



## Third 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**

### Operational performance as expected, with Turkey back in production in Aug

- Steel Dust throughput 489kt (-9% YoY): Turkey upgrade
- Salt Slags ~flat at 366kt in 9M (-3% YoY)
- Core businesses normalised at high >90% utilisation
- Aluminium alloys at 133kt in 9M (+5% YoY): Furnace upgrade in 2018 delivering

### Financial performance impacted by unfavourable metal prices: Treatment charges (TC); LME Zinc -&- Aluminium Alloy FMB

- 9M EBITDA at €117.1m (-9% / €-11.8m YoY)
  - ▼ Steel volume: Turkey upgrade (7 of 9 months down)
  - ▼ Unfavourable market prices: \$245/t TC; €2,310/t avg. LME Zinc; €1,430/t avg. Alu alloy FMB Partially offset by:
    - ▲ Zinc hedges (at ~€2,310/t in 2019)
    - ▲ Stainless operations recovering
- 9M profitability continues at solid 24% EBITDA margin
- Cash at €101m Q3; Operating Cash Flow LTM at €106m; Leverage at x2.7

### Full year 2019 earnings guidance updated to reflect latest metal price environment

- FY'19 expected at around €160m EBITDA<sup>(1)</sup> -vs- initial guidance of €182-€185m; Variance mainly due to:
  - ~€14 zinc LME at €2,230-2,260 <sup>(2)</sup> (vs. initial €2,522/t)
  - ~€5 alu alloy FMB at ~€1,410/t (vs. initial €1,650/t)

### Growth projects on track

- ✓ Turkey capacity upgrade: Completed in August
- 2<sup>nd</sup> Alu Barcelona furnace upgrade: Expected mid-Nov
- Korea washing plant: Scheduled for ramp up in Dec
- Progressing in China: Jiangsu in construction -&- Henan breaking ground mid-Nov

(1) Assumes Q4'19 similar to Q3'19 prices: LME Zinc at around ~€2,100 to €2,200; Alu Alloy FMB at ~€1,350

(2) 2019 "Oct View" assumes LME Zinc prices at around €2,230/t to €2,260 (9M'19 monthly actuals weighted: ~€2,270/t; 4Q'19 LME similar to Q3'19)

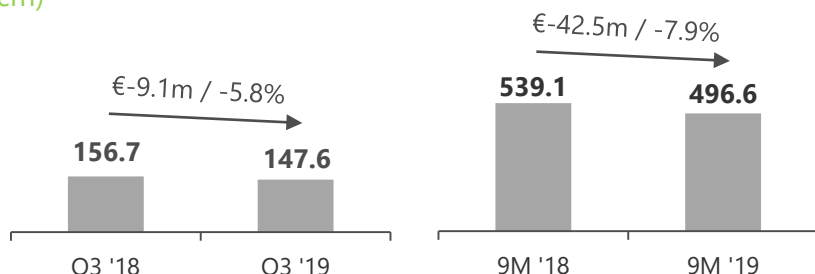
Note: EBITDA sensitivities remain unchanged to the ones provided in Q1 Earnings Release: +/-€4.5m / €2.0m EBITDA per each +/-€100/tonne price in Zinc / Alu Alloy



**Q3 EBITDA at €37.0m (€-3.0m / -7.5% YoY): Lower volume due to Turkey upgrade; Unfavourable TC & market prices; Partially offset by higher hedges, recovering Stainless operations and '18 Aluminium furnace upgrade delivering**

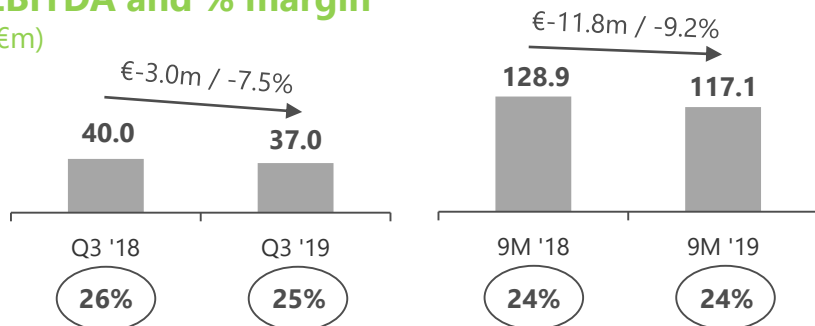
### Revenue

(€m)



