



**BEFESA**

# Sustainable Global Growth Plan (SGGP) – 2022-2027

## Growing through the cycle

Capital Markets Day 2022  
London – 8 November



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# Today's presenters



**Javier Molina**  
Executive Chair

Leading Befesa  
for >20 years



**Asier Zarraonandia**  
CEO

>20 years with Befesa



**Wolf Lehmann**  
CFO

Befesa's CFO  
since 2014



**Rafael Pérez**  
IR & Strategy Director

15 years with Befesa

# Agenda

	UK time
Befesa highlights & current environment	10:00
Sustainable Global Growth Plan (SGGP)	10:30
- Steel Dust Recycling	
- Aluminium Salt Slags Recycling	
Break	11:30
Financials	11:45
ESG	12:00
Closing remarks	12:15
Q&A	12:30-13:30



## Befesa highlights & current environment



**Javier Molina**  
Executive Chair



# Leader in circular economy for >30 years

## Environmental solutions

in high demand for the steel and aluminium industry improving sustainability

## Favourable mega trends

supporting secondary steel and aluminium markets e.g. CO<sub>2</sub> reduction, emission controls

## Global leader

in Europe, Asia & US, in niche recycling markets, applying best available technology with plant footprint close to clients

## Strong regulation

getting stricter and expanding into new geographies to protect the environment

## Robust & long-term service

supports business model with strong barriers to entry and high captive demand

## Proven resilience

through the cycle with strong growth, margins and cash flow generation

## Expansion opportunities

organic & inorganic, focused on core segments with attractive returns

## Experienced team

focused on compliance, ESG and profitable growth = shareholder value

# Proven resilience & growth through cycles

Attractive growth track record with proven margin resilience despite volatile environment - driven by a successful service-focused business model & prudent financial practices

