



## Second Quarter 2019 Presentation

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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**

H1 at €80m EBITDA; down -10%/€-9 YoY as anticipated per guidance & sensitivities:

- Lower volume due to Turkey upgrade & Plant maintenance schedule H1 > H2
- Unfavourable market prices: \$245/t TC; €2,420 Avg. LME Zinc; €1,460 avg. Alu Alloy

+ Partially offset by higher hedges, recovering Stainless and Alu furnace upgrades

Expecting stronger H2 vs. H1: Turkey back with higher capacity August onwards;  
Less plant maintenance shutdowns scheduled in H2; Continuing Stainless recovery;  
Monitoring volatile zinc spot price levels ~€2,200/t vs. assumed ~€2,520/t

H1 volumes in core segments as anticipated: Steel Dust throughput 318kt (-12% YoY) due to Turkey upgrade & maintenance schedule; Salt Slags ~flat (-4% YoY)

H1 profitability continues at solid 23% EBITDA margin, stable YoY;  
Cash up €20 to €170m in H1; Op Cash Flow LTM up at €116; Leverage stable x2.2

Growth projects on track: Expecting ramp up of Turkish plant ~August -&-  
Korea washing plant ~December; Final 2<sup>nd</sup> Alu furnace upgrade scheduled during Q3;  
Driving progress in China in parallel at both sites - Jiangsu and Henan provinces

Refinancing completed 9 July: Long 7-yr maturity (2026); Attractive interest rates;  
Increased baskets to accommodate growth roadmap / China

Extended hedges by 3 months to Oct 2021; Hedge prices continue ~€2,200 in '21

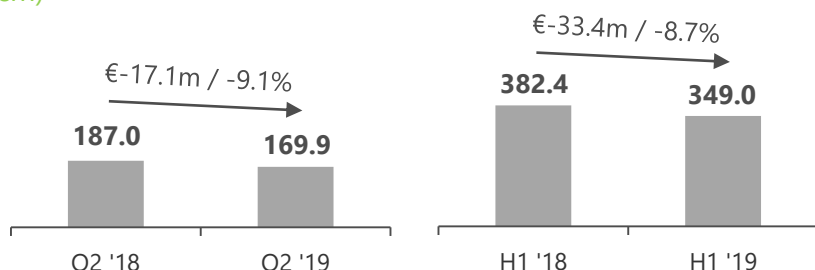
Free float at 100% after Triton Exit (June) ... Distributed dividend €1.32/share 03 July



**Q2 EBITDA at €37m (€-7m YoY): Lower volume due to Turkey upgrade & plant maintenance schedule; Unfavourable TC & market prices; Partially offset by higher hedges, recovering Stainless and Alu furnace upgrades**

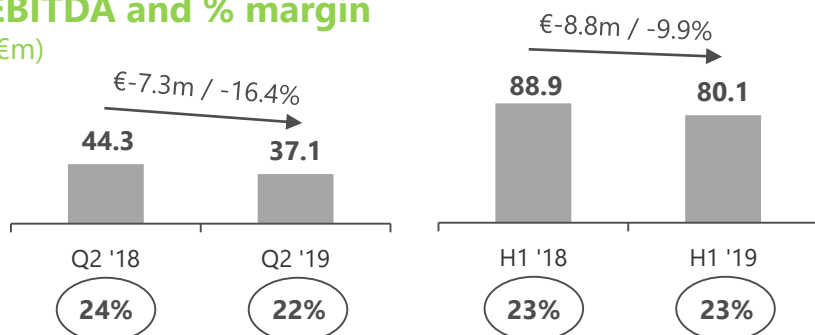
### Revenue

(€m)



### EBITDA and % margin

(€m)