### EBITDA and % margin

(€m)

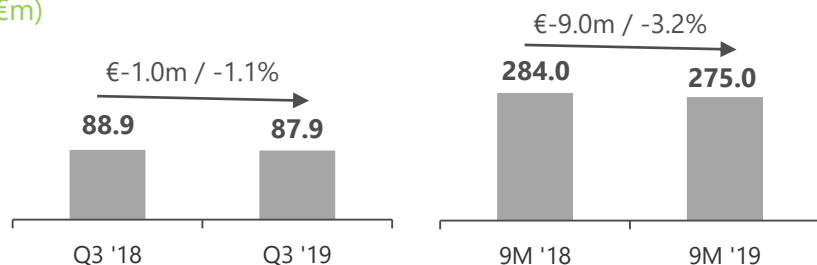


- **Q3 revenue down 5.8% YoY to €147.6m** primarily due to:
  - Lower volumes in **Turkey** due to **scheduled seven-month downtime to upgrade capacity** from 65kt to 110kt; **Completed last week of Aug**, on time & budget
  - **Unfavourable zinc TC for 2019** ~\$245/t vs. \$147/t '18
  - **Lower market prices: LME zinc prices down 3%** (Q3'19: €2,112/t; Q3'18: €2,182/t); **Aluminium alloys market prices down 20%** (Q3'19: €1,356/t; Q3'18: €1,689/t)
  - Revenue decrease partially offset by:
    - (i) **Improved hedging prices** (Q3'19: €2,309/t; Q3'18: €2,030/t) → improved blended zinc prices (Q3'19: €2,203/t; Q3'18: €2,006/t)
    - (ii) **Recovered** YoY performance in **Stainless** operations
- **Q3 EBITDA at €37.0m (-7.5% / €-3m YoY) / 25% margin;** following the above drivers:
  - Lower volumes in Turkey (~€-2);
  - Unfavourable TC (~€-5.5); Lower metal market prices (Zinc ~€-2, Alu Alloy ~€-2);
  - Lower volumes Alu Salt Slags mainly due to scheduled plant downtimes and 2<sup>nd</sup> furnace upgrade (~€-1)
  - + Partially offset by better zinc hedges (~€+6); Recovering Stainless operations (~€+2.5); Productivity (~€+1)

**Q3 EBITDA at €30.2m, (€-1.3m YoY); driven by lower volume in Turkey - & -unfavourable TC; Mostly offset by improved hedges & Stainless operations**

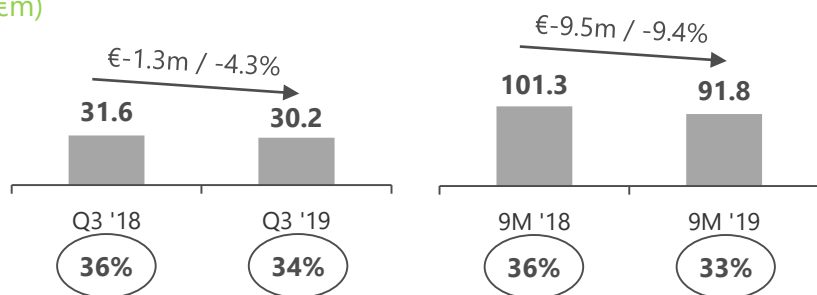
### Revenue

(€m)



### EBITDA and % margin

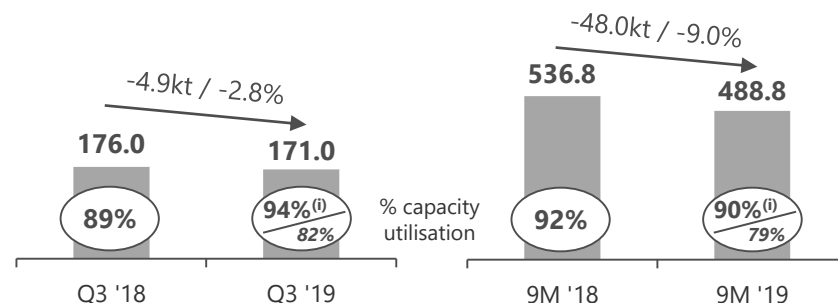
(€m)



