

BEFESA



COMMERZBANK



Befesa Presentation
Commerzbank German Investment Seminar January 2019

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CEO since 2000

Javier Molina

CEO

- **Leading the company since 1994**



CFO since 2014

Wolf Lehmann

CFO; including responsibilities for Operational Excellence and IT

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



Since 2008

Rafael Pérez

Director of Investor Relations & Strategy

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

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Recent Developments

2

Q3 2018 Update

3

Befesa Overview
(Investment Highlights)

➤ Achieved good results 9M 2018 with +2% earnings growth YoY; S-DAX entry

➤ Zinc hedges in place until July 2021; Providing ~3 years of improved visibility

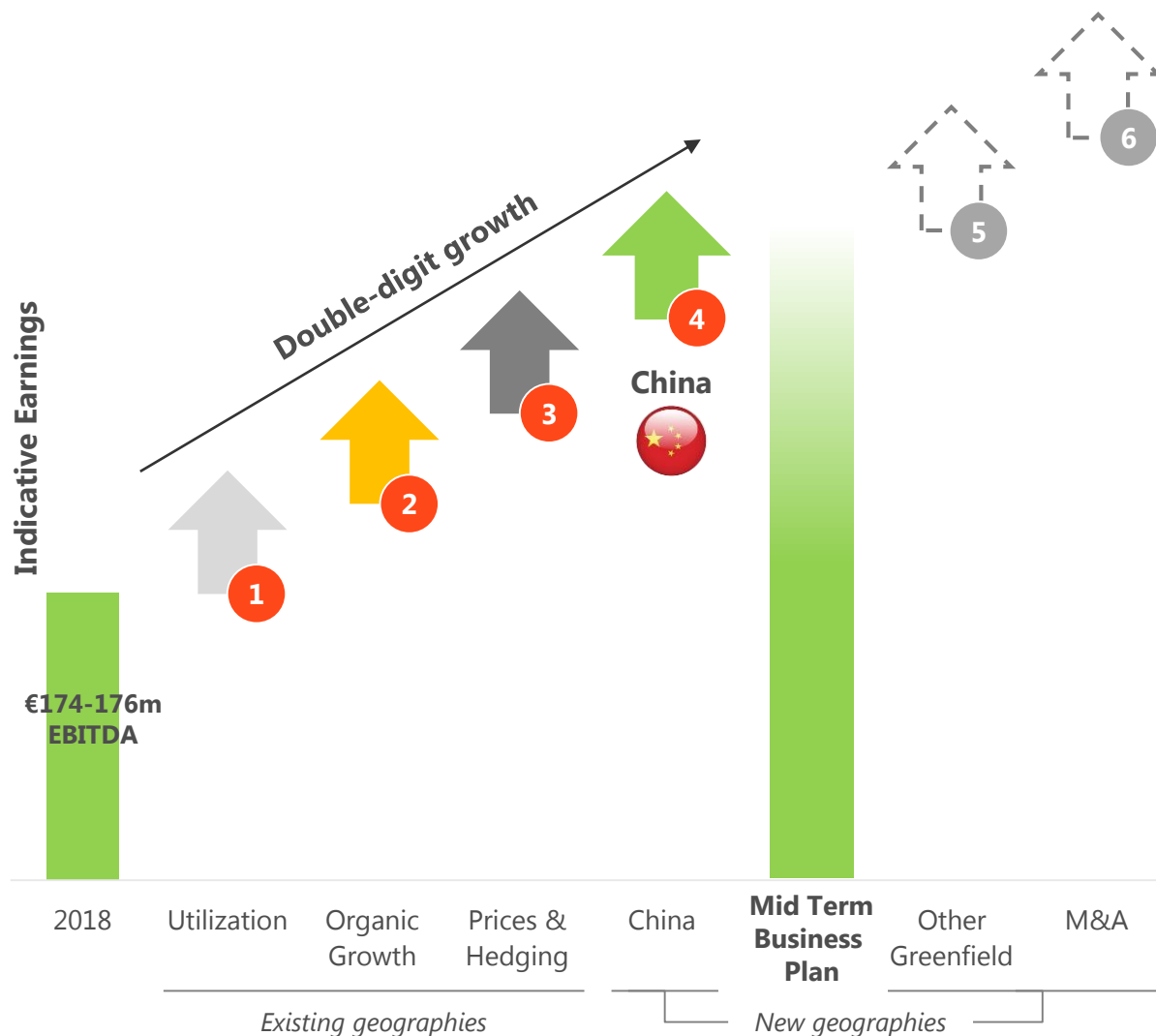
➤ Reduced leverage of x2.4 triggers decrease in interest rate by (25 bps) to E +250 bps; Befesa's rating upgraded by Moody's (from Ba3 to Ba2, outlook stable) and S&P (from BB- to BB, outlook stable)

➤ Guidance 2018 confirmed & concretized: EBITDA at €174-176m (2017: €172m); net profit significantly higher at €83-85m (2017: €49m) which would result in higher dividend payment

➤ 2019 & mid-term: strong growth with execution of organic projects on track & favorable hedges in place

➤ China expansion: developing 1st steel dust recycling plant at Jiangsu province; purchasing land use right; expecting ramp up of operations in H2 2020

Business plan based on organic growth in existing geographies as well as greenfields in new geographies (e.g. China)



- 1 Utilization**
 - Increase plant utilization of prior years growth investments mainly Steel Dust Korea
- 2 Organic Growth**

2019 Focus – Top 5 Projects:

 - Steel Dust:
 - Expand Turkey +45kt
 - Korea washing plant
 - Aluminium Salt Slags:
 - Phase II tilting furnaces
 - Expand Hannover +40kt
- 3 Prices & Hedging**
 - 2019: 92.4kt at €2,306
 - 2020: 92.4kt at €2,245
 - H1 '21: 46.2kt at €2,230
- 4 China**
 - Developing 1st steel dust recycling plant in the country; Start construction ~Q2'19; Ramp-up ~H2'20
- 5 Greenfield**
 - Monitoring growth opportunities and regulatory framework in new geographies, e.g. South East Asia, India, Russia
- 6 M&A Opportunities**

Signed agreement with Jiangsu Changzhou Economic Development Zone and purchasing land use right; Developing 1st steel dust recycling plant ...