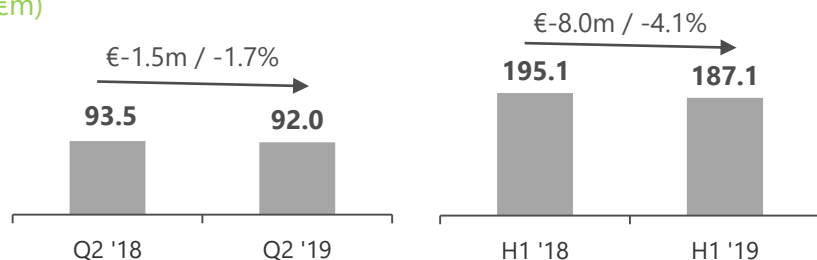
### Highlights

- Q2 revenue down 9.1% YoY to €169.9m** primarily due to:
  - Lower volumes in **Turkey** due to **scheduled six-month downtime to upgrade capacity** from 65kt to 110kt
  - Rigorous plant maintenance schedule
  - **Unfavourable zinc TC for 2019** ~\$245/t vs. \$147/t '18
  - **Lower market prices: LME zinc prices down 6%** (Q2'19: €2,459/t; Q2'18: €2,611/t); **aluminium alloys market prices down 24%** (Q2'19: €1,390/t; Q2'18: €1,826/t)
  - Revenue decrease partially offset by:
    - (i) **Improved hedging prices** (Q2'19: €2,315/t; Q2'18: €2,040/t) → improved blended zinc prices (Q2'19: €2,277/t; Q2'18: €2,214/t)
    - (ii) **Recovered YoY performance in Stainless**
- Q2 EBITDA at €37.1m (-16% YoY) / 22% EBITDA margin;** following the above drivers:
  - Turkey (~€-5) shutdown, unfavourable TC (~€-5) and lower metal market prices (Zinc ~€-2, Alu Alloy ~€-2);
  - + Partially offset by better zinc hedges (~€+5.5), recovering Stainless operations (~€+0.5) -as well as-
  - + 2<sup>nd</sup> Alu furnaces '18 upgrades (~€+1) delivering results

**Q2 EBITDA at €27.7m, (€-6.0m YoY); driven by lower volume in Turkey, scheduled maintenance & unfavourable TC; partially offset by improved hedges & Stainless**

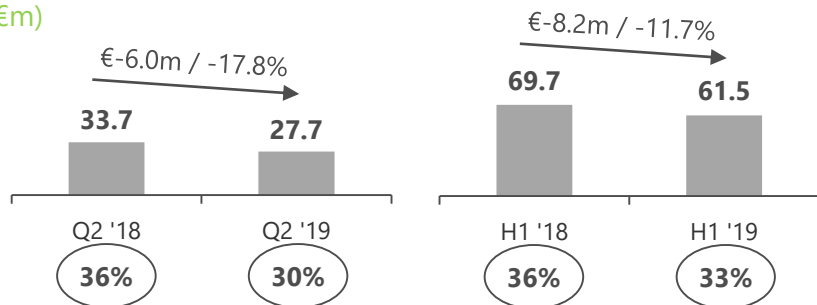
### Revenue

(€m)



### EBITDA and % margin

(€m)

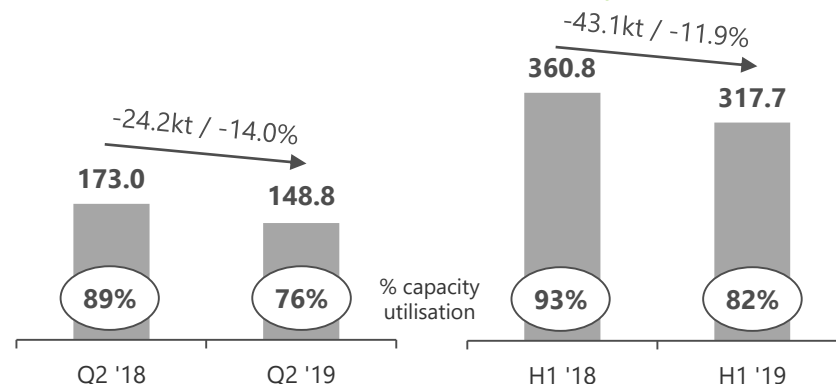


### Highlights

- **Q2 revenue down 2%** driven by 12% lower throughput YoY - Turkey & plant maintenance; also higher TC referenced at ~\$245/t in '19 vs. ~\$147/t in '18; Partially offset with higher blended zinc prices & Stainless
- **Q2 EBITDA down (€-6)** mainly driven by:
  - Turkey (~€-5) shutdown, unfavourable TC (~€-5) and lower zinc market prices (~€-2); partially offset by
  - + Zinc hedges (~€+5.5) & recovering Stainless (~€+0.5)