- **Q3 revenue down 1%** driven by 3% lower throughput YoY
  - Turkey: 2 of 3 months down in Q3 to upgrade capacity
  - Higher TC referenced at ~\$245/t in '19 vs. ~\$147/t in '18;
  - + Mostly offset with higher blended zinc prices & Stainless
- **Q3 EBITDA down €1.3m** mainly driven by:
  - Turkey volume (~-€2); Unfavourable TC (~-€5.5) and
  - Lower zinc market prices (~-€2); Partially offset by
  - + Zinc hedges (~€+6) & recovering Stainless (~€+2.5)

### EAF dust 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 shutdown seven months, from end of January to mid August)

- Throughput impacted as expected by downtime in Turkey to expand capacity from 65kt to 110kt since January '19; Completed last week of August, on time & budget
- Continued high >90% plant utilisation, normalised for Turkey plant upgrade

### Prices

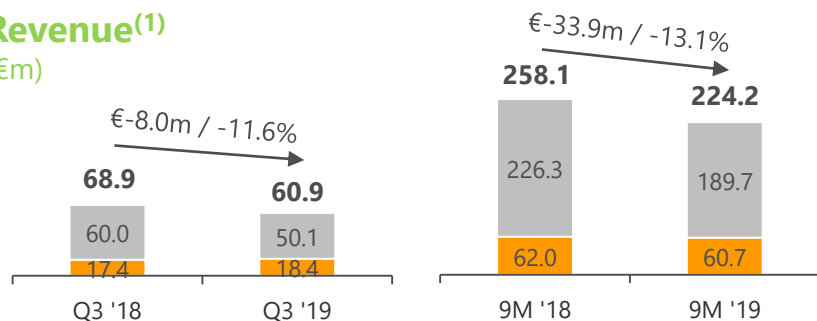
(€ per tonne)

	Q3 2018	Q3 2019	% Var.	9M 2018	9M 2019	% Var.
Befesa blended (ii) avg. zinc price	2,006	2,203	+10%	2,168	2,282	+5%
LME average price	2,182	2,112	-3%	2,523	2,313	-8%

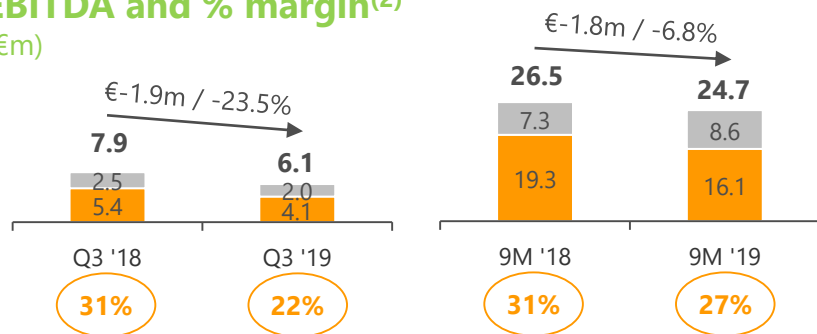
(ii) Blended rate between hedged prices and average spot prices, weighted by the respective hedged and non-hedged volumes, reflecting the effective price to Befesa.  
Note: LME 9M volume weighted 2019 ~€2,270/t; lower vs. €2,313 simple calendar avg.

**Q3 EBITDA at €6.1m (€-1.9m YoY) mainly driven by lower aluminium alloy prices;  
Plant utilisation >90% normalised for furnace upgrades**

### Revenue<sup>(1)</sup> (€m)



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



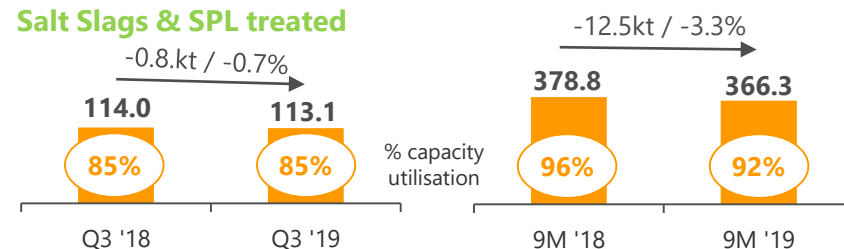
### Highlights

- **2<sup>nd</sup> Aluminium:** Q3 EBITDA at €2.0m (€-0.5m YoY) due to lower volumes in Barcelona as expected (furnace upgrade); Offsetting positive results from the upgraded furnace in Bilbao
- **Salt Slags & Spent Pot Linings (SPL):** Q3 EBITDA down €-1.3m YoY mainly due to -20% decrease in aluminium alloy market prices (€1,356/t vs. €1,689/t)

