



## Full Year 2019 Preliminary Earnings Presentation

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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.



**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**



**Good operational performance & plant utilisation, considering downtimes for plant upgrades:  
Turkey (Steel), Barcelona (Aluminium)**

- Steel Dust throughput 666kt (-7% YoY): Turkey upgrade
- Salt Slags & SPL recycled at 493kt (-5% YoY)
- Core businesses normalised at ~90% utilisation rates
- Aluminium alloys produced 177kt (+4% YoY): Furnace upgrades in H2'18 and H2'19 delivering

**Full year 2019 earnings as expected; YoY impacted by lower metal prices:  
- Treatment charges (TC);  
- Zinc LME -&- aluminium alloy FMB  
... Delivered strong 25% EBITDA margin**

- EBITDA at €160m (-9% / €-16m YoY)
  - ▼ Steel volume: Turkey upgrade (7 months down)
  - ▼ Unfavourable metal prices: \$245/t TC (+67% YoY); €2,274/t LME zinc (-8% YoY); €1,397/t Alu FMB (-19%)
 Partially offset by:
  - ▲ Zinc hedges (€2,310/t in 2019)
  - ▲ Stainless operations recovering
- Profitability continues at strong 25% EBITDA margin

**Solid cash flow funding a record growth capex; Cash at €126m & leverage at x2.6; Proposing stable dividend distribution of €45m or €1.32 per share**

- Solid operating cash flow at €103m; Cash on hand at €126m after funding capex (€56m growth initiatives; €24m maintenance / prod. / compliance / IT) & dividend (€45m paid in July 2019); Leverage at moderate x2.6
- Proposing stable dividend distribution of €45 equal to €1.32 per share in '20 (same as '19); 3.5% dividend yield

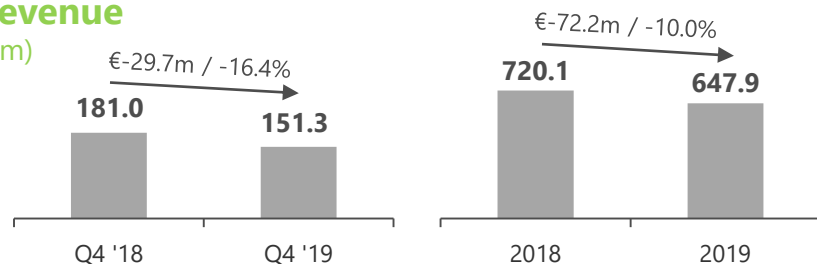
**Completed growth projects on time & on budget (Turkey, Korea, Barcelona); Progressing in China ~on schedule; Set up well for growth in 2020+**

- ✓ Turkey capacity upgrade: Completed in August
- ✓ 2<sup>nd</sup> Alu Barcelona furnace upgrade completed in Nov
- ✓ Korea Waelz oxide (WOX) washing plant completed Dec
- Progressing in China: Jiangsu in construction -&- Henan broke ground mid-Nov

**EBITDA €160m (-9% YoY) as expected: Lower volume due to Turkey upgrade; Unfavourable TC & metal prices; Partially offset by higher hedges, recovering Stainless operations and 2<sup>nd</sup> Alu efficiencies; Strong 25% EBITDA margin**

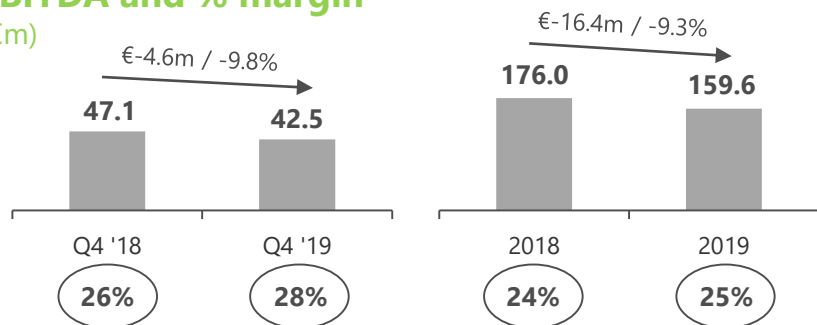
### Revenue

(€m)



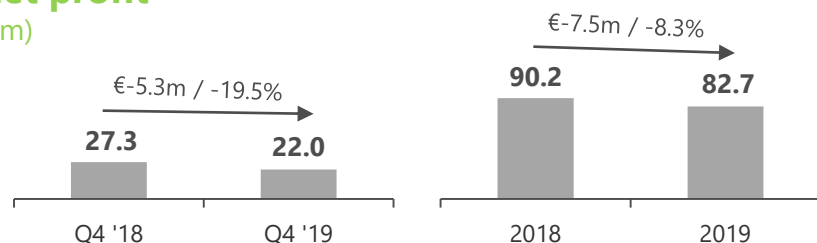
### EBITDA and % margin

(€m)



