BEFESA

First Quarter 2019 Presentation

8 May 2019

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Today's Presenters

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

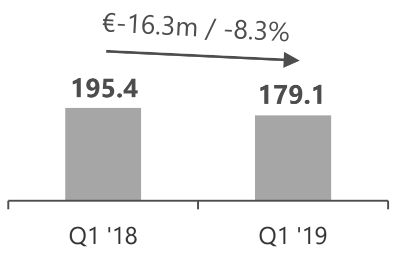
- Director of Investor Relations and Strategy of Befesa since 2008

Key Highlights

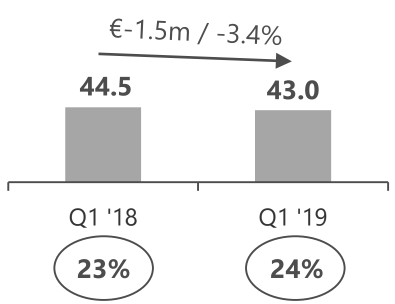
- FY 2019 targeting EBITDA growth of +3% to +5% / €182 to €185m; considering reference Treatment Charge (TC) of up to $245/t & ~$2,850/t avg. ´19 LME zinc price
- Expecting stronger H2´19 vs. H1´19 mainly due to Turkey back in operations with increased capacity Q3 onwards and continued Stainless recovery
- Q1 volumes in core segments as expected: Steel Dust throughput at 169kt (-10% YoY) due to downtime to increase Turkey capacity; Salt Slags ~flat (-1% YoY)
- Q1 EBITDA at €43m (-3% YoY); As anticipated impacted by
  - Lower volume in Turkey & unfavourable reference TC;
  +Partially offset by: Better zinc hedges, recovered Stainless operations & upgraded high efficiency furnaces in 2nd Aluminium delivering results
- Profitability continues at solid 24% EBITDA margin; Leverage at x2.2
- Execution of organic growth projects on track: Turkish plant six-month shutdown to increase capacity started January ‘19; Korea washing plant progresses as planned
- China - Plant #1 (Jiangsu): Broke ground April ’19; Ramp-up planned H2’20; Plant #2 (Henan): Signed agreement; Breaking ground Q4’19; Ramp-up H1’21
- Free float increased to 81% after Triton placed 13% in April ’19

Q1 EBITDA as expected at €43.0m (-3.4% YoY): Impacted by lower volumes in Turkey and unfavourable reference TC; partially offset by improved hedging prices, recovered performance in Stainless and upgraded high efficiency furnaces

Revenue
(€m)



EBITDA and % margin
(€m)



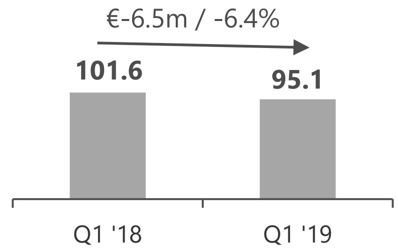
Highlights

- **Q1 revenue 2019 down 8%** YoY to **€179.1m** primarily due to:
  - Lower volumes in **Turkey** due to **scheduled six-month downtime to upgrade capacity** from 65kt to 110kt
  - **Unfavourable zinc reference TC for 2019** ~$245/t vs. $147/t '18
  - **Lower market prices:** LME **zinc prices down 14%** (Q1'19: €2,380/t; Q1'18: €2,776/t); **aluminium alloys market prices down 17%** (Q1'19: €1,528/t; Q1'18: €1,833/t)
  - Revenue decrease partially offset by:
    (i) **Improved hedging prices** (Q1'19: €2,344/t vs. Q1'18: €2,021/t)
    → improved blended zinc prices (Q1'19: €2,374/t; Q1'18: €2,299/t)
    (ii) **Recovered** YoY performance in **Stainless**

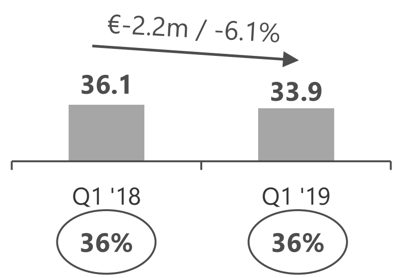
- **Q1 EBITDA** at **€43.0m (-3.4% YoY)** / **24%** EBITDA margin; following the above drivers:
  - Turkey shutdown to upgrade capacity & unfavourable TC;
  + Partially offset by better zinc hedges & recovered Stainless operations (details above) -as well as-
  + 2nd Aluminium furnaces upgrades from 2018 delivering results