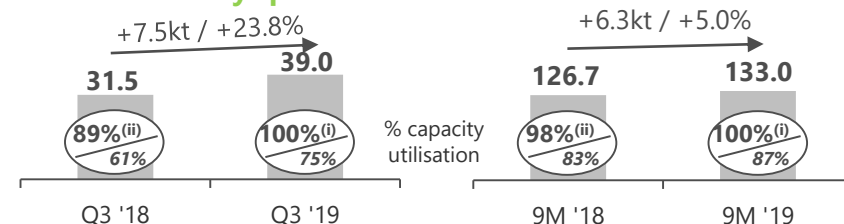


### Volumes & capacity utilisation (thousand tonnes, % of annual installed capacity)

#### Salt Slags & SPL treated



#### Aluminium alloys produced



- (i) Utilisation rates in 2019 are normalised for the furnace upgrade in Barcelona (plant was shutdown three months, 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 upgrade in Bilbao (plant was shutdown three months, from 2<sup>nd</sup> week of Jun to 3<sup>rd</sup> week of Sep)

### Prices (€ per tonne)

	Q3 2018	Q3 2019	% Var.	9M 2018	9M 2019	% Var.
Aluminium alloy average price (iii)	1,689	1,356	-20%	1,783	1,426	-20%

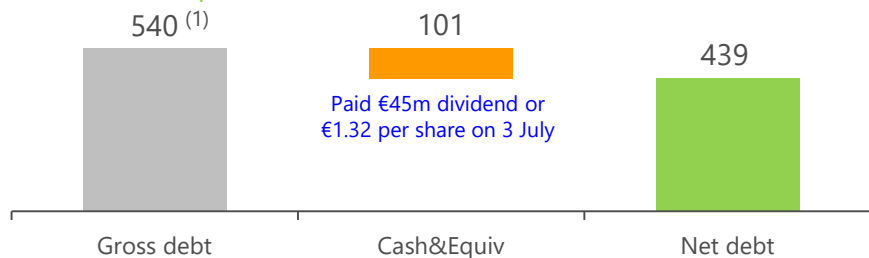
(iii) Aluminium scrap and foundry ingots aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin free market duty paid delivered works

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

**Paid €45m dividend in July; Closed Q3 with €101m cash and x2.7 leverage;  
Capital structure with long 7-year tenor up to 2026 at attractive interest rates**

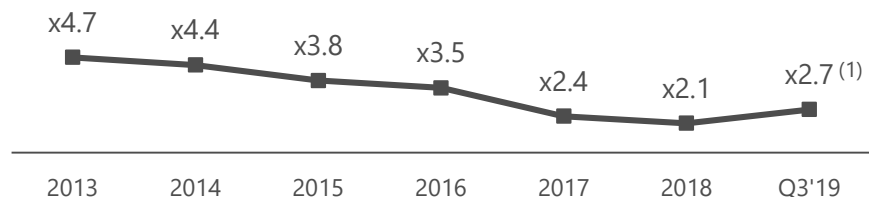
### Net debt

(€m, as of 30 September 2019)



### Leverage rate trend

(Net debt / LTM EBITDA)



### Capital Structure

- Successfully closed (9 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 up to 9 April 2020; 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 at Ba2 / BB; Stable

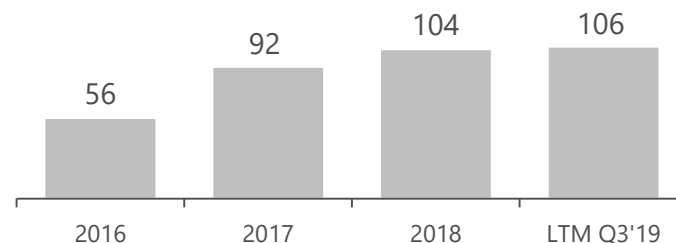
### 9M'19 EBITDA to total cash flow – main drivers

(€m)