### 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 as well as scheduled plant maintenance shutdowns

### Prices

(€ per tonne)

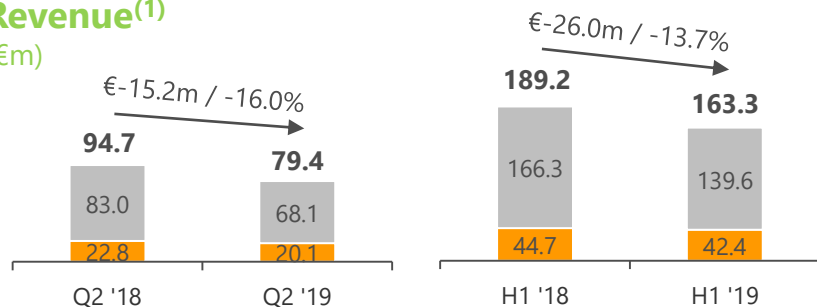
	Q2 2018	Q2 2019	% Var.	H1 2018	H1 2019	% Var.
Befesa blended (*) average zinc price	2,214	2,277	+3%	2,240	2,326	+4%
LME average price	2,611	2,459	-6%	2,698	2,420	-10%

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

**H1 EBITDA at €18.7m (~flat YoY) mainly driven by furnace upgrades in 2018 showing results (2<sup>nd</sup> Aluminium) ~offset by lower aluminium alloy prices**

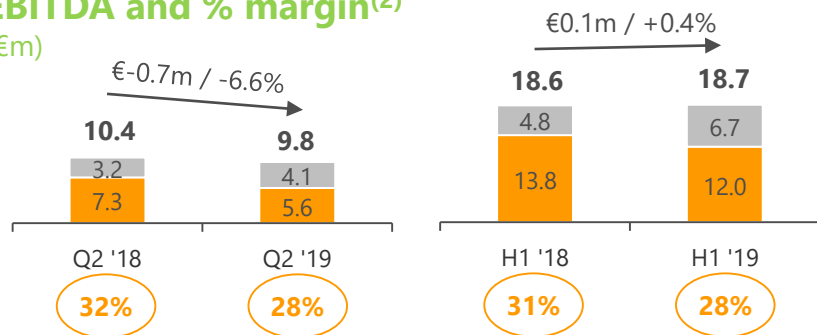
### Revenue<sup>(1)</sup>

(€m)



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

(€m)



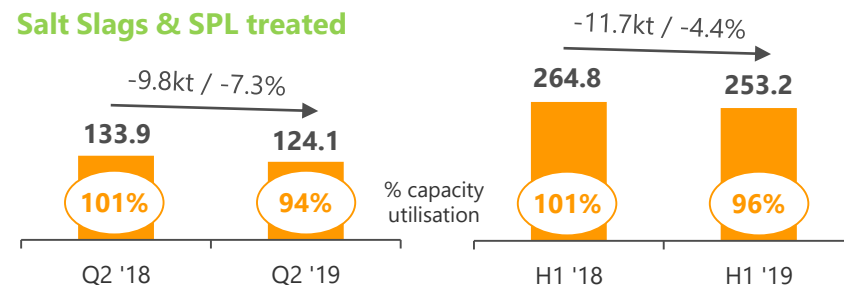
### Highlights

- **2<sup>nd</sup> Aluminium:** Q2 EBITDA up €1m driven by upgraded furnaces delivering (~€+1)
- **Salt Slags & Spent Pot Linings (SPL):** Q2 EBITDA down €-2m YoY mainly due to -24% decrease in aluminium alloy market prices (€1,390/t vs. €1,826/t)

