BEFESA

Full Year 2018 – Preliminary Earnings Presentation

February 26, 2019

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Full year preliminary figures contained in this presentation are currently being audited by external auditors.

This presentation includes Alternative Performance Measures (APMs), including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, EBIT, Adjusted EBIT, Adjusted EBIT margin, net debt, leverage and capital expenditures which are not measures of liquidity or financial performance under International Financial Reporting Standards (IFRS). These non-IFRS measures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating, investing or financing activities, or other financial measures of our results of operations or liquidity derived in accordance with IFRS. We include APMs in this presentation because we believe that they are useful measures of our performance and liquidity. Other companies, including those in our industry, may calculate similarly titled financial measures differently than we do. Because all companies do not calculate these financial measures in the same manner, our presentation of such financial measures may not be comparable to other similarly titled measures of other companies. These APMs are not audited. All amounts are stated in million euros (€ million) unless otherwise indicated.

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

2018 Key Highlights

Record volumes in both core segments:
Steel dust throughput at 718kt (+8.6% YoY); Salt slags & SPL at 517kt (+1.4% YoY)

Delivered earnings at upper end of latest guidance range:
EBITDA +2.1% YoY to €176.0m; EBIT +2.1% YoY to €147.0m

Strongly improved net profit to €90.2m, up €40.9m or 83.1% YoY;
Targeting 50% dividend distribution equal to €1.32 per share

Cash generation: Up €33m YoY to €151m cash at YE 2018; Leverage reduced to x2.1 vs. x2.4 YE 2017 … Triggering next interest reduction of 25bps to E+225bps

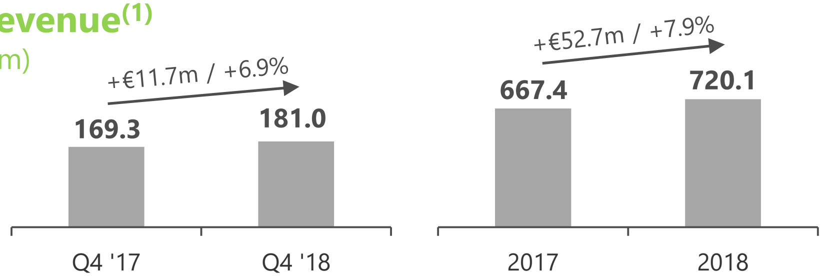
Befesa's rating upgraded by Moody's (from Ba3 to Ba2, outlook stable) and S&P (from BB- to BB, outlook stable)

Execution of organic growth projects on track;
China: Developing 1st steel dust recycling plant; Operations start expected for H2'20

EBITDA +2%, in line with latest guidance, to €176m EBITDA; Net profit up 83% to €90m YoY … Record volumes in both core businesses

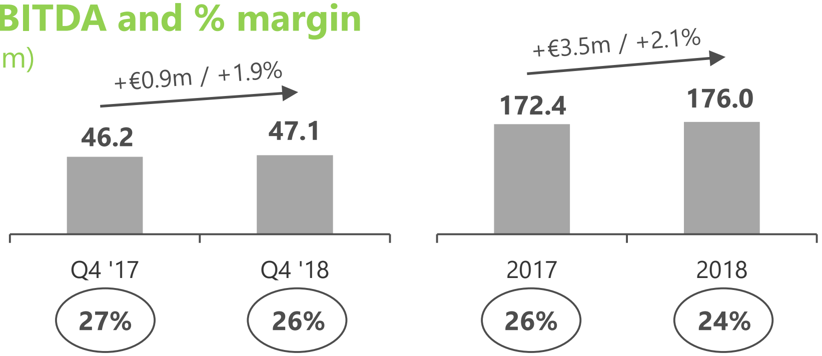
Revenue[1]

(€m)



EBITDA and % margin

(€m)



Net profit

(€m)