Q1 EBITDA at €33.9, down €2.2 YoY; driven by lower volume in Turkey & unfavourable ref. TC – partially offset by recovered Stainless & improved hedges

Revenue
(€m)

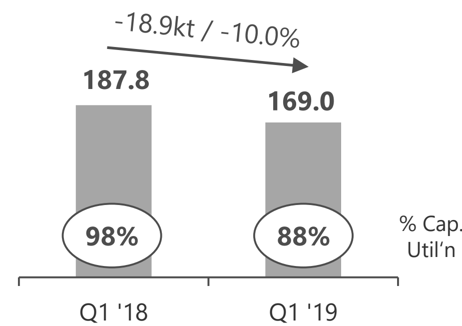


EBITDA and % margin
(€m)



Highlights
- **Q1 revenue down 6%** driven by 10% lower throughput YoY - Turkey plant upgrade; also higher TC referenced at approx. $245/t in ´19 vs. $147/t in ´18; partially offset with higher blended zinc prices
- **Q1 EBITDA** following the above explained drivers as well as improved performance in Stainless operations

EAF dust throughput & capacity utilisation
(thousand tonnes, % of annual installed capacity)



- Throughput impacted as expected by downtime in Turkey to expand capacity from 65kt to 110kt since January ´19

Prices
(€ per tonne)

	Q1 2018	Q1 2019	% Var.	2018
Befesa blended (*) average zinc price	2,299	2,373	+3%	2,168
LME average price	2,776	2,380	-14%	2,468

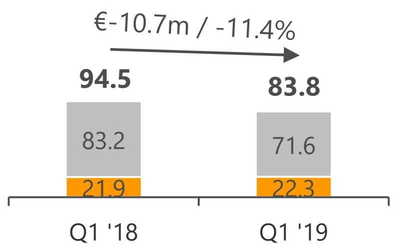
LME market prices down 14% –but- blended with better hedges up +3%

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

Q1 EBITDA grew to €8.9m (+9% YoY) mainly driven by furnace upgrades in ´18 showing results (2nd Aluminium) partially offset by lower aluminium alloy prices

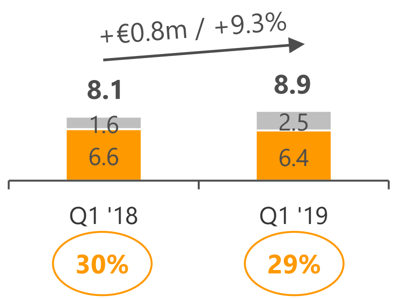
Revenue[1]

(€m)



EBITDA and % margin[2]

(€m)



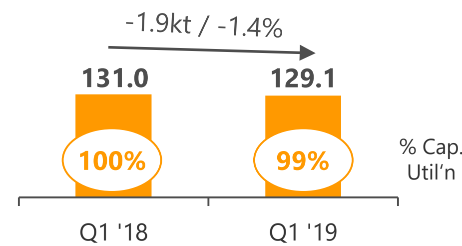
Highlights

- **2nd Aluminium**: Q1 EBITDA up €0.9m driven by higher margins due to more efficient furnaces showing results offsetting lower prices
- **Salt Slags & Spent Pot Linings (SPL)**: Q1 EBITDA slightly down €0.2m YoY mainly due to decreased aluminium alloy prices

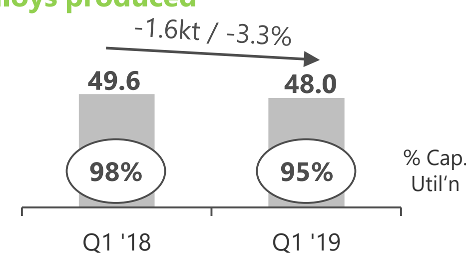
Volumes & capacity utilisation

(thousand tonnes, % of annual installed capacity)

Salt Slags & SPL treated



Aluminium alloys produced



Prices

(€ per tonne)

	Q1 2018	Q1 2019	% Var.	2018
Aluminium alloy average price (*)	1,833	1,528	-17%	1,715

