



PRESS AND INVESTOR ANNOUNCEMENT

Preliminary full year 2019 results

Befesa sets course for long-term organic growth in 2020 and beyond

- FY EBITDA at €160m, down 9% yoy, as expected predominantly due to the lower metal price environment, unfavourable higher treatment charges (TCs) and the planned capacity expansion in Turkey
- Strong EBITDA margin of 25%
- Net profit at €83m, down from €90m in the previous year
- Operating cash flow at solid €103m funding record growth capex; Closing year at €126m cash on hand and moderate x2.6 net debt over EBITDA leverage
- Organic growth projects completed on time and budget (Turkey, South Korea Waelz oxide (WOX) washing plant, furnaces in Spain), driving volume and earnings growth in 2020 and beyond
- China expansion progressing

Luxembourg, 20 February 2020 – In 2019, Befesa S.A. (“Befesa”), the European market leader for steel dust and aluminium salt slags recycling services, set the foundation for volume and earnings growth in the coming years, executing on its wide-scale organic growth roadmap. As expected, FY 2019 earnings decreased by 9% to €160 million yoy (2018: €176 million) driven by the planned capacity upgrade works and connected downtimes in Turkey, higher TCs as well as lower zinc and aluminium alloy prices. These effects were partially offset by a higher blended zinc price as a result of Befesa’s hedging strategy, recovering stainless steel operations as well as the upgraded secondary aluminium furnaces increasing production rates.

In combination, this meant Befesa retained a strong EBITDA margin of 25%. Net profit in 2019 decreased moderately to €83 million (FY 2018: €90 million), corresponding to earnings per share (EPS) of €2.43.

Javier Molina, CEO of Befesa, said: “Despite the lower earnings level we have recorded in 2019 due to the weaker metal price environment, we have continued to deliver strong operating performance and have set the path for organic growth in the coming years. Our strong cash flow allowed us to fund this year’s record investments with our own resources and to maintain a moderate leverage level. We will propose another attractive dividend for our shareholders at similar levels to last year.”

In 2019, Befesa deployed a record level of capital, around €56 million, for expansion across key growth markets which was funded by the company’s strong operating cash flow.

Following the successful completion of the organic growth initiatives in Befesa’s existing markets (capacity expansion in Turkey, new WOX washing plant in South Korea, furnace upgrades in Spain) the focus in 2020 will be on delivering the expansion into China. The construction of the first electric arc furnace (EAF) steel dust recycling plant in Jiangsu is expected to be completed approximately by the end of 2020. The second plant under development in the province of Henan is expected to be completed by approximately the middle of 2021. Each plant requires a total capex of approximately €42 million and will have a recycling capacity of 110 thousand tonnes of EAF steel dust per annum.

For 2020, the management of the volatility of zinc prices through hedging continues to be a cornerstone of Befesa’s strategy. Currently, the company has hedges in place throughout 2020 and until October

2021. Befesa keeps monitoring the market to lock in further volume beyond that date. Similar to last year, once TCs are settled in ~March/April 2020, Befesa will provide a more detailed earnings guidance for FY 2020.

On 17 February 2020, Befesa successfully repriced its term loan B, reducing its interest rate by 50 bps to Euribor + 200 bps with a floor of 0%. This is expected to lower Befesa's financing cost by approximately €2.6 million per year. After a fixed period of nine months, the interest rate could be reduced further alongside certain leverage ratchets down to a rate of Euribor + 125 bps in case Befesa's leverage is lower than x1.75. The facility's long-term July 2026 maturity date and all other documentation terms remain without further amendment. Following Befesa's refinancing in mid-2019, the repricing is yet another measure to continually improve Befesa's long-term capital structure and financial efficiency.

Key figures

in €m	Q4 2018	Q4 2019	Change	FY 2018	FY 2019	Change
Revenue	181.0	151.3	-16.4%	720.1	647.9	-10.0%
EBITDA	47.1	42.5	-9.8%	176.0	159.6	-9.3%
Net profit	27.3	22.0	-19.5%	90.2	82.7	-8.3%
EPS (€)	0.80	0.65	-19.5%	2.65	2.43	-8.3%
Operating cash flow	57.8	54.8	-5.3%	103.8	102.5	-1.3%
Net debt	376.8	416.9	10.6%	376.8	416.9	10.6%
Leverage	x2.1	x2.6		x2.1	x2.6	

Webcast

Befesa will host a webcast on its preliminary full year 2019 results at 09:00 am CET on 20 February 2020. Further details, a replay and other events are available on the company's website: www.befesa.com

Financial Calendar

Befesa plans to publish its 2019 full-year financial results on 26 March 2020. The Annual General Meeting is scheduled for 18 June 2020 and will be held in Luxembourg. The date for the publication of the H1 2020 results was rescheduled from 29 July 2020 to 31 July 2020. The financial calendar for 2020 is available in the Investor Relations / Investor's Agenda section on Befesa's website. For more information, please visit www.befesa.com

About Befesa

Befesa is a leading international provider of regulated environmental services to the steel and aluminium industries with facilities located in Germany, Spain, Sweden, France and the UK, as well as in Turkey and South Korea. Through its two business units, Steel Dust and Aluminium Salt Slags recycling services, Befesa manages and recycles around 1.5 million tonnes of residues annually, with a production of around 1.2 million tonnes of new materials, which Befesa reintroduces in the market, reducing the consumption of natural resources. Further information can be found on the company's website: www.befesa.com

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