Highlights

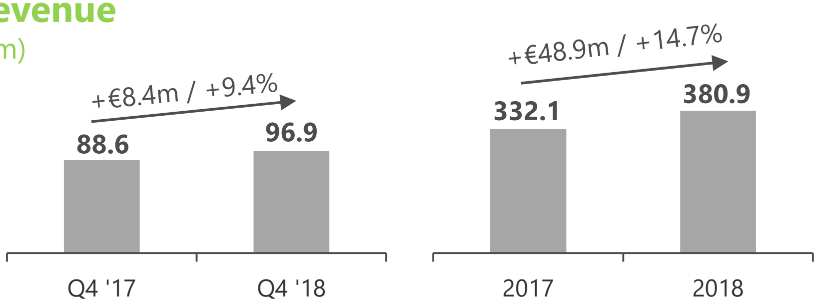
- **2018 revenue up 8%** YoY on a **comparable basis** to **€720.1m** primarily due to:
  - **Record volumes** in **core** businesses: **EAFD throughput** at 718kt (+8.6%); **Salt slags & SPL** at 517kt (+1.4%)
  - **Flat blended zinc prices**: €2,168/t ´18 vs €2,160 ´17 (+0.4%)
  - Revenue increase partially offset by: (i) **lower volumes in 2nd Aluminium** sub-segment (-8% YoY); due to downtimes in connection with **furnace upgrades** (Bilbao & Barcelona), which will contribute to future earnings growth; (ii) **lower aluminium alloys** average **market prices**: from €1,766/t to €1,715/t (-3%)
- **Earnings** in line with latest guidance and at new record levels: **EBITDA** at **€176.0m (+2.1%)** / **24%** EBITDA margin; **EBIT** at **€147.0m (+2.1%)** / **20%** EBIT margin; Note: Stainless €-4m YoY from downtimes to upgrade operations to latest technical requirements.
- **Strong and significant improved net profit** of **€90.2m** (**+€40.9m** / **+83.1%** YoY); corresponding **improved EPS;** Targeting 50% **dividend distribution equal to €1.32 / share**

(1) Reported revenues in Q4 2017: €176.9m; full year 2017: €724.8m; Figures shown on charts are comparable figures after amendment IFRS 15

2018 EBITDA growth +2% YoY driven by record throughput volumes, partially offset by Stainless

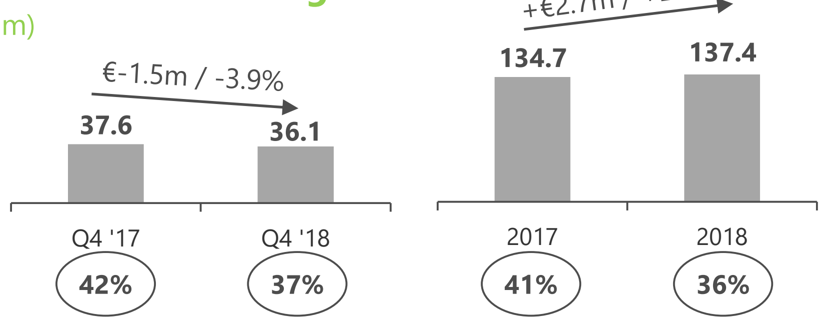
Revenue

(€m)



EBITDA and % margin

(€m)

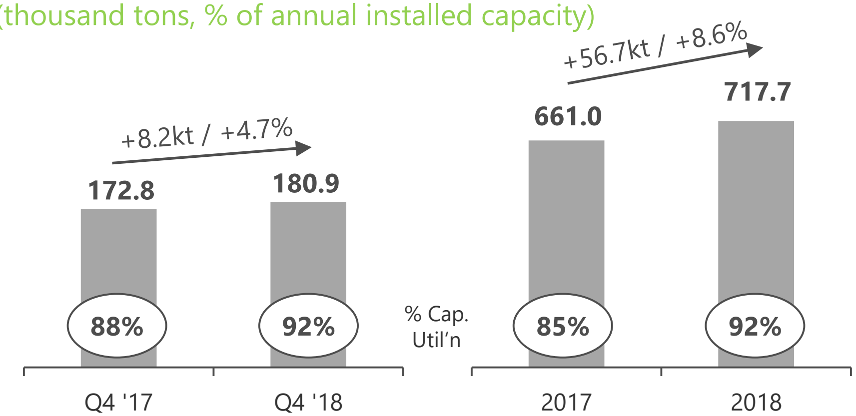


Highlights

- **FY / Q4 revenue up 15% / 9%** respectively driven by **11% / 17% higher WOX sold to new annual record** of 240.9kt (2017: 217.8kt)
- **FY / Q4 EBITDA** impacted by Stainless earnings loss (FY: €-4m; Q4 €-1.5m YoY) from downtimes to implement improvements
- Strong growth in Korea impacts EBITDA Mix due to WOX currently sold "Unwashed" and Higher SEA Transport Cost