Key  
macro  
events

Global  
financial crisis

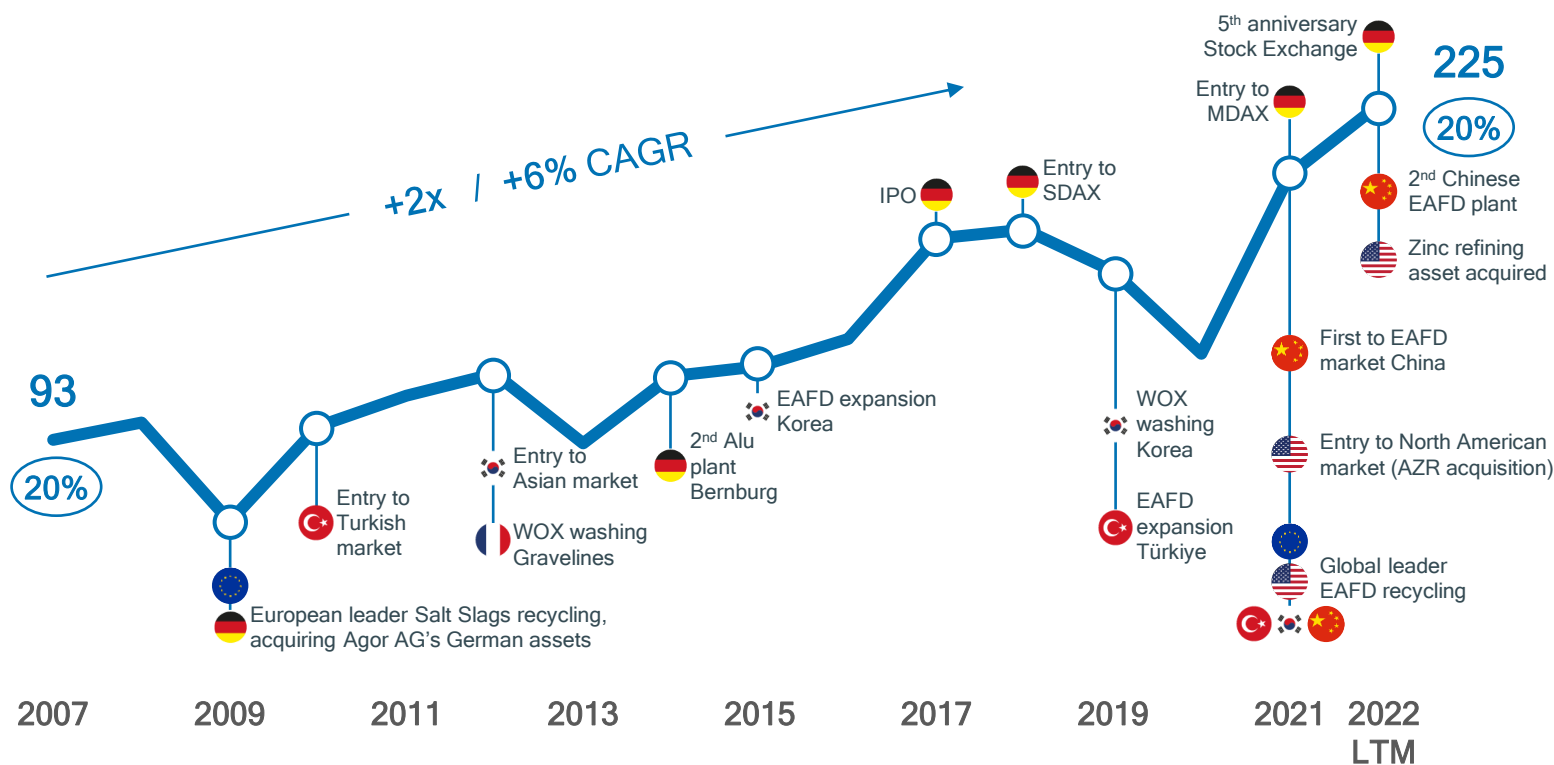
European  
debt crisis

COVID pandemic  
Global supply chain disruptions  
Energy crisis

EBITDA  
margin



EBITDA  
(€m)



# FY'22 guidance confirmed at $\geq$ €220m EBITDA, +11% yoy, a new record result

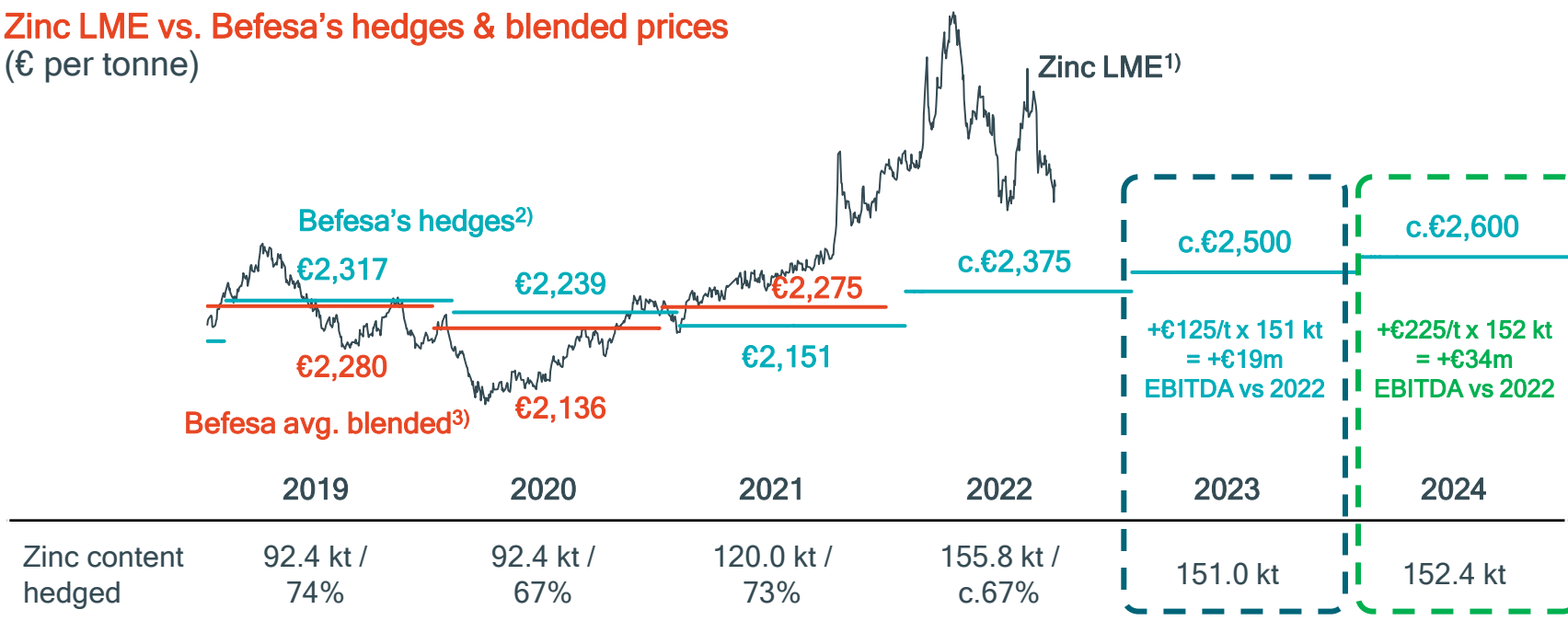
- **Confirming FY'22 guidance  $\geq$  €220m EBITDA, +11% yoy LTM Q3'22 at €225m EBITDA**
- **Acquired US Zinc Refining asset at \$47m (vs. original \$135m) on 30 Sep; All cash transaction**
- **Total capex guidance adjusted for US Zinc Refining, from €55-65m to €110-120m, excl. Hanover reimbursed by insurance**
- **Total cash flow adjusted for US Zinc Refining from c.+€40m to c.-€20m; Cash on hand at c.€200m at YE'22**
- **Net leverage remains around x2**