(*) Aluminium scrap and foundry ingots aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin free market duty paid delivered works

Salt Slags subsegment

Secondary Aluminium subsegment

(1) Total revenue after intersegment eliminations
(2) EBITDA margins refer to the Salt Slags subsegment

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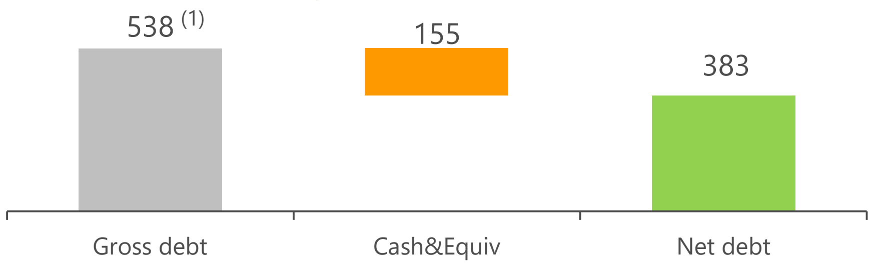
Consolidated Net Debt / Leverage / Cash Flow / Ratings

Leverage at x2.20 at Q1’19 ~stable compared to x2.14 at YE’18

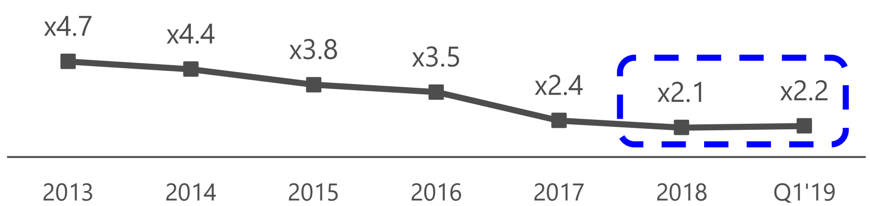
Net debt

(€m, as of 31 March 2019)



Leverage rate trend

(Net debt / LTM EBITDA)



Credit ratings of Befesa S.A.

Moody’s	Ba2 (Outlook stable)
S&P	BB (Outlook stable)

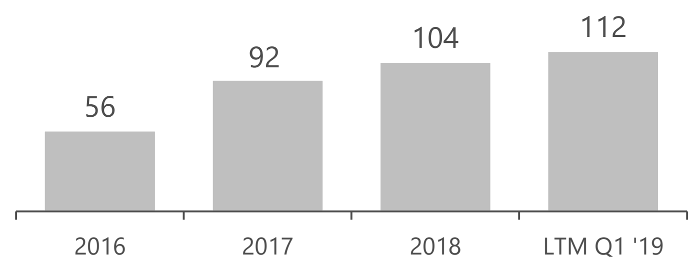
Q1’19 EBITDA to total cash flow – main drivers

(€m)

EBITDA	€43	
WC change & other	€-13	Loading of sales within quarters Q4/Q1
Taxes	€-5	Nominal 25% vs. cash tax rate <20%
Interest & other	€-8	
CapEx & other investing activities	€-13	Regular annual maintenance spend; Growth focus: Turkey upgrade, Korea washing plant, China expansion
Total Cash Flow	**+€4**	**→ €155 cash & x2.2 leverage**

Operating cash flow[2]

(€m)



(1) From 1 January 2019, implemented IFRS 16 amendment affecting accounting for renting and leasing results in €14 million higher debt or ~0.1 higher leverage compared to year-end 2018

(2) Operating cash flow per audited consolidated statement of cash flows; after WC, taxes & interests; pre capex & dividend; Last Twelve Month (LTM) Q1’19 operating cash flow is unaudited

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Targeting EBITDA growth of +3% to +5% / €182 to €185m; Mainly based on:
+ Hedged ~€2,325 vs. €2,051 in ´18; Unhedged at current ~LME €2,522/$2,850 levels
- Limited by higher reference TC of up to $245/t in ´19
+ Stainless operations recovering vs. (€4m) negative EBITDA in ´18
+ Aluminium furnace upgrades implemented in ´18 delivering positive results

Expecting continued high utilization levels in both core segments; Steel Dust >90% and Salt Slags >95%. Volume overall stable YoY.