### Net profit

(€m)

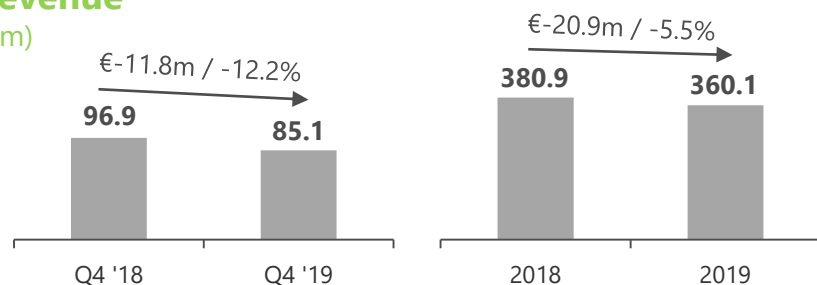


- 2019 revenue at €647.9m** (€-72 / -10% YoY) primarily due to:
  - EAF dust throughput** at 666kt (-7% YoY): Lower volumes in Turkey due to scheduled 7-month downtime to upgrade;
  - Salt slags & Spent Pot Linings (SPL)** at 493kt (-5%): Prolonged maintenance downtimes;
  - Partly offset by **higher aluminium alloys produced** at 177kt (+4% YoY): New furnaces at Bilbao delivering
  - Unfavourable zinc TC for 2019** ~\$245/t vs. \$147/t '18
  - Lower market prices**: Zinc LME prices down 8% (2019: €2,274/t; 2018: €2,468/t); Aluminium alloy FMB prices down 19% (2019: €1,397/t; 2018: €1,715/t)
  - Revenue decrease partially offset by:
    - (a) **Improved hedging prices** (2019: €2,310; 2018: €2,051) → improved zinc blended prices (2019: €2,280; 2018: €2,168)
    - (b) **Recovered** YoY performance in **Stainless** operations
- EBITDA at €160m** (€-16m / -9% YoY); **Strong 25% margin**; following the above drivers:
  - Lower volumes Steel: Turkey upgrade (~€-10);
  - Unfavourable TC (~€-21);
  - Lower metal market prices (Zinc €-9; Alu alloy ~€-6)
  - + Partially offset by better zinc hedges (~€+24);
  - + Recovering Stainless operations (~€+5)
- Net Profit at €83m** (€-7 / -8% YoY); Following reduced EBITDA; Proposing stable €45m / €1.32 per share dividend distribution

**EBITDA at €125m (-9% YoY), driven by lower volume in Turkey -&- unfavourable zinc LME prices & TC; Partly offset by improved hedges & Stainless operations**

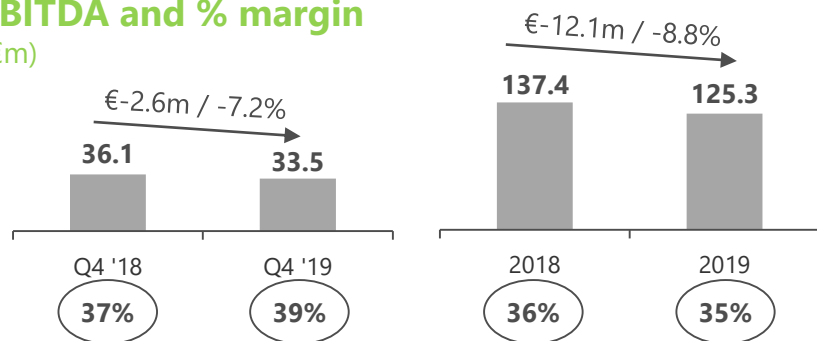
### Revenue

(€m)



### EBITDA and % margin

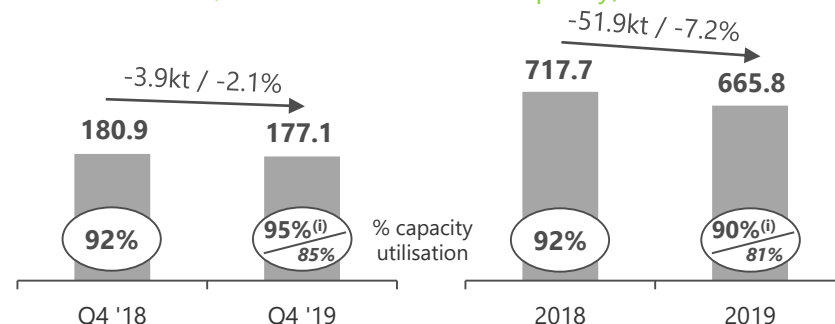
(€m)