EAFD throughput & capacity utilization

(thousand tons, % of annual installed capacity)



- >70% EAFD throughput increase YoY driven by Korea
- Turkey fully utilized with capacity upgrade started end of Jan 2019 (65kt to 110kt)
- Europe stable and growing ~with GDP

Prices

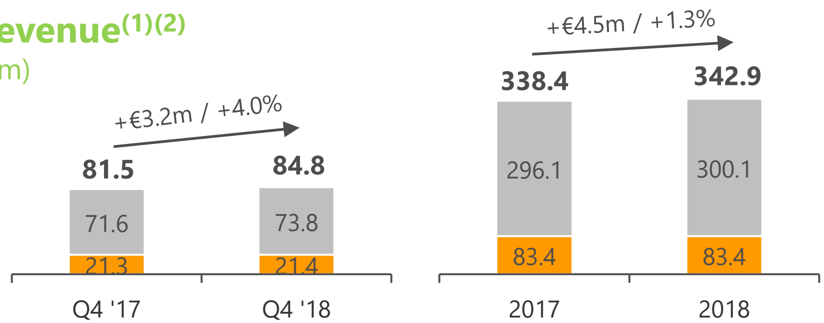
(€ per ton)

	Q4 2017	Q4 2018	% Var.	2017	2018	% Var.
Befesa blended(*) zinc price (€/t)	2,210	2,191	-0.9%	2,160	2,168	+0.4%
LME avg. price (€/t)	2,749	2,305	-16%	2,572	2,468	-4%

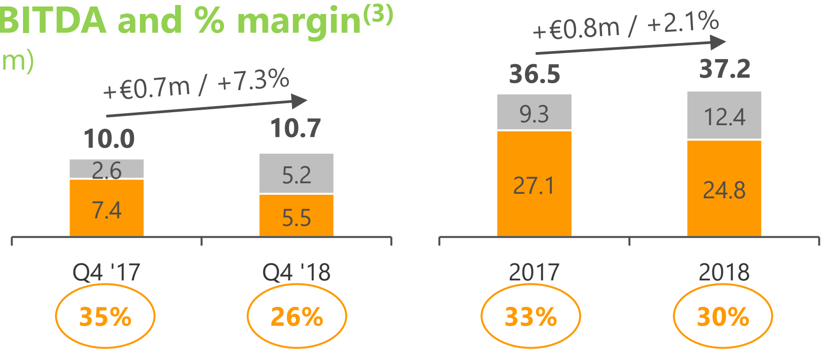
(*) Blended rate between hedged prices and average spot prices, weighted by the respective hedged and non-hedged volumes, reflecting the effective price to Befesa

Solid EBITDA at €37.2m (+2.1%) driven by improved metal margin in 2nd Aluminium partially offset by lower aluminium alloy volumes & prices

Revenue[1][2]
(€m)

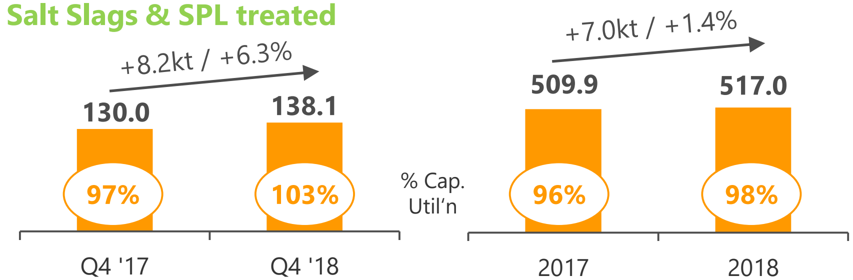


EBITDA and % margin[3]
(€m)