Expecting stronger H2´19 vs. H1´19 mainly due to Turkey back in operations with increased capacity Q3 onwards and continued Stainless recovery

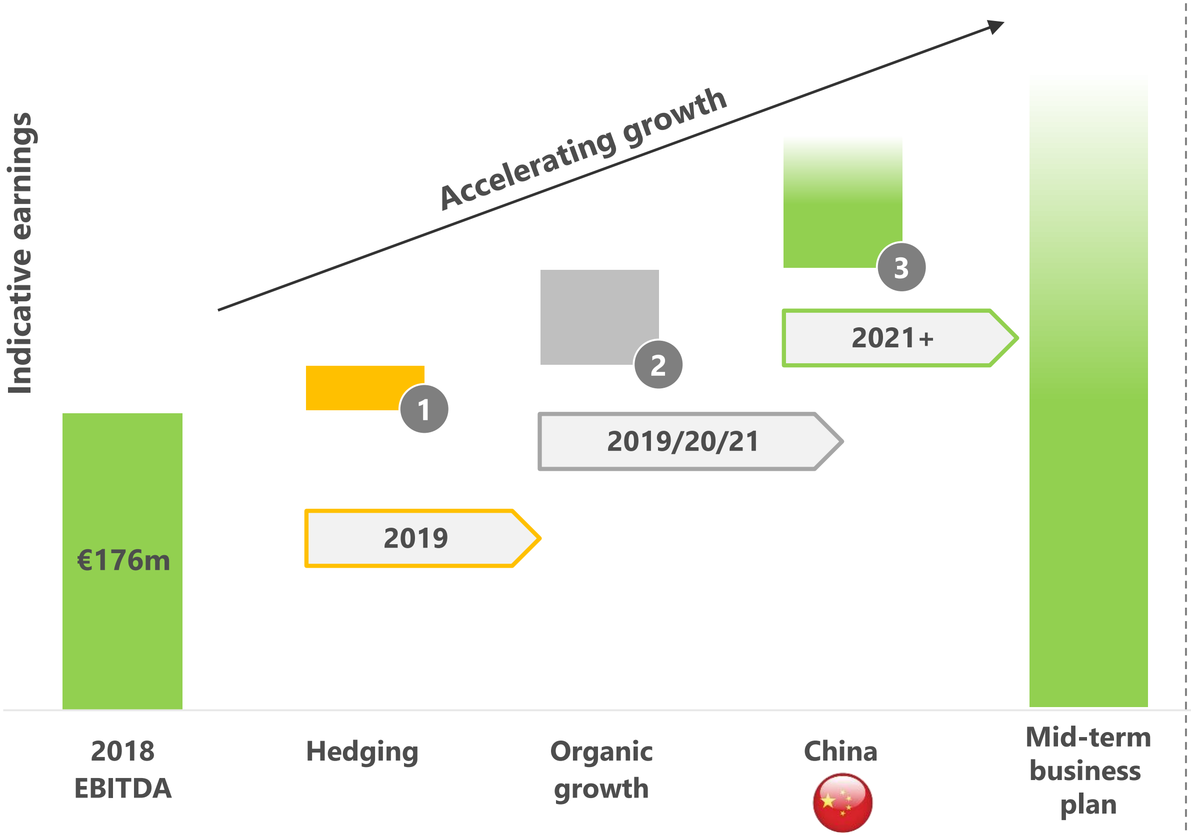
With ~70% of zinc output hedged the earnings variation for the remaining 3 quarters is limited to +/- €3m for each +/- €100/t LME Zinc price variation vs. €2,522 avg. ´19

Total CapEx expected at ~€85m: ~€60m to fund top growth projects – Steel Dust: Turkey, Korea and China & Aluminium Salt Slags: Final furnace upgrade; ~€25m for maintenance / others, similar to 2018

Maintaining dividend policy of distributing 40 to 50% of net profit

Current operating cash flow run rate funds CapEx and dividend; Expecting balanced total cash flow and full year leverage similar to current levels

Accelerating growth through well defined business plan; Hedging in place and executing top 5 growth projects + China