- FY revenue down 5%** driven by 7% lower throughput YoY
  - Turkey: seven months down to upgrade capacity
  - Unfavourable TC: ~\$245/t in '19 vs. ~\$147/t in '18
  - + Partly offset with higher blended zinc prices (+5% YoY) & Stainless operations recovering
- FY EBITDA down €12m YoY** primarily driven by:
  - Turkey volume (~€-10); Unfavourable TC (~€-21); Lower zinc market prices (~€-9); Partially offset by + Better zinc hedges (~€+24) & recovering Stainless (~€+5)

### EAFD throughput & capacity utilisation

(thousand tonnes, % of annual installed capacity)



(i) Utilisation rates in 2019 are normalised for the capacity upgrade in Turkey, from 65kt to 110kt (plant was down seven months, from end of January to mid August)

- Throughput impacted as expected mainly by downtime in Turkey to expand capacity (Jan-Aug '19)
- Continued high ~90% plant utilisation, normalised for Turkey plant upgrade

### Prices

(€ per tonne)

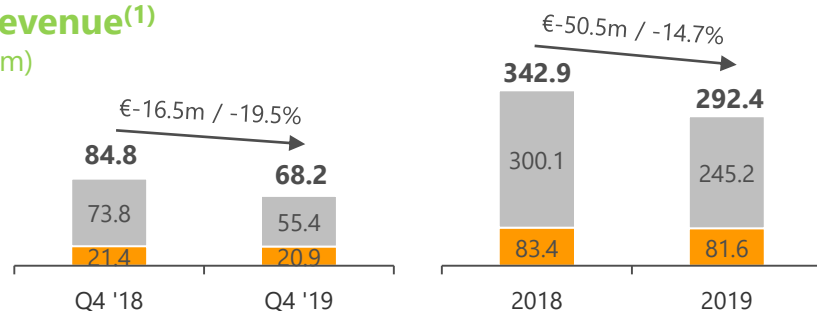
	Q4 2018	Q4 2019	% Var.	2018	2019	% Var.
Befesa blended <sup>(ii)</sup> zinc price (€/t)	2,191	2,273	+3.8%	2,168	2,280	+5.2%
LME avg. price (€/t)	2,305	2,157	-6.4%	2,468	2,274	-7.9%

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

**EBITDA at €33m (-11% YoY) mainly driven by lower aluminium alloy prices;  
Plant utilisations >90% normalised for furnace upgrades**

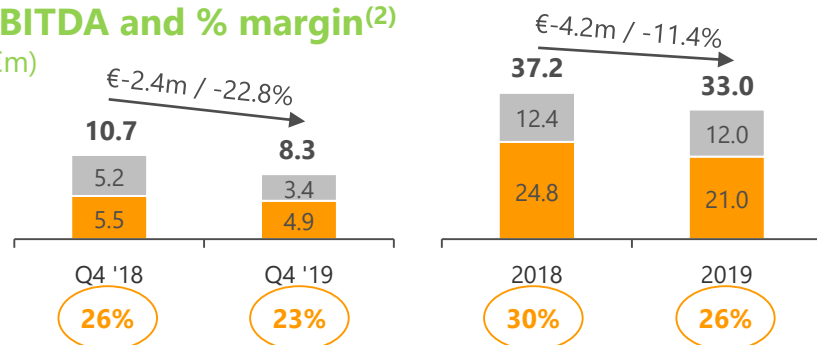
### Revenue<sup>(1)</sup>

(€m)



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

(€m)

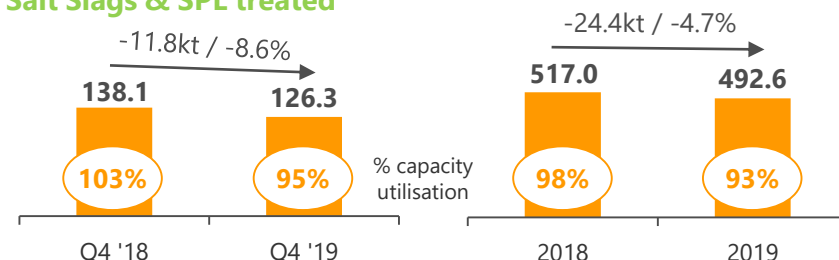


- **2<sup>nd</sup> Alu:** FY EBITDA ~flat YoY at €12m – Furnace upgrades in H2'18 delivering and offset impact from scheduled downtime at Barcelona plant to upgrade furnace in H2'19
- **Salt Slags & SPL:** FY EBITDA down €4m YoY mainly due to 19% decrease in aluminium alloy market prices (~€-6); Slightly reduced salt slags volumes; Partially offset by improved efficiencies