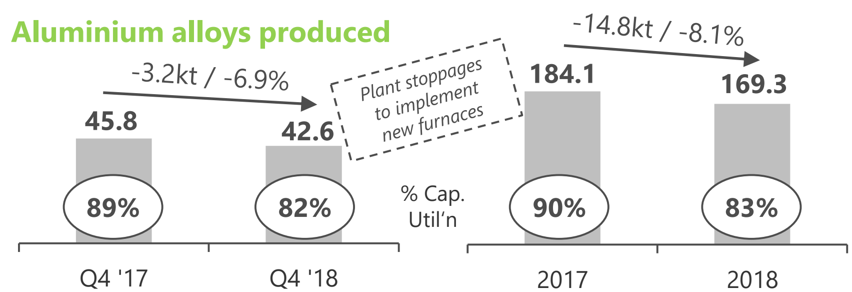


Volumes & capacity utilization
(thousand tons, % of annual installed capacity)

Salt Slags & SPL treated



Aluminium alloys produced



Highlights

- **2nd Alu**: FY/Q4 revenue up 1%/3% YoY mainly driven by higher revenue from tech. & equip. services partially offset by: (i) vol. decrease (-8%/-7%) due to stoppages to implement new furnaces; (ii) lower alu prices (-3%/-14%); FY/Q4 EBITDA up €3m driven by improving metal margins
- **Salt Slags & SPL**: FY/Q4 revenue flat; FY/Q4 EBITDA down €2m YoY mainly due to decreased aluminium prices

Prices
(€ per ton)

	Q4 2017	Q4 2018	% Var.	2017	2018	% Var.
Aluminium alloy avg. price (*) (€/t)	1,753	1,508	-14%	1,766	1,715	-3%

(*) Aluminium Scrap and Foundry Ingots Aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin Free Market Duty paid delivered works

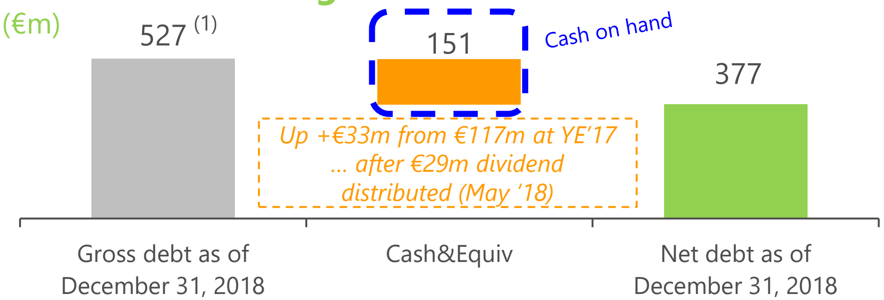
Salt Slags sub-segment
Secondary Aluminium sub-segment

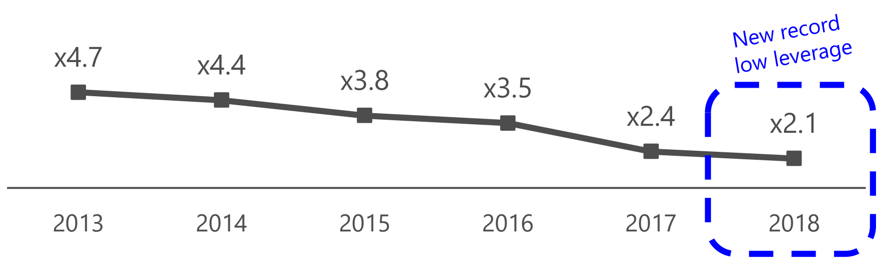
(1) Total revenue after inter-segment eliminations (2) Reported revenues in Q4 2017: €79.2m; full year 2017: €353.5m; Figures shown on charts are comparable figures after amendment IFRS 15
(3) Adjusted EBIT(DA) margins refer to the Salt Slags sub-segment

Leverage further reduced to x2.1 at YE'18 (x2.4 at YE'17) triggering additional 25 bps interest rate reduction to E +225 bps; Cash up €33m YoY to €151m

Net debt & leverage rate evolution

(€m)





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)

