

**BEFESA**

# Company Presentation

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Full year figures contained in this presentation have been audited by external auditors.

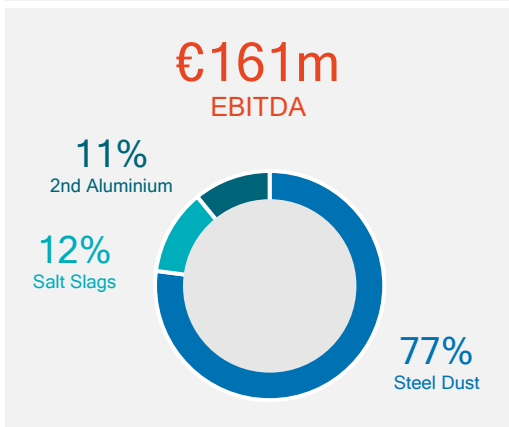
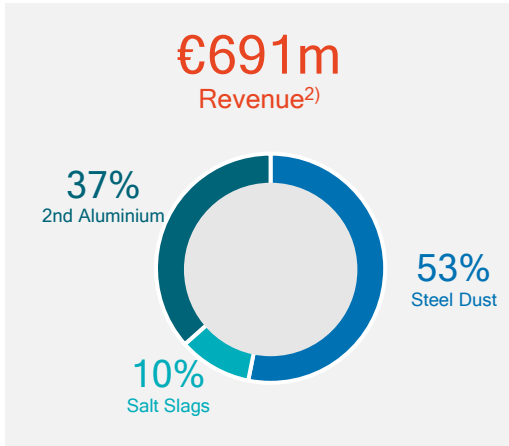
This presentation includes Alternative Performance Measures (APM), including EBITDA, EBITDA margin, net debt and capital expenditures which are not measures of liquidity or financial performance under International Financial Reporting Standards (IFRS). EBITDA is defined as operating profit for the period (i.e. EBIT) before the impact of amortisation, depreciation, impairment and provisions. EBITDA margin is defined as EBITDA divided by revenue. EBIT is defined as Operating profit for the year. The Company uses EBIT to monitor its financial return after both operating expenses and a charge representing the cost of usage of both its property, plant and equipment and definite-life intangible assets. EBIT margin is defined as EBIT as a percentage of revenue. 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 Befesa's results of operations or liquidity derived in accordance with IFRS. Befesa believes that the APM included in this report are useful measures of its performance and liquidity. Other companies, including those in the industry in which Befesa operates, may calculate similarly titled financial measures differently than Befesa does. Because all companies do not calculate these financial measures in the same manner, Befesa's presentation of such financial measures may not be comparable to other similarly titled measures of other companies. These APM are not audited.

Figures only include c. 4.5 months of 2021 contribution from Zinc US

# Befesa at a glance

Global leader in Europe, Asia and US in providing regulated critical hazardous waste recycling services to the steel and aluminium industries