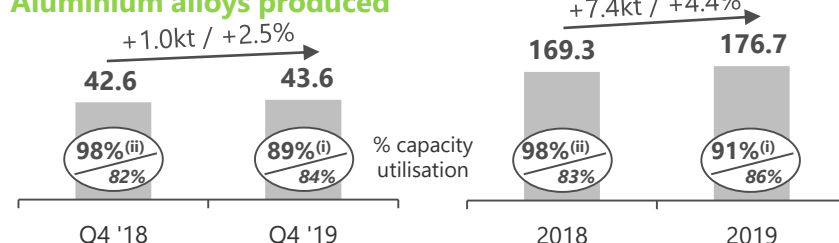
### Volumes & capacity utilisation

(thousand tonnes, % of annual installed capacity)

#### Salt Slags & SPL treated



#### Aluminium alloys produced



(i) Utilisation rates in 2019 are normalised for the furnace upgrade in Barcelona plant (three-month downtime, from 2<sup>nd</sup> week of Aug to 2<sup>nd</sup> week of Nov)

(ii) In 2018, they are normalised for the furnace upgrades in Bilbao plant (three-month downtime, from 2<sup>nd</sup> week of Jun to 3<sup>rd</sup> week of Sep) and Barcelona (two-month downtime, from 4<sup>th</sup> week of Aug to 4<sup>th</sup> week of Oct)

### Prices

(€ per tonne)

	Q4 2018	Q4 2019	% Var.	2018	2019	% Var.
Aluminium alloy avg. price (iii) (€/t)	1,508	1,312	-13%	1,715	1,397	-19%

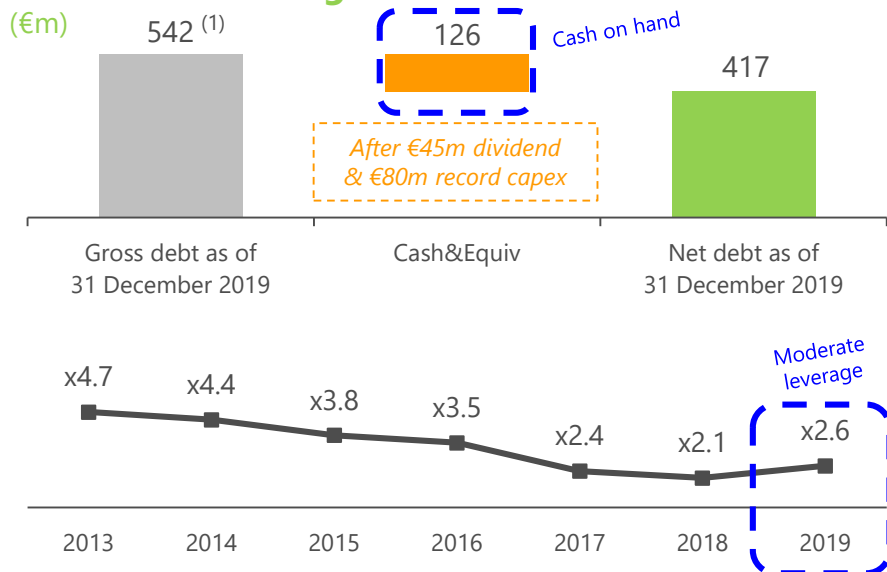
(iii) Aluminium Scrap and Foundry Ingots Aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin Free Market Duty paid delivered works



(1) Total revenue after inter-segment eliminations  
(2) EBITDA margins refer to the Salt Slags sub-segment

**Solid operating cash flow: Funding record €80m capex -&- €45m dividend;  
YE'19 cash on hand of €126m, Leverage at moderate x2.6;  
Reduced interest rate of long-term capital structure by 50 bps in Feb 2020**

### Net debt & leverage rate evolution



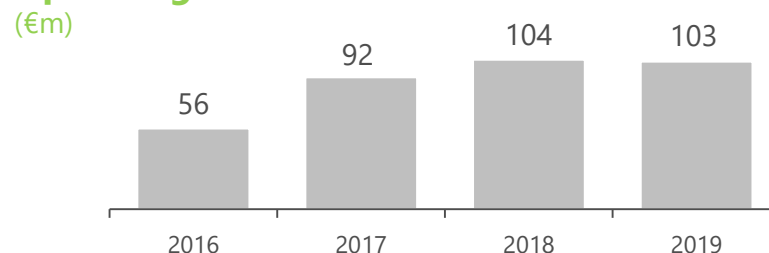
### Capital Structure

- 17 Feb'20, term loan B (TLB) **successfully repriced**; Interest rate **down 50 bps** to E+200 bps; **€2.6 savings p.a.**; Other terms unchanged
- After a fixed 9-months period, interest rate could be reduced further alongside certain leverage ratchets, e.g. E+125 bps if leverage < x1.75
- Long-term** capital structure, cov-lite TLB, with remaining ~6.5 years tenor to July '26; Includes loan baskets to accommodate China growth
- Moody's / S&P** corporate ratings unchanged: **Ba2 / BB**; stable

