



## PRESS ANNOUNCEMENT

Full Year 2017 Trading Update:

### **Befesa achieves record results in 2017**

- Full year revenue increases to EUR 725mn, up +18% from 2016
- Adjusted EBITDA of EUR 172mn, up +30% from 2016; adjusted EBIT of EUR 144mn, up +39% from 2016
- Net Income reaches EUR 49mn vs. Net Loss of EUR 53mn in 2016
- Volumes at new record levels in both core segments: Steel Dust throughput up +12% YoY to 661kt, Salt Slags up +4% YoY to 510kt and 2<sup>nd</sup> Aluminium Alloys up +2% to 184kt
- Continued strong cash flow, reduced leverage and extended zinc price hedging program all support organic growth initiatives

*Luxembourg, 19 February 2018.* Befesa S.A. (“Befesa”), the European market leader for steel dust and aluminium salt slags recycling services, significantly grew its revenue in the financial year 2017 to reach EUR 725mn, up 18% from EUR 612mn in the prior year, according to preliminary figures. Steel Dust Services contributed EUR 332mn revenue, Aluminium Salt Slags Services EUR 83mn<sup>1</sup> and 2<sup>nd</sup> Aluminium Services EUR 353mn<sup>1</sup>. Befesa reached new record volumes in both core segments: Steel Dust throughput was at 661kt (up +12% YoY), Salt Slags volumes improved to 510kt (up +4% YoY) and 2<sup>nd</sup> Aluminium Alloys produced of 184kt (up +2% YoY).

Befesa furthermore achieved an adjusted EBITDA<sup>2</sup> of EUR 172mn (prior year: EUR 133mn), representing a margin of 24% (prior year: 22%). Steel Dust Services delivered EUR 135mn adjusted EBITDA, Aluminium Salt Slags Services EUR 27mn and 2<sup>nd</sup> Aluminium Services EUR 9mn. Similarly, adjusted EBIT<sup>2</sup> improved to EUR 144mn (prior year: EUR 103mn). On this basis, Befesa recorded an adjusted EBIT margin of 20%, three percentage points up when compared with the 2016 financial year. Steel Dust Services achieved EUR 118mn adjusted EBIT, Aluminium Salt Slags Services EUR 20mn and 2<sup>nd</sup> Aluminium Services EUR 4mn.

Befesa finished the year with a Net Income of EUR 49mn (prior year: Net Loss EUR 53mn). Befesa delivered a strong net Cash Flow from Operating Activities<sup>3</sup> of EUR 91mn (prior year: EUR 56mn). Cash on hand at the end of the 2017 reporting period was approximately EUR 118mn (prior year: EUR 62mn).

*Javier Molina, CEO of Befesa, said:* “Befesa has developed very successfully in 2017 and we have concluded the financial year with record results across our segments. This strong financial position will help us to continue our organic expansion projects and to drive further growth over the coming years. Following the important step to publicly list Befesa three months ago, 2018 will be another exciting year for the company as we continue to expand our existing facilities and explore new market opportunities.”

Following the successful IPO on 3 November 2017, Befesa entered into a new financing agreement which became effective on 7 December 2017, replacing the outstanding PIK, HY Bond and other financial facilities. Together with strong cash generation, the company improved its Net Debt<sup>4</sup> / adjusted EBITDA leverage to x2.4 at the end of 2017 (versus x3.5 at year-end 2016.)

*Wolf Lehmann, CFO of Befesa, added:* “We are very pleased with our new capital structure, which has been in place since the end of last year. We have also extended Befesa’s hedging program by another six months to fully cover 2020. Both of these initiatives will allow us to further improve our earnings and cash flow stability as well as predictability.”

<sup>1</sup> Total revenue after inter-segment eliminations of the Aluminium Salt Slags Recycling Services segment amounted to approximately EUR 396mn

<sup>2</sup> Adjusted EBITDA and Adjusted EBIT excludes one-off effects including IPO and other one-time related non-recurring expenses

<sup>3</sup> Note Total Free Cash Flow measured as Adjusted EBITDA +/- Change in Working Capital – Maintenance CapEx – Taxes is approximately €133mn for the full year 2017.

<sup>4</sup> Net debt as of December 31, 2017 amounted to approximately EUR 406mn

## ZINC HEDGING PROGRAM

In 2017, Befesa hedged 73kt of zinc (59% of zinc equivalent output volume) at EUR 1,876 per ton and sold an additional 51kt (41% of zinc equivalent output volume) at an average market price of EUR 2,572 per ton. This resulted in a blended average zinc price per ton of EUR 2,160. For 2018, Befesa has extended its zinc hedges to 92kt (approximately 70% of expected total zinc equivalent output volume) at EUR 2,051 per ton. Using the 2017 average LME market price of EUR 2,572 for 2018 for the remaining unhedged approximately 30% volume, the blended average 2018 zinc price would be EUR 2,207 per ton. For 2019 and 2020, Befesa has hedged 92kt each year at EUR 2,306 and EUR 2,245 per ton respectively.

## STRATEGIC OUTLOOK

2018 will be a transitional year for Befesa. Management will focus on implementing the next set of organic growth initiatives to continue the company's successful development in 2019 and beyond. In the Steel Dust Services segment, Befesa expects to increase capacity at its plant in Turkey and expects to further expand its footprint in Asia with a washing plant for the Waelz oxide in South Korea. In the Aluminium Salt Slags Services segment, Befesa is upgrading the furnaces at its Barcelona and Bilbao plants as well as expanding capacity at its Hanover plant.

## NOTE

All figures reported in this press release are unaudited and represent estimates. Befesa plans to publish its 2017 Q4 and full-year financial results on 15 March 2018. The Annual General Meeting is scheduled for 26 April 2018 and will be held in Luxembourg.

## About Befesa

Befesa is a leading international provider of critical environmental regulated services to the steel and aluminium industries with facilities located in Germany, Spain, Sweden, France and the UK, as well as in Turkey and South Korea. Through its two business units, Steel Dust and Aluminium Salt Slags recycling services, Befesa manages and recycles more than 1,300kt of residues annually, with a production of more than 600kt of new materials, which Befesa reintroduces in the market, reducing the consumption of natural resources. Further information can be found on the company's website: [www.befesa.com](http://www.befesa.com)

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