- ✓ Chinese government continues to strengthen environmental regulations
- ✓ Steel dust has been classified as hazardous waste
- Steel production from Electric Arc Furnaces growing and estimated to reach ~200 million tons by 2030

**... Befesa investing in proven state-of-the-art 110,000 tons facility;
Expecting to complete ramp up of operations in H2 2020**

Hedging program in place covering up to July 2021: improving visibility of earnings and cash flows for the next 3 years

Market Zinc Price vs. Zinc Hedge (€/ton)



- Hedges in place **up to and including July 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
H1 2021	€2,230	46,200

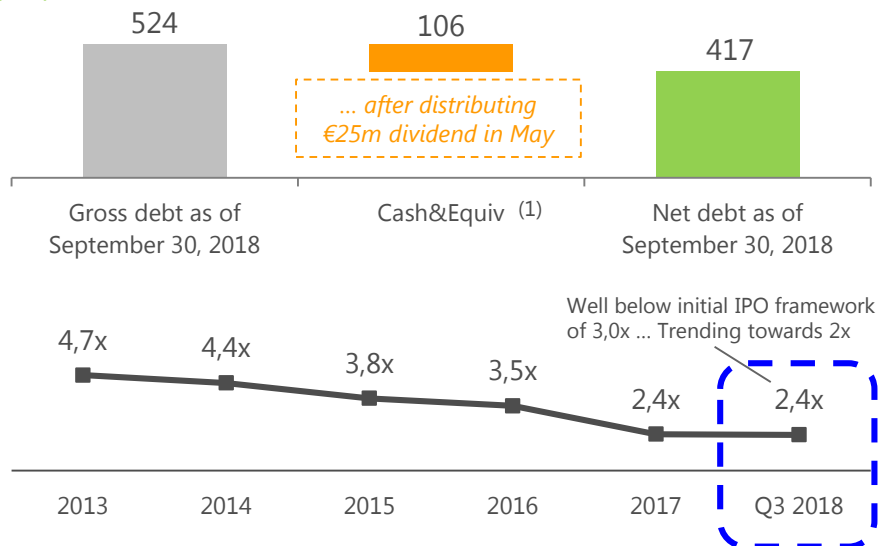
- Using recent October ~**€2,300 LME market price** also for the **remaining months in 2018** for the un-hedged expected volumes (~30%), **blended** average zinc price **would translate in 2018 to ~€2,190**; vs. €2,160 in 2017
- Hedging **without** Befesa providing any **collateral**; **no margin calls**

Leverage of 2.4x at Q3 2018 close

→ Interest cost reducing by 25bps to Euribor+250bps by end of November

Net Debt and Leverage Rate Evolution

(€m)

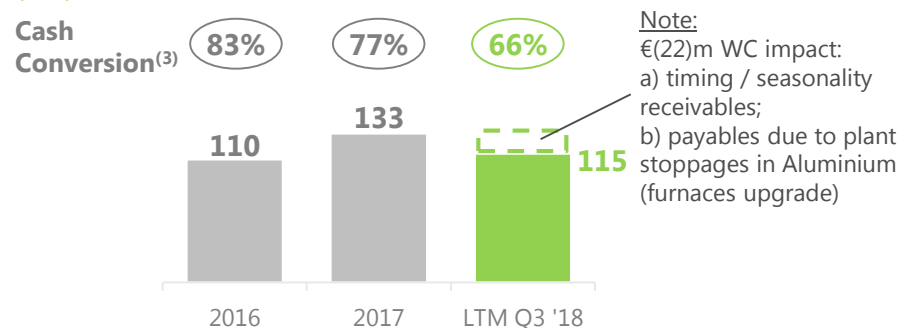


Credit Ratings for Befesa S.A.

	Oct 2017 (Pre-IPO)	Dec 2017	Dec 2018
Moody's	B2	Ba3 (Outlook positive)	Ba2 (Outlook stable)
S&P	B	BB- (Outlook stable)	BB (Outlook stable)

Free Cash Flow⁽²⁾

(€m)



- **9M 2018: Operating Cash Flow** impacted by WC trend; Receivables due to seasonality; Payables due to Q3 scheduled Aluminium plant stoppages (furnace upgrades)
- **Cash stable at €106m at Q3 2018 close**
after paying in 9M 2018: interests of €12.6m, taxes of €16.2m, cash CapEx of €27.2m, and €25m dividend distribution in May
- **Interest rate further reducing by 25 bps**
from **Euribor +275 bps** to **+250 bps** from 27th of November;
annual interest expenses further reducing by €1.3m
- **Solid free cash flow** generation run rate due to low maintenance requirements **providing funds for growth & reduction of leverage**

(1) Cash&Equiv. of €106.0m includes €0.4m of Other current financial assets

(2) Free Cash Flow is based on management accounts and is calculated as EBIT + Depreciation & Amortization (D&A) +/- WC change – maintenance capex – taxes

(3) Cash conversion = FCF / (Reported Adjusted EBIT + Adjusted D&A)

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Befesa Overview
(Investment Highlights)

9M 2018: EBITDA €128.9m (+2%); Adj. EBIT: €107.9m (+2%)

9M 2018 with strong net profit of €62.9m (+81%)

Guidance 2018 confirmed & concretized: EBITDA at €174-176m (2017: €172m); net profit significantly higher at €83-85m (2017: €49m) which would result in higher dividend payment

Reduced Leverage of x2.4 triggers decrease in interest rate by (25 bps) to E +250 bps

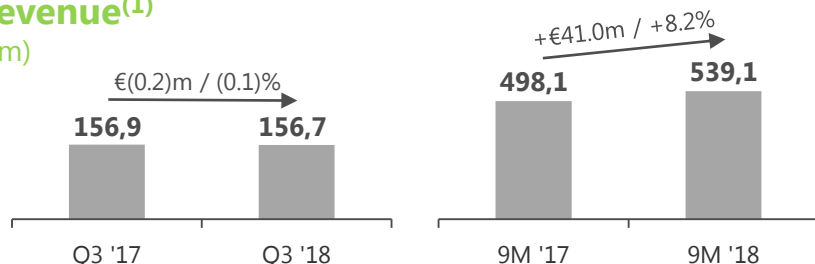
Execution of organic growth projects on track

**Developing 1st steel dust recycling plant in China;
Start of operations expected for H2 2020**

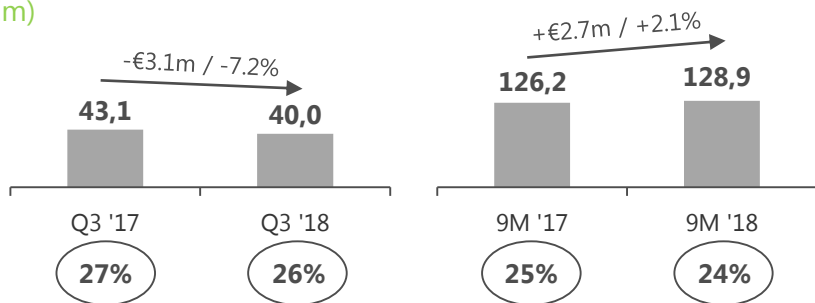
Befesa enters SDAX on 24 Sept 2018; ten months after listing at Frankfurt