1 Hedging
- 2019: 92.4kt at ~€2,325/t
- 2020: 92.4kt at ~€2,260/t
- H1 2021: 46.2kt at ~€2,230/t

2 Organic growth
2019/20 focus – top 5 projects:
- Steel Dust:
  - Turkey 65→110kt; Ramp-up Q3´19
  - Korea washing plant; Completion Q4´19
- Aluminium Salt Slags:
  - 2x tilting furnaces (✓Bilbao, Barcelona Q3´19)
  - Expand Hannover (130kt →170kt)

3 China
- Developing two EAF dust recycling plants in two provinces:
  - #1 (Jiangsu): broke ground in April ´19; Ramp-up ~H2´20
  - #2 (Henan): agreement signed; breaking ground in Q4´19; Ramp-up ~H1´21

Note: Chart is illustrative and size of respective arrows in the chart is not indicative to the underlying growth potential

3

China – Plant #1: Jiangsu – Groundbreaking Ceremony

Broke ground at Changzhou plant on 10 April 2019; Starting construction for ramp-up in H2 2020

Key facts of the plant

- 1st Electric Arc Furnace (EAF) dust recycling plant in China with capacity to recycle 110kt / year
- Total investment: ~€45m

Status

✓ Ground breaking ceremony on 10 April 2019

➢ Starting construction

➢ Scheduling to ramp up operations in H2 2020

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3

Signed development agreement on 8 April 2019; Targeting ground breaking in Q4 2019

Henan background

Henan is located in central China, with a population of 95 million people and a GDP of $726 billion. Over the past two decades, Henan has developed rapidly, and is one of the most important producers of EAF steel in China.

Plant location

Changge Dazhou Industrial Cluster, XuChang City. Potential to also service Hu Bei province (on the southern border of Henan province).

Key facts of the plant

- 2nd EAF dust recycling plant in the country
- Capacity to recycle 110kt EAF dust / year
- Total investment: ~€45m

Status

✓ Signed development contract on 8 April 2019

➢ Targeting ground breaking in Q4 2019

➢ Scheduling to ramp up operations in H1 2021

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Investor Agenda

Financial Calendar

✓ **Wednesday, 8 May 2019:**
Q1 2019 Statement & Analyst Call

Wednesday, 19 June 2019:
Annual General Meeting in Luxembourg

Thursday, 25 July 2019:
H1 2019 Interim Report & Analyst Call

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

Meet Befesa ...

14 May 2019 – Midcap Partners
Paris, Annual Small & Midcap Conference

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

28 May 2019 – Mainfirst
Frankfurt, SMid Cap one-on-one Forum 2019

5-7 June 2019 – Deutsche Bank
Berlin, dbAccess Conference

11-13 June 2019 – Stifel
Boston, 2019 Cross Sector Insight Conference

27-29 August 2019 – Commerzbank
Frankfurt, Sector Conference 2019

10-12 September 2019 – J.P. Morgan
London, Pan European Small & Mid-Caps

19-20 September 2019 – Citi
London, SMID/Growth Conference 2019

23-25 September 2019 – Goldman Sachs & Berenberg
Munich, 8th German Corporate Conference

13-14 November 2019 – Goldman Sachs
London, 8th Global Natural Resources Conference

2-5 December 2019 – Berenberg
London/Pennyhill Ascot, European Conference 2019

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Befesa cannot rule out changes of dates and recommends checking them in the Investor Relations / Financial Calendar section of our website www.befesa.com