# Zinc prices & hedging strategy

Hedge book fully extended up to Jan'25, c.2.5 years; Improving earnings & cash flows visibility

## Zinc LME vs. Befesa's hedges & blended prices (€ per tonne)



## BEFESA Hedging strategy unchanged

1-3 years forward  
hedging strategy

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-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.€2,630 at FX 1.05);

Feb'23-Jan'24: 58.6kt zinc hedged at c.\$2,900 (c.€2,900 at FX 1.00); Feb'24-Jan'25: 60.0kt zinc hedged at c.\$2,975 (or c.€2,975 at FX 1.00)

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

# Preliminarily expecting 2022 as “floor” for 2023

## Key EBITDA drivers for 2023 (vs. 2022)



- + Zinc hedging
- + Acquired US zinc refining
- + US synergies
- + China plants ready



- Inflation:  
Monitoring energy price development and general inflation



- **Base volume:**  
Europe, US, ex China;  
+ Decarbonisation / EV post-COVID  
-vs-  
- Recession
- **Metal prices** historically correlated to energy ...  
+/- €100/t    Zinc    Alu  
+/- EBITDA    €7m<sup>1)</sup>    €3m
- **Treatment charges (TC):**  
Low **visibility** until Q1'23 ...  
+/- \$10/t    Zinc TC  
-/+ EBITDA    €2.5-3m

1) Zinc price sensitivities for the unhedged portion and excluding opposite zinc treatment charge effect

# Strong financial backbone

**Long-term and  
efficient capital structure**  
with no maturities up to Jul-26

**Prudent zinc hedging  
approach**

**Rigorous cash management**

→ **Resilient earnings &  
cash flows**

→ **Stable & high liquidity**

→ **Moderate leverage at c.x2**

**... to self-fund growth  
roadmap in the  
US, Europe & Asia**



# Proven track record since IPO; Megatrends driving growth over next 5 years

**EBITDA**  
(€m)

**+6% CAGR**

€160m growth capex + €380m AZR (Ex Zinc Refining)

**€225**

**€172**

Committed & delivered since IPO:

✓ Growth: Global #1 in Steel Dust



✓ Dividend: > 50% net profit payout

✓ Conservative financial management:  
hedging, leverage, liquidity

✓ Circular economy & ESG leader



Megatrends driving growth:  
Decarbonisation &  
Electric Vehicles (EV)

2017 IPO

LTM 2022

PF Post SGGP

# Ready to execute next 5-year Sustainable Global Growth Plan (SGGP)



Around €410-450m investment,  
similar expansion focus & size like last 5 years



Targeting +€125-155m incremental run-rate EBITDA from 2022 baseline,  
+8% to +10% CAGR growth; >20% IRR



Globally balanced expansion, c.1/3 in the US, Europe & Asia/China



Self-funded growth plan, no capital increase needed,  
keeping leverage  $\leq 2x$ ,  
maintaining dividend policy of 40-50% net profit payout



Rigorous execution -&- cautiously managing timing aligned with  
macroeconomic developments