9M Earnings +2%, in line with guidance & on track for €174-176m EBITDA 2018

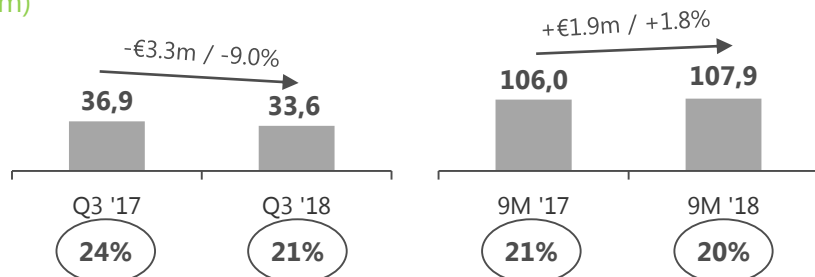
Revenue⁽¹⁾ (€m)



EBITDA and % margin (€m)



EBIT and % margin (€m)



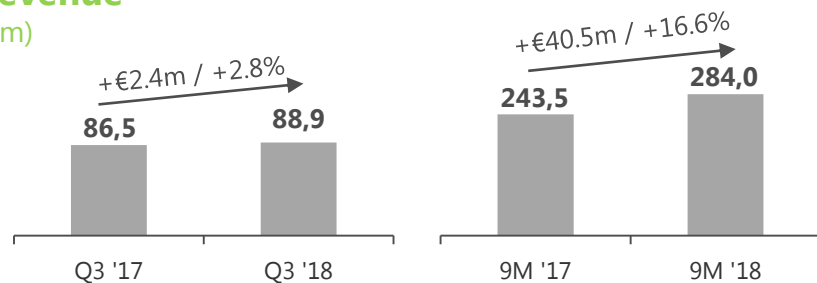
Highlights

- **9M 2018: EBITDA at €129m (+2.1%); Adj. EBIT at €108m (+1.8%)**
- **Q3 2018 revenue flat at €157m on a comparable basis;** primarily due to:
 - Lower volumes in 2nd Aluminium segment (-20% YoY); stoppages to implement new furnaces (Bilbao & Barcelona), which will improve earnings going forward
 - **Lower prices: blended zinc** from €2,187 to €2,006 (-8.3%) YoY; **alu alloys** from €1,762 to €1,689, (-4.1%)
 - Partially offset by **higher volumes** in **Steel Dust Services**; +1.9% steel dust throughput; +5.3% WOX sold volumes
- **Despite challenging price trend, Q3 2018 EBITDA at €40.0m (-7.2%) / 26% EBITDA margin; Adj. EBIT at €33.6m (-9.0%) / 21% EBIT margin**
- **Strong 9M net profit of €62.9m (+€28.2m or +81%) on track for significantly improved net profit for 2018 of €83-85m and corresponding improved EPS and dividend distribution**

**9M 2018: +4% EBITDA / +6% EBIT, growth driven by higher EAFD throughput;
Q3 earnings (-€4m) driven by zinc price decrease partially offset by volume**

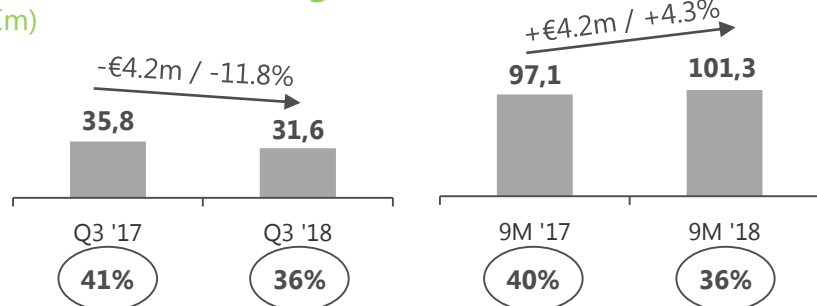
Revenue

(€m)



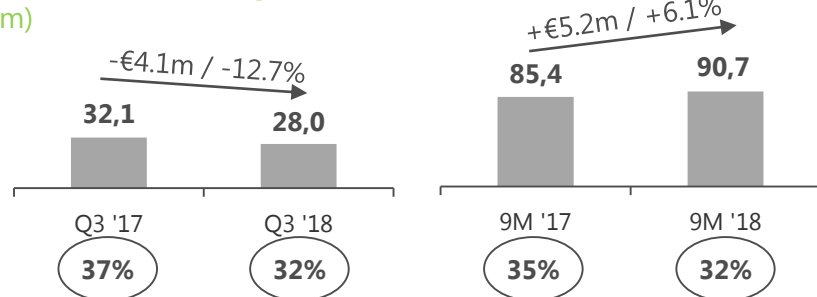
EBITDA and % margin

(€m)



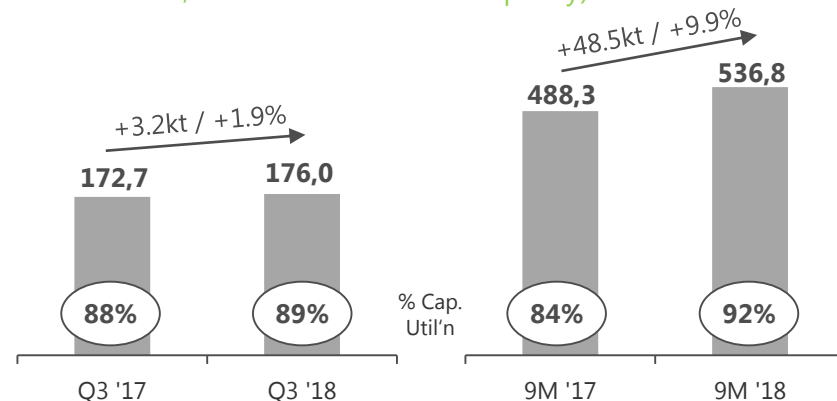
EBIT and % margin

(€m)



EAFD Throughput & Capacity Utilization

(thousand tons, % of annual installed capacity)



Prices

(€ per ton)

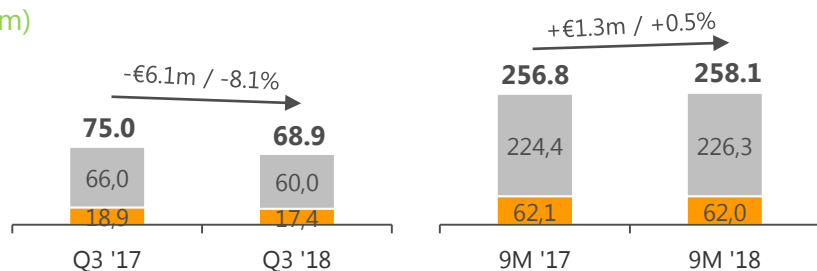
	Q3 2017	Q3 2018	% Var.	9M 2017	9M 2018	% Var.
Befesa blended(*) zinc price (€/t)	2,187	2,006	-8%	2,125	2,168	+2%
LME avg. price (€/t)	2,522	2,182	-13%	2,499	2,523	+1%