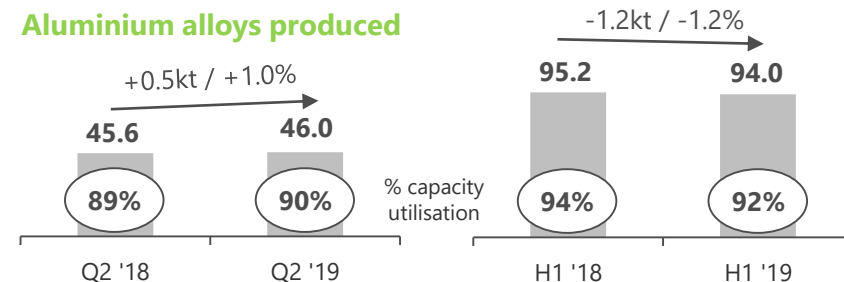
### Volumes & capacity utilisation

(thousand tonnes, % of annual installed capacity)

#### Salt Slags & SPL treated



#### Aluminium alloys produced



### Prices

(€ per tonne)

	Q2 2018	Q2 2019	% Var.	H1 2018	H1 2019	% Var.
Aluminium alloy average price (*)	1,826	1,390	-24%	1,829	1,459	-20%

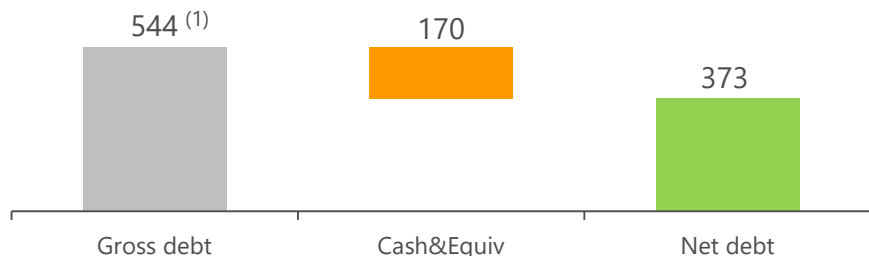
(\*) Aluminium scrap and foundry ingots aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin free market duty paid delivered works

■ Salt Slags subsegment  
■ Secondary Aluminium subsegment

**Successfully closed long-term capital structure with 7-year tenor up to 2026 at attractive interest rates; €170 cash and leverage ~stable at x2.2 in Q2'19**

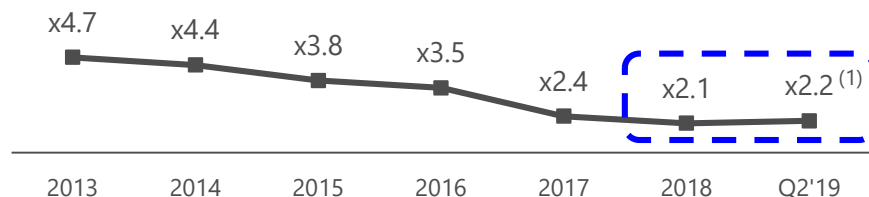
### Net debt

(€m, as of 30 June 2019)



### Leverage rate trend

(Net debt / LTM EBITDA)



### Capital Structure

- Successfully closed (09 July) long term capital structure up to 2026 with 7 year tenor on cov-lite term loan B; No impact on leverage
- ~Doubled loan baskets to accommodate China growth
- Secured attractive interest rates: 9 months at E+250bps; Thereafter reduction opportunity alongside leverage ratchets down to e.g. E+175bps at leverage lower than x1.75
- Moody's and S&P corporate ratings unchanged at Ba2 / BB; stable

