



Befesa Business Update – June 2018

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Q1 2018 figures contained in this presentation have not been audited.



CEO since 2000

Javier Molina

CEO



CFO since 2014

Wolf Lehmann

CFO; including responsibilities for Operational Excellence and IT



Since 2008

Rafael Pérez

Director of Investor Relations & Strategy

▪ **Leading the company since 1994**

- **20+ years in finance and operational leadership roles**
- **50/50 General Electric / Private Equity**

▪ **Director of Investor Relations and Strategy of Befesa since 2008**

- Solid start of 2018 with €44.5m EBITDA / €37.2m EBIT in Q1 '18, both up +7% YoY... driven mainly by higher volumes and continued favorable price environment
- Consecutive run rate growth ... LTM⁽¹⁾ Q1 '18 revenue of €747m, Adj. EBITDA of €175m and Adj. EBIT of €146m
- Stable capital structure and slightly reduced leverage⁽²⁾ down to 2.3x (compared to 2.4x in YE 2017 or 3.5x at YE 2016)
- Extended hedges to cover up to 1H 2021; Prices secured above €2,200/t ... Improving visibility of earnings and cash flows for the next ~3 years
- Distributed 2017 dividend at upper end of 40-50% target range of reported Net Profit ... Equal to €0.73 per share
- Free Float increased from approx. 47.5% to 56.3% due to funds advised by Triton selling approx. 3 million shares to institutional investors on March 20
- Outlook 2018 confirmed
- Implementation of the next set of organic growth initiatives on track ... Continuing to fund the company's successful development in 2019 & beyond

Accelerated top- and bottom-line growth through a well-defined strategy

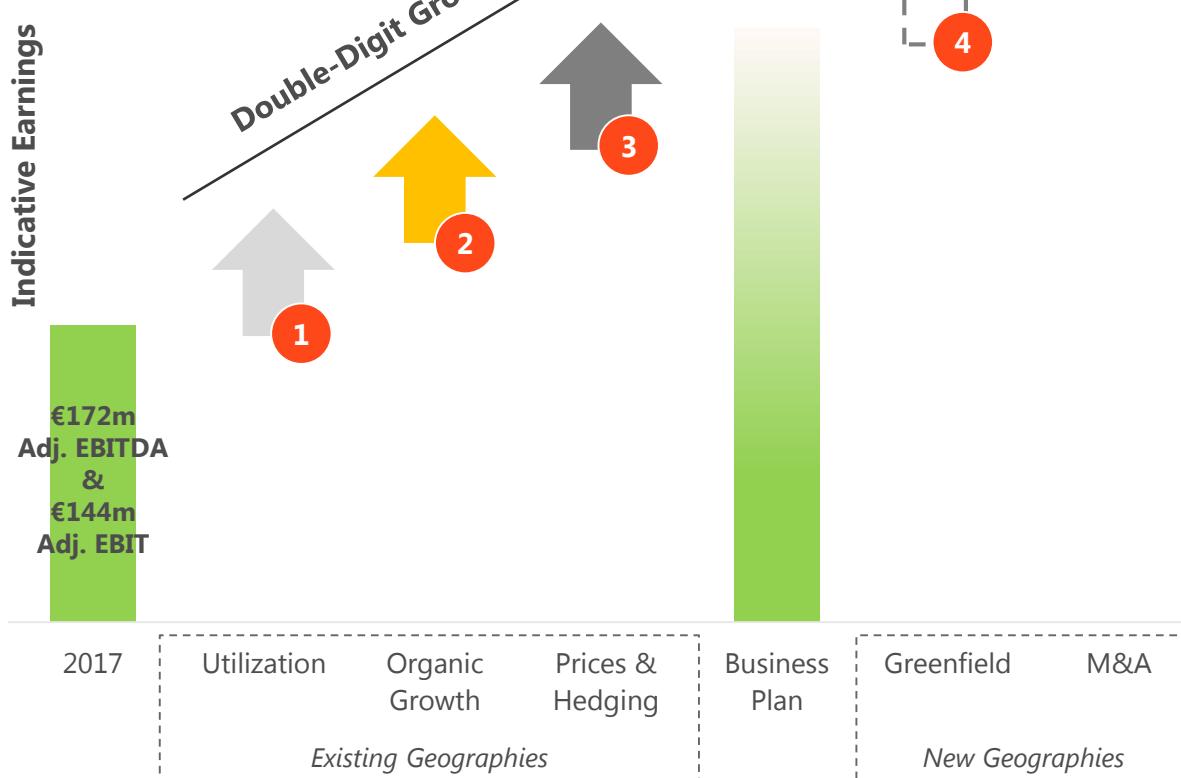
Q1 Results within Expectations ...

Maintaining 2018 Guidance

- 2017 to **2018 growing** but rather **single digit** ...

New capacities coming online 2019 onwards (not 2018)

- **Mid-term continuing double-digit growth** ...



1 Utilization

- Increase plant utilization of prior year growth investments ... mainly Steel Dust Korea

2 Organic Growth

2018 Focus:

- Steel Dust:
 - Expand Turkey +45kt
 - Korea washing plant
- Alu Salt Slags:
 - Change to tilting furnaces
 - Expand Hannover +40kt

3 Prices & Hedging

- 2018: 92.4kt at €2,051
- 2019: 92.4kt at €2,306
- 2020: 92.4kt at €2,245
- 1H21: 46.2kt at €2,230

4 Greenfield

- Monitoring growth opportunities and regulatory framework in new geographies, e.g. South East Asia, China, Russia

5 M&A Opportunities

1

Update since IPO

2

Q1 2018 Update

3

Befesa Overview
(Investment Highlights)

Befesa's share price has developed positively since the IPO outperforming DAX / SDAX indices ... Free-float increased to 56.3%

Performance of Befesa Share vs. Market⁽¹⁾



November 3, 2017
Over the course of the first day of trading, the share price rose more than 13%, closing at €31.77

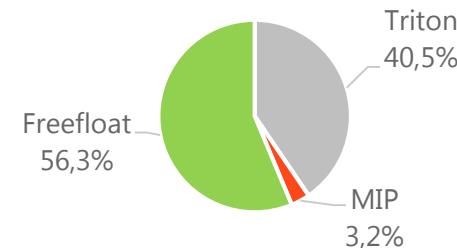
December 29, 2017
As of December 29, 2017, the share price amounted to €40.25. This is an increase of 43.8% since November 3, 2017, compared to the issue price

March 29, 2018
As of March 29, 2018, the share price amounted to €42.00. This represents an increase of 4.3% vs. YE '17 and 50% increase compared to the issue price in November 3, 2017

Key Highlights

- Befesa share developed positively, closing Q1 2018 at €42.00, up by +50% (vs. the issue price) ... +4% (vs. price at YE '17) backed by **strong operational performance**
- Still significant **share price upside potential** to broker target price
- **Strong broker consensus** with **all brokers** giving a **buy recommendation** (7 in total)⁽²⁾
- Additional upside from **extended hedging activity** and **new growth project**
- Befesa shares **outperformed** the **benchmark stock market indices DAX** as well as **SDAX since IPO**

Ownership post IPO⁽³⁾



Hedging program in place covering up to and including mid 2021 ...