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

Q3 2018: EBITDA €7.9m (+10%); EBIT €5.5m (+22%) driven by improved metal margin in 2nd Aluminium partially offset by reduced aluminium alloy prices

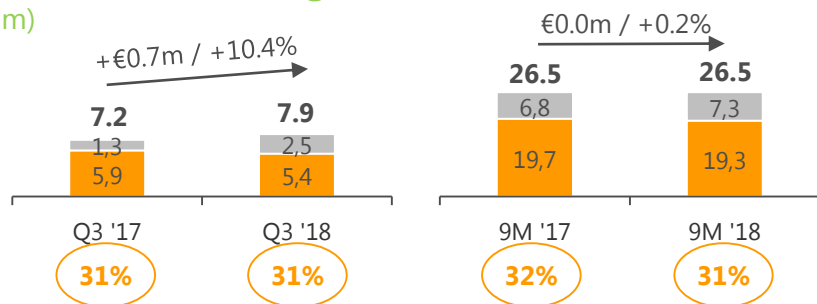
Revenue⁽¹⁾⁽²⁾

(€m)



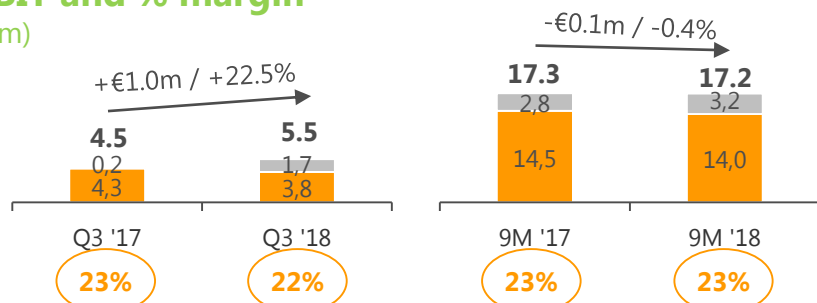
EBITDA and % margin⁽³⁾

(€m)



EBIT and % margin⁽³⁾

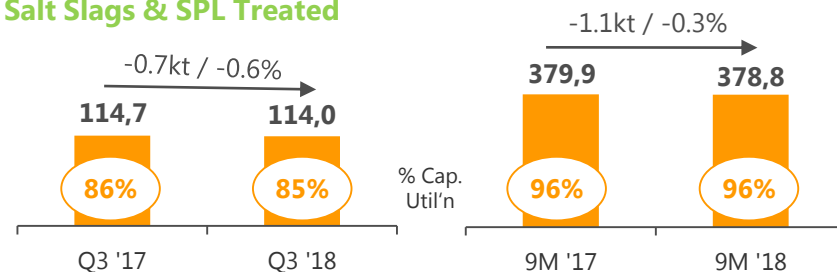
(€m)



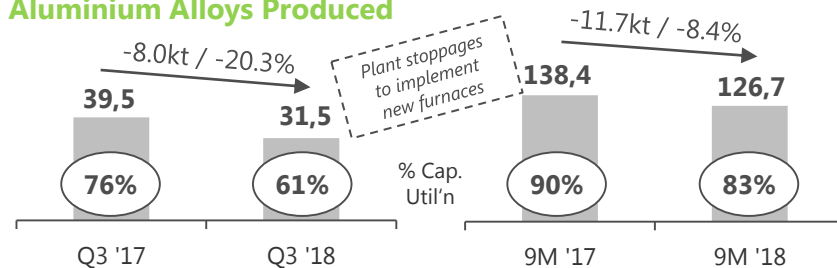
Volumes & Capacity Utilization

(thousand tons, % of annual installed capacity)

Salt Slags & SPL Treated



Aluminium Alloys Produced



Prices

(€ per ton)

	Q3 2017	Q3 2018	% Var.	9M 2017	9M 2018	% Var.
Aluminium alloy avg. price (*) (€/t)	1,762	1,689	-4.1%	1,770	1,783	+0.7%

(*) 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

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Q3 2018 Update

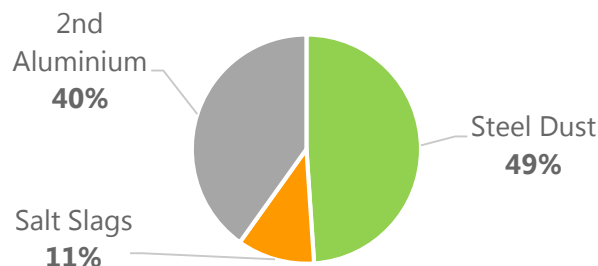
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Befesa Overview
(Investment Highlights)

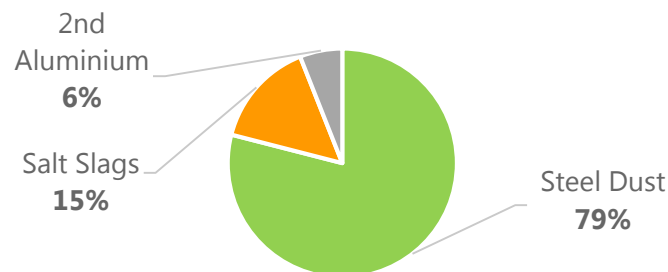
Befesa – European market leader in providing mission critical hazardous waste recycling services to the steel and aluminium industry

BEFESA

LTM⁽¹⁾ Q3 2018 Sales: €716m⁽²⁾



LTM⁽¹⁾ Q3 2018 Adj. EBITDA €175m



+90% EBITDA generated from 2 core >30% EBITDA margin operations with low capital intensity

Steel Dust Recycling Services⁽³⁾



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

37%

Adj. EBITDA Margin (LTM⁽¹⁾ Q3 2018)⁽³⁾

Relationships
>15yrs



Aluminium Salt Slags Recycling Services



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

32%

Adj. EBITDA Margin in Salt Slags (LTM⁽¹⁾ Q3 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

Founded in Germany

1987
Metallgesellschaft, German industrial conglomerate, creates Berzelius Umwelt Service (B.U.S)

1993
B.U.S AB, together with two other companies, group their environmental assets in Spain creating Berzelius Felguera (Befesa)

1998
Befesa IPO at the Madrid and Bilbao Stock Exchanges

2000
Abengoa acquires a 51% stake in Befesa from B.U.S to develop its environmental services business (stake increased over time)