### 2019 EBITDA to total cash flow – main drivers

(€m)		
EBITDA	€160	Down €16.4m / 9.3% YoY
WC change	€-16	Mainly a) higher inventories ref. to Korea washing & ramp-up of Alu furnace -&- b) hedge accounting
Taxes	€-21	Cash tax rate 20.6%
Interest & other <sup>(2)</sup>	€-22	
Capex & other investing activities	€-80	€24 Maint. / prod. / compl./ IT spend; €56 Growth: Turkey, Korea, Alu furnaces & China expansion
Dividends	€-45	Paid in July 2019
<b>Total Cash Flow</b>	<b>€-25</b>	<b>→ €126 cash on hand &amp; x2.6 leverage</b>

### Operating cash flow<sup>(3)</sup>



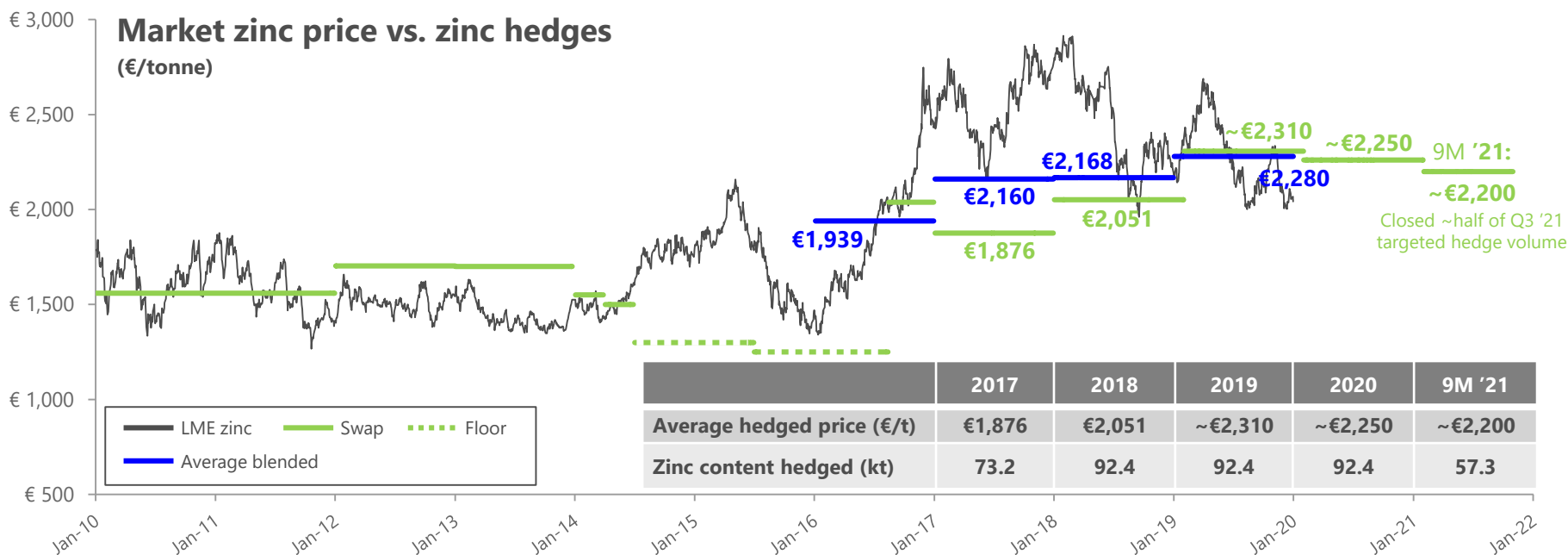
(1) Gross debt at YE'19 includes €12.2m under current financial indebtedness, primarily explained by €6.8m accrued bi-annual interests of TLB paid in Jan'20, and €3.5m effect from implementing IFRS 16 amendment (renting & leasing) from 1 January 2019 onwards

(2) "Other" includes cash bank inflows/outflows from bank borrowings and other liabilities, as well as the effect of foreign exchange rate changes on cash

(3) Operating cash flow per audited consolidated statement of cash flows; after WC, taxes & interest; pre capex & dividend; 2019 figures are preliminary & unaudited