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Appendix

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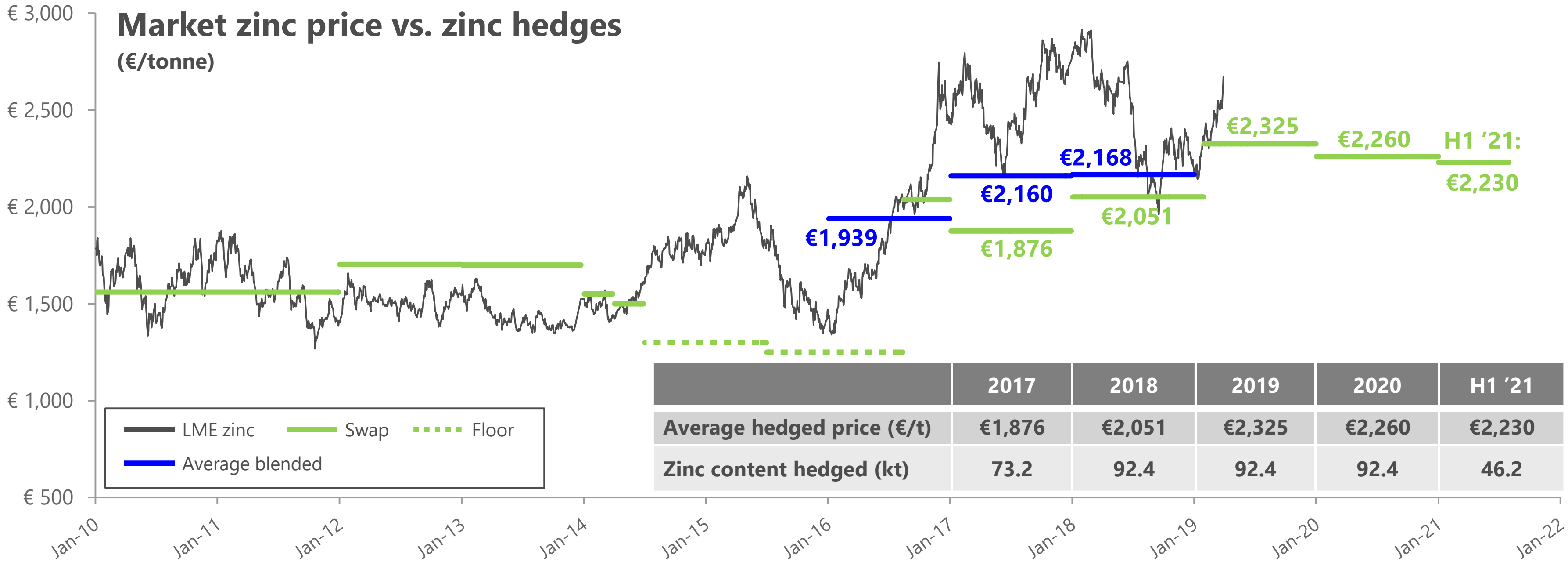
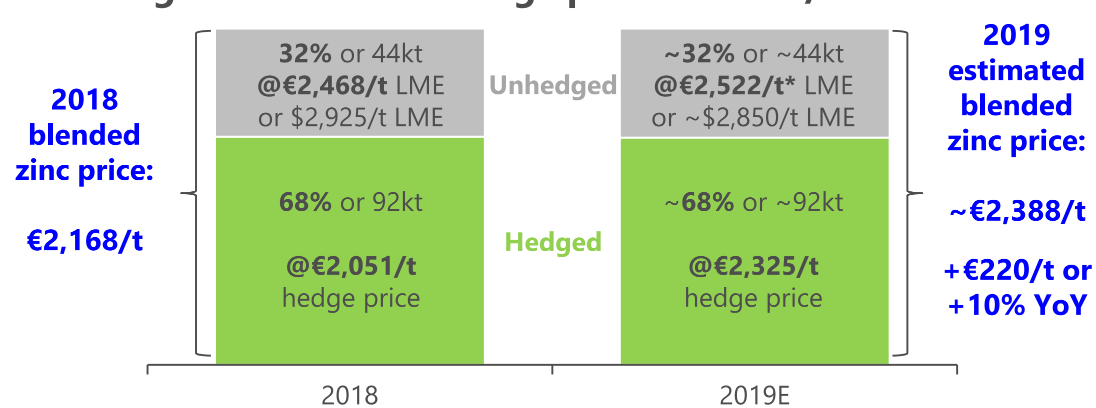
Hedging up to Jul. ´21 improves earnings & cash flows visibility for next 3 years



	2017	2018	2019	2020	H1 ’21
Average hedged price (€/t)	€1,876	€2,051	€2,325	€2,260	€2,230
Zinc content hedged (kt)	73.2	92.4	92.4	92.4	46.2

Source: London Metal Exchange (LME) zinc daily cash settlement prices; Company information

Zinc hedges & blended average prices – 2018 / 2019



- Hedges in place **until and including July 2021**
- **Majority** of hedges **Euro based**
- Befesa providing **no collateral**

* Assumes reference TC of $245/t with escalators between $2,700 to $3,000/t LME zinc – mid-point $2,850/t – similar to April price level. $2,850/t at FX USD/EUR 1.13 equal to €2,522/t.