2011
Delisting from the Madrid and Bilbao Stock Exchanges

Acquisitions & Turnarounds

2006
Befesa acquires a 100% stake in B.U.S, becoming the **European leader in steel dust recycling**



2009
Befesa becomes the **European leader in salt slags recycling** after acquiring 3 plants in Germany from Agor



2013
Triton acquires Befesa



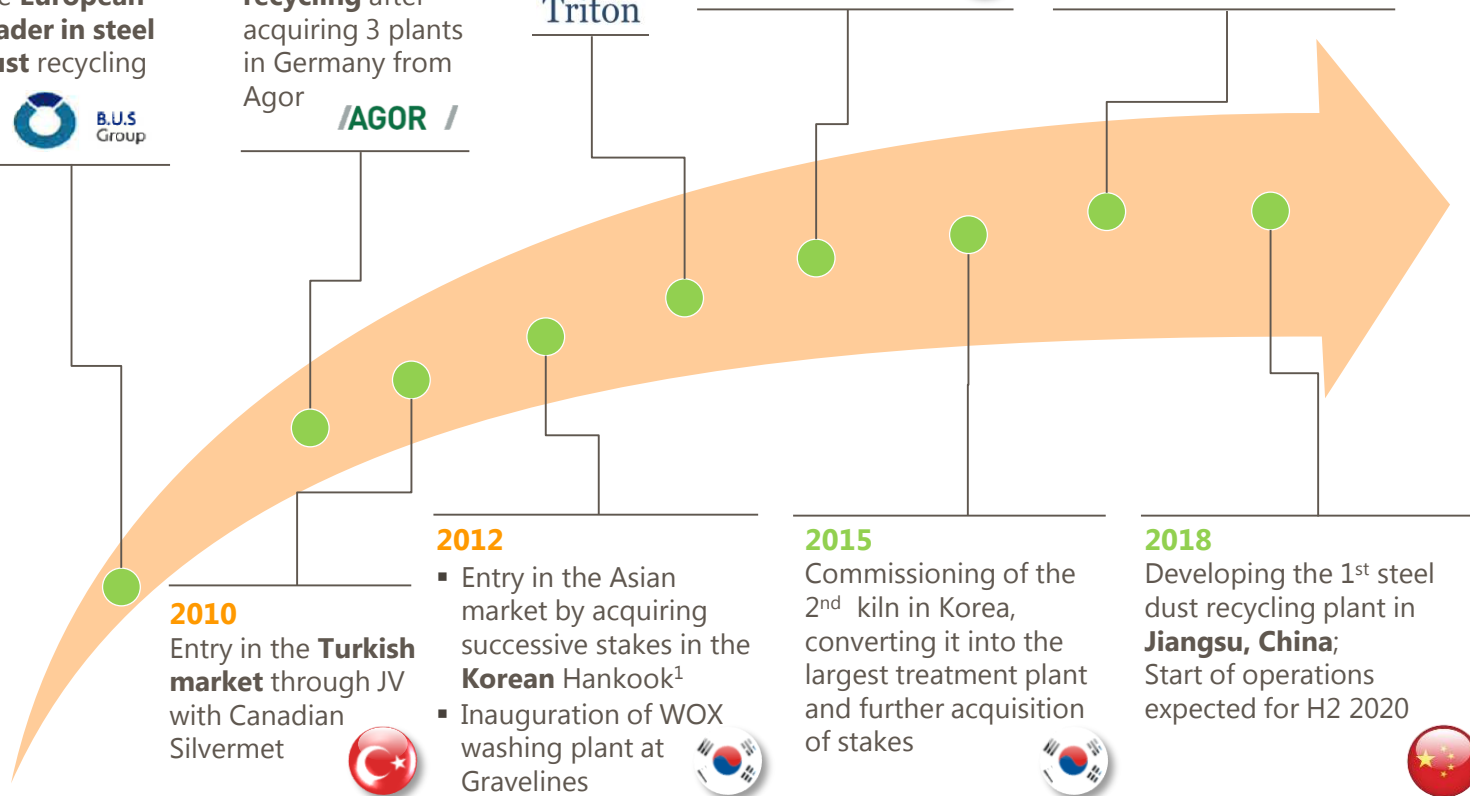
Successful Greenfield (State of the Art Technology)

2014
Inauguration of the 2nd aluminium plant in **Bernburg**



Frankfurt Stock Exchange & S-DAX

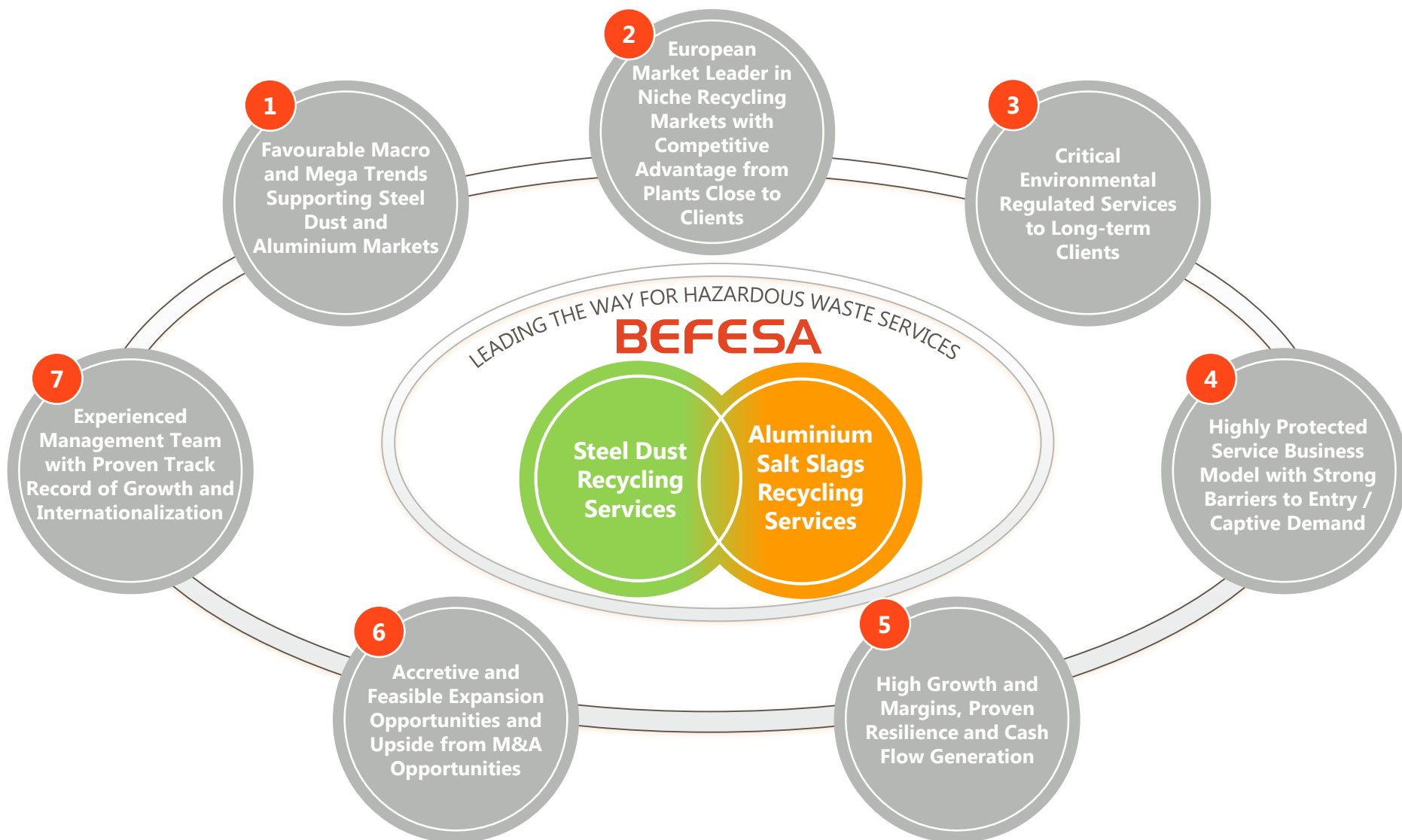
2017 / 2018
Successful **IPO on Frankfurt Stock Exchange**; Entry to **SDAX** 24 Sept 2018