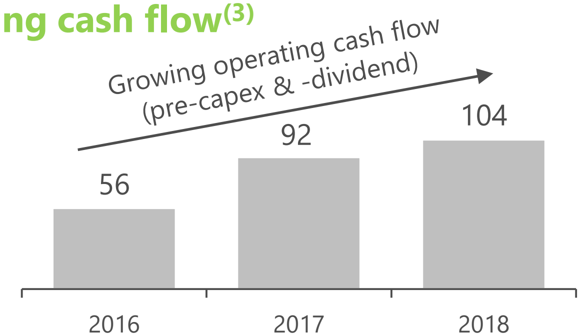
2018 EBITDA to total cash flow – main drivers

(€m)

EBITDA	€176	+€3.6 / +2.1% YoY
WC change & other	€-33	€15 less factoring & confirming YoY; €9 less Accounts Payables (hedging accrual from €10 to €1); €6 IPO/Dual track related 1-time costs accrued at YE'17; paid out at 2018
Taxes	€-25	Nominal 25% vs. Cash tax rate <20%
Interest & other(2)	€-15	Reduced ~60% YoY; Improving further
CapEx & other investing activities	€-40	Regular annual maintenance spend; Growth: Alu furnace upgrades Spain & Turkey plant upgrade (65kt → 110kt)
Dividends	€-29	Paid in May 2018
Total Cash Flow	**€33**	**→ Record €151 cash & x2.1 leverage**

Operating cash flow(3)

(€m)

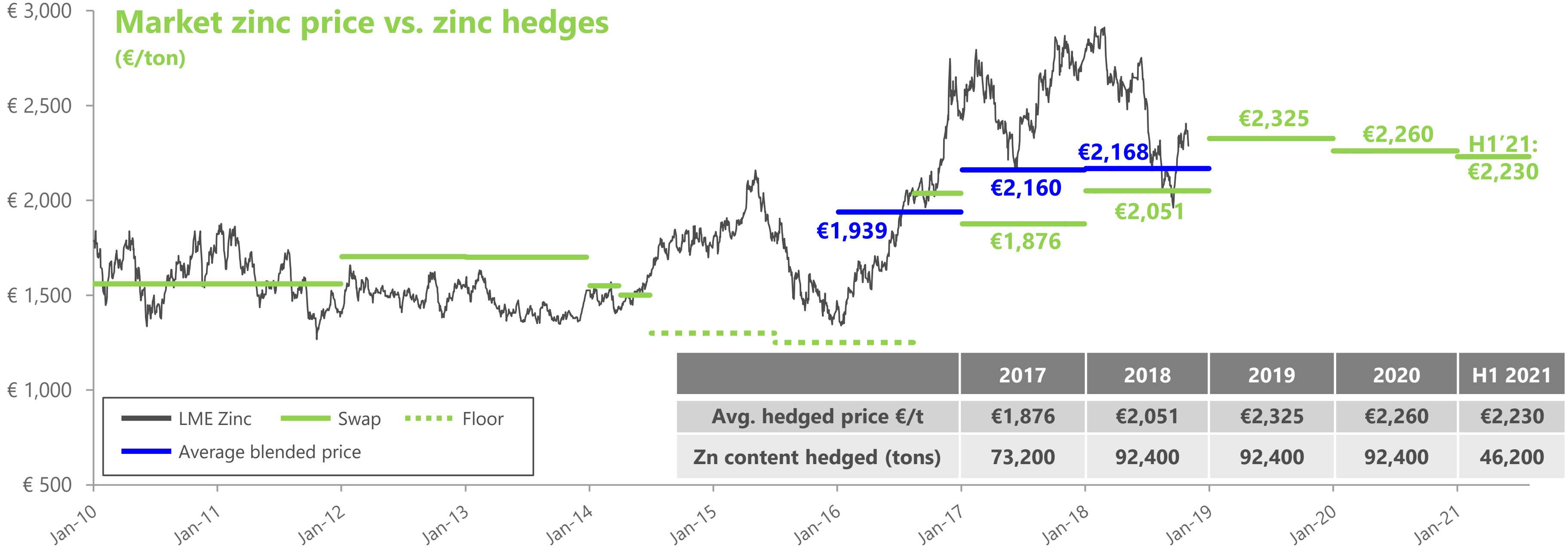


(1) Gross debt at YE'18 includes approx. €7m under current financial indebtedness (mainly accrued bi-annual interests of term loan B paid in Jan'19)
(2) At YE'18, €13.8m of interests (approximately €7m accrued for bi-annual interest payment in Jan'19) and €0.9m of debt repayment & FX rate cash effects
(3) Operating cash flow per audited consolidated statement of cash flows; after WC, taxes & interest; pre capex & dividend; 2018 figures are preliminary & unaudited

