

# BEFESA



## Q3 2017 Earnings Presentation

November 28, 2017

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**Continued double-digit growth in revenue and earnings driven by strong volumes, favorable prices and operational excellence in both core businesses**

**Profitability improved to 23% / 19% Adjusted EBITDA / EBIT Margin respectively <sup>(1)</sup>**

**Strong cash generation and reducing leverage<sup>(2)</sup> further down to x2,7**

**Hedging program extended through swaps to mid-2020 improving visibility of earnings and cash flows for the next ~3 years**

**New capital structure<sup>(3)</sup> will lower interest costs and debt service by approx. 60% ... improved preliminary credit ratings assigned to Befesa of Ba3 / BB- Moody`s / S&P**

(1) Adjusted EBITDA / Revenue and Adjusted EBIT / Revenue as of Sep. 30, 2017 YTD.

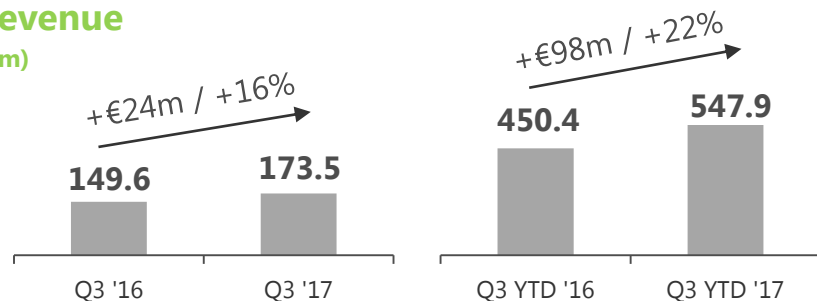
(2) Leverage calculated as Net Debt / Adjusted EBITDA. Leverage at close Q3 2017 is calculated using Adjusted EBITDA of the Last Twelve Months (LTM) as of Sep. 30, 2017

(3) New Capital structure targeted for December 7, 2017

### Continued growth in revenue, earnings and profitability driven by strong volumes, favorable prices and operational excellence

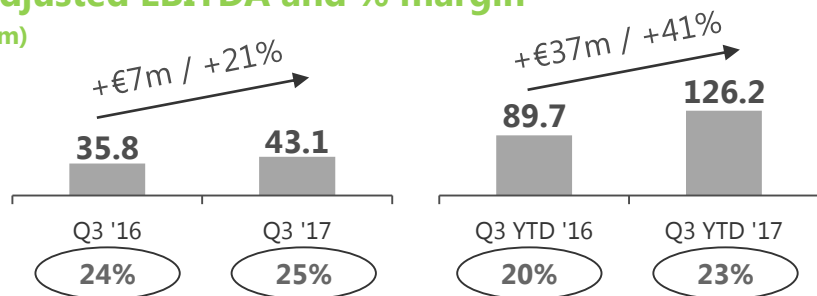
#### Revenue

(€m)



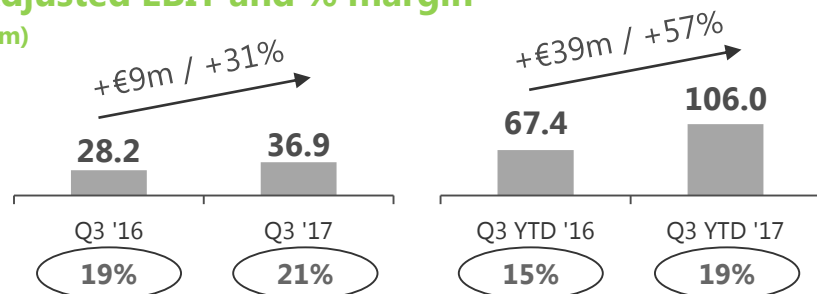
#### Adjusted EBITDA and % margin<sup>(1)</sup>

(€m)



#### Adjusted EBIT and % margin<sup>(1)</sup>

(€m)



#### Highlights

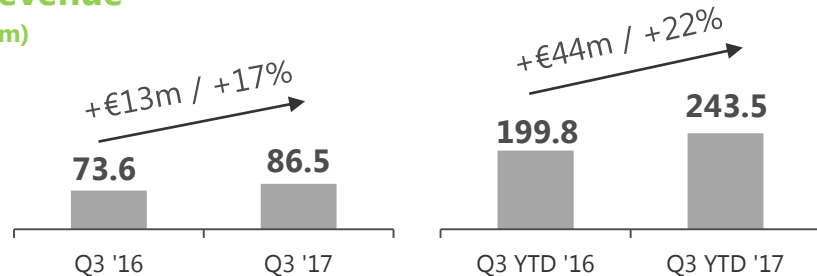
- Q3 YTD '17 Revenue** increased **+€98m / +22% YoY** ... primarily due to:
  - **higher volumes in both core segments** +14% steel dust throughput / +5% salt slags & SPL recycled
  - **higher prices** for both **zinc** (blended zinc price increased 22% YoY) and **aluminium alloys** (average market prices +9% YoY)
- Q3 YTD '17 Earnings** increased to **€126m / +41% YoY Adjusted EBITDA** and **€106m / +57% YoY Adjusted EBIT** ... 23% and 19% of revenue, respectively ... driven by strong volumes in both core segments, favorable zinc and aluminium prices and cost efficiencies from operational excellence initiatives