EBITDA	€117	
WC change & other	€-34	Temporary receivables/payables impact from seasonality & plant upgrades; Expecting better Q4 like in 2018
Taxes	€-17	
Interest & other <sup>(2)</sup>	€-19	Incl. Interest for full year (Jan & July)
CapEx & other investing activities	€-51	Funding Turkey, China, Korea washing plant, Tilting furnaces growth
Dividend	€-45	Paid on 3 July; Equals to 1.32 per share
<hr/>		
Total Cash Flow	€-50	→ €101m cash & x2.7 leverage

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

(€m)



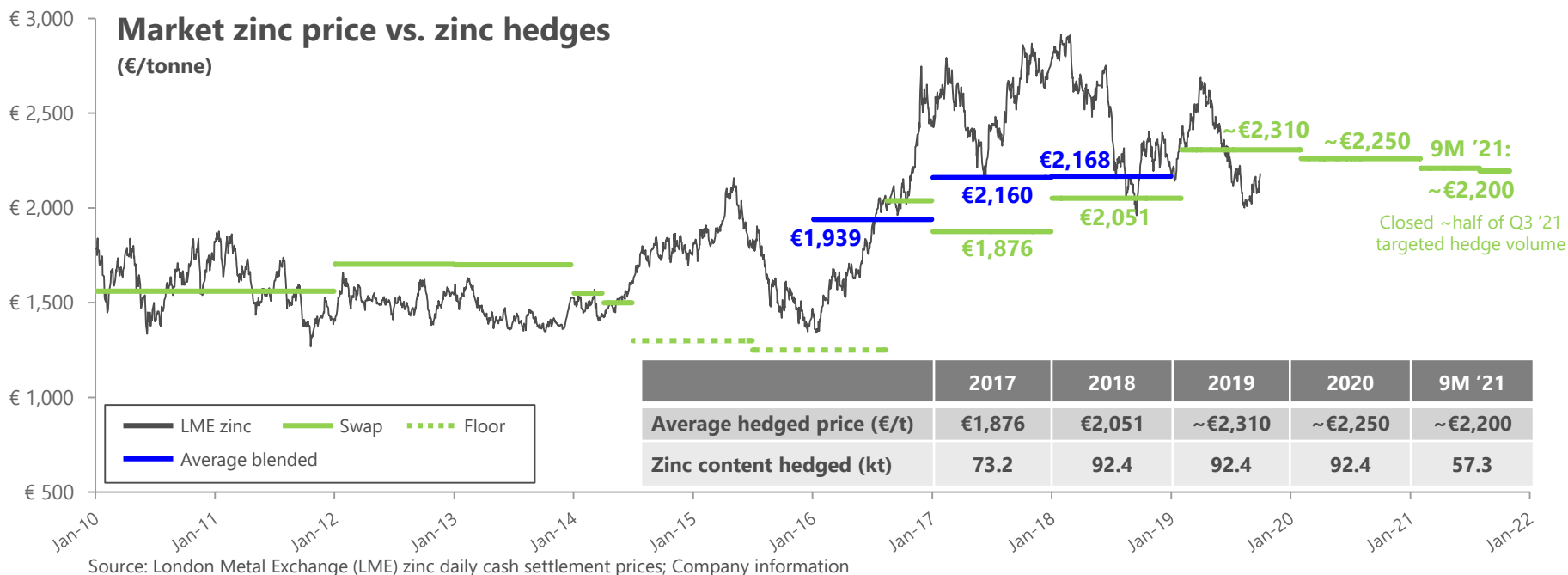
(1) From 1 January 2019, implemented IFRS 16 amendment affecting accounting for renting and leasing results in €15.3 million higher debt or ~0.1 higher leverage compared to year-end 2018

(2) "Other" includes Cash bank inflows/outflows from bank borrowings and other liabilities, and Effect of foreign exchange rate changes on cash

(3) Operating cash flow per audited consolidated statement of cash flows; after WC, taxes & interests; pre capex & dividend; Last Twelve Month (LTM) Q3 2019 operating cash flow is unaudited