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

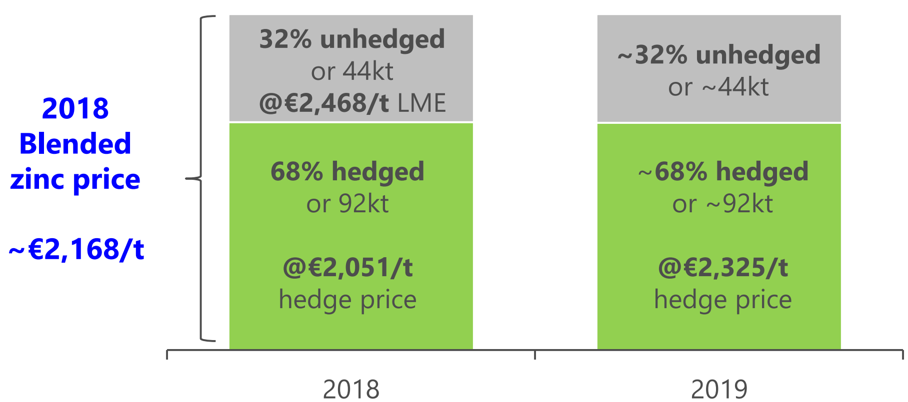
Market zinc price vs. zinc hedges

(€/ton)



	2017	2018	2019	2020	H1 2021
Avg. hedged price €/t	€1,876	€2,051	€2,325	€2,260	€2,230
Zn content hedged (tons)	73,200	92,400	92,400	92,400	46,200

Zinc hedges & blended average prices – 2018 / 2019



- Hedges in place **until & incl. July 2021**
- **Majority** of hedges **Euro based**
- Befesa providing **no collateral**

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

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2019 – Preliminary Outlook

- **Expecting to continue record high utilization levels in both core segments; Steel Dust >90% and Salt Slags >95%. Volume overall stable YoY**

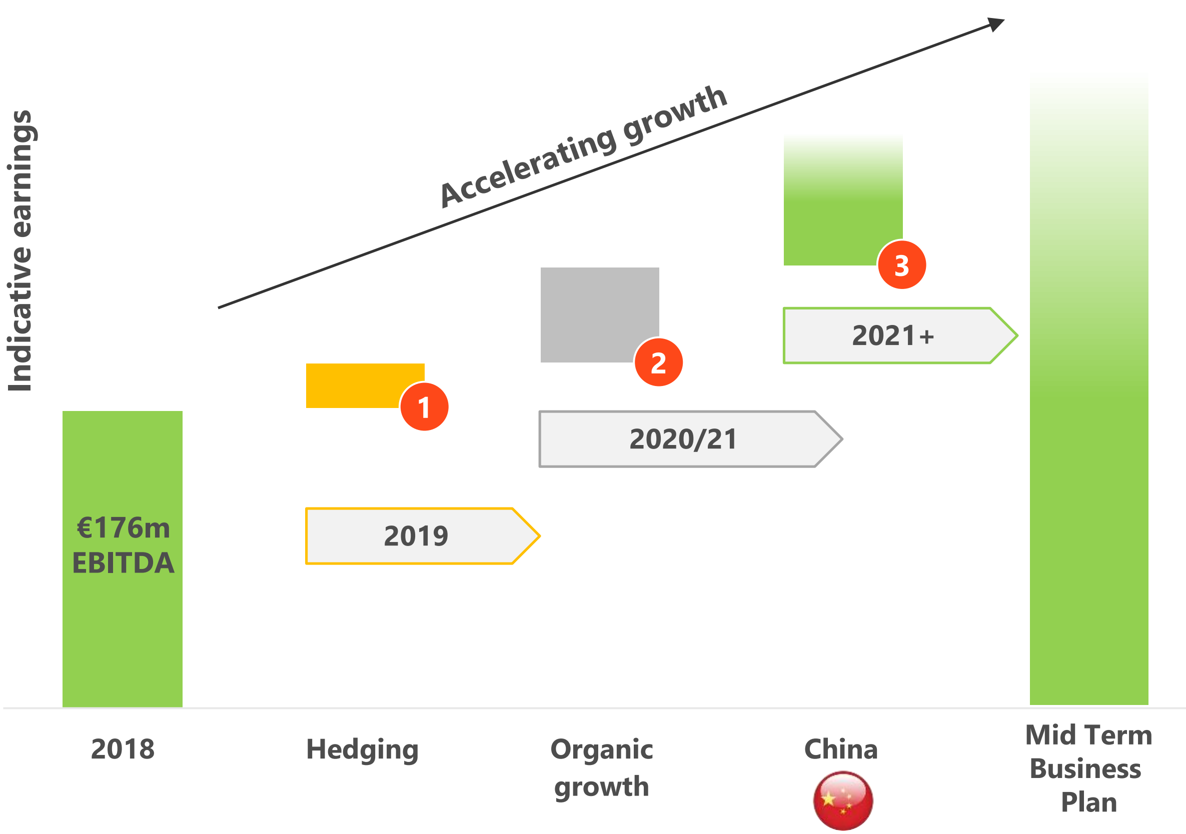
- **Targeting continued EBITDA growth; Primarily driven by improved hedged zinc prices YoY, limited by higher treatment charges in the zinc industry expected in 2019**

