



**Befesa Presentation**  
**Commerzbank German Investment Seminar January 2019**

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Q3/9M 2018 figures contained in this presentation have not been audited or reviewed by external auditors.

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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

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**Recent Developments**

2

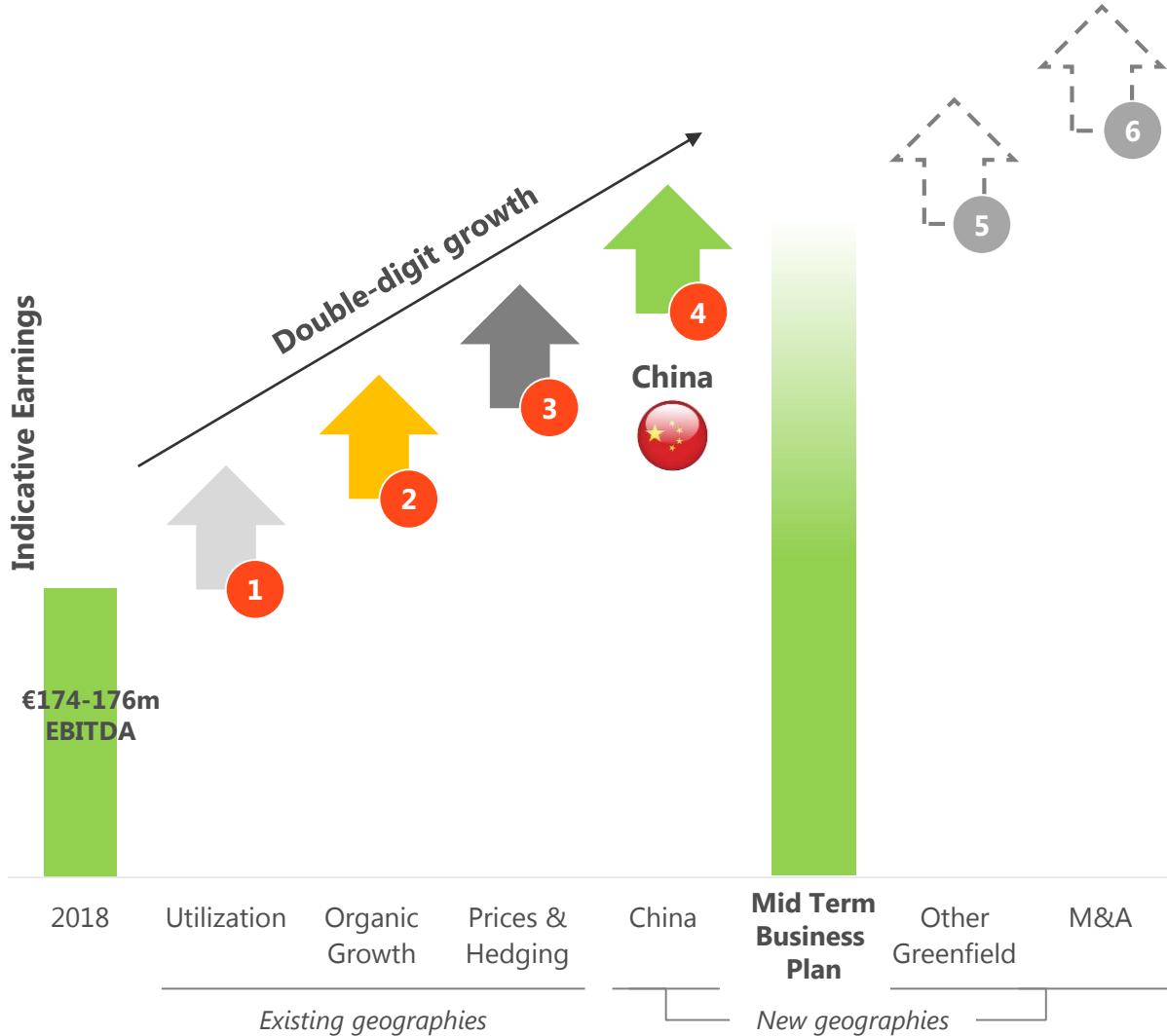
**Q3 2018 Update**

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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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