### Hedging up to Oct '21 improves earnings & cash flows visibility for 2020 & 2021



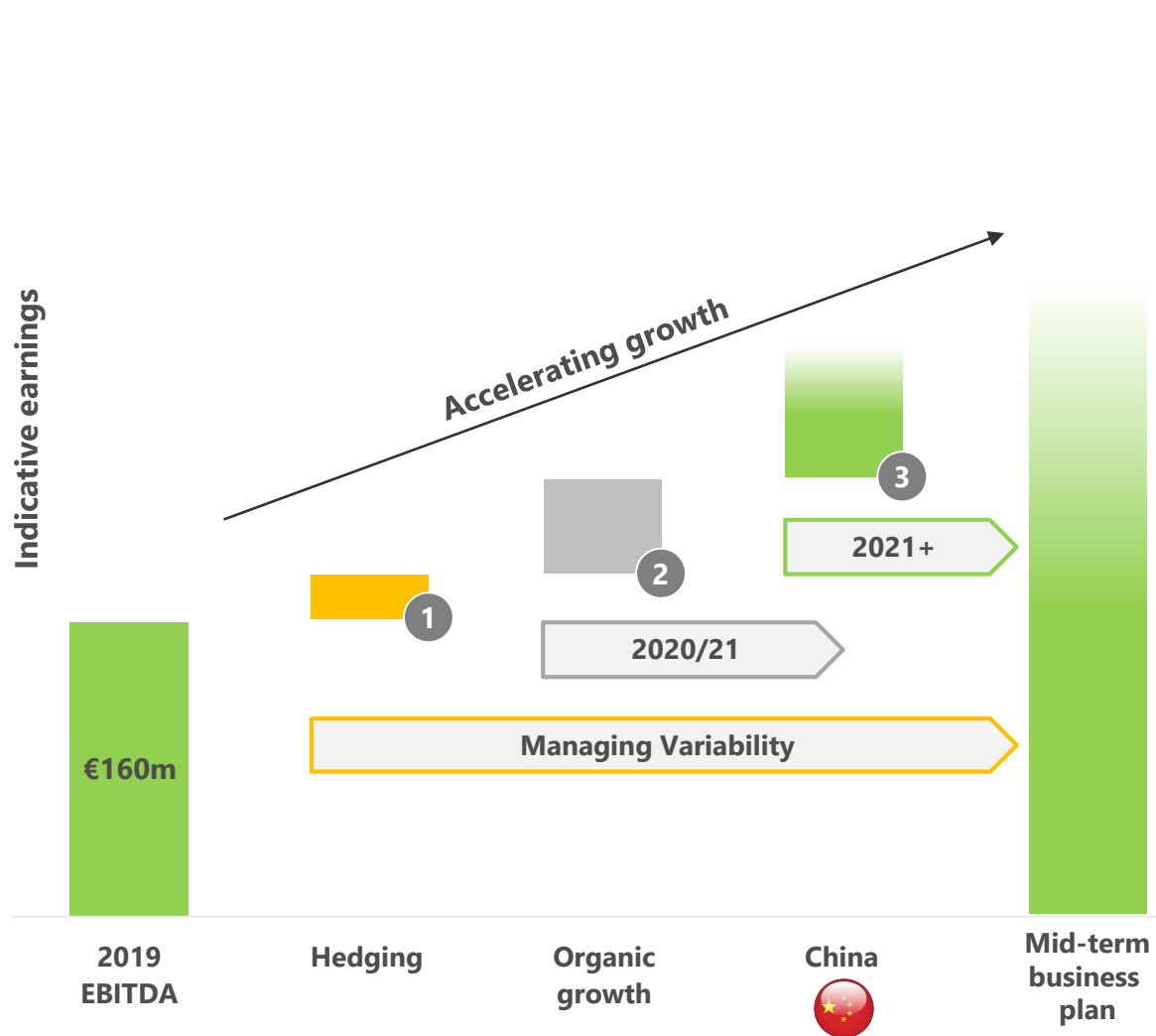
### Zinc hedges & blended average prices

	2018	2019
Unhedged	32% or 44kt @ €2,468/t LME	26% or 33kt @ €2,274/t LME
Hedged	68% or 92kt @ €2,051 hedge price	74% or 92kt @ €2,310/t hedge price
<b>Blended (i)</b>	<b>€2,168</b>	<b>€2,280</b>

+€112 per tonne /  
+5.2% YoY

- Hedges in place **until & including Oct '21**
- **Continuous monitoring** of the market to close further hedges
- **Majority** of hedges **Euro based**
- Befesa providing **no collateral**

**Accelerating growth through well defined roadmap: Hedging in place;  
Organic growth on track; Building two EAF steel dust recycling plants in China**