### Hedging up to Oct '21 improves earnings & cash flows visibility for next ~2 yrs



### Zinc hedges & blended average prices

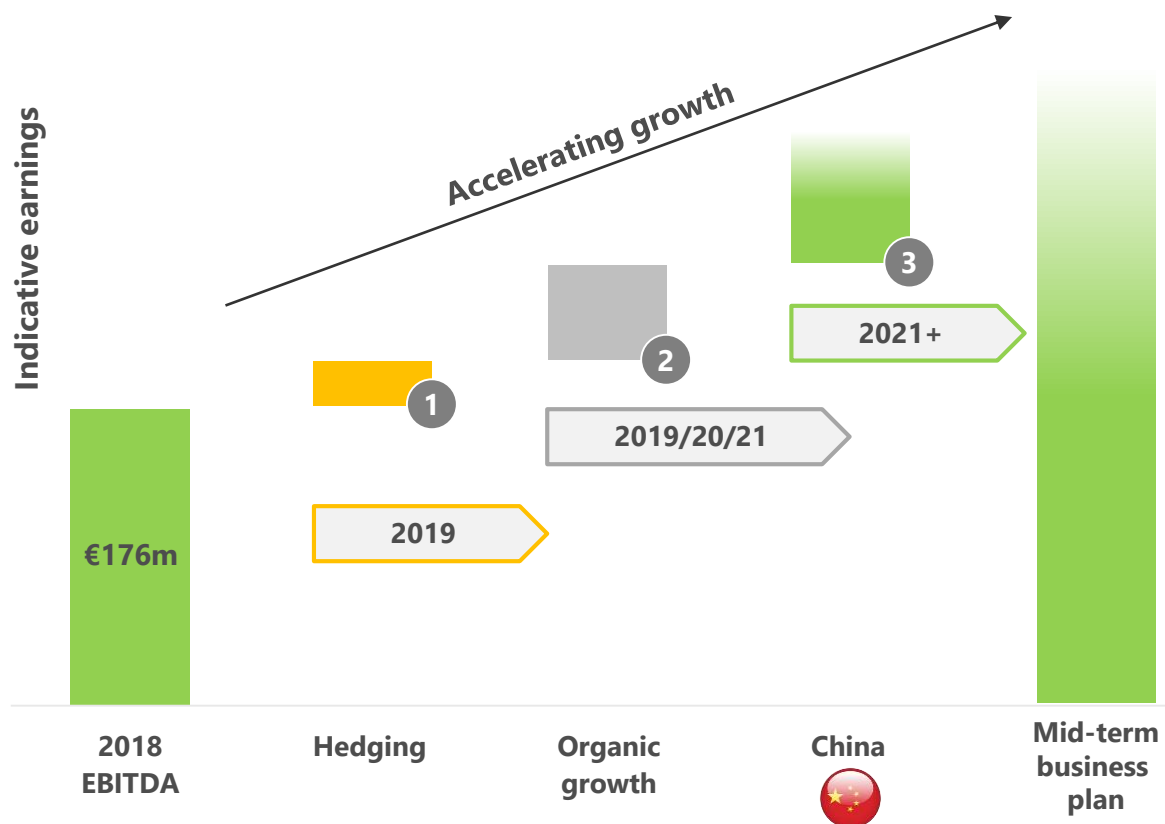
	2018 Actuals	2019 "Apr View"	2019 "Oct View"
Unhedged	32% or 44kt @ €2,468 / \$2,925 LME	~32% or ~44kt @ ~€2,522*/\$2,850 LME	~32% or ~44kt @ ~€2,230-2260** LME
Hedged	68% or 92kt @ €2,051 hedge price	~68% or ~92kt @ ~€2,310 hedge price	~68% or ~92kt @ ~€2,310 hedge price
<b>Blended</b>	<b>€2,168</b>	<b>~€2,378</b>	<b>~€2,285 to €2,300</b>

- 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**

\* 2019 "Apr View" assumed 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 \$/€ 1.13 equals to ~€2,522/t

\*\* 2019 "Oct View" assumes LME Zinc prices at ~€2,230 to €2260/t (9M'19 monthly actuals weighted: ~€2,270/t; 4Q'19 LME similar to Q3'19 at ~€2,100 to €2200/t).