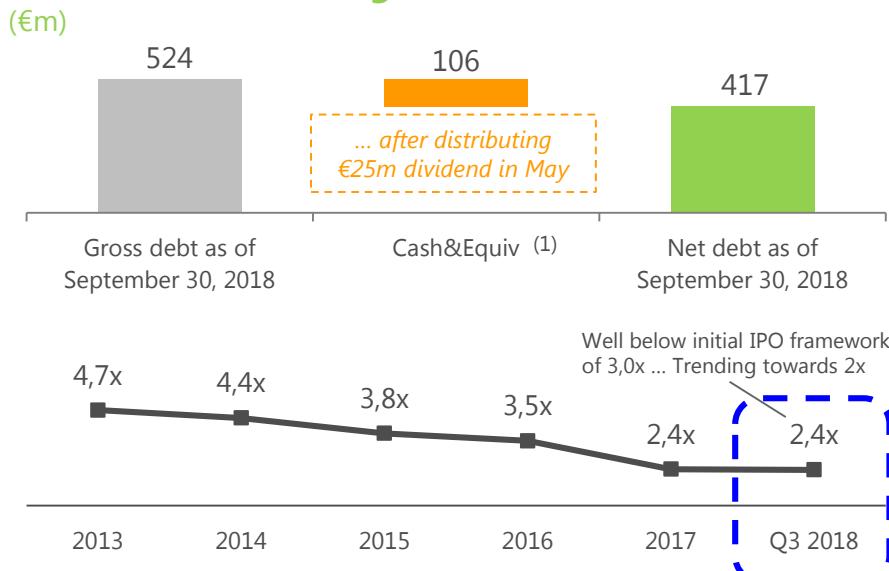
Period	Average hedged price €/t	Zinc content hedged (tons)
2017	€1,876	73,200
2018	€2,051	92,400
2019	€2,306	92,400
2020	€2,245	92,400
H1 2021	€2,230	46,200

- 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

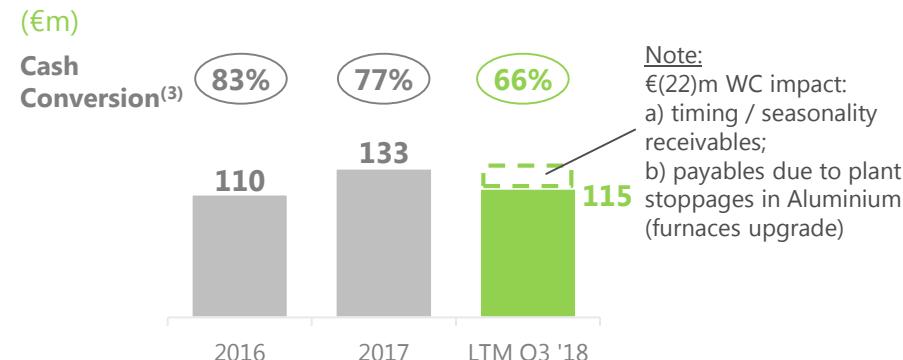
### Net Debt and Leverage Rate Evolution



### 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<sup>(2)</sup>



- **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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**Recent Developments**

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**Q3 2018 Update**

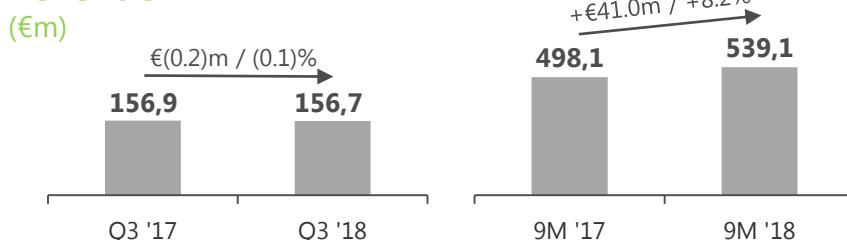
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**Befesa Overview**  
(Investment Highlights)

- 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 1<sup>st</sup> 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