## 3-year average (2019-2021)<sup>1)</sup>



## Steel Dust Recycling<sup>1)</sup>

**#1**  
Position Global  
(c. 40-50% market share)

**32%**  
EBITDA margin  
(3-year average 2019-2021)

**>15yrs**  
Relationships

## Aluminium Salt Slags Recycling

**#1**  
Position in Europe in salt slags subsegment  
(c. 45-50% market share)

**26%**  
EBITDA margin in salt slags subsegment<sup>3)</sup>  
(3-year average 2019-2021)

**>15yrs**  
Relationships

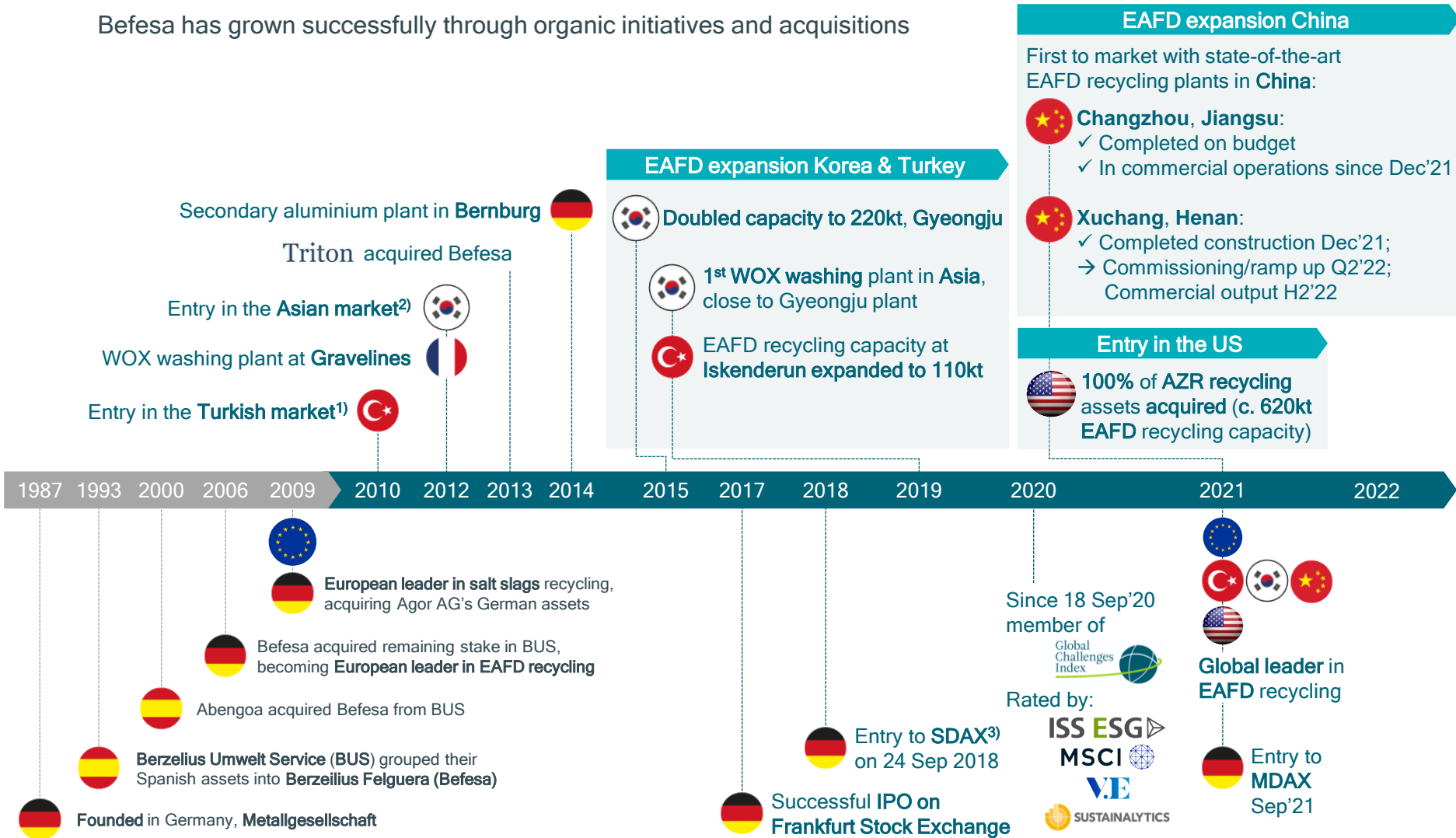
Source: Company information, International Consulting Firm based on World Steel Association's Steel Statistical Yearbooks, WBMS, industry research, expert Interviews.

1) Figures do not include the contribution from AZR's acquisition closed on 17 August 2021

2) Excluding internal revenue; revenue split is calculated on revenues including internal revenue; 3) Including recycling of SPL (a hazardous waste generated in primary aluminium production)