Improving visibility of earnings and cash flows for the next 3 years

Market Zinc Price vs. Zinc Hedge (\$/ton)



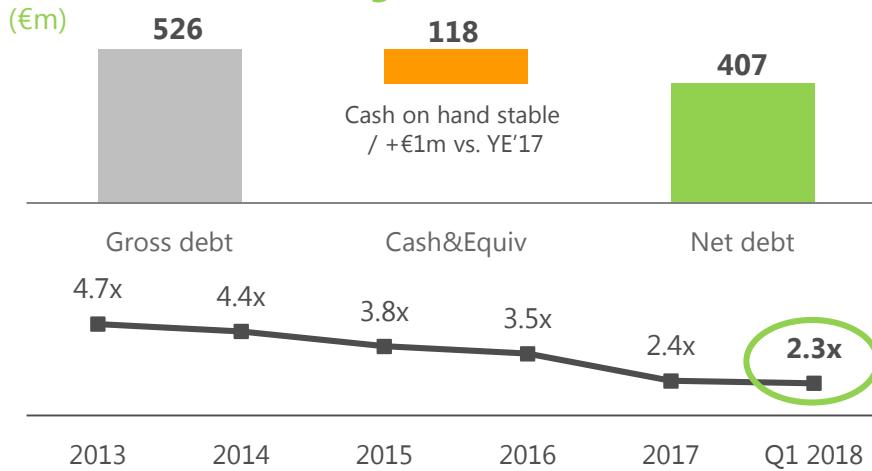
- **Extended hedging period to cover up to mid 2021**
- **Increased volume coverage ...**
Higher volume of 7.7 kt/month or 92.4 kt/year (vs previous 6.1 kt/month or 73.2 kt/year) ...
approx. 70% of zinc equivalent payable output
- **Strong hedge price levels** of €2,306/t in 2019, €2,245/t in 2020, and €2,230/t in H1 2021

Period	Average hedged price €/t	Zinc content hedged (tons)
2017	€1,876	73,200
2018	€2,051	92,400
2019	€2,306	92,400
2020	€2,245	92,400
1H 2021	€2,230	46,200

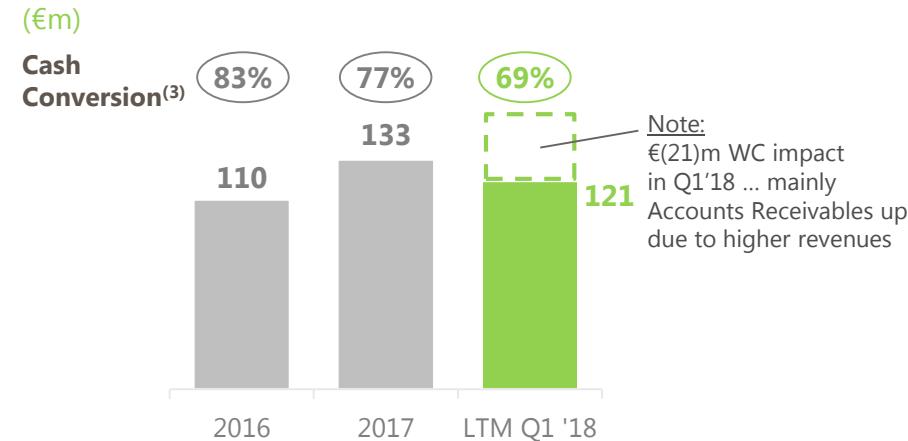
- Using the 2017 average LME market price (€2,572) for **2018** for the un-hedged expected volumes (~30%) ... the **blended** average zinc price **would translate to ~€2,207** per ton ...
2017 blended avg. zinc price at €2,160 per ton
- Hedging **without** Befesa providing **collateral / no margin calls**

Stable capital structure and slightly reduced leverage to 2.3x at close Q1 '18 ...

Net Debt and Leverage Rate Evolution⁽¹⁾



Free Cash Flow⁽²⁾



Capital Structure

- Moody's and S&P credit ratings for Befesa S.A. of Ba3 / BB- ... Unchanged from year end; Up from B2 / B, pre IPO
- €636m New Senior Facilities Agreement since Dec. 7, 2017:
 - **€526m Term Loan B – covenant lite; Euribor +2.75% / no floor; 5 year term; all bullet / no amortization;**
 - €75m RCF ... Euribor +2.50% / no floor;
 - €35m Guarantee Line; max 1.75%
- **Variable to fix interest swap** on 60% of the new Term Loan B
- **Reduced annual run rate of interest costs and debt service by approx. 60%** ... to less than <€20 per year

- **Cash flow performance in Q1 ...**
After paying taxes of €4.8m, interests of €3.4m, funding maintenance, productivity and compliance capex of €7.5m ...
... cash on hand increased by +€25m / +26% YoY
- **... €118m cash position at close Q1 '18**
- **Strong free cash flow generation run rate due to low maintenance requirements providing funds for growth**

Financial Calendar

- ✓ **Monday, February 19, 2018:**
Publication of Preliminary Earnings Full Year 2017
- ✓ **Thursday, March 15, 2018:**
Publication of Report Full Year 2017 & Analyst Call
- ✓ **Thursday, April 26, 2018:**
Annual General Meeting in Luxembourg
- ✓ **Thursday, May 24, 2018:**
Publication of Statement Q1 2018 & Analyst Call
- **Thursday, August 30, 2018:**
Publication of Interim Report H1 2018 & Analyst Call
- **Thursday, Nov 22, 2018:**
Publication of Statement Q3 2018 & Analyst Call

IR Contact

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Meet Befesa ...

- ✓ **January 8-9, 2018 - Commerzbank**
New York, German Investment Seminar
- ✓ **March 8, 2018 - Citibank**
London, Global Resources Conference
- ✓ **March 16, 2018 - Citibank**
London, Pan-European Business Serv. Conference
- **June 6-8, 2018 - Deutsche Bank**
Berlin, dbAccess Berlin Conference
- **Sept 11-13, 2018 - JP Morgan**
London, Small and Mid Caps Europe
- **Sept 24-26, 2018 - Berenberg & Goldman Sachs**
Munich, German Corporate Conference
- **Oct 1, 2018 - Berenberg**
Milan, Berenberg Milan Seminar
- **Dec 3-6, 2018 - Berenberg**
London, Pennyhill European Conference
- **January 2019 - Commerzbank**
New York, German Investment Seminar
- **Feb 5-6, 2019 - HSBC**
Frankfurt, 14th ESG Investor Conference
- **Q1 2019 - Santander**
Madrid, Annual Investor Conference

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Q1 2018 Update

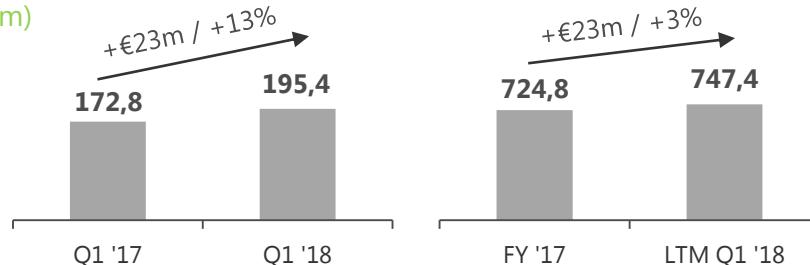
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Befesa Overview
(Investment Highlights)

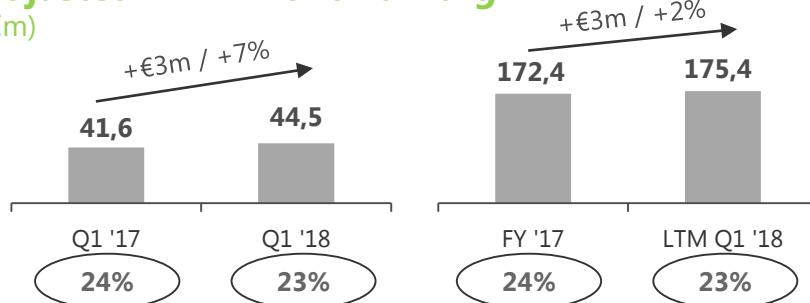
Continued solid growth; Earnings Q1 YoY up +7% ...