(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 increase in revenues & earnings driven by higher EAFD throughput, Waelz oxide volumes, favorable zinc price and operational excellence

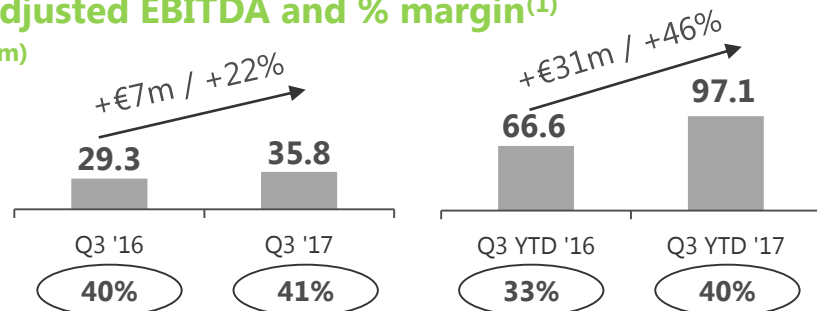
### Revenue

(€m)



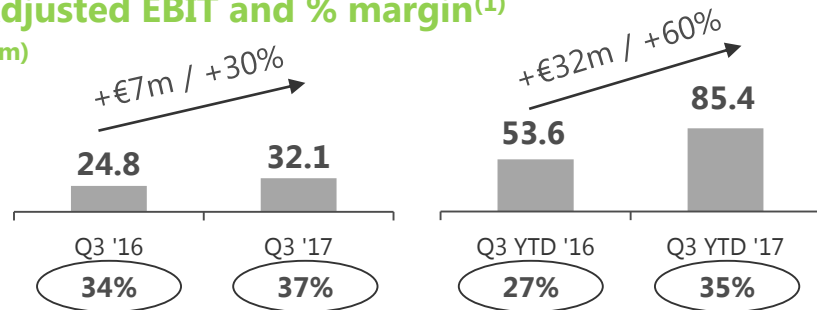
### Adjusted EBITDA and % margin<sup>(1)</sup>

(€m)



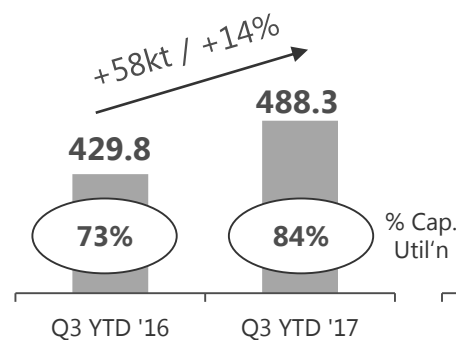
### Adjusted EBIT and % margin<sup>(1)</sup>

(€m)

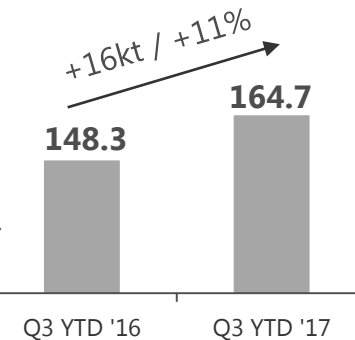


### Volumes & Capacity Utilization

#### EAFD Throughput (kt)



#### Waelz Oxide Sold (kt)



### Prices

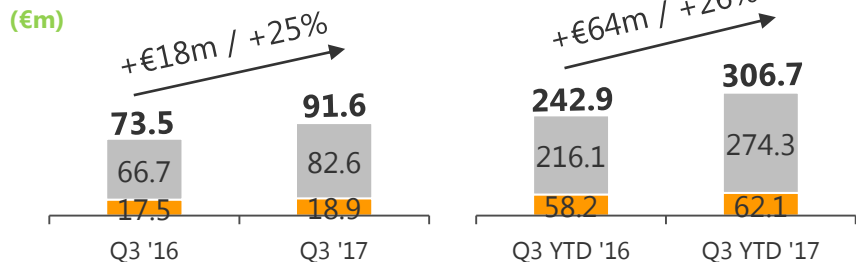
	Q3 2016	Q3 2017	% Var.	YTD 2016	YTD 2017	% Var.
Befesa blended (*)zinc price (€/t)	2,017	2,187	+8%	1,745	2,132	+22%
LME avg price (€/t)	2,018	2,574	+28%	1,744	2,497	+43%