Entered 2 New Markets Through a JV & Acquisition with a Subsequent Turnaround

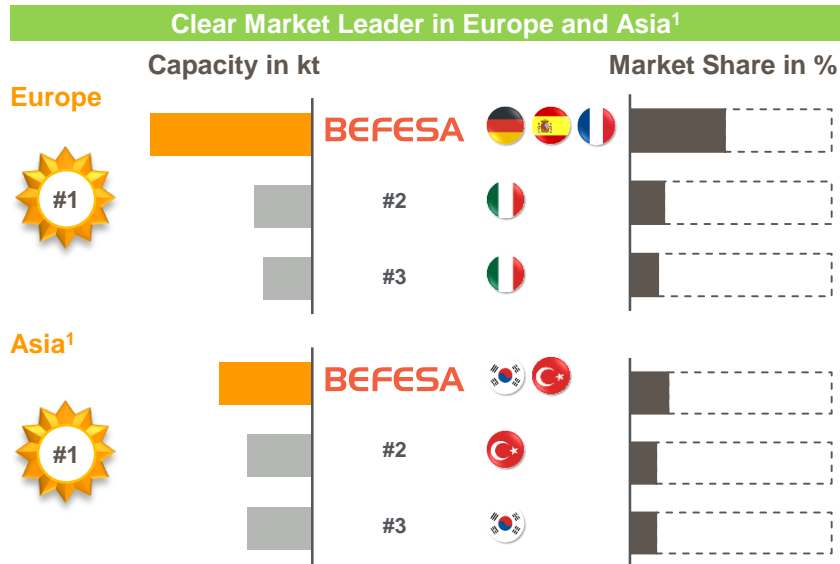
Successful Expansion in Korea

Expanding into China

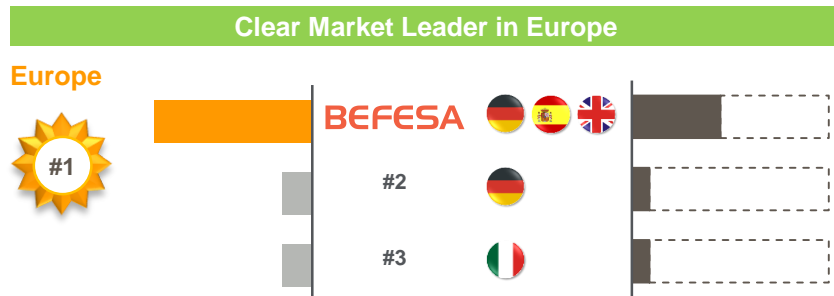


Befesa is the market leader in steel dust and salt slags recycling services with a competitive advantage due to its close proximity to key clients

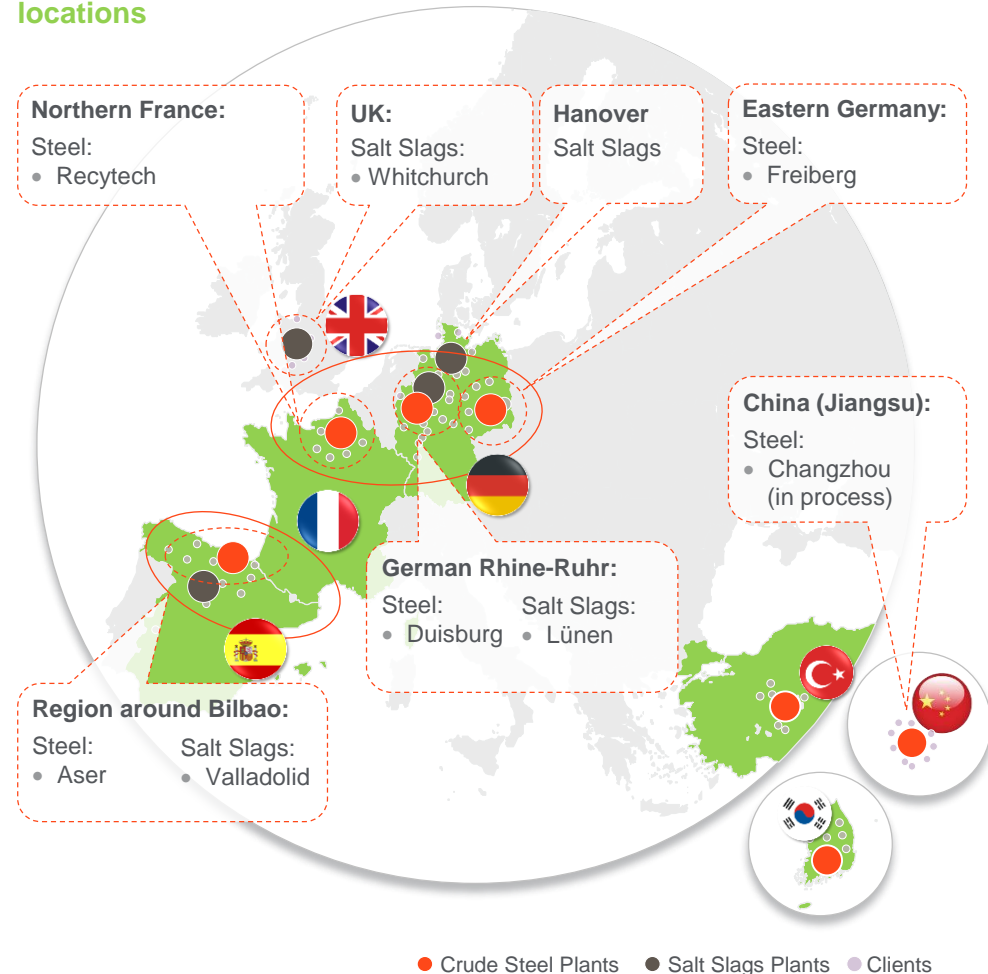
Established Market Leader Steel Dust Recycling Services