Befesa LTM run rate at €747m Revenue, €175m Adj. EBITDA / €146m Adj. EBIT

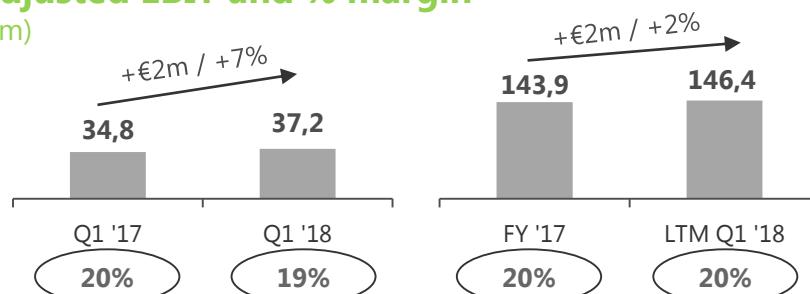
Revenue (\$m)



Adjusted EBITDA and % margin⁽¹⁾ (\$m)



Adjusted EBIT and % margin⁽¹⁾ (\$m)

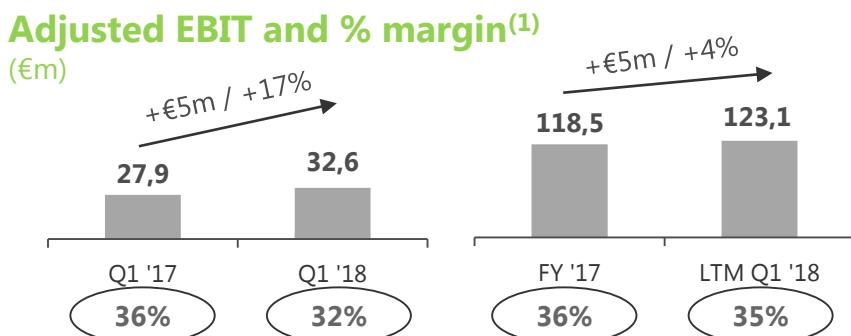
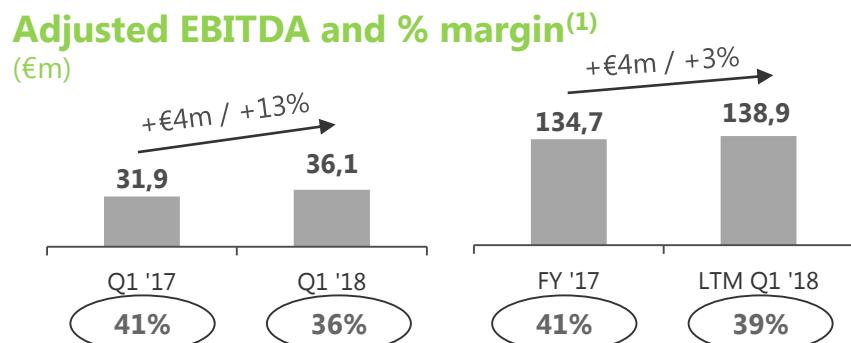
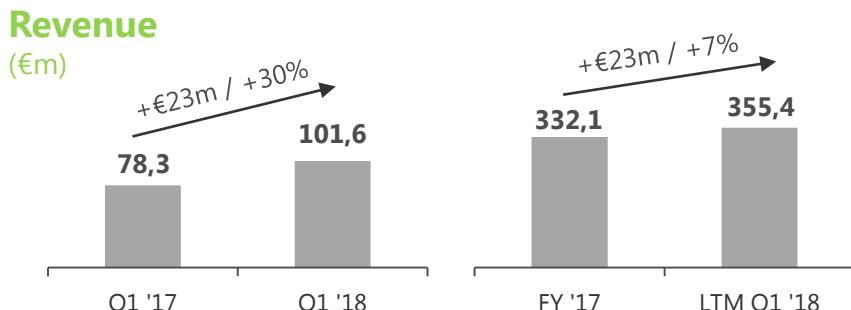


Highlights

- **Q1 '18 revenue** increased +€23m / +13% YoY ... primarily due to:
 - **higher volumes in both core segments**
+20% steel dust throughput ...
+3% salt slags & SPL recycled
 - **higher prices** for both **zinc** (blended zinc price increased +6% YoY) and **aluminium alloys** (average market prices +4% YoY)
- **Q1 '18 earnings** increased to **€44.5m / +7% YoY**
Adjusted EBITDA (23% of revenue) ...
€37.2m / +7% YoY Adj. EBIT (19% of revenue)
... driven by strong volumes in both core segments, and favorable zinc & aluminium prices
... partially offset by non-core activities:
 - a) 2nd Alu with lower metal margin, expected to recover over the coming quarters;
 - b) temporary shutdown in Stainless plant in Sweden to implement an operational excellence improvement in Q1 '18
- **LTM run rate growth** to **€747m Revenue, €175m Adjusted EBITDA** and **€146m Adjusted EBIT** ... driven by higher run rate volumes and favorable prices

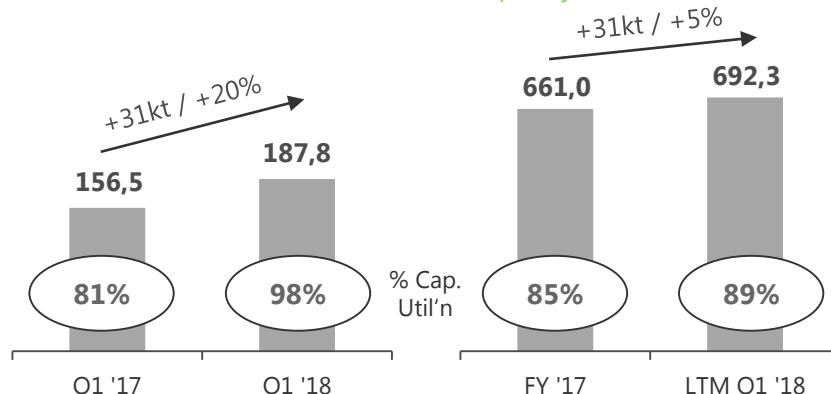
(1) Adjusted EBIT(DA) have been calculated based on the reported operating result adjusted for holding, restructuring and other one-time effects;
Adjusted EBIT(DA) margin is calculated as the ratio of Adjusted EBIT(DA) to Revenue.

YoY double-digit increase in revenues & earnings driven by higher EAFD throughput and continued favorable zinc price environment ...



EAFD Throughput & Capacity Utilization

(thousand tons, % of annual installed capacity)



Prices

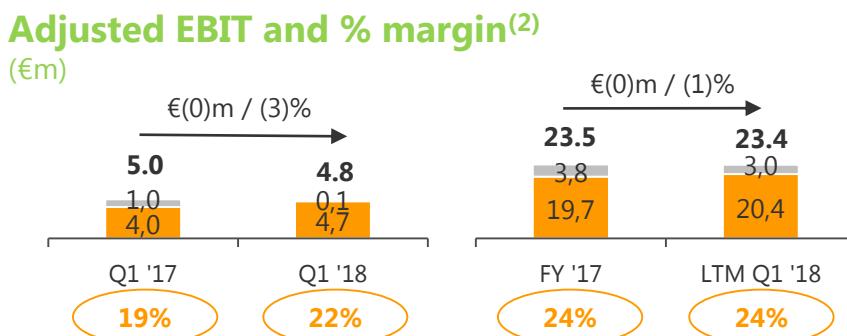
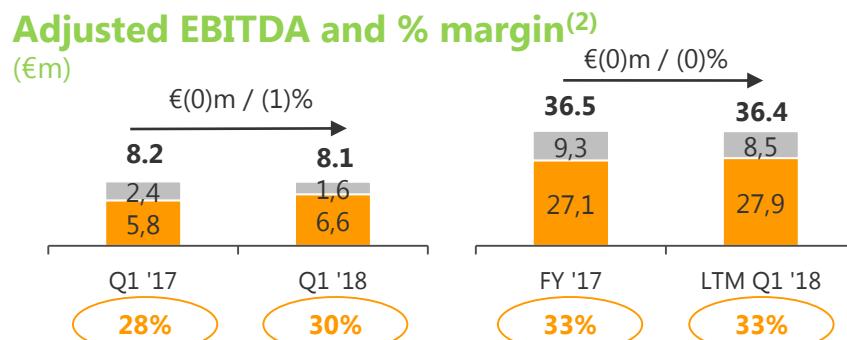
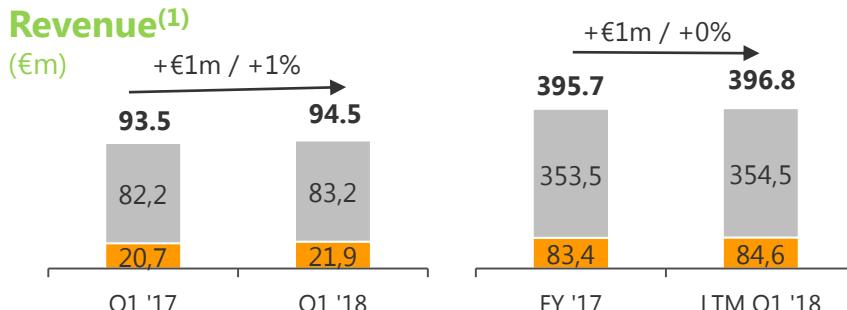
(€ per ton)

	Q1 2017	Q1 2018	% Var.	FY 2017
Befesa blended (*zinc price (€/t)	2,171	2,299	+6%	2,160
LME avg. price (€/t)	2,612	2,776	+6%	2,572

(*) Blended rate between hedged prices and average spot prices, weighted by the respective hedged and non-hedged volumes, reflecting the effective price to Befesa.