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

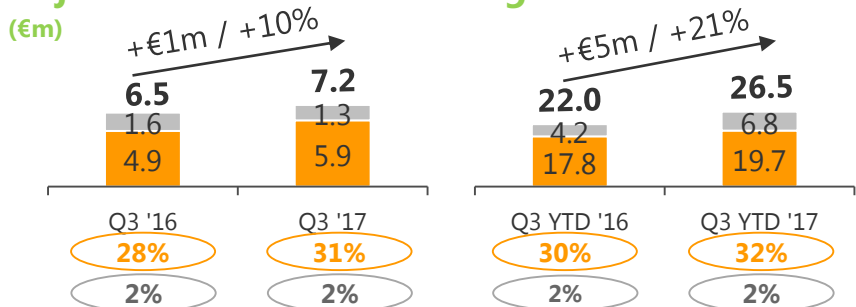
(1) Adjusted EBIT(DA) have been calculated based on the reported operating result adjusted for holding, restructuring and other one-time effects; Adjusted EBIT(DA) margin is calculated as the ratio of Adjusted EBIT(DA) to Revenue.

Growth in revenues & earnings driven by good volumes, increasing alu alloy prices, and operational excellence.

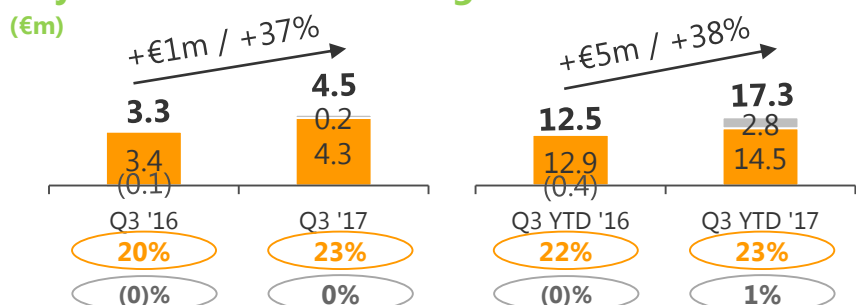
### Revenue<sup>(1)</sup>



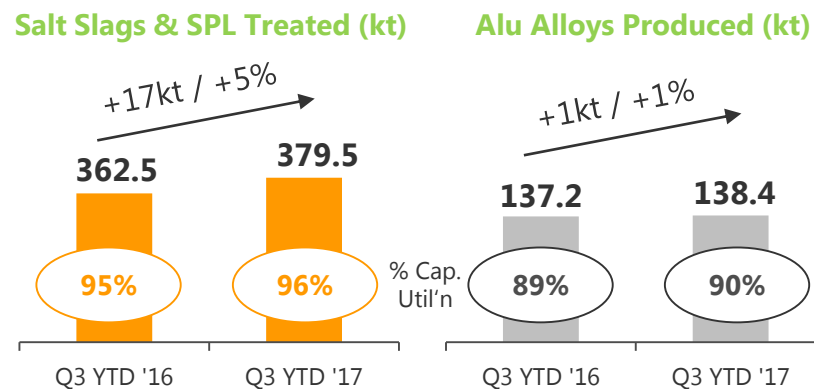
### Adjusted EBITDA and % margin<sup>(2)</sup>



### Adjusted EBIT and % margin<sup>(2)</sup>



### Volumes & Capacity Utilization



### Prices

	Q3 2016	Q3 2017	% Var.	YTD 2016	YTD 2017	% Var.
Alu alloy avg. price (*) (€/t)	1,628	1,761	+8%	1,628	1,770	+9%

(\*) 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

**Strong cash flow from operations of €54m, up +48% YoY ...  
€88m of Cash & Cash Equivalents at Q3 '17 close**

### Cash Flow and Cash & Cash Equivalents

(€m)

	Q3 YTD 2016	Q3 YTD 2017	Change
<b>Net Cash Flow from:</b>			
<i>Operating Activities</i>	36.5	53.9	<b>+17.4</b>
<i>Investing Activities</i>	(25.2)	32.8	<b>+57.9</b>
<i>Financing Activities</i>	(7.1)	(59.3)	<b>(52.3)</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>	3.7	25.9	<b>+22.1</b>
<b>Cash &amp; Cash Equivalents at End of Period</b>	61.2	87.9	<b>+26.7</b>

- **Strong cash flow from operations** of €54m (+€17m / +48% YoY) primarily driven by better operational performance in both core businesses.
- Cash flows from **investing activities** improved with lower CapEx spend of (€17) vs. (€23) as well as €55 proceeds from divestiture of non-core IES operations.
- The change in **financing activities** is mainly driven by the repayment of (€57) debt in 2017.
- After paying taxes of €17m, €25m interests, funding maintenance and productivity capex of €17m ...  
... cash increased by €26m / +22% YoY  
... **€88m cash position at Q3 '17 close**