- **Funding top 5 growth projects and 1st plant in China with ~€75m expansion CapEx in 2019; Maintenance / Productivity / IT / Other CapEx ~ similar to 2018**

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

- **Planning for stable leverage at approx. 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:
  - Expand Turkey (65kt →110kt)
  - Korea washing plant
- Aluminium Salt Slags:
  - 2x Tilting furnaces (✓Bilbao, Bcn)
  - Expand Hannover (130kt →170kt)

3 China

- Developing 1st steel dust recycling plant in the country; Start construction ~Q2´19; Ramp-up ~H2´20

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

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3 Greenfield in New Geographies – China

Signed agreement with Jiangsu Changzhou Economic Development Zone and purchasing land use right; Developing 1st 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

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Investor Agenda

Financial Calendar

- ✓ **Tuesday, February 26, 2019:**
  Preliminary Earnings Release 2018 & Analyst Call
- **Thursday, March 21, 2019:**
  Annual Report 2018 & Analyst Call
- **Thursday, May 9, 2019:**
  Q1 2019 Statement & Analyst Call
- **Wednesday, June 19, 2019:**
  Annual General Meeting in Luxembourg
- **Friday, July 26, 2019:**
  H1 2019 Interim Report & Analyst Call
- **Thursday, October 31, 2019:**
  Q3 2019 Statement & Analyst Call

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Meet Befesa ...

- **May 14, 2019 – Midcap Partners**
  Paris, Annual Small & Midcap Conference
- **May 21-23, 2019 – Berenberg**
  New York, US Conference 2019
- **June 5-7, 2019 – Deutsche Bank**
  Berlin, dbAccess Conference
- **June 11-13, 2019 – Stifel**
  Boston, 2019 Cross Sector Insight Conference
- **August 27-29, 2019 – Commerzbank**
  Frankfurt, Sector Conference 2019
- **September 10-12, 2019 – J.P. Morgan**
  London, Pan European Small & Mid-Caps
- **September 19-20, 2019 – Citi**
  London, SMID/Growth Conference 2019
- **September 23-25, 2019 – Goldman Sachs & Berenberg**
  Munich, 8th German Corporate Conference
- **November 13-14, 2019 – Goldman Sachs**
  London, 8th Global Natural Resources Conference
- **December 2-5, 2019 – Berenberg**
  London/Pennyhill Ascot, European Conference 2019

Note: Befesa's financial reports and statements are published at 7:30 am CET
We cannot rule out changes of dates. We recommend checking them in the Investor Relations / Financial Calendar section of our website (www.befesa.com)