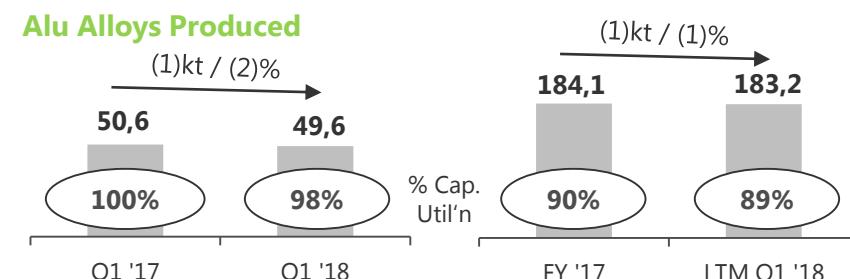
Alu Salt Slags approx. flat YoY ...

Moderate volume growth in Salt Slags partially offset in 2nd Alu



Volumes & Capacity Utilization

(thousand tons, % of annual installed capacity)



Prices

(€ per ton)

	Q1 2017	Q1 2018	% Var.	FY 2017
Alu alloy avg. price (*) (€/t)	1,765	1,833	+4%	1,766

(*) Aluminium Scrap and Foundry Ingots Aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin Free Market Duty paid delivered works.

Salt Slags sub-segment

Secondary Aluminium sub-segment

1

Update since IPO

2

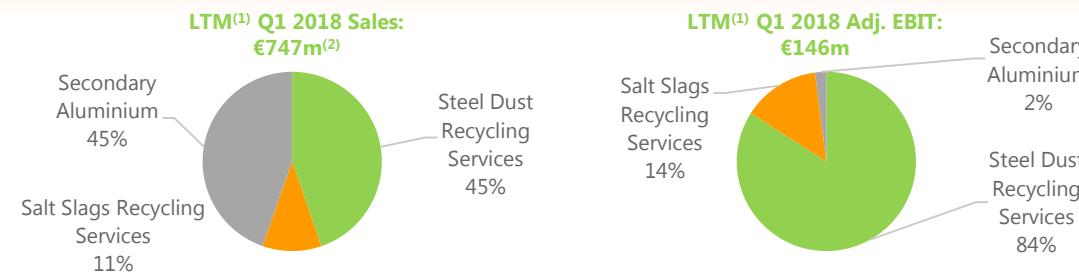
Q1 2018 Update

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Befesa Overview
(Investment Highlights)

Befesa – European market leader in providing mission critical hazardous waste recycling services to the steel and aluminium industry

BEFESA



More than 90% of EBIT generated from two core >20% EBIT margin operations with low capital intensity

Steel Dust Recycling Services⁽³⁾



Position in Europe (c. 45–50% market share) and Asia⁽⁵⁾

35%

Adj. EBIT Margin (LTM⁽¹⁾ Q1 2018)⁽³⁾

Relationships
>15yrs



Aluminium Salt Slags Recycling Services



Position in Europe in Salt Slags (c. 45–50% market share)