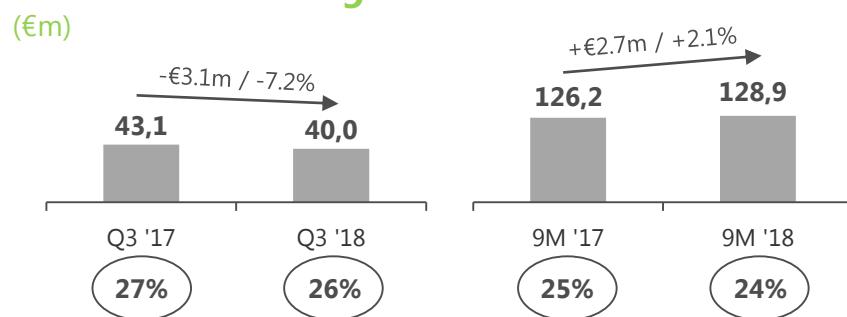
### Revenue<sup>(1)</sup>



+€41.0m / +8.2%

498,1 539,1

### EBITDA and % margin



+€2.7m / +2.1%

126,2 128,9

### EBIT and % margin



+€1.9m / +1.8%

106,0 107,9

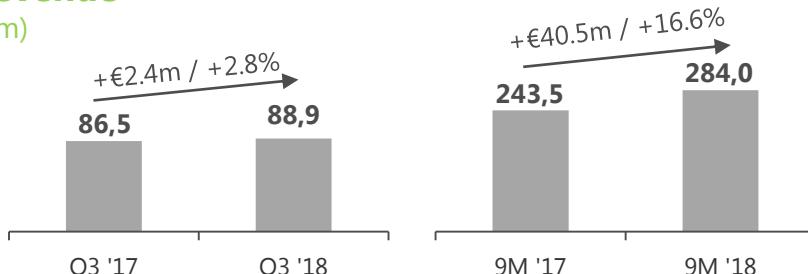
(1) Reported revenues in Q3 2017: €173.5m; 9M 2017: €547.9m; Figures shown on charts are comparable figures after IFRS amendment, for further details please refer to page 4 of the Statement for the Third Quarter 2018

### Highlights

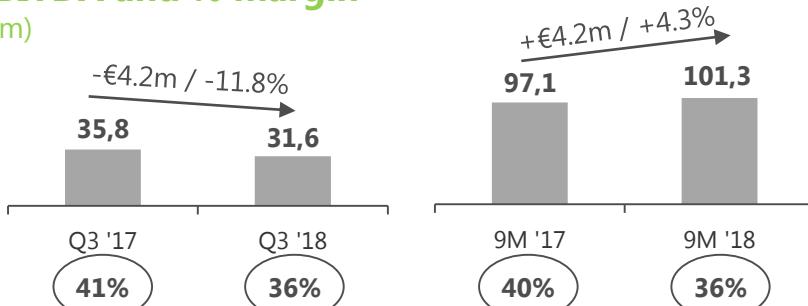
- **9M 2018: EBITDA at €129m (+2.1%); Adj. EBIT at €108m (+1.8%)**
- **Q3 2018 revenue flat at €157m on a comparable basis;** primarily due to:
  - Lower volumes in 2<sup>nd</sup> Aluminium segment (-20% YoY); stoppages to implement new furnaces (Bilbao & Barcelona), which will improve earnings going 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**

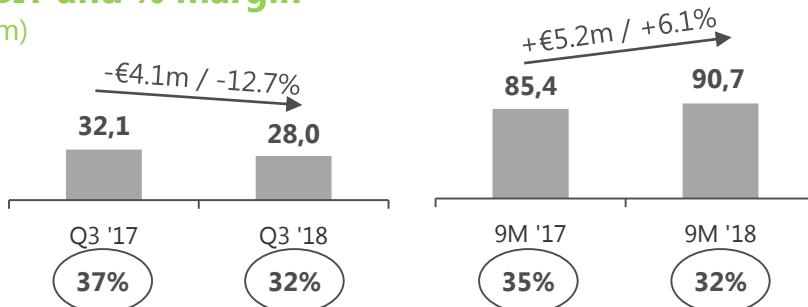
### Revenue (€m)



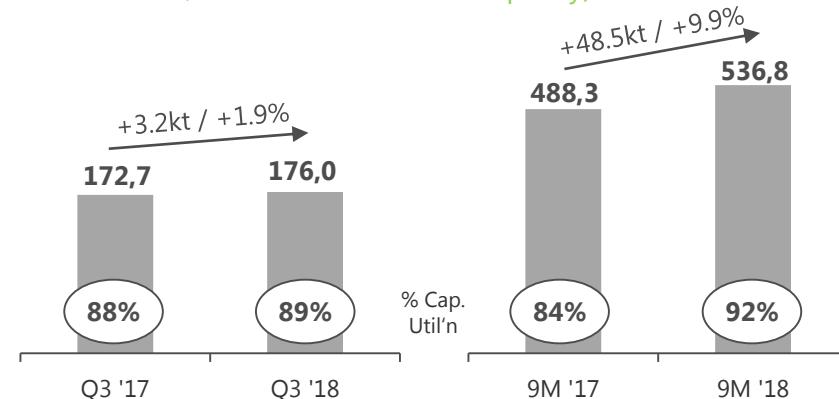
### EBITDA and % margin (€m)



### EBIT and % margin (€m)



### EAFD Throughput & Capacity Utilization (thousand tons, % of annual installed capacity)



### Prices (€ per ton)

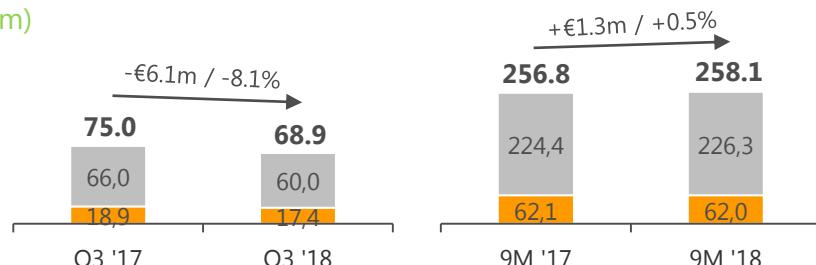
	Q3 2017	Q3 2018	% Var.	9M 2017	9M 2018	% Var.
Befesa blended(*) zinc price (€/t)	2,187	2,006	-8%	2,125	2,168	+2%
LME avg. price (€/t)	2,522	2,182	-13%	2,499	2,523	+1%