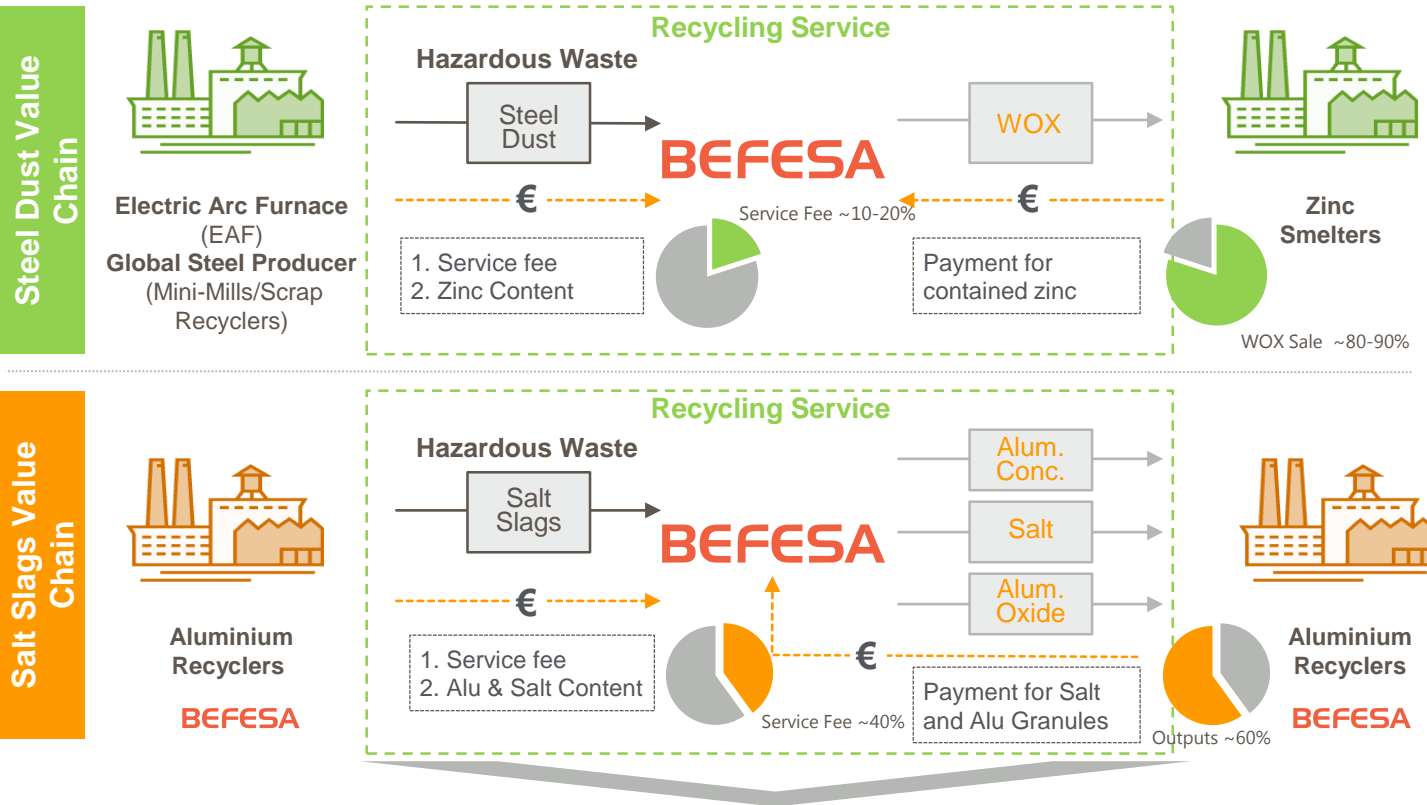
Salt Slags Recycling Services



Proximity to Clients Provides Strong Competitive Advantage Each Befesa plant usually collects waste from at least 10-15 client locations



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



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

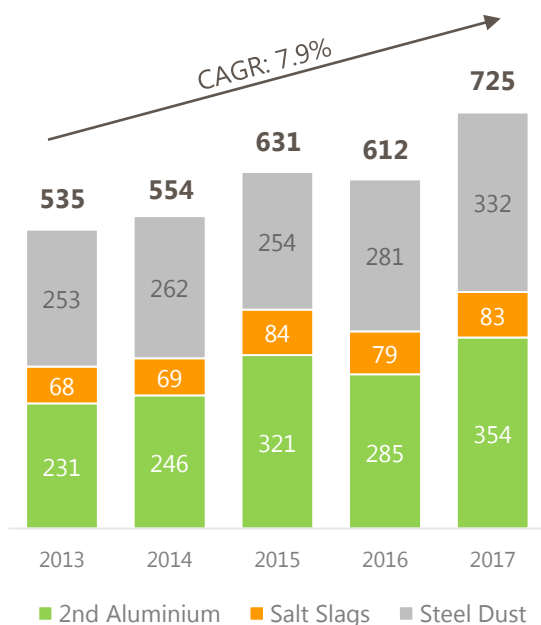
- In 2004 a big aluminium refinery in Italy abandoned 450kt of hazardous waste in the open air over half an hectare
- More than 10 years later the local administration is still collecting funds to proceed to the removal and cleaning of the area

- 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

- 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

Attractive growth track record with stable margins and strong cash generation

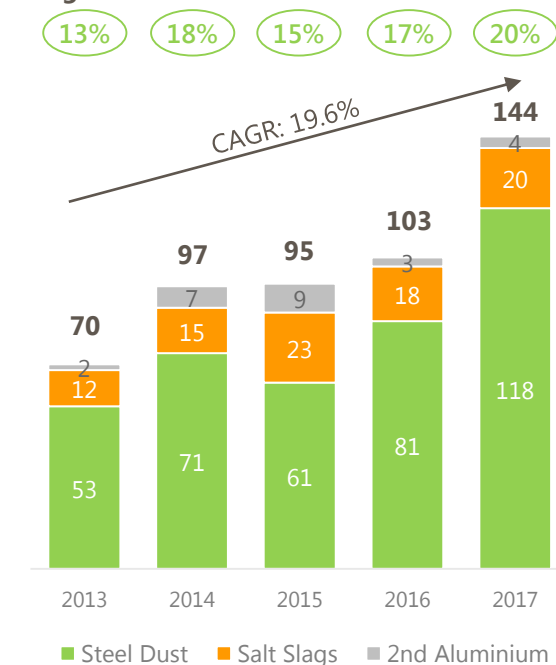
Sales⁽¹⁾
(€m)



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

Adj. EBIT
(€m)