# Key milestones

Befesa has grown successfully through organic initiatives and acquisitions

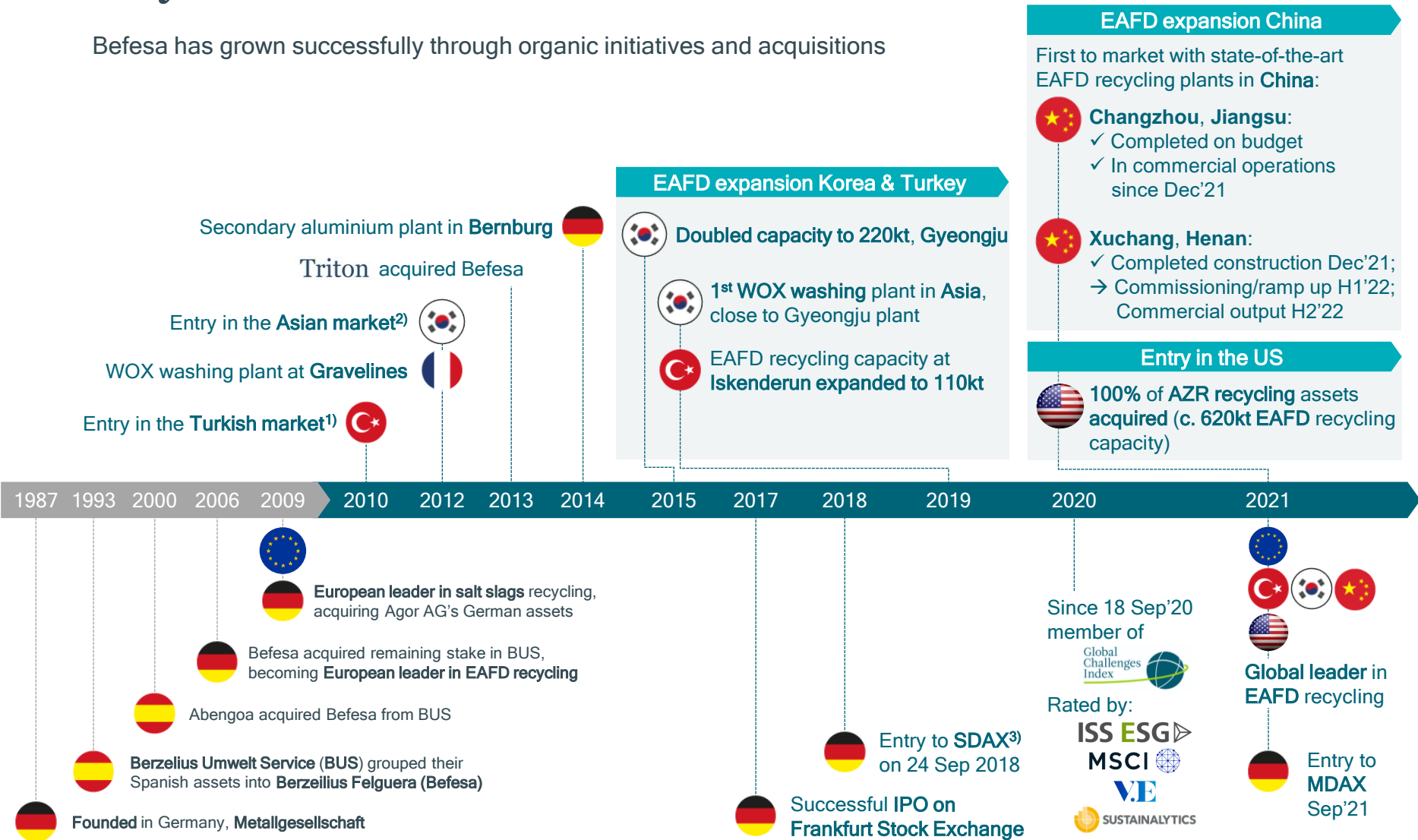


1) Through 51/49 JV with Canadian Silvermet; 2) By acquiring subsequent stakes in the Korean Hankook; 3) Free-float at 100% after Triton's exit on 6 June 2019

4 / Company Presentation - April 2022

# Key milestones

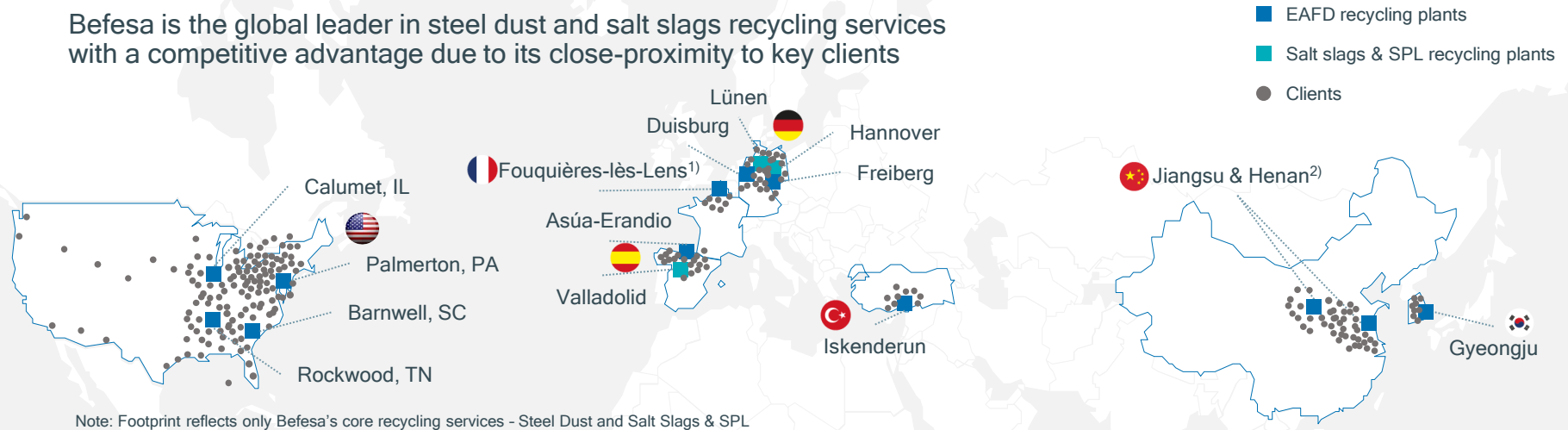
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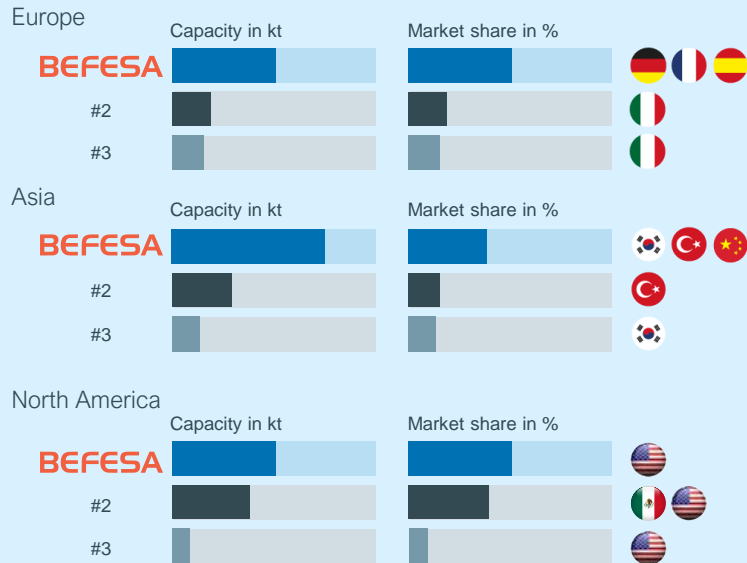
# Global leader in Europe, Asia & North America

Befesa is the global leader in steel dust and salt slags recycling services with a competitive advantage due to its close-proximity to key clients

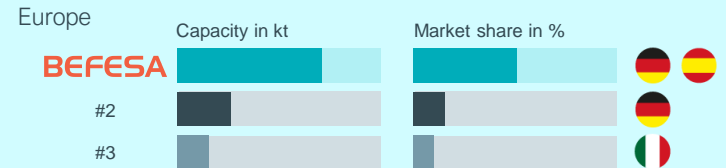


Note: Footprint reflects only Befesa's core recycling services - Steel Dust and Salt Slags & SPL