(\*) 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<sup>(1)(2)</sup>

(€m)



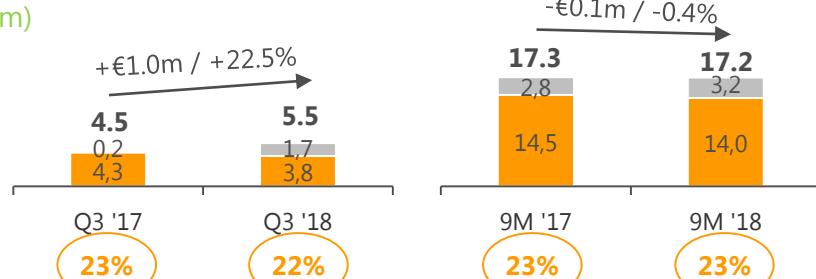
### EBITDA and % margin<sup>(3)</sup>

(€m)



### EBIT and % margin<sup>(3)</sup>

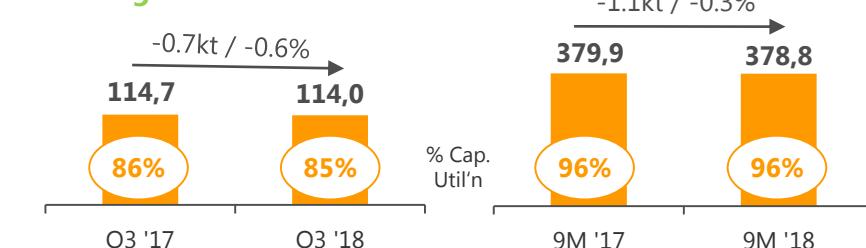
(€m)



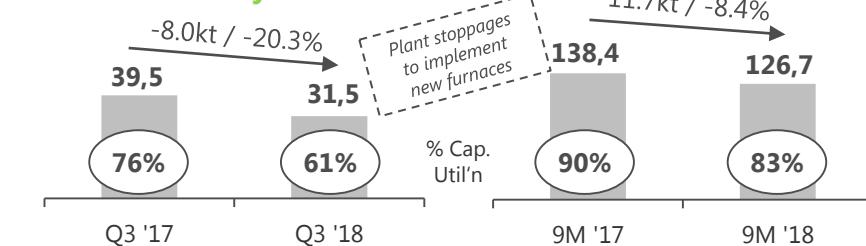
### Volumes & Capacity Utilization

(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.

Orange bar: Salt Slags sub-segment

Grey bar: Secondary Aluminium sub-segment

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**Recent Developments**

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**Q3 2018 Update**

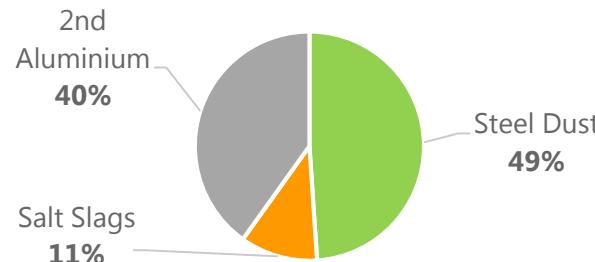
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**Befesa Overview**  
(Investment Highlights)

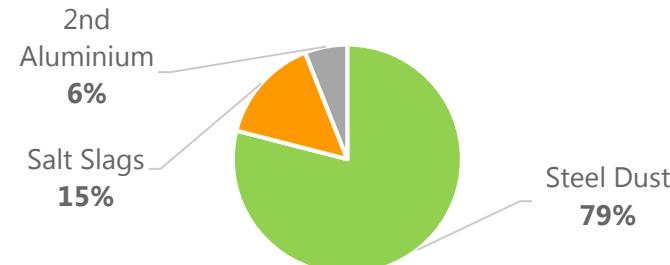
**Befesa – European market leader in providing mission critical hazardous waste recycling services to the steel and aluminium industry**

### BEFESA

LTM<sup>(1)</sup> Q3 2018 Sales: €716m<sup>(2)</sup>



LTM<sup>(1)</sup> Q3 2018 Adj. EBITDA €175m



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

#### Steel Dust Recycling Services<sup>(3)</sup>



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

**37%**

Adj. EBITDA Margin (LTM<sup>(1)</sup> Q3 2018)<sup>(3)</sup>

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<sup>(1)</sup> Q3 2018)<sup>(4)</sup>