### H1'19 EBITDA to total cash flow – main drivers

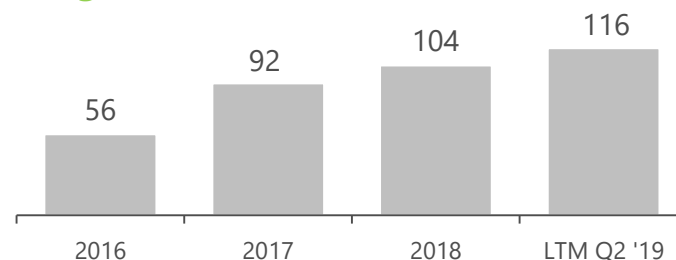
(€m)

EBITDA	€80	
WC change & other	€-10	Mainly trade payables
Taxes	€-13	
Interest & other	€-9	
CapEx & other investing activities	€-29	Combined Maintenance & Growth CapEx; Focus on Turkey upgrade, Korea washing plant, China expansion; Tilting furnaces

**Total Cash Flow +€20 → €170m cash & x2.2 leverage**

### Operating cash flow<sup>(2)</sup>

(€m)

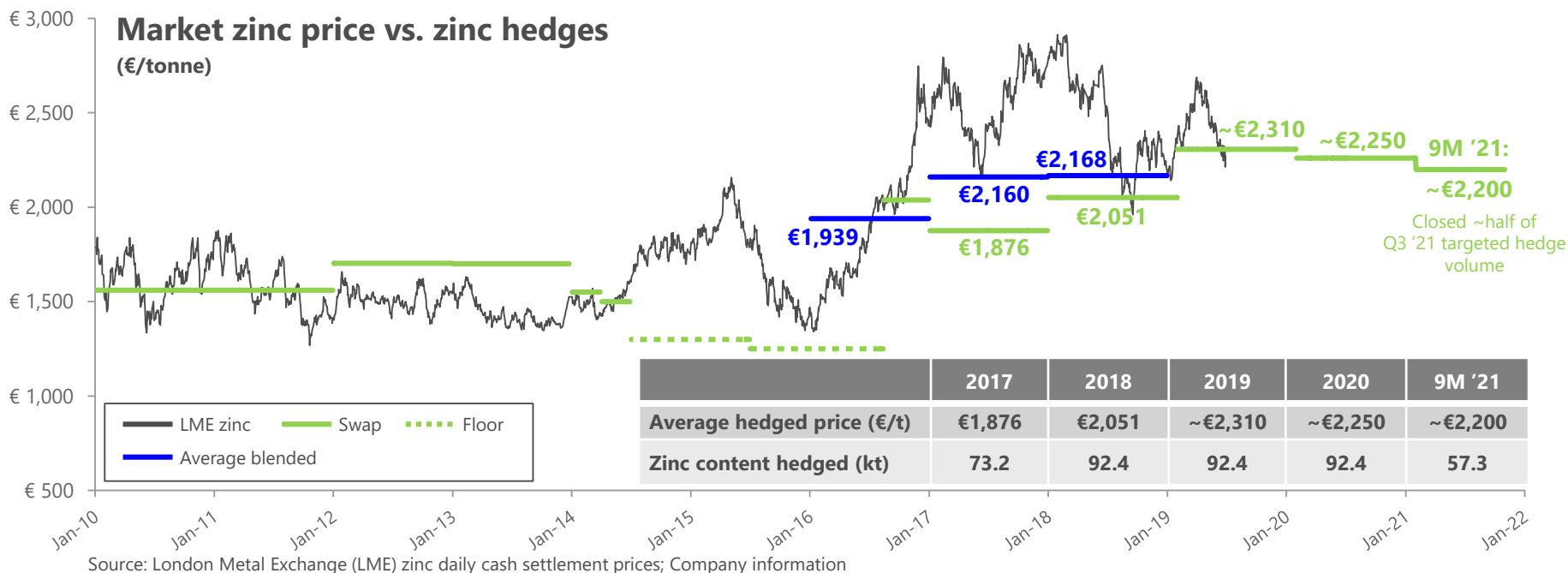


(1) From 1 January 2019, implemented IFRS 16 amendment affecting accounting for renting and leasing results in €14 million higher debt or ~0.1 higher leverage compared to year-end 2018