24%

Adj. EBIT Margin in Salt Slags (LTM⁽¹⁾ Q1 2018)⁽⁴⁾

Relationships
>15yrs

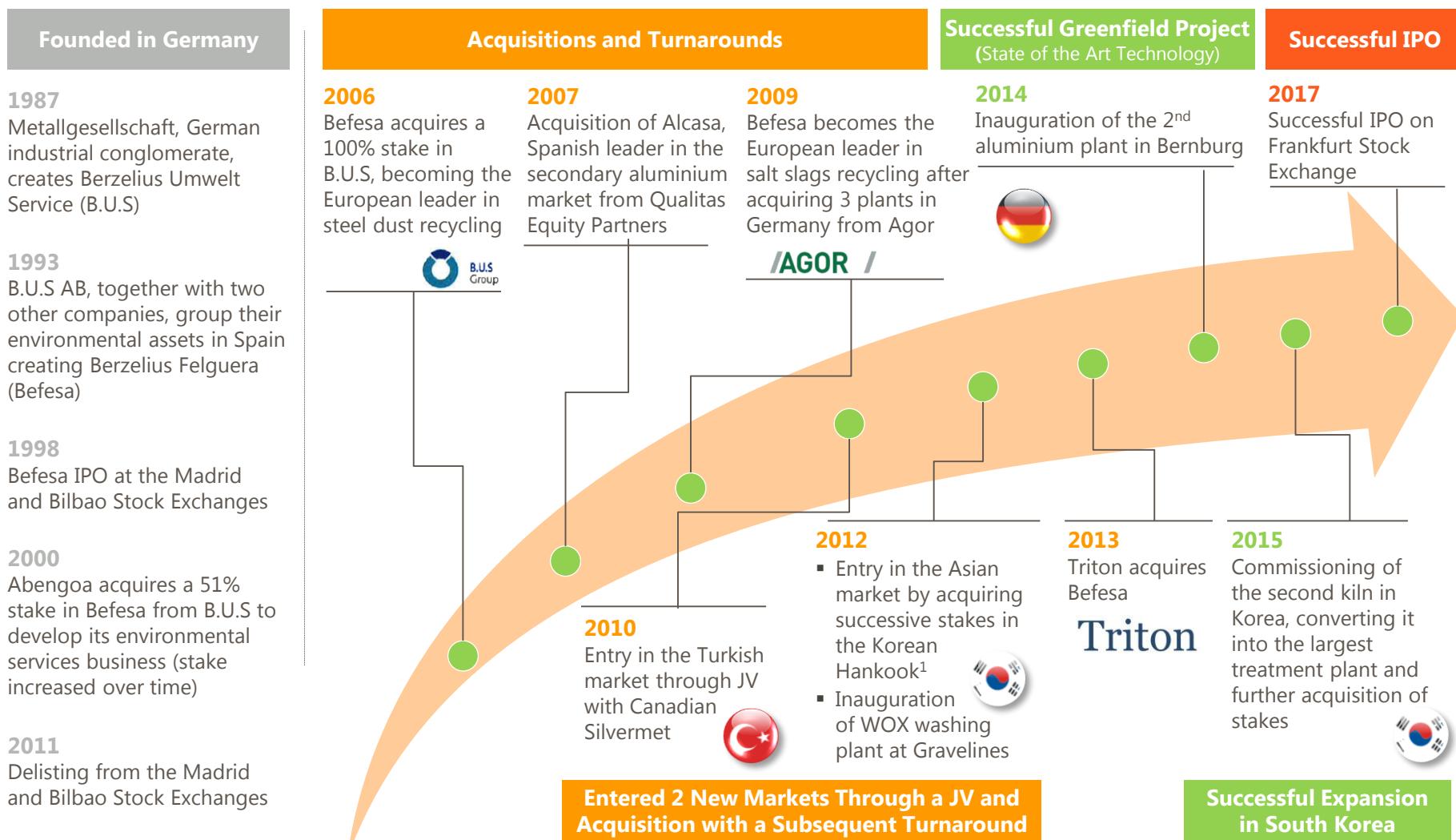


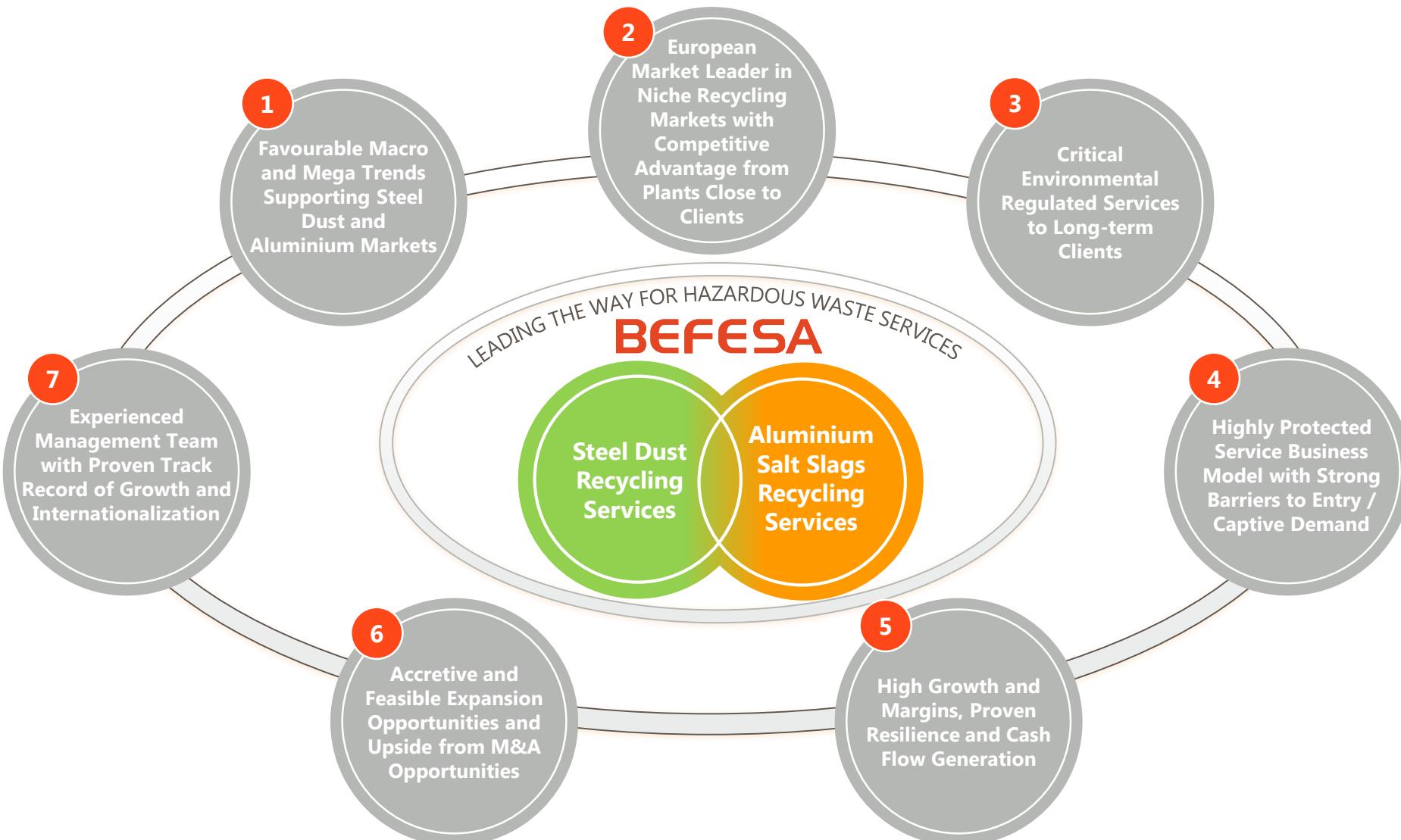
Source: Company information, International Consulting Firm based on i.a. World Steel Association's Steel Statistical Yearbooks, WBMS, industry research, expert Interviews.

(1) LTM stands for Last Twelve Months. (2) Excluding internal sales; sales split is calculated on revenues including internal revenues. (3) Including stainless steel.

(4) Including recycling of Spent Pot Linings (SPLs) which is a hazardous waste generated in primary aluminium production. (5) Excluding China.

Befesa has grown successfully through organic initiatives and acquisitions





Growing global middle class coupled with evident sustainability trends will further enhance the demand for steel and aluminium production and subsequent waste recovery globally

Favorable Macro and Mega Trends...



From 2005–2014
manufacturing activities were enhanced across the world

...Driving Increasing Demand...



Global Secondary Alu Production (in mt)



...Combined with Favorable Industry Trends...

Steel Dust More Valuable

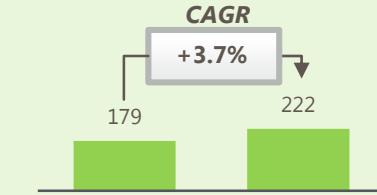
Use of zinc for galvanization/total zinc consumption (%)



Increased galvanization of steel driven by automotive and construction industry, leads to **increased zinc content in scrap**

More Aluminium Scrap

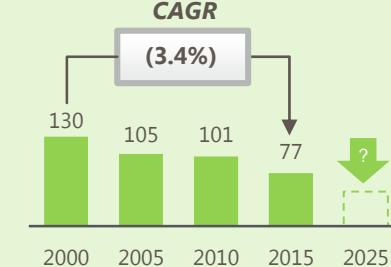
Kg of aluminium per light vehicle



Higher usage of aluminium in light vehicles drives aluminium demand increasing future scrap

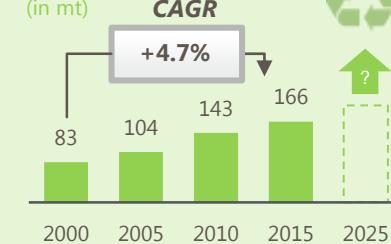
...Supported by Increasing Trend Towards Recycling

Landfilled Waste in OECD Countries (in mt)



Driven by environmental regulations and increasing landfill costs

Recycled Waste in OECD Countries (in mt)



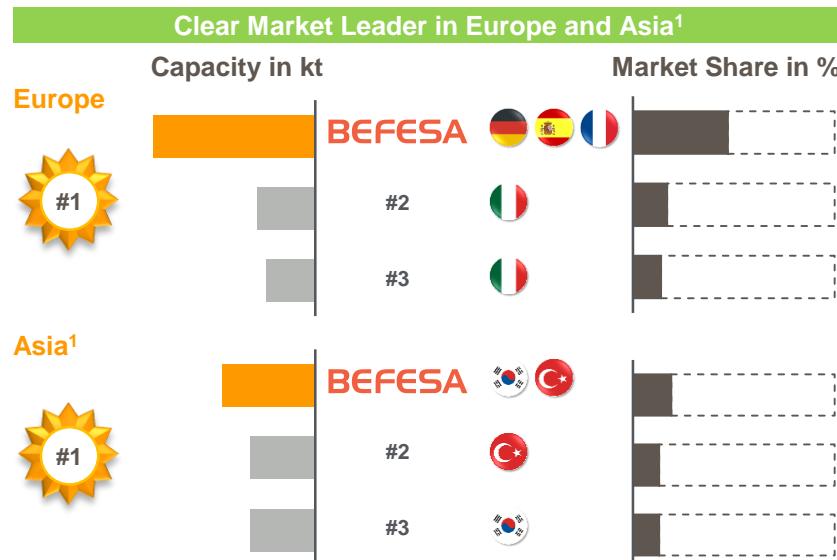
Especially hazardous waste contains valuable metals

Supported by Favorable and Strictly Enforced Environmental Regulations

Befesa is the market leader in steel dust and salt slags recycling services with a competitive advantage due to its close proximity to key clients