Appendix

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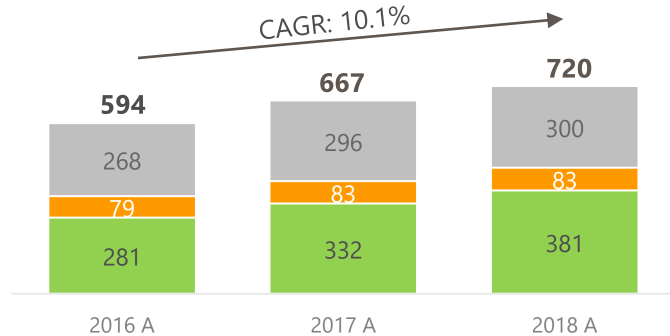
Financial Trend

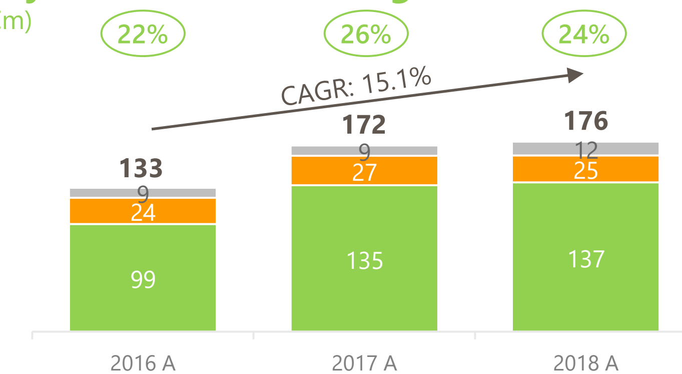
Revenues[1]

(€m)



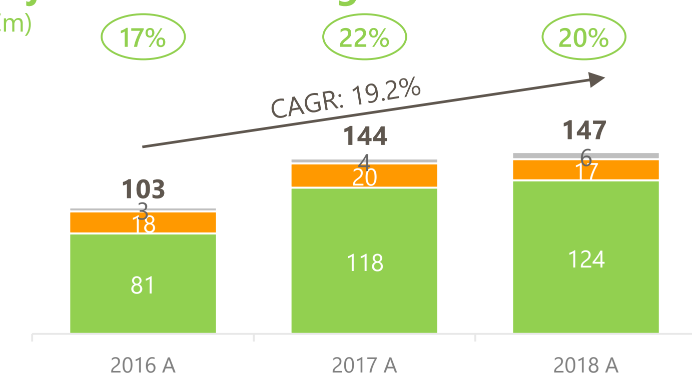
Adj. EBITDA and % margin[2]

(€m)



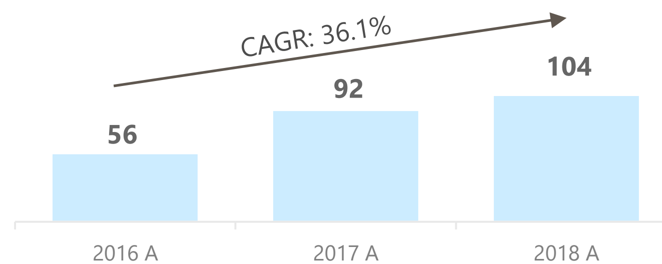
Adj. EBIT and % margin[2]

(€m)



Operating cash flow[3]

(€m)



Steel Dust | Salt Slags | 2nd Aluminium

Robust revenue growth underpinned by **sustainable increase in volumes accelerating growth**

Low capital intensity exemplified by **low, stable D&A** and **high earnings margins**

Strong operational cash flow generation due to **low maintenance requirements** providing **funds for growth**

Continue profitable growth trend … strong operational cash flow funds growth initiatives

(1) Total revenue excludes internal revenues and are comparable figures after amendment IFRS 15 affecting the revenue recognition of non-operating sales in the 2nd Aluminium sub-segment; These non-operating sales have limited margin contribution; Reported revenues amounted to €611.7m in fiscal year 2016 and €724.8m in fiscal year 2017
(2) EBIT(DA) margins as a % of comparable revenue
(3) Operating cash flow per audited consolidated statement of cash flows; after WC, taxes & interest; pre capex & pre dividend; 2018 figures are preliminary and unaudited