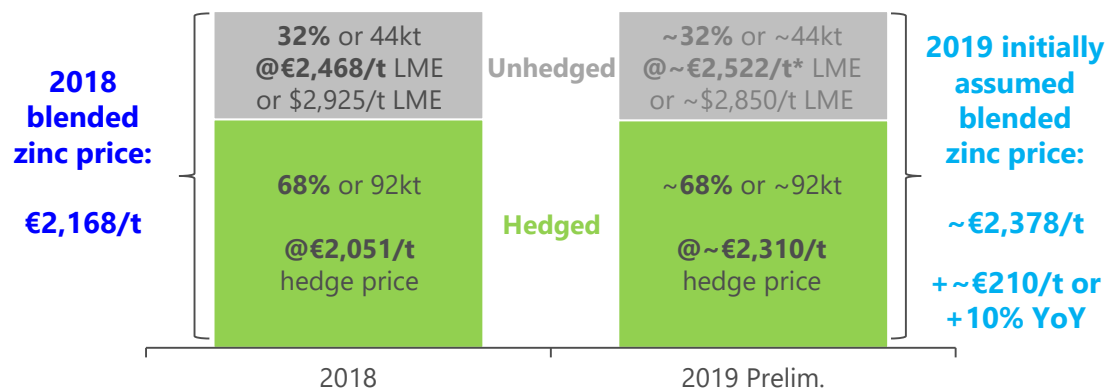
(2) Operating cash flow per audited consolidated statement of cash flows; after WC, taxes & interests; pre capex & dividend; Last Twelve Month (LTM) Q2'19 operating cash flow is unaudited