Established Market Leader

Steel Dust Recycling Services

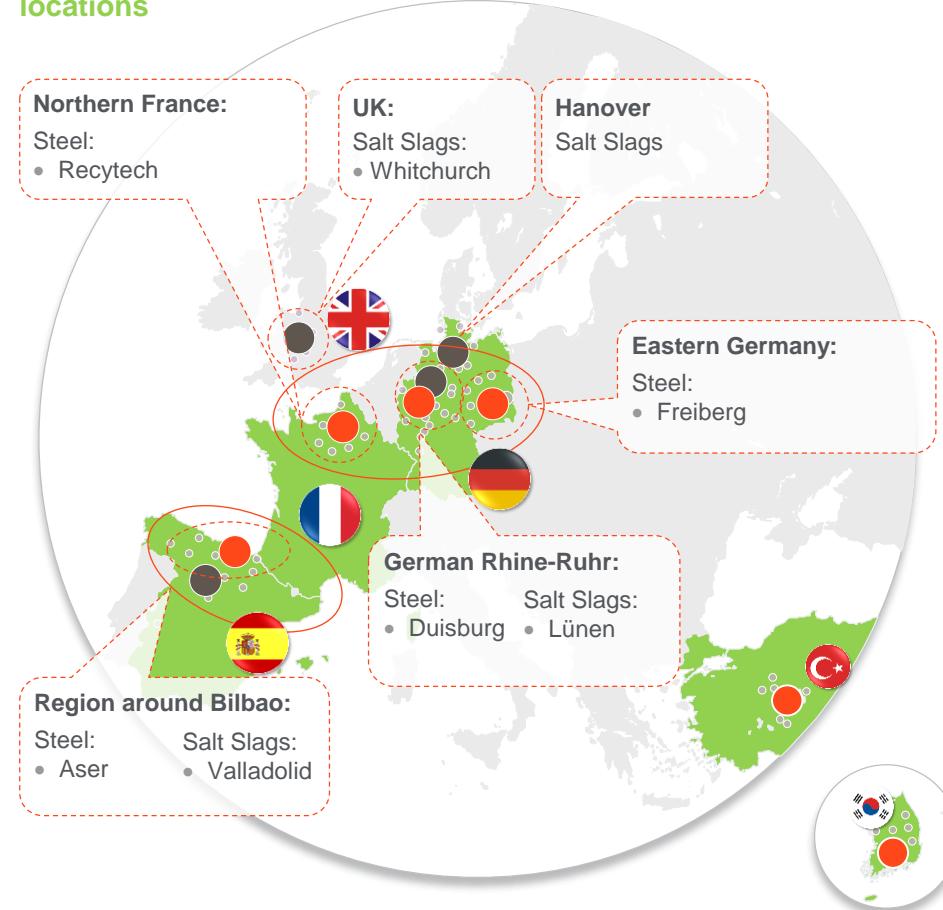


Salt Slags Recycling Services



Proximity to Clients Provides Strong Competitive Advantage

Each Befesa plant usually collects waste from at least 10-15 client locations



● Crude Steel Plants ● Salt Slags Plants ● Clients

Befesa offers a crucial service taking care of highly regulated hazardous waste in the value chain of secondary steel and aluminium producers

Steel Dust Value Chain



Electric Arc Furnace (EAF)
Global Steel Producer (Mini-Mills/Scrap Recyclers)

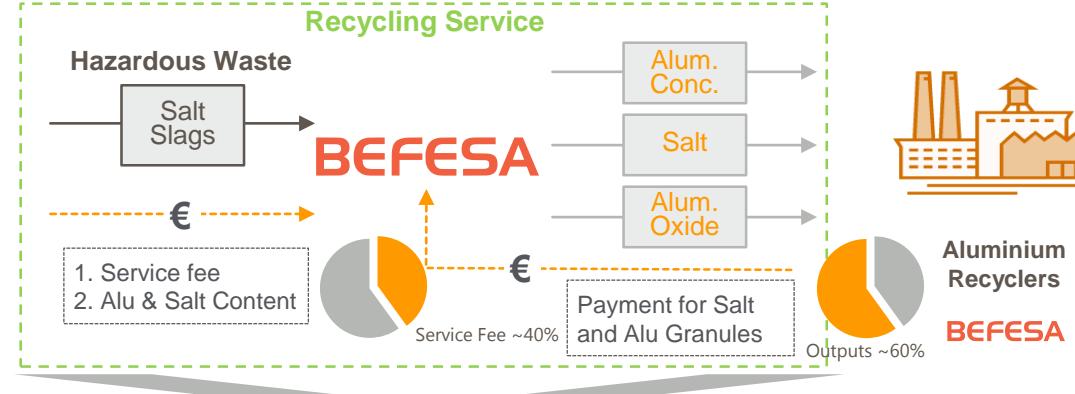


Salt Slags Value Chain



Aluminium Recyclers

BEFESA



- Befesa collects and recycles hazardous waste from steel producers and aluminium recyclers
- Recycling is mandatory for Befesa's clients due to environmental regulations
- Befesa takes off and effectively takes care of environmental liability for their clients
- Without timely and regulatory compliant offtake of hazardous waste clients face risk of complete shut-down of production as well as severe penalty payments
- Befesa therefore offers a critical element of its clients value chain

Consequences of Non-Compliance

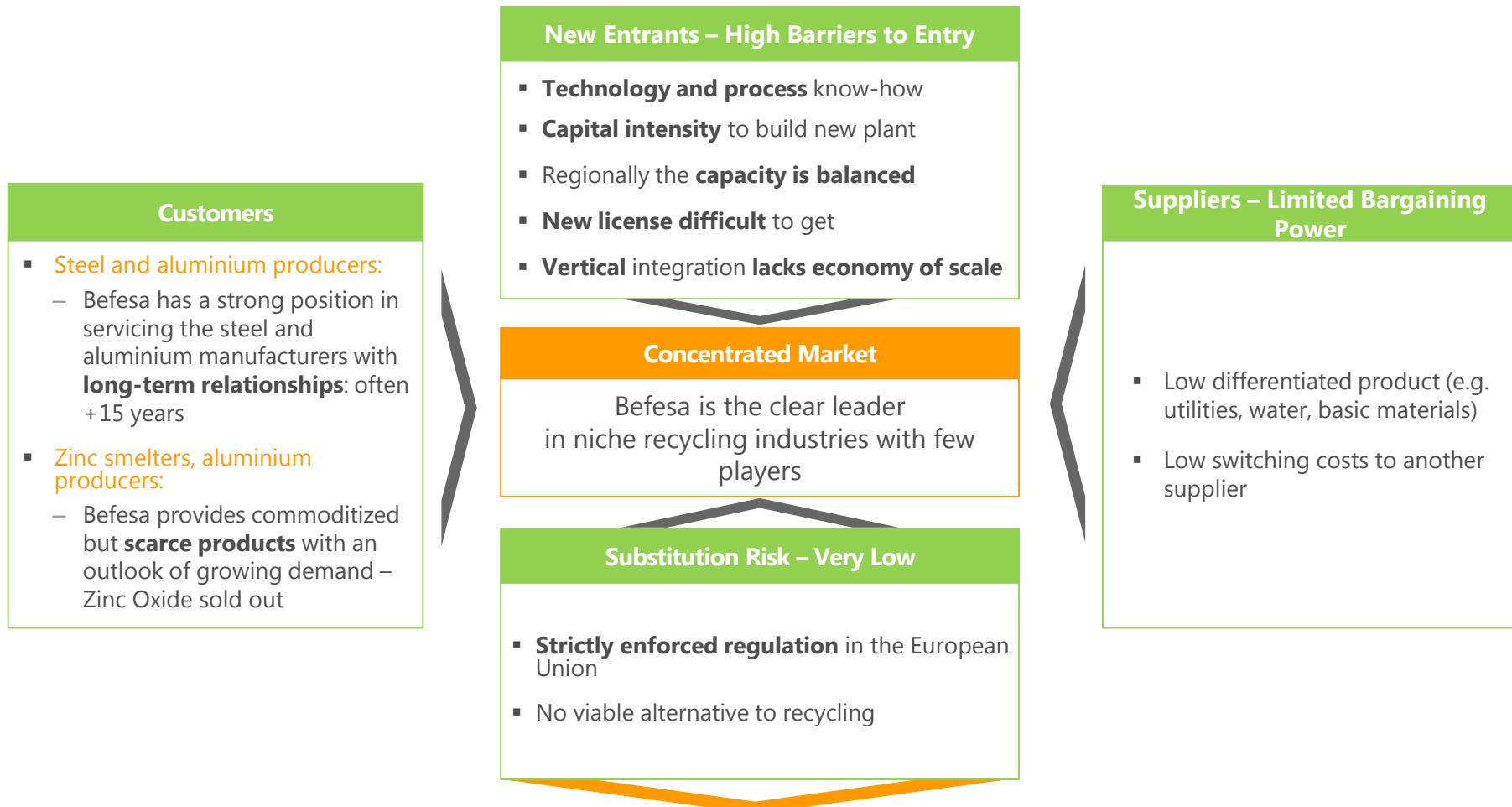
- Major European steel producer struggles with large plant (producing 8% of European steel) due to breaching environmental regulations (contamination of environment)
- Court ordered to partly shut down the plant
- Owner prompted to invest \$3.8bn to bring the plant back to required standards