STEEL DUST RECYCLING



ALU SALT SLAGS RECYCLING

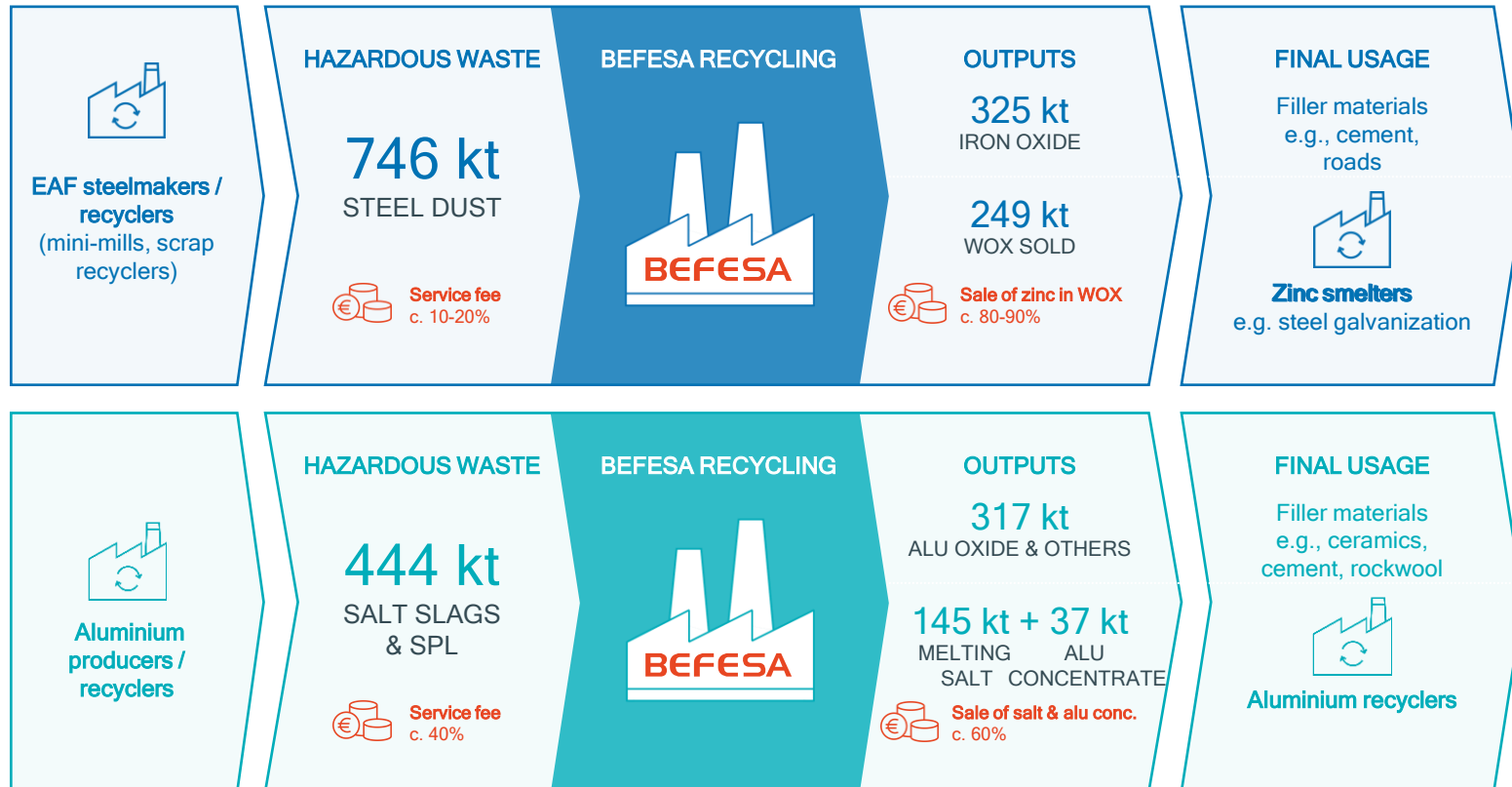


1) 50/50 joint venture with Recylex

2) Changzhou, Jiangsu province: In commercial production and selling WOX since Dec '21; Xuchang, Henan province: Completed construction Dec '21 on budget; Commissioning incl. ramp-up during H1'22 and commercial output scheduled in H2'22

# Highly regulated & critical service model

Befesa is the leading environmental services partner in the circular economy of the 2<sup>nd</sup> steel and aluminium industry by recycling and avoiding the landfilling of c. 2 MT hazardous residues and recovering c. 1.5 MT of new valuable materials



All figures are the average of the fiscal years 2019, 2020 and 2021, thus only include c.4.5 months contribution from Zinc US operations

