS	International Financial Reporting Standards, as adopted by the European Union.
ISA	International Standards of Auditing.
Issuer or **RHI Magnesita**	RHI Magnesita N.V.
KMR	Krosaki Magnesita Refractories.
Kyoto Protocol	The Kyoto Protocol to the United Nations Framework Convention on Climate Change which entered into force in February 2005.
London Stock Exchange	London Stock Exchange plc.
LTIP	RHI Magnesita Long-Term Incentive Plan.
Magnesita	Magnesita Refratários S.A., a corporation incorporated under the laws of Brazil.
Magnesita Group	Magnesita and its consolidated subsidiaries.
MAR	Market Abuse Regulation (EU) No 596/2014.
Merger	The cross-border merger pursuant to which (i) RHI was merged into the Issuer and ceased to exist, (ii) the Issuer assumed all of RHI's contractual relationships, assets and liabilities under universal succession of title and (iii) RHI's shareholders

	received one newly issued Ordinary Share for each no-par value bearer share in the capital of RHI.
Nomination Committee	Nomination committee of the Board.
Non-Executive Directors	The non-executive directors of the Issuer.
NPDES	The U.S. National Pollutant Discharge Elimination System.
OFAC	The Office of Foreign Assets Control of the U.S. Department of the Treasury.
Options	Awards granted under the LTIP with options to acquire Ordinary Shares at an exercise price set at the time of award.
Ordinary Shares	The ordinary shares in the capital of RHI Magnesita N.V. with a nominal value of EUR 1 each.
Paris Agreement	The Paris Agreement dealing with greenhouse gas emission reduction measures that entered into force on 4 November 2016.
PDMRs	Persons discharging managerial responsibilities.
Premium Listing	The listing of the Ordinary Shares on the premium listing segment of the Official List of the UK Financial Conduct Authority.
Prospectus Directive	Directive 2003/71/EC of the European Parliament and the Council of the European Union and the amendments thereto (including those resulting from Directive 2010/73/EU).
REACH Regulation	The Registration, Evaluation, Authorisation and Restriction of Chemicals Regulation 2006/1907/EC as most recently amended in 2016 by Regulation 2016/1688.
Remuneration Committee	Remuneration committee of the Board.
Remuneration Policy	The Director's remuneration policy as adopted at the annual General Meeting held in 2018.
RHI	RHI AG, a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Austria.
RHI Group	RHI and its consolidated subsidiaries.
RHI Magnesita or **Issuer**	RHI Magnesita N.V.
R&D	Research and development.
Shareholder	A holder of Ordinary Shares and includes, where the context so permits, a person entitled to a Depositary Interest.
Short Selling Regulation	Regulation (EU) No. 236/2012 of the European Parliament and of the Council of the European Union of March 2012 on short selling and certain aspects of credit default swaps.
Sinterco	Sinterco SA.
UK	United Kingdom.
UK Corporate Governance Code	United Kingdom corporate governance code.
USD or **U.S. dollar**	The currency of the United States of America.

Vienna Stock Exchange	The Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange (Standard Market segment), which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU, as amended.
WHT	Withholding tax.

ISSUER

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