### 1 Hedging

- 2019: 92.4kt @ ~€2,310/t
- 2020: 92.4kt @ ~€2,250/t
- 9M 2021: 57.3kt @ ~€2,200/t

### 2 Organic growth

2019/2020 focus – top 5 projects:

- Steel Dust:
  - ✓ Turkey 65kt → 110kt; Completed
  - ✓ Korea washing; Completed Dec'19
- Aluminium Salt Slags:
  - ✓ 2 tilting furnaces (Bilbao; Barcelona)
  - Expand Hannover (130kt → 170kt)

### 3 China

- Developing two EAF steel dust recycling plants in two provinces:
  - #1 (Jiangsu): Completion of construction expected ~end of '20
  - #2 (Henan): Completion of construction expected ~mid of '21



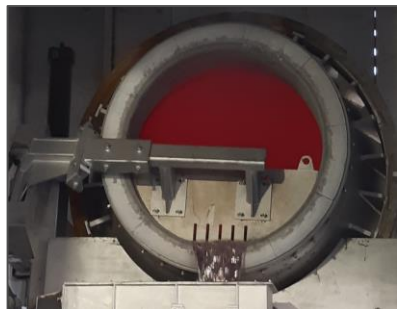
### **Turkey 65kt to 110kt capacity expansion completed on time & budget**

- ✓ Electric Arc Furnace (EAF) dust recycling plant “brownfield” capacity expansion from 65kt to 110kt
- ✓ On time and budget; Overall in around seven months – Started downtime end of January 2019 and back in operations in August 2019
- ✓ Ramp-up completed in Q4 2019; Delivering growth in 2020



### **Korea: New WOX washing plant completed on time & budget; Ramped up in December 2019**

- ✓ “Greenfield” investment in the 1<sup>st</sup> WOX washing plant of Befesa at Asia
- ✓ Completed on time and budget
- ✓ Ramp-up completed in December 2019; Delivering growth in 2020



### **Barcelona furnace upgrade completed on time and budget; Pouring ingots; Ramped up in December 2019**

- ✓ Barcelona 2<sup>nd</sup> Aluminium plant refurbishment with high efficiency furnaces; All secondary production plants now with latest furnace technology (Bernburg, Bilbao, Barcelona)
- ✓ Completed on time and budget
- ✓ Ramped up volume further in December; Delivering growth in 2020

**Changzhou (Jiangsu) plant construction progressing;  
Completion of construction expected by ~end of 2020**



*Structural works – Plant buildings*



*Structural works – Plant buildings*

### **Key facts of the plant**

- 1<sup>st</sup> EAF steel dust recycling plant in China
- Capacity to recycle 110kt EAF steel dust p.a.
- Total investment: ~€42m

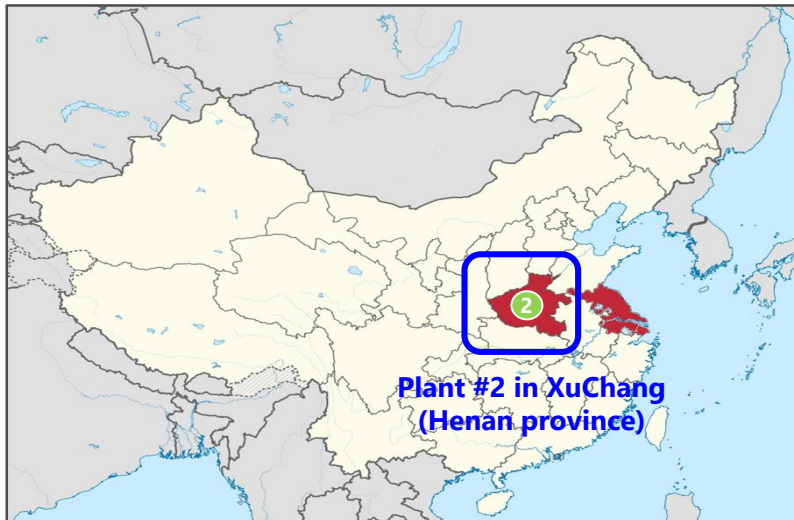
### **Status**

- ✓ Ground breaking ceremony on 10 April 2019
- Construction progressing
- Completion of construction expected by ~end of '20



# BEFESA 3 China Plant #2: Henan – Preparing Site for Construction

**XuChang (Henan) ground breaking ceremony held on 13 November;  
Preparing site for construction; Completion of construction expected by ~mid '21**



Site preparation at XuChang (Henan province)



Ground breaking ceremony, 13 Nov 2019

## Key facts of the plant

- 2<sup>nd</sup> EAF steel dust recycling plant in China
- Capacity to recycle 110kt EAF steel dust p.a.
- Total investment: ~€42m