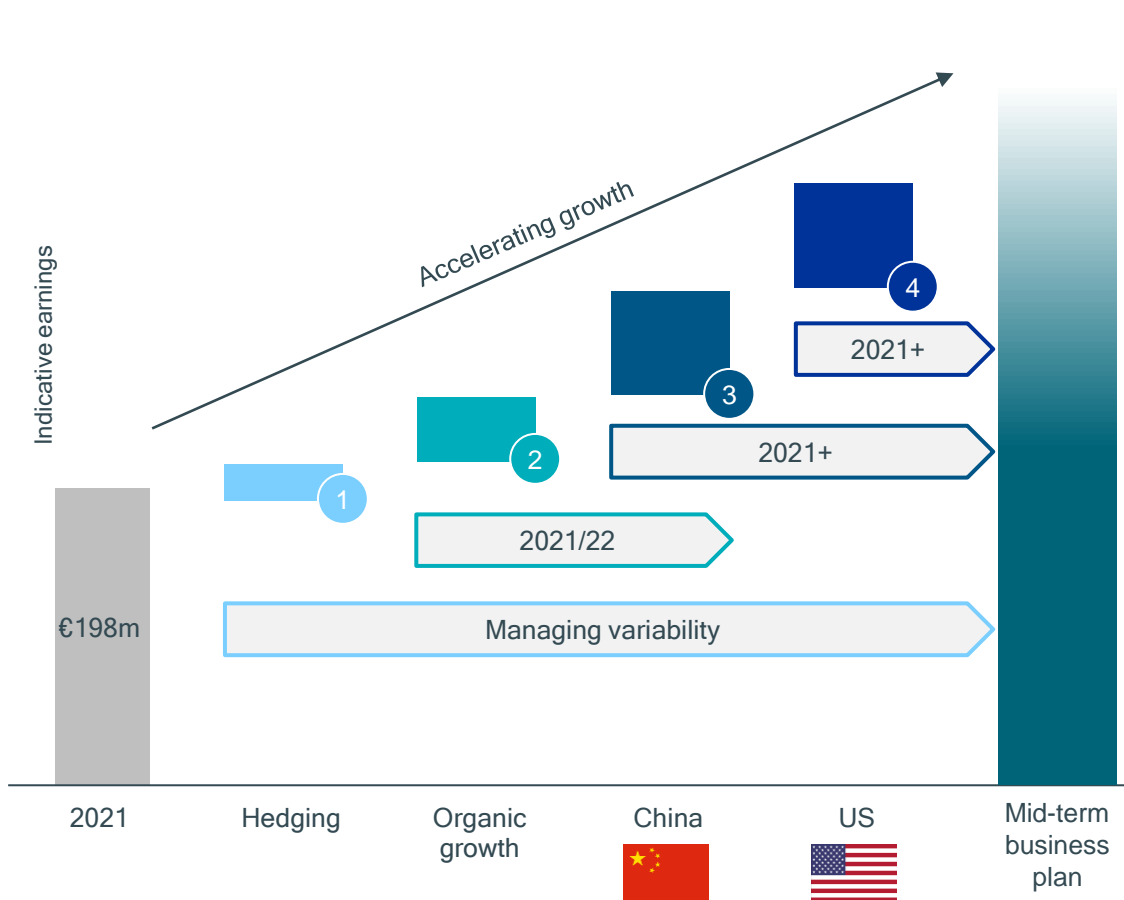
Value chains are simplified and only reflect Befesa's core business segments (i.e. Steel Dust; Aluminium Salt Slags):

- Within Steel Dust Recycling Services business segment Befesa manages a Stainless sub-segment (94 kt stainless steel dust throughput, average over L3Y period 2019-2021)

- Within Aluminium Salt Slags Recycling Services business segment Befesa manages a Secondary Aluminium sub-segment (179 kt 2<sup>nd</sup> aluminium alloys produced, average over L3Y period 2019-2021)

# Mid-term growth roadmap

Executing well defined growth roadmap even during COVID-19 pandemic;  
 In commercial operations at 1<sup>st</sup> China plant (Jiangsu) and completed construction of 2<sup>nd</sup> plant (Henan);  
 Driving progress on the integration of AZR and related synergies



## 1 HEDGING

- Hedge book extended up to Jan'25, c.3 yrs
- Providing increased earnings and cash flow visibility

## 2 ORGANIC GROWTH

Top 5 projects:

- Steel Dust:
  - ✓ Turkey expansion: Completed
  - ✓ Korea washing: Completed
- Aluminium Salt Slags:
  - ✓ 2 tilting furnaces (Spain): Completed

## 3 CHINA EXPANSION

First two EAFD recycling plants in provinces of Jiangsu and Henan

## 4 US / AZR ACQUISITION

Integrating four EAFD recycling plants acquired from AZR and realising near- and mid- term synergies