- In 2002 the owners of a metal foundry in Italy faced prison time for illegal transport and landfilling of hazardous waste

- In 2004 a big aluminium refinery in Italy abandoned 450kt of hazardous waste in the open air over half an hectare
- More than 10 years later the local administration is still collecting funds to proceed to the removal and cleaning of the area

- In 2011 a big producer of aluminium alloys in Spain was involved in the transport without authorisation and illegal landfilling of 1.5kt of salt slags on a vacant lot
- Befesa was ultimately contracted to treat the waste properly

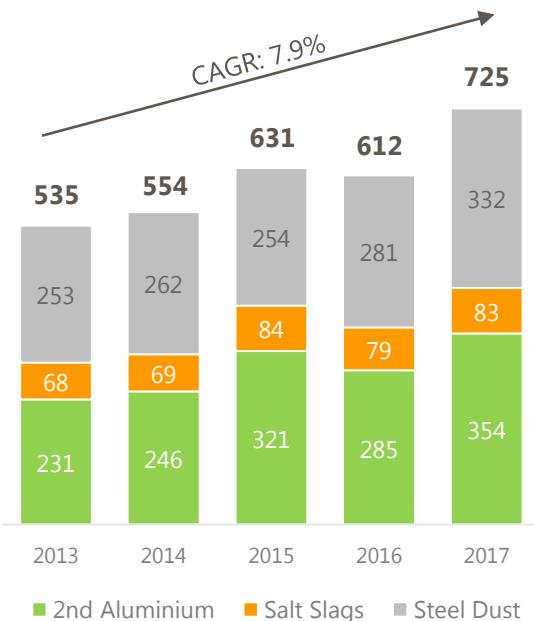
Befesa's services business is inherently protected by high barriers to entry



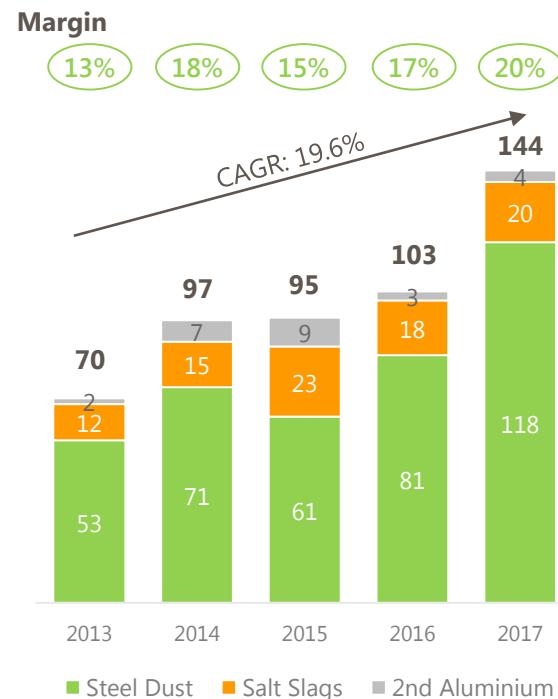
High Entry Barriers and Regulatory Certainty Around Recycling Services Provide a Highly Defendable Market Position for Befesa

Attractive growth track record with stable margins and strong cash generation

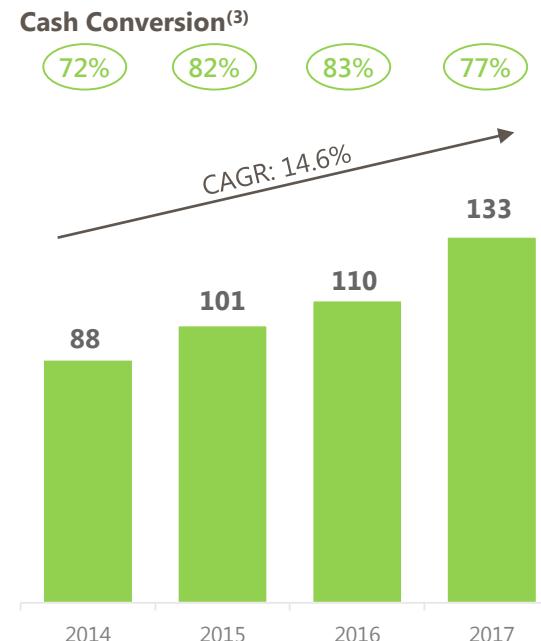
Sales⁽¹⁾
(€m)



Adj. EBIT
(€m)



Free Cash Flow⁽²⁾
(€m)



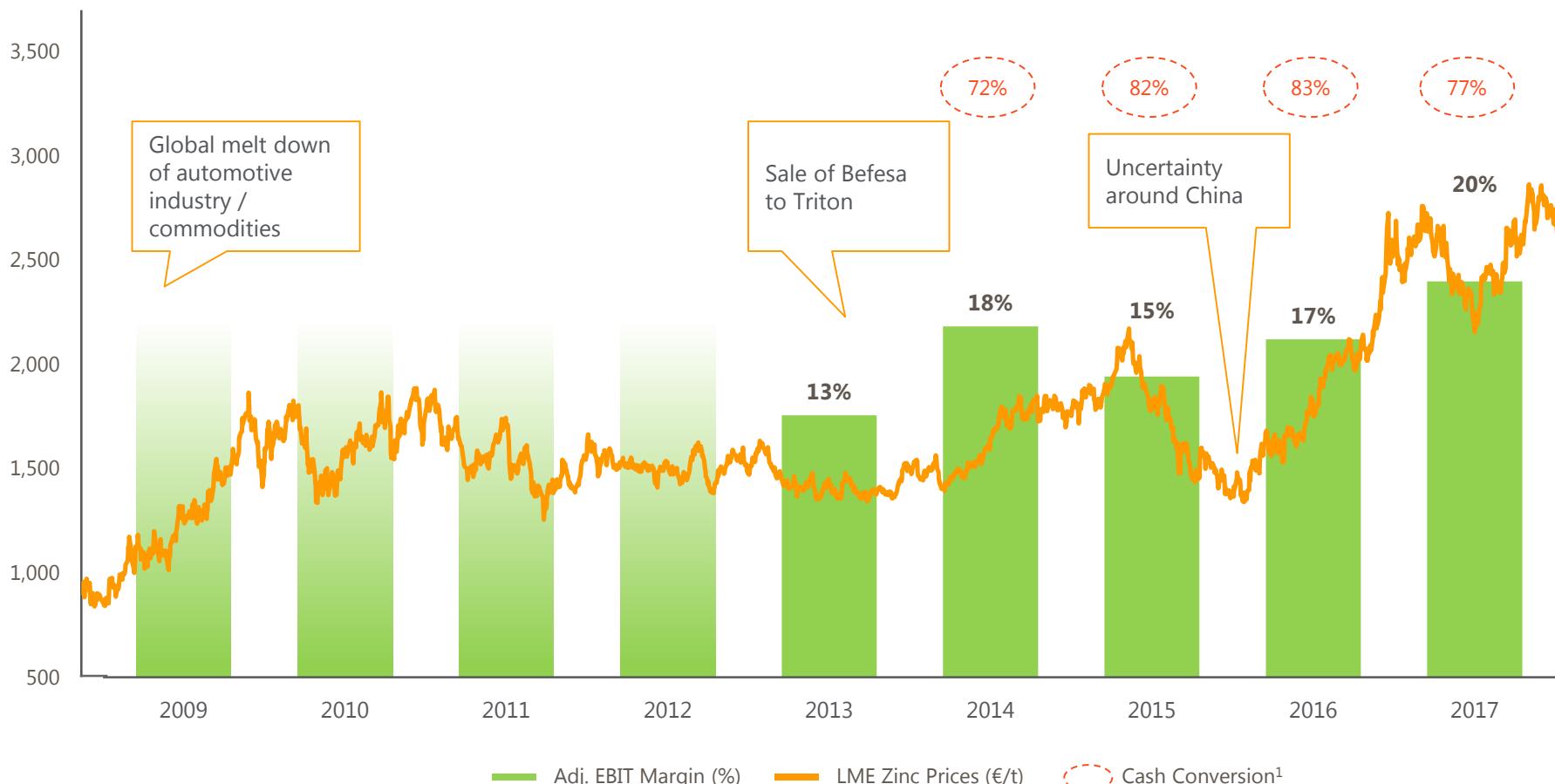
Robust sales growth underpinned by sustainable increase in volumes and acceleration in growth in 2017