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



2010

Entry in the **Turkish market** through JV with Canadian Silvermet



2012

- Entry in the Asian market by acquiring successive stakes in the **Korean Hankook**<sup>1</sup>
- Inauguration of WOX washing plant at Gravelines

#### Successful Greenfield (State of the Art Technology)

2014

Inauguration of the 2<sup>nd</sup> aluminium plant in **Bernburg**



#### Successful Expansion in Korea

#### Frankfurt Stock Exchange & S-DAX

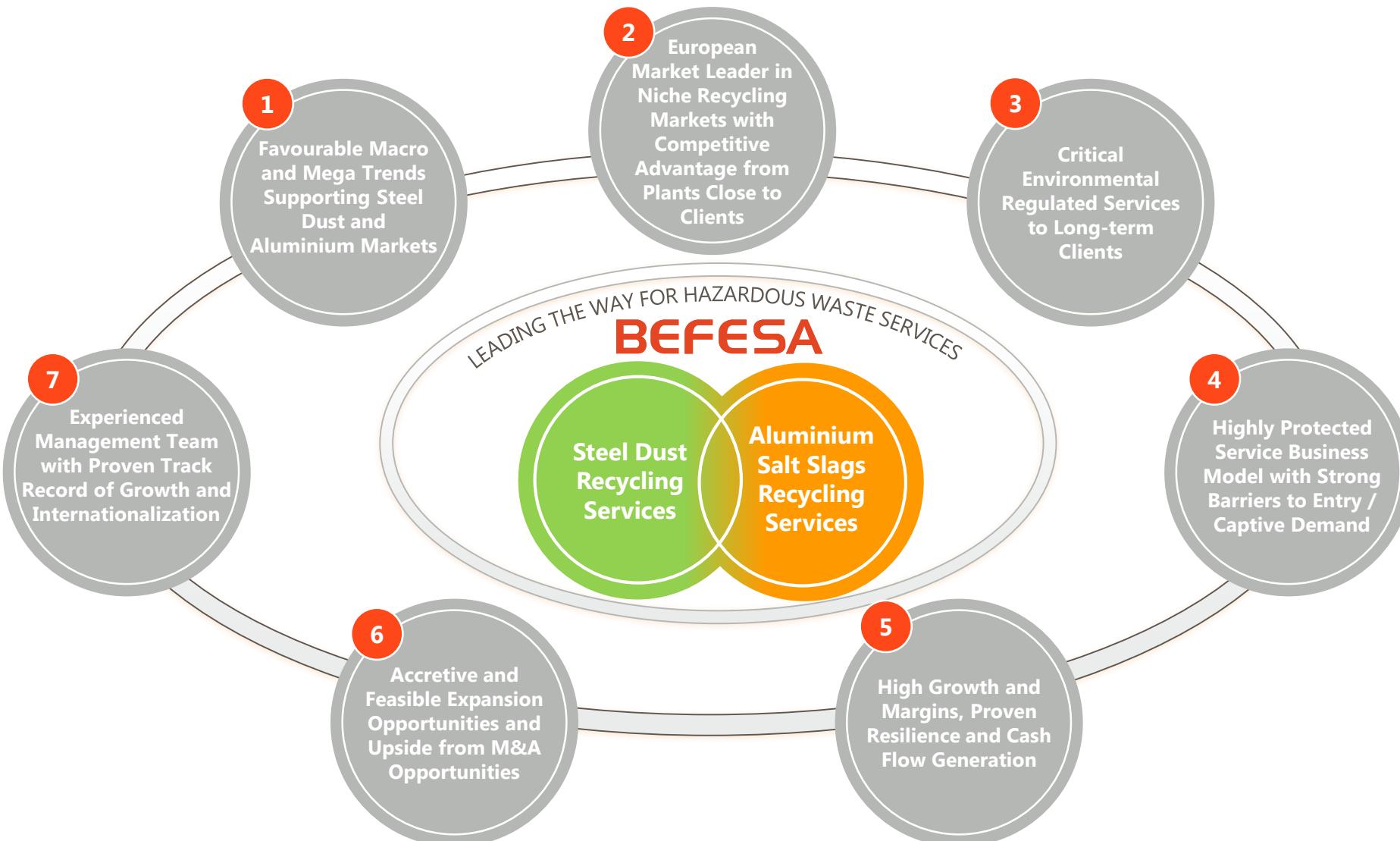
2017 / 2018

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

#### Expanding into China

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

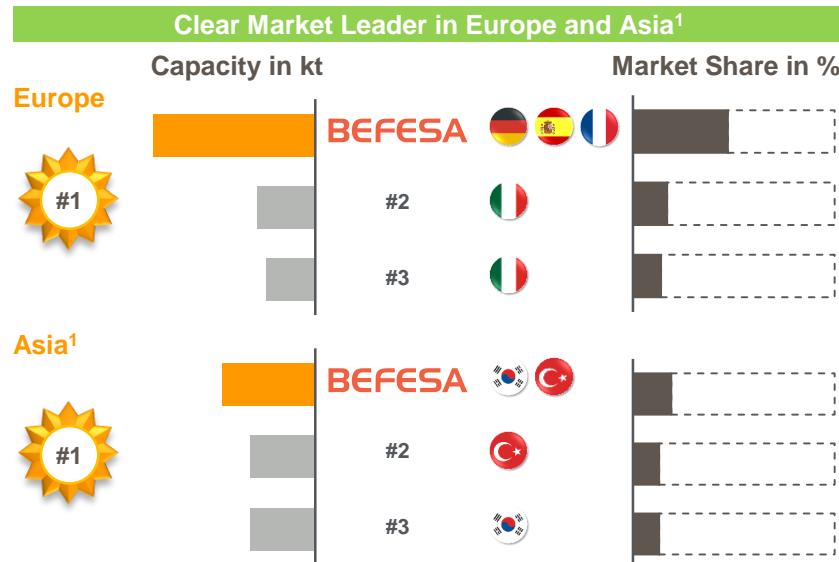




Befesa is the market leader in steel dust and salt slags recycling services with a competitive advantage due to its close proximity to key clients