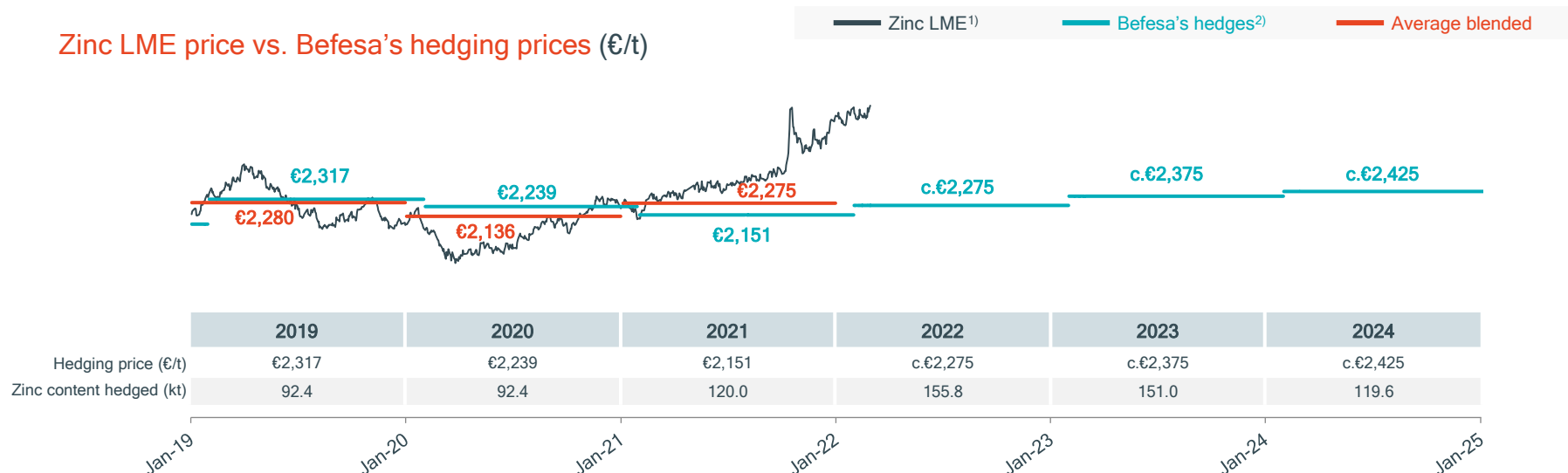
Note: Chart is illustrative and size of respective arrows in the chart is not indicative to the underlying growth potential



# Zinc prices & hedging strategy

Hedge book extended up to Jan'25, c.3 years; Improving earnings & cash flows visibility

## Zinc LME price vs. Befesa's hedging prices (€/t)



## Zinc hedges & blended average prices (€/t)

	FY 2020	FY 2021
Unhedged	33% or 46kt @ €1,979/t LME	27% or 45kt @ €2,544/t LME
Hedged	67% or 92kt @ €2,239/t	73% or 120kt @ €2,151/t
<b>Blended<sup>3)</sup></b>	<b>€2,136/t</b>	<b>€2,275/t</b>

**+€139/t / +7% yoy**

### Hedging strategy unchanged:

- Hedge book extended up to Jan'25; c.3 years
- Targeting 60% to 75% of zinc equivalent volume
- Befesa providing no collateral

1) London Metal Exchange (LME) zinc daily cash settlement prices

2) Includes BZ US (former AZR) hedge book for the following periods: 18 Aug'21 to Jan'22: 36.8kt zinc hedged at c.\$2,500 (c.€2,160 at FX 1.16); Feb'22-Jan'23: 63.4kt zinc hedged at c.\$2,765 (c.€2,400 at FX 1.15); Feb'23-Jan'24: 58.6kt zinc hedged at c.\$2,900 (c.€2,520 at FX 1.15); Feb'24-Jul'24: 45.0kt zinc hedged at c.\$2,975 (or c.€2,565 at FX 1.16); FX \$/€ forwards as of March '22, source: [cmegroup.com](http://cmegroup.com)

3) Zinc blended prices are averages computed based on the monthly effective LME zinc and hedging prices weighted with the respective hedged and non-hedged volumes

# China I

Changzhou plant, Jiangsu province

## Key facts of the plant:

- 1<sup>st</sup> EAFD recycling plant in China
- Capacity to recycle 110kt EAFD p.a.
- Total investment: c.€42m
- Location: Changzhou (Jiangsu province)

## Status update:

- ✓ Long-term financing closed Jul'20
- ✓ Construction completed on budget
- ✓ In commercial production & selling WOX
- ✓ Contracted EAFD for >80% plant utilisation in 2022



↑ Changzhou plant, in operations

↑ First commercial invoice

# China II

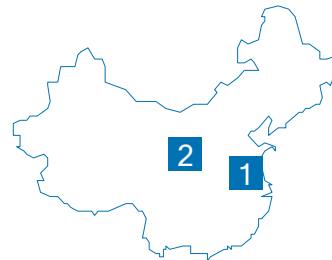
Xuchang plant, Henan province

## Key facts of the plant:

- 2<sup>nd</sup> EAFD recycling plant in China
- Capacity to recycle 110kt EAFD p.a.
- Total investment: c.€42m
- Location: Xuchang (Henan province)

## Status update:

- ✓ Long-term financing closed Dec'20
- ✓ Construction completed Dec'21 on budget
- Commissioning started; Expecting ramp up H1'22 & commercial output H2'22



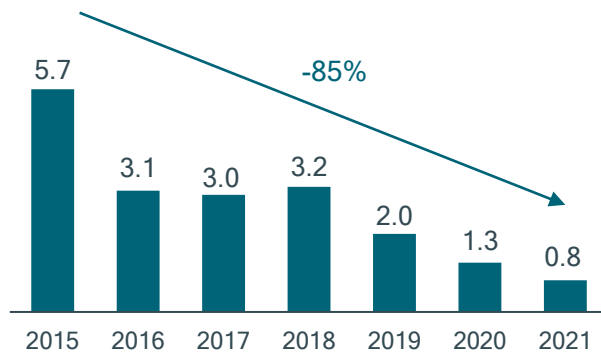
↑ Xuchang plant, construction completed - 27 December 2021

# ESG at Befesa

Key player within the circular economy, with c.2 million tonnes recycled and c.1.5 million tonnes of valuable materials recovered annually, that contributes significantly to increase efficiency of raw material use in the metals industry and promotes the transition towards a more sustainable economy