## Status

- ✓ Signed development contract on 8 April 2019
- ✓ Ground breaking 13 November 2019;  
Preparing site for construction
- Completion of construction expected by ~mid'21



Completed organic growth projects of 2019 (Turkey, Korea, Barcelona) driving volume & earnings growth in 2020; Expecting record high plant utilisation levels in both core segments: Steel Dust >90% and Salt Slags >95%

2020 Prelim. view: Operational growth partially offset with lower YoY hedging prices (~€2,260 '20 vs. €2,310/t '19); Monitoring spot zinc & alu alloy prices as well as TC to be settled in Mar/Apr → Providing 2020 earnings guidance in Q1 call (Apr 30)

Focus on China growth: Finish 1<sup>st</sup> EAF steel dust recycling Jiangsu plant by ~YE'20; Progress on construction on 2<sup>nd</sup> plant in Henan to be completed by ~mid 2021; Capex ~similar to 2019: ~€55m expansion\* & ~€25m maintenance

There is still uncertainty about the impact of the coronavirus; Short-term, we expect some delay in construction, to be quantified further; Befesa remains committed to building its 1<sup>st</sup> plant in China at the earliest time allowed

Re-priced debt 17 Feb: Achieved 50 bps reduction to E+200, €2.6 interest savings p.a.; Planning for ~balanced total cash flow & stable leverage at approx. current levels

Targeting a stable dividend distribution of €1.32 per share in 2020 (same as 2019)

### Befesa is a vital player in the circular economy providing sustainable solutions

- Befesa **recycles annually around 1.5 million tonnes** of hazardous residues, avoiding landfilling and **recovering and reintroducing** around **1.2 million tonnes of valuable new materials**
- Befesa's business model is **vital part** of the **circular economy** ... Befesa's core business is sustainability
- Befesa is deploying its **proven environmental services technologies** in other parts of the world, like **China**, and will contribute to the environmental protection in these **new regions**

Befesa agrees with all 17 **United Nations Sustainable Development Goals** and supports all of them. Based on Befesa's business model it focuses to the contribution and impact on the following five goals:



### Available ESG ratings for Befesa



### Financial calendar

➤ **Thursday, 20 February 2020:**  
Preliminary Year-End Results 2019 & Analyst Call

➤ **Thursday, 26 March 2020:**  
Annual Report 2019

➤ **Thursday, 30 April 2020:**  
Q1 2020 Statement & Analyst Call

➤ **Thursday, 18 June 2020:**  
Annual General Meeting in Luxembourg

➤ **Friday, 31 July 2020:**  
H1 2020 Interim Report & Analyst Call

➤ **Thursday, 29 October 2020:**  
Q3 2020 Statement & Analyst Call

#### IR contact

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### Meet Befesa ...

- ✓ 20-22 January 2020 – UniCredit / Kepler Cheuvreux  
Frankfurt, 19<sup>th</sup> German Corporate Conference (GCC) 2020
- ✓ 04-05 February 2020 – HSBC  
Frankfurt, 15<sup>th</sup> ESG Conference
- ✓ 05-06 February 2020 – Santander  
Madrid, XXVI Santander Iberian Conference
- 11 March 2020 – Berenberg  
London, Berenberg European Opportunities Conference
- 18 March 2020 – Berenberg  
London, Berenberg Circular Economy Conference
- 19 March 2020 – JP Morgan  
London, JPM Pan-European Small/Mid Cap Conference
- 01 April 2020 – Mainfirst  
Copenhagen, 5<sup>th</sup> MainFirst Corporate Conference
- 12 May 2020 – Mainfirst  
Frankfurt, 3<sup>rd</sup> MainFirst SMID CAP One-on-One Forum
- 13-14 May 2020 – Commerzbank  
New York & Boston, Northern European Conference 2020
- 18-20 May 2020 – Berenberg  
Tarrytown (New York), Berenberg US Conference 2020
- 08-10 June 2020 – Stifel  
Boston, 3<sup>rd</sup> Stifel Cross Sector Insights Conference
- 01-03 September 2020 – Commerzbank  
Frankfurt, Commerzbank Corporate Conference
- 17-18 September 2020 – Citi  
London, SMID/Growth Conference 2020
- 21-23 September 2020 – Goldman Sachs & Berenberg  
Munich, 9<sup>th</sup> German Corporate Conference
- 21-25 September 2020 – Baader  
Munich, Baader Investment Conference 2020
- 11-12 November 2020 – Goldman Sachs  
London, Global Natural Resources Conference 2020
- 30 November – 03 December 2020 – Berenberg  
Pennyhill, London, Berenberg European Conference 2020