### Established Market Leader

#### Steel Dust Recycling Services

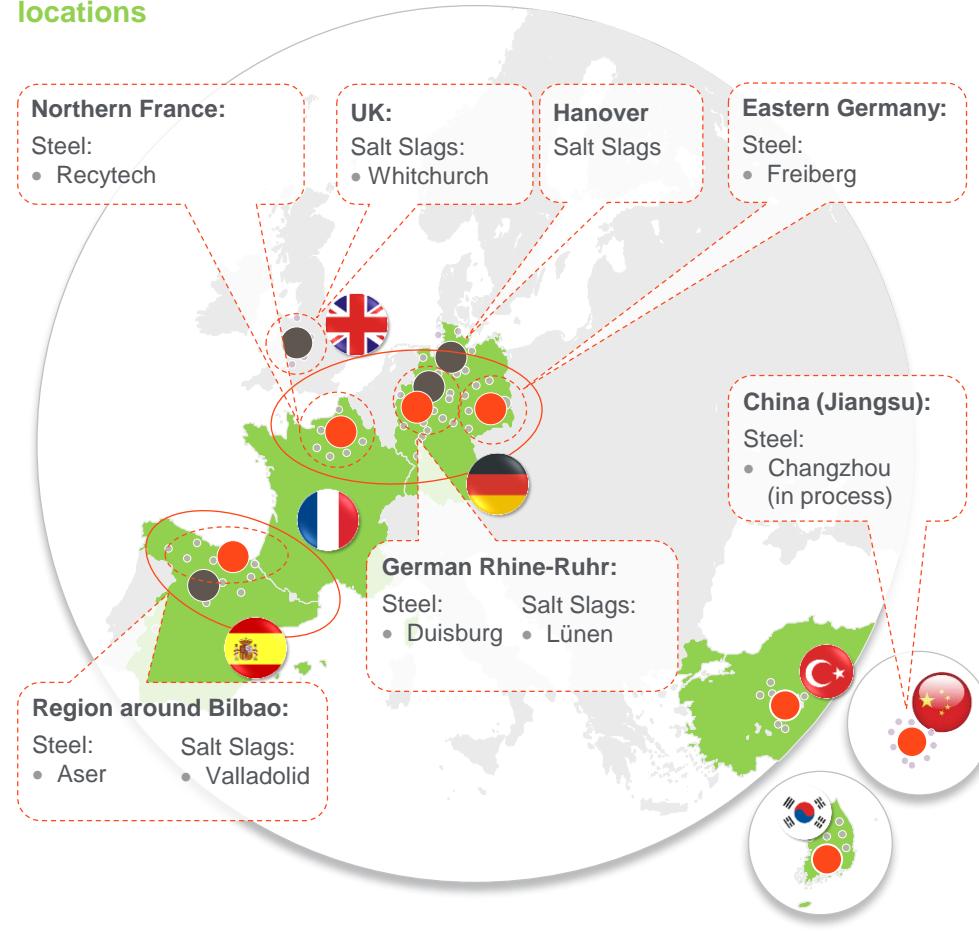


#### Salt Slags Recycling Services



### 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

### Steel Dust Value Chain



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

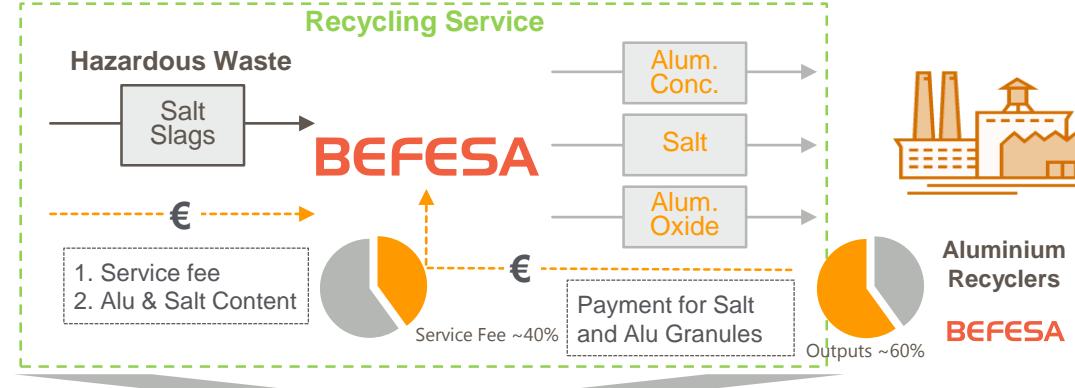


### Salt Slags Value Chain



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

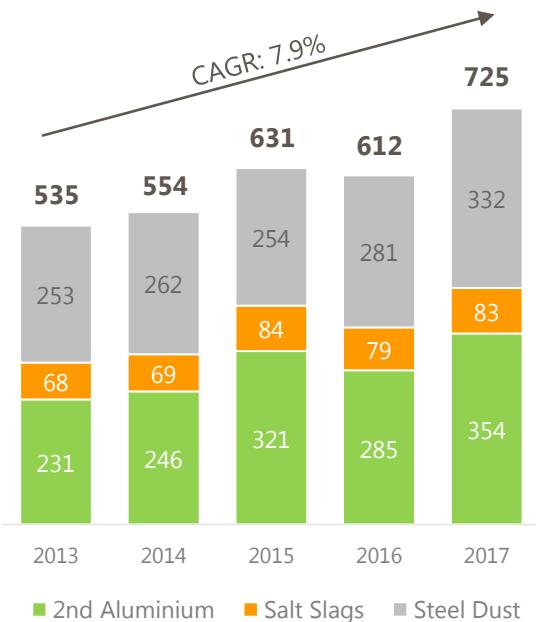
- In 2002 the owners of a metal foundry in Italy faced prison time for illegal transport and landfilling of hazardous waste