## Lost Time Injury Rate (LTIR)

- Excellence in health & safety is a priority for Befesa
- LTIR<sup>1)</sup> reduced by 36% yoy



1) Befesa's own employees and contractors

## ESG Ratings

ISS ESG

Top 3 of 69  
Metals processing  
& production

SUSTAINALYTICS

#5 of 63  
Commercial services

V.E

#7 of 103  
Business services

MSCI

BBB  
Commercial services  
& supplies

## ESG Report

- Befesa **2021 ESG Report** scheduled for **Q2'22**, including disclosures on Taxonomy eligibility
- Defining **2030** (c. 20% CO<sub>2</sub> emission reduction) & **2050** (net zero) **ESG roadmap and CO<sub>2</sub> reduction plan**

# Experienced management team

Senior management team delivering results through long-standing industry expertise, entrepreneurial spirit and focus on operational excellence as well as governance and compliance processes



**Javier Molina**  
CEO

- CEO since 2000
- Leading Befesa for >20 years



**Wolf Lehmann**  
CFO;  
incl. responsibilities  
for operational  
excellence & IT

- CFO since 2014
- 20+ years in finance & operational leadership roles, 50/50 General Electric / PE



**Asier Zarranonandia**  
Vice-president  
Steel Dust  
Recycling Services

- 15+ years with Befesa
- Running Befesa's Steel Dust business for >15 years



**Federico Barredo**  
Vice-president  
Aluminium Salt Slags  
Recycling Services

- 25+ years with Befesa
- Running Befesa's Aluminium Salt Slags business for >20 years

## Key achievements / track record



Extensive experience in steel and aluminium recycling business, incl. managing through the cycle



Strong performance results through focus on operational excellence



Building strong business foundation of ESG, compliance and health & safety processes



Successful international expansion



Track record of successful acquisitions and turnarounds, e.g., BUS, Agor, Alcasa, Hankook, Silvermet, AZR



Experience in developing greenfield projects, e.g., Gravelines, South Korea, Bernburg, China

# Multi-year trend – Key financials<sup>1)</sup>

(€m, unless otherwise stated)

	2017	2018	2019	2020	2021
<b>Revenue</b>	€667.4 <sup>2)</sup>	€720.1	€647.9	€604.3	€821.6
<b>Reported EBITDA</b>	€153.0	€176.0	€159.6	€123.5	€189.6
<b>Reported EBITDA margin %</b>	22.9% <sup>2)</sup>	24.4%	24.6%	20.4%	23.1%
<b>Adjusted EBITDA</b>	€172.4 <sup>3)</sup>	€176.0	€159.6	€127.0 <sup>3)</sup>	€197.6 <sup>3)</sup>
<b>Adjusted EBITDA margin %</b>	25.8% <sup>2)</sup>	24.4%	24.6%	21.0%	24.0%
<b>Net profit<sup>4)</sup></b>	€49.3	€90.2	€82.7	€47.6	€99.7
<b>EPS<sup>4)</sup> (€)</b>	€1.02 <sup>5)</sup>	€2.65	€2.43	€1.40	€2.68 <sup>5)</sup>
<b>Operating cash flow<sup>6)</sup></b>	€91.5	€103.8	€102.5	€92.5	€117.9
<b>Cash position end of period</b>	€117.6	€150.6	€125.5	€154.6	€224.1
<b>Net debt</b>	€406.4	€376.8	€416.9	€393.6	€470.6
<b>Net leverage</b>	x2.36	x2.14	x2.61	x3.10	x2.16

1) 2017, 2018, 2019, 2020 and 2021 are full year actual reported figures audited by external auditors

2) 2017 reported revenue amounted to €724.8m; Revenue of €667.4m is comparable after amendment IFRS 15 impacting non-operating revenue

3) 2017 EBITDA adjusted due to one-off non-recurrent items primarily related to the IPO; 2020 EBITDA adjusted for €3.5m for the UK Salt Slags plant closure;

2021 EBITDA adjusted for €14.0m one-time AZR acquisition costs, and -€6.0m Hanover Salt Slags plant fire impact

4) Net profit and total basic earnings/(losses) per share attributable to the ordinary equity holders of Befesa S.A.

5) 2017 EPS impacted by the conversion of the preferred shares carried out in Oct'17 prior to the IPO; The weighted average number of ordinary shares used as the denominator in calculating total basic EPS in 2017

was 25,025 thousand shares vs. 34,067 thousand shares used in 2018-2020; 2021 EPS based on 37,285 weighted average thousand shares after the capital increase of 5,933 thousand new shares to partly fund the AZR acquisition

6) Operating cash flow is after WC change, taxes and interests; pre capex and pre dividend

# Multi-year trend – Operational data

	2017	2018	2019	2020	2021
EAFD throughput (kt)	661.0	717.1	665.8	687.0	885.7
EAFD average capacity utilisation (%)	84.7%	92.0%	80.7% / 90.1% <sup>1)</sup>	83.2%	83.3% <sup>2)</sup>
Waelz oxide (WOX) sold (kt)	217.8	240.9	217.6	239.2	291.0
Zinc LME price (€/t)	€2,572	€2,468	€2,276	€1,979	€2,544
Zinc hedging price (€/t)	€1,876	€2,051	€2,317	€2,239	€2,151
Zinc blended price <sup>3)</sup> (€/t)	€2,160	€2,168	€2,280	€2,136	€2,275
Salt Slags & SPL treated (kt)	509.9	517.0	492.6	444.6	395.0
Salt Slags & SPL avg. cap. utilisation (%)	96.2%	97.5%	92.9%	83.9% / 86.9% <sup>4)</sup>	87.8%
Alu alloys produced (kt)	184.1	169.3	176.7	174.3	185.8
Secondary Alu avg. capacity utilisation (%)	89.8%	82.6% / 98.1% <sup>5)</sup>	86.2% / 91.1% <sup>6)</sup>	85.0%	90.6%
Aluminium alloy FMB price <sup>7)</sup> (€/t)	€1,766	€1,715	€1,397	€1,424	€2,112