### 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: 57.3kt at ~€2,200/t

#### 2 Organic growth

2019/20 focus – top 5 projects:

- Steel Dust:
  - ✓ Turkey 65kt → 110kt; Completed
  - Korea washing plant; Ramp up starting in Dec'19
- Aluminium Salt Slags:
  - 2x tilting furnaces (✓ Bilbao; Barcelona ramp up Nov'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 end of 2020
  - #2 (Henan): Agreement signed; Breaking ground mid Nov'19; Ramp-up ~H1'21

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

Iskenderun, Turkey – Steel dust recycling annual capacity expanded from 65kt to 110kt



*View of the plant*



*View of the plant and the Waelz kiln*

- ✓ Electric Arc Furnace (EAF) dust recycling plant “brownfield” capacity expansion from 65kt to 110kt
- ✓ On time and budget; Overall in around 7 months – Started shutdown end of January and back in operations in August
- September already with solid throughput; expecting Q4 at higher throughput

**To date on time and budget;  
Targeting commissioning & ramp-up in December**

Pohang, South Korea – Status of construction of WOX Washing plant



*Thickener tank*



*Wastewater treatment plant*

- ✓ "Greenfield" investment in the 1<sup>st</sup> WOX washing plant of Befesa at Asia
- ✓ To date on time and budget
- Commissioning and ramp-up scheduled for December 2019

### Barcelona furnace upgrade to date on time and budget; Ramp-up in November

Barcelona, Spain – Refurbished 2<sup>nd</sup> Aluminium plant with high efficiency furnaces



*Tilting furnace*



*Salt slags handling*



*Cooling Equipment*

- ✓ Barcelona 2<sup>nd</sup> Aluminium plant refurbishment with high efficiency furnaces;  
Thereafter, all plants with latest furnace technology (Bernburg, Bilbao and Barcelona)
- ✓ To date on time and budget
- Ramp-up scheduled for mid-November



**Changzhou plant construction progressing;  
Ramp-up scheduled by end of 2020**



*Piling works – Plant buildings*

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

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

### **Status**

- ✓ Ground breaking ceremony on 10 April 2019
- Construction progressing
- Scheduling to ramp up operations by end of 2020



*Foundation works*

Ground breaking scheduled for mid November;  
Preparing site for construction



*Project / contract signing event, 08 April 2019*

### Key facts of the plant

- 2<sup>nd</sup> EAF dust recycling plant in the country
- Capacity to recycle 110kt EAF dust per annum
- Total investment: ~€45m

### Status

- ✓ Signed development contract on 8 April 2019
- Ground breaking scheduled for mid-Nov 2019
- Targeting to ramp up operations in H1 2021



*Construction fence*

**Expecting higher volumes in Q4 in both core businesses with utilisation rates at >90% on average, in line with guidance assumptions**

- Steel dust higher throughput mainly due to Turkey back online
- Aluminium Salt Slags higher volumes mainly driven by upgraded higher efficiency furnace in Barcelona ramping up mid-November

**Market price environment continues at lower levels; Unfavorable vs. initial full year 2019 guidance**

- LME zinc average prices expected at ~€2,230-2,260/t<sup>(1)</sup> for full year (up to ~€300/t below initial ~€2,522)
- Alu alloy FMB average prices expected at ~€1,410/t<sup>(1)</sup> for full year (~€240/t below initial ~€1,650)

**Earnings sensitivities to metal price variances remain unchanged**

- Steel Dust Services:
  - Remaining EBITDA price exposure after hedges is ~€-4.5m FY for each €-100/t LME zinc price variance
  - On Treatment Charge (TC), every +/-€10/t TC varies ~+/-€2.5m EBITDA for the year
- Aluminium Salt Slags Services:
  - EBITDA price exposure is ~€-2m full year for every €-100/t FMB variance

**Full year 2019 earnings guidance updated to reflect latest metal price environment**

- FY 2019 expected at around €160m EBITDA vs. initial guidance: €182-€185m; Variance mainly due to:
  - ~ €14m Zinc LME
  - ~ €5m Alu alloy FMB

**Growth projects on track**

- ✓ Turkey completed: On budget and time
- 2<sup>nd</sup> Alu Barcelona furnace upgrade: Back up mid-Nov
- Korea washing plant: Scheduled for ramp up in Dec
- Building first two plants in China

### Befesa has a strong commitment for a more sustainable world

- Befesa **recycles annually more than 1.5 million tonnes** of hazardous residues, avoiding landfilling and **recovering** more than **600,000 tonnes of valuable 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, 26 March 2020:**  
Annual Report 2019 & Analyst Call

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

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

➤ **Wednesday, 29 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 ...

➤ ✓ **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