Low capital intensity exemplified by low, stable D&A and high Adj. EBIT margin

Strong and stable free cash flow generation due to low maintenance requirements providing funds for growth

Proven margin stability despite volatile commodity prices – testament to successful service-focused business model and prudent hedging policy

Adj. EBIT Margin / Zinc Price
(in %, €/t)



Befesa is a service company managing and reducing exposure to commodity prices

Portfolio Mix

- Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services **with limited correlation**
- In 2015–2017 zinc and aluminium prices have shown **inverse margin trends**

Collection Fee

- Steel dust collection fee (~10-20% revenues) **influenced inversely by zinc prices**
- Salt slags collection fee (~40% revenues) **uncorrelated to aluminium prices**

Salt Slags

- **Low to no commodity risk** as recycled aluminium concentrates used for own production and only recycled salt sold externally (~20% of segment revenues)

Secondary Aluminium

- **“Natural hedge”** as aluminium is both an input (COGS) and an output (sales). Further, own secondary production highly complementary to salt slags business

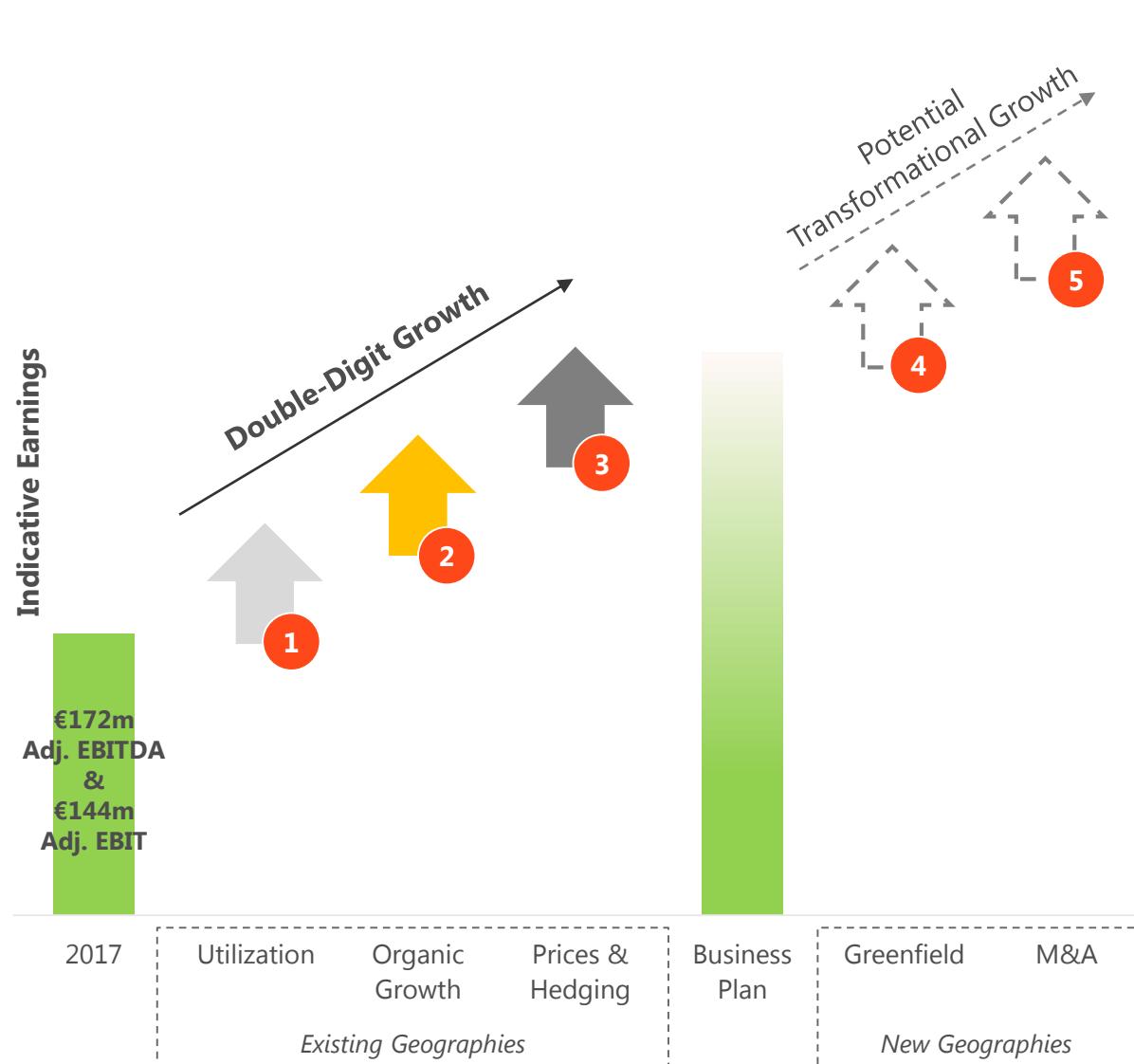
Zinc Floor

- **Marginal cost of mines has been steadily increasing** as old low cost mines are shut down; floor price for zinc (reduces volatility) further supported by supply/demand shortages
- Zinc price floor estimated to be around €2,000-2,100 per ton for next years

Hedging

- Befesa reduces earnings variability by buying floors and swaps (24-48 months out) providing for minimum **floor EBIT with additional upside**
- Zinc price volatility: Average inter annual swings of ~10-12% since 2008

Accelerated top- and bottom-line growth through a well-defined strategy



1 Utilization

- Increase plant utilization of prior year growth investments ... mainly Steel Dust Korea

2 Organic Growth

2018 Focus:

- Steel Dust:
 - Expand Turkey +45kt
 - Korea washing plant
- Alu Salt Slags:
 - Change to tilting furnaces
 - Expand Hannover +40kt

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4 Greenfield

- Monitoring growth opportunities and regulatory framework in new geographies, e.g. South East Asia, China, Russia

5 M&A Opportunities

Senior management team delivering results through long standing industry expertise, entrepreneurial spirit and focus on operational excellence as well as governance and compliance processes



Javier Molina
CEO

CEO since 2000

Has run Befesa for >15 Years
Became President of Abengoa's Environmental Services Division in 1994



Asier Zarraonandia
Vice President
Steel Dust Recycling Services

16 years with Befesa

Has run the Steel Dust Recycling Services Business for >10 Years



CFO since 2014

20+ years in finance and operational leadership roles
50/50 General Electric / Private Equity



25 years with Befesa

Has run the Aluminium Salt Slags Recycling Service Business for >15 Years

Wolf Lehmann
CFO; including responsibilities for Operational Excellence and IT

Key Achievements/Track Record



Extensive experience in steel and aluminium recycling business



Strong performance results through focus on operational excellence



Building strong business foundation of ESG, compliance and health & safety processes



Successful international expansion



Track record of successful acquisitions and turnarounds (BUS, Agor, Alcasa, Hankook, Silvermet etc.)



Experience in developing greenfield projects (South Korea, Gravelines, Bernburg)