### Hedging extended through swaps to mid-2020 improving visibility of earnings and cash flows for the next ~3 years

#### Market Zinc Price vs. Zinc Hedge

(€/ton)



- **Extended** hedging period **up to July 2020**
- **Increased volume coverage ...**  
Higher volume of 7.7 kt/month or 92.4kt/year (vs previous 6.1 kt/month or 73.2 kt/year) ... **approx. 70%** of zinc equivalent payable output
- **Strong hedge price levels** of €2306/t in 2019 and €2235/t in 2020

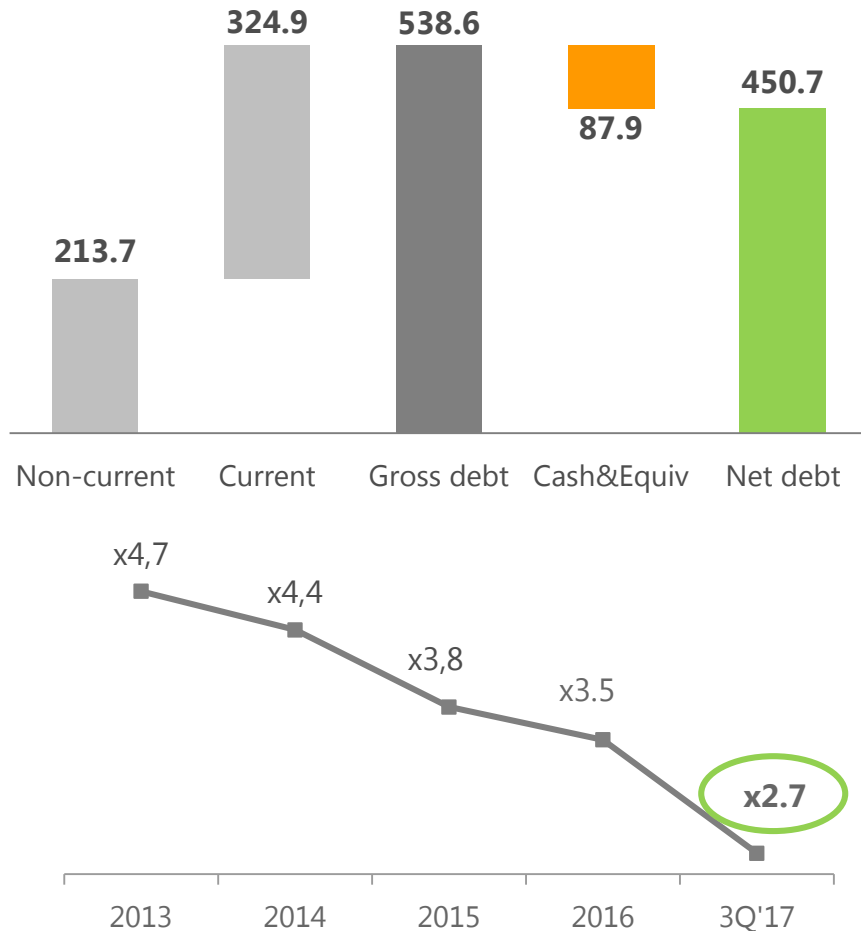
Period	Swap average price €/t	Zinc content hedged
Q4 2017	€1,879	18,300 tons
2018	€2,050	92,400 tons
2019	€2,306	92,400 tons
Jan-Jul 2020	€2,235	46,200 tons



# BEFESA Consolidated Net Debt / Leverage / New Capital Structure

Net debt of €451m ... reduced leverage further down to x2.7 at Q3 '17 close ...  
Signed new capital structure resulting in ~60% lower financial costs

## Net Debt and Leverage<sup>(1)</sup> (€m)



## New Capital Structure

- **Moody's and S&P assigned preliminary improved credit ratings for Befesa S.A. of Ba3 / BB-** ... both 2 notches up from B2 / B
- €636m New Senior Facilities Agreement comprised of:
  - **€526m Term Loan B – covenant lite; 3M 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%
- Targeted for December 7, 2017 replacing e.g. current PIK and High Yield Bond
- **Interest costs and debt service will lower by approx. 60%**

**Week of February 20, 2018: Preliminary Year-End Results of 2017**

**Thursday, March 22, 2018: Publication of Report for Full Year 2017 & Analyst Call**

**Thursday, April 26, 2018: Annual General Meeting**

**Thursday, May 24, 2018: Publication of Statement for Q1 2018 & Analyst Call**

**Friday, July 27, 2018: Publication of Interim Report for H1 2018 & Analyst Call**

**Thursday, Nov 22, 2018: Publication of Statement for Q3 2018 & Analyst Call**