### Hedging up to Oct. '21 improves earnings & cash flows visibility for next ~2.5 yrs

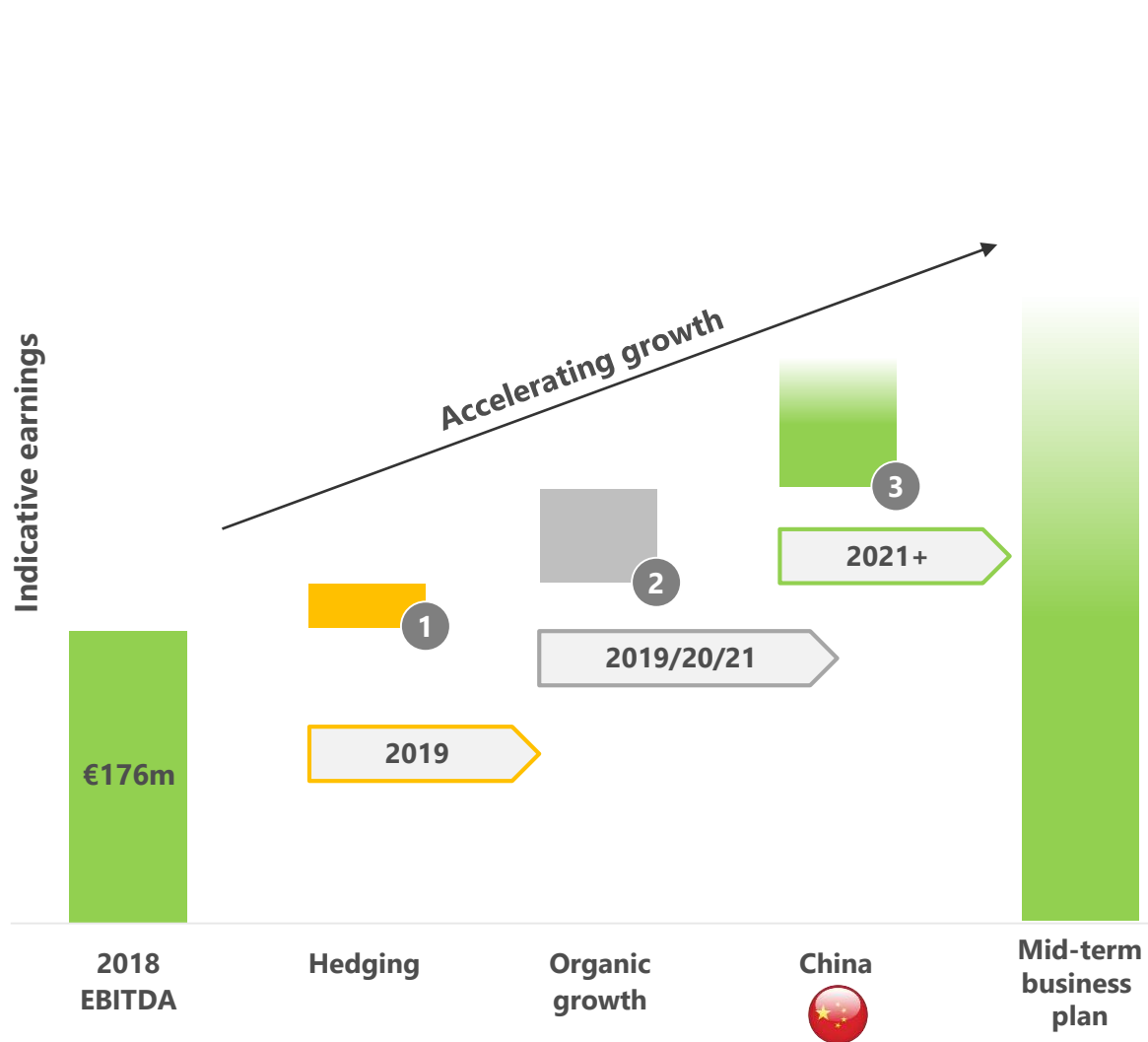


### Zinc hedges & blended average prices



- Hedges in place **until and including October 2021**
- **Continuous monitoring** of the market to close further hedges
- **Majority** of hedges **Euro based**
- Befesa providing **no collateral**

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



#### 1 Hedging

- 2019: 92.4kt at ~€2,310/t
- 2020: 92.4kt at ~€2,250/t
- 9M 2021: 56.7kt at ~€2,200/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 H2'19)
  - 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

Turkey upgrade progressing well ...

“Cold” commissioning in July; “Hot” & ramp up in August

Waelz kiln



Settling chambers



### Comments

- Electric Arc Furnace (EAF) steel dust recycling plant expansion from 65kt to 110kt
- To date on time and budget
- “Cold” commissioning in July; “Hot” commissioning and ramp up in August

Volumes and growth projects as expected ...

Market prices volatile; Impacting earnings per sensitivity guidance

H1 volumes ~stable in both core businesses normalizing for Turkey plant upgrade;  
Expecting higher volumes in H2 due to Turkey ramping back up in August  
and fewer plant maintenance shutdowns in H2

Zinc remaining EBITDA exposure after hedges is ~€-4 full year or €-2m for half year  
for every €-100/t LME variance vs. ~€2,520/t initial guidance assumption

Alu Alloy EBITDA exposure is ~€-2 full year or €-1m for half year  
for every €-100/t FMB variance vs. ~€1,650/t initial guidance assumption

Continued solid operating cash flow Q2 LTM at €116m; Cash at €170m ...  
Distributed dividend of €1.32/share 3 July -&- Organically funding growth projects

Growth projects on track: Ramping Turkey back up in August;  
Completing final Aluminium furnace upgrade mainly Q3;  
Finalizing Korea washing plant prior year-end - & - expanding in China

Successfully closed (09 July) long-term capital structure with 7-year tenor up to 2026  
at attractive interest rates; Increased loan baskets to accommodate China growth

### Financial Calendar

✓ **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

#### IR Contact

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### 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, Small & Mid-Caps Conference 2019

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

**23-25 September 2019 – Goldman Sachs & Berenberg**  
Munich, 8<sup>th</sup> German Corporate Conference

**13-14 November 2019 – Goldman Sachs**  
London, 8<sup>th</sup> Global Natural Resources Conference

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