1) Installed capacity and corresponding utilisation rates in 2019 are normalised for the capacity upgrade in Turkey, from 65kt to 110kt (plant was shutdown from end of Jan to mid-Aug 2019)

2) Installed capacity and corresponding utilisation rates in 2021 are proportional figures based on the actual number of days the China and the US plants (after acquisition) operated in the year

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

4) Installed capacity and corresponding utilisation rates in 2020 are normalised for the UK salt slags plant closure by year-end 2020

5) Installed capacity and corresponding utilisation rates in 2018 are normalised for the furnace upgrades in Bilbao (plant was shutdown three months, from 2<sup>nd</sup> week of June to 3<sup>rd</sup> week of September), as well as the Barcelona - phase I (plant was shutdown two months, from 4<sup>th</sup> week of August to 4<sup>th</sup> week of October)

6) Installed capacity and corresponding utilisation rates in 2019 are normalised for the furnace upgrade in Barcelona - phase II (plant was shutdown three months, from mid-August to mid-November)

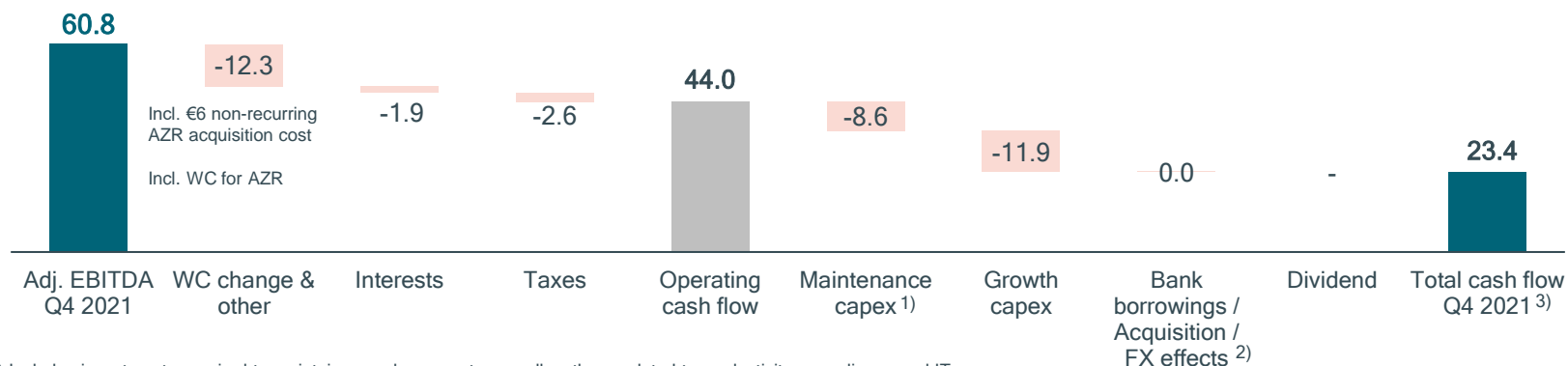
7) Aluminium scrap and foundry ingots aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin free market duty paid delivered works

# Cash flow, net debt & leverage

- S&P upgraded Befesa to 'BB+', outlook stable' (18 June 2021)
- Moody's affirmed Befesa's 'Ba2, outlook stable' (17 May 2021)

Continued strong liquidity of c.€300m including record €224m cash on hand, post-dividend & acquisition funding;  
 Net leverage of x2.16 at YE'21, improved vs. x3.10 at YE'20 and vs. x2.33 at Q3'21

## Adjusted EBITDA to total cash flow (€m)



1) Includes investments required to maintain or replace assets as well as those related to productivity, compliance and IT

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

	At 30 Sept 2021	Change	At 31 Dec 2021
LTM Adj. EBITDA <sup>4)</sup>	€207.2	+€10.6 / +5.1%	€217.8
LTM Operating cash flow <sup>5)</sup>	€128.7	-€10.8 / -8.4%	€117.9
Gross debt <sup>6)</sup>	€682.8	+€11.9 / +1.7%	€694.7
Cash on hand <sup>3)</sup>	€200.7	+€23.4 / +11.7%	€224.1
Net debt	€482.1	-€11.5 / -2.4%	€470.6
Net leverage	x2.33	-x0.17	x2.16

3) Cash on hand of €200.7m at Q3'21 closing increased by €23.4m cash flow Q4'21, ending at €224.1m total cash on hand at year-end 2021

4) 2021 LTM EBITDA incorporates full-twelve-rolling months of the US operations

5) Includes AZR's operating cash flows since closing of the acquisition on 17 Aug 2021

6) €694.7m gross debt at year-end 2021 includes €100m TLB add-on to partly fund the AZR acquisition, as well as China local loans