- 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

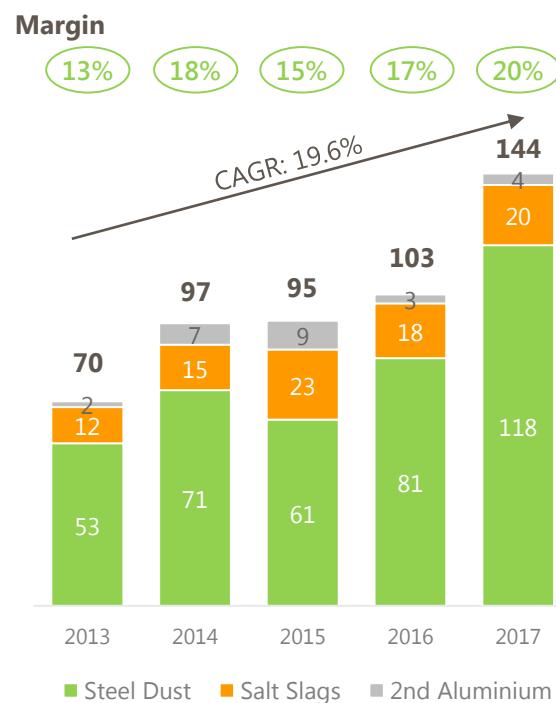
- In 2011 a big producer of aluminium alloys in Spain was involved in the transport without authorisation and illegal landfilling of 1.5kt of salt slags on a vacant lot
- Befesa was ultimately contracted to treat the waste properly

### Attractive growth track record with stable margins and strong cash generation

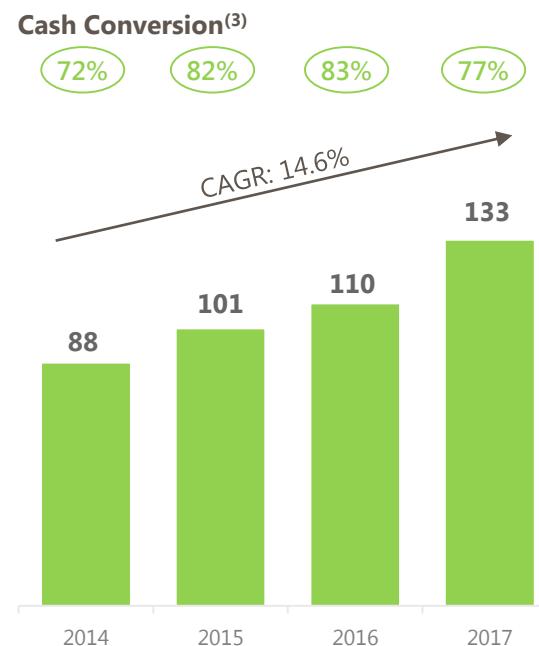
**Sales<sup>(1)</sup>**  
(€m)