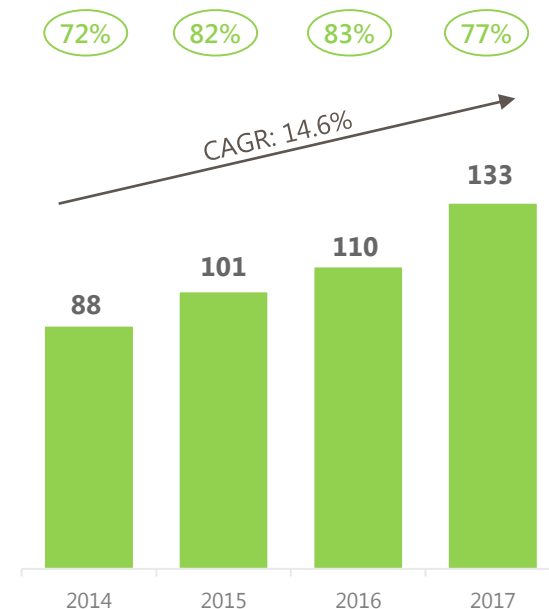
Margin



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

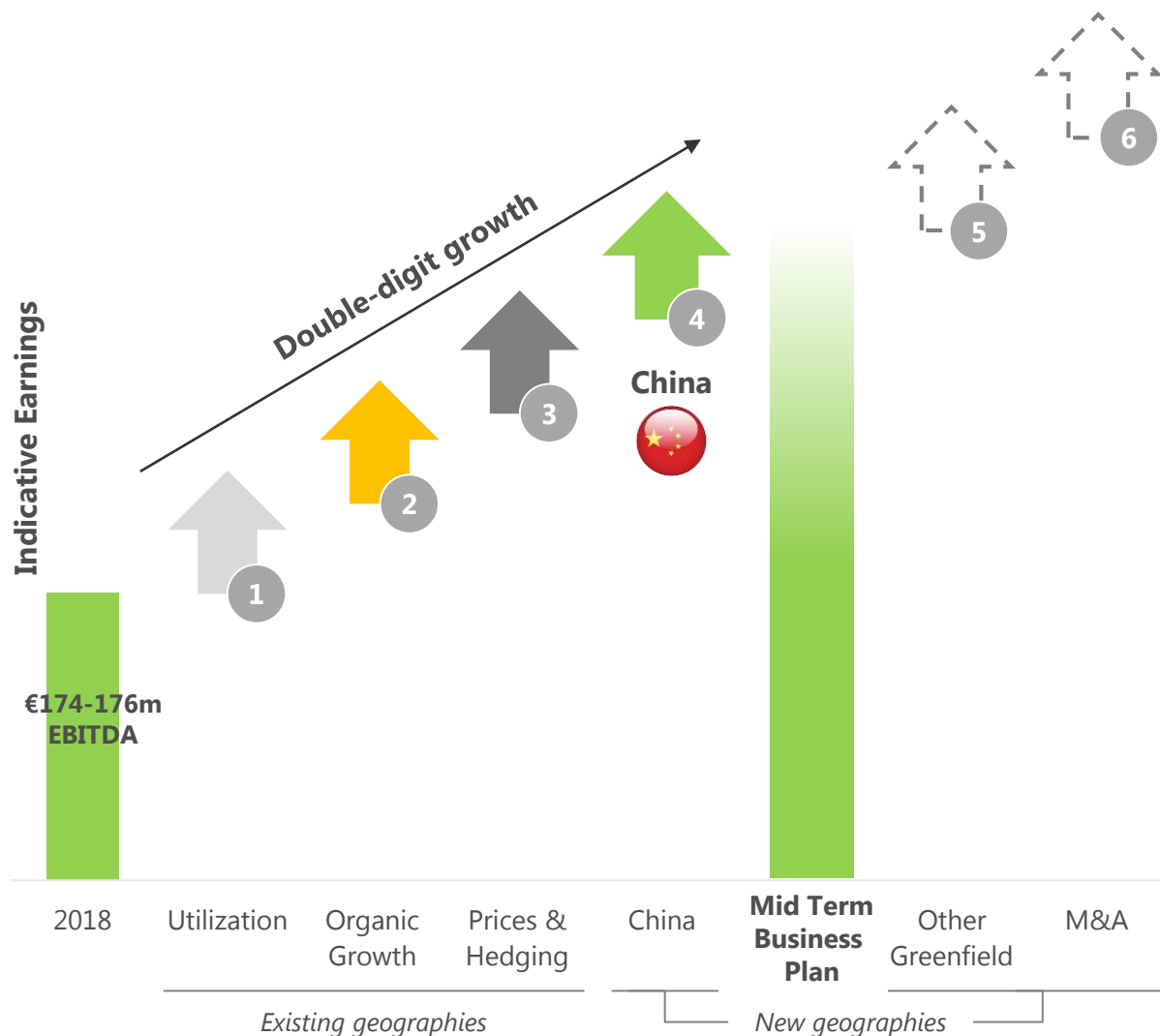
Free Cash Flow⁽²⁾
(€m)

Cash Conversion⁽³⁾



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

Business plan based on organic growth in existing geographies as well as greenfields in new geographies (e.g. China)



- 1 **Utilization**
 - Increase plant utilization of prior years growth investments mainly Steel Dust Korea
- 2 **Organic Growth**

2019 Focus – Top 5 Projects:

 - Steel Dust:
 - Expand Turkey +45kt
 - Korea washing plant
 - Aluminium Salt Slags:
 - Phase II tilting furnaces
 - Expand Hannover +40kt
- 3 **Prices & Hedging**
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 - Developing 1st steel dust recycling plant in the country; Start construction ~Q2'19; Ramp-up ~H2'20
- 5 **Greenfield**
 - Monitoring growth opportunities and regulatory framework in new geographies, e.g. South East Asia, India, Russia
- 6 **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



Wolf Lehmann
CFO; including responsibilities for Operational Excellence and IT

CFO since 2014

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



Asier Zarraonandia
Vice President
Steel Dust
Recycling Services

16 years with Befesa

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



Federico Barredo
Vice President
Aluminium Salt Slags
Recycling Services

25 years with Befesa

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

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)

Financial Calendar

Tuesday, February 26, 2019:
Preliminary Earnings Release 2018 & Analyst Call

Thursday, March 21, 2019:
Publication of Annual Report 2018 & Analyst Call

Wednesday, May 8, 2019:
Publication of Statement Q1 2019 & Analyst Call

Wednesday, June 19, 2019:
Annual General Meeting in Luxembourg

Friday, July 26, 2019:
Publication of Interim Report H1 2019 & Analyst Call

Thursday, October 31, 2019:
Publication of Statement Q3 2019 & Analyst Call

IR Contact

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Meet Befesa ...

February 5-6, 2019 - HSBC
Frankfurt, ESG Investor Conference

February 6-7, 2019 - Santander
Madrid, Annual Investor Conference

March 15, 2019 - Citi
London, 13th Annual Business Services Conference

May 21-23, 2019 – Berenberg
New York, Berenberg US Conference 2019