**Adj. EBIT**  
(€m)



**Free Cash Flow<sup>(2)</sup>**  
(€m)

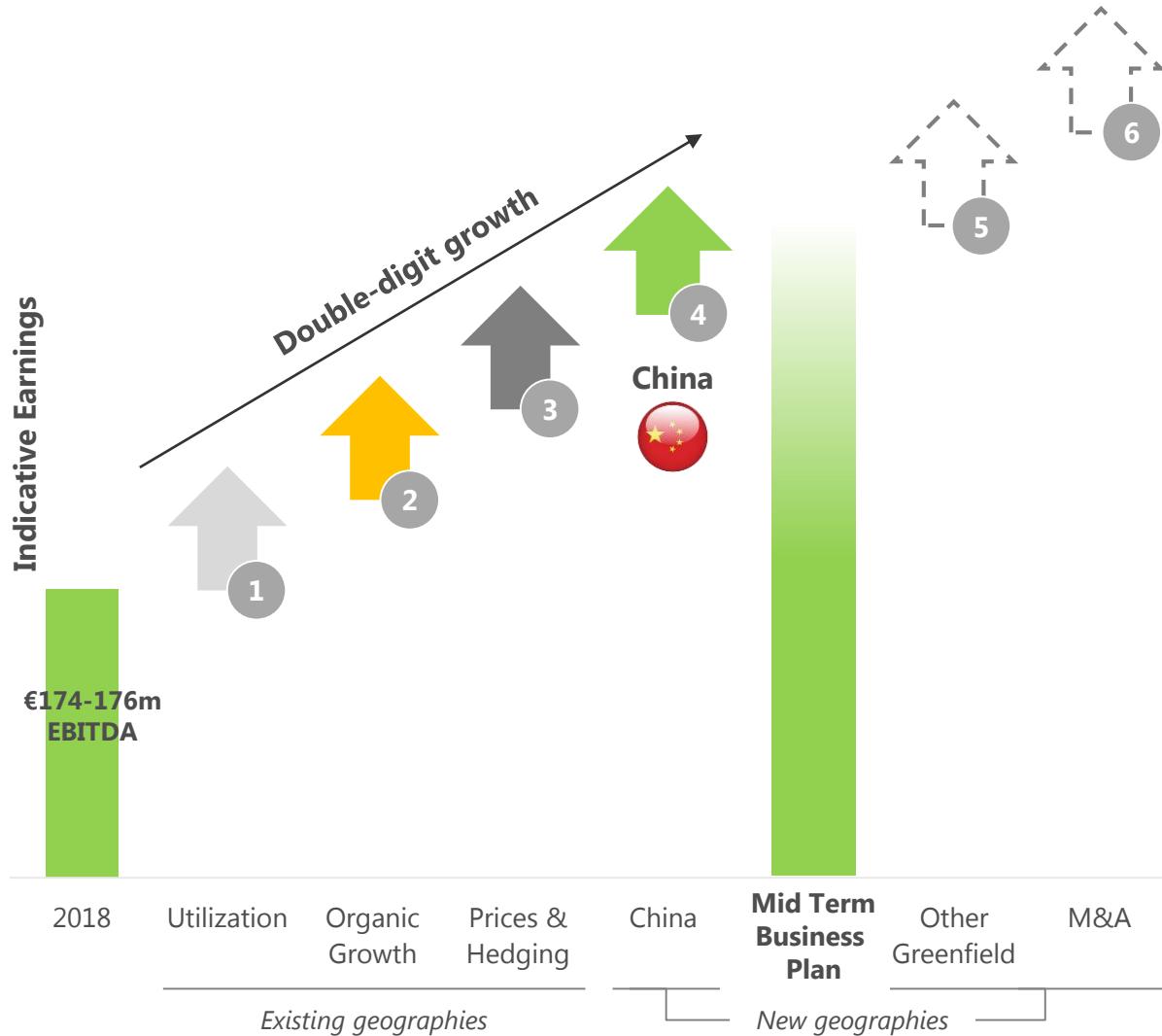


**Robust sales growth underpinned by sustainable increase in volumes and acceleration in growth in 2017**

**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**

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 1<sup>st</sup> 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



**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, 13<sup>th</sup> Annual Business Services Conference

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