# ESG: Enhanced transparency & performance

## Transparency / reporting

Detailed ESG Report



## External ratings



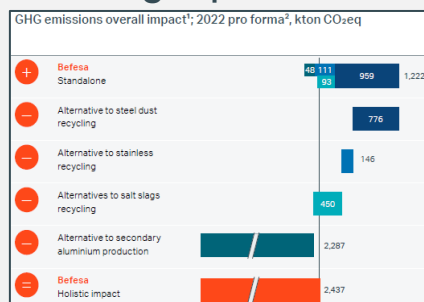
## Health & safety

Lost Time Injury Rate (LTIR)<sup>1)</sup> improved by 85% since 2015



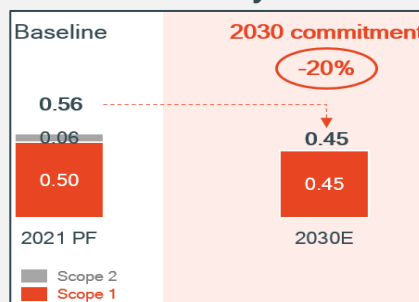
## CO<sub>2</sub> holistic approach

Saving >2mt CO<sub>2</sub><sub>eq</sub> vs. virgin production



## CO<sub>2</sub> intensity targets

-20% by 2030  
Net zero by 2050



## Sustainability Committee



## EU Taxonomy



<sup>1)</sup> Befesa's own employees and contractors





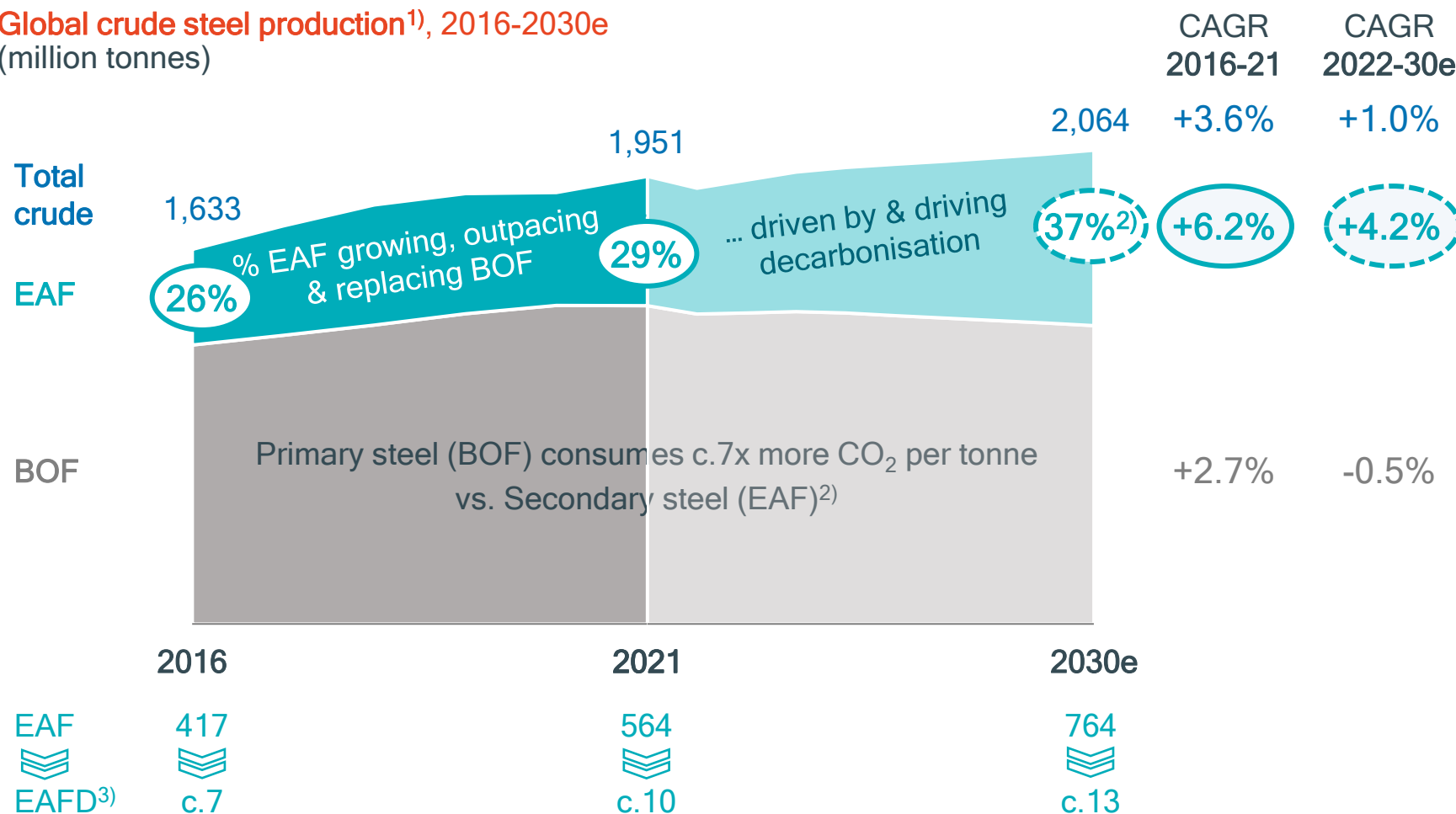
## Sustainable Global Growth Plan (SGGP)



Asier Zarraonandia  
CEO

# Decarbonisation megatrend favouring & driving EAF steel growth

Global crude steel production<sup>1)</sup>, 2016-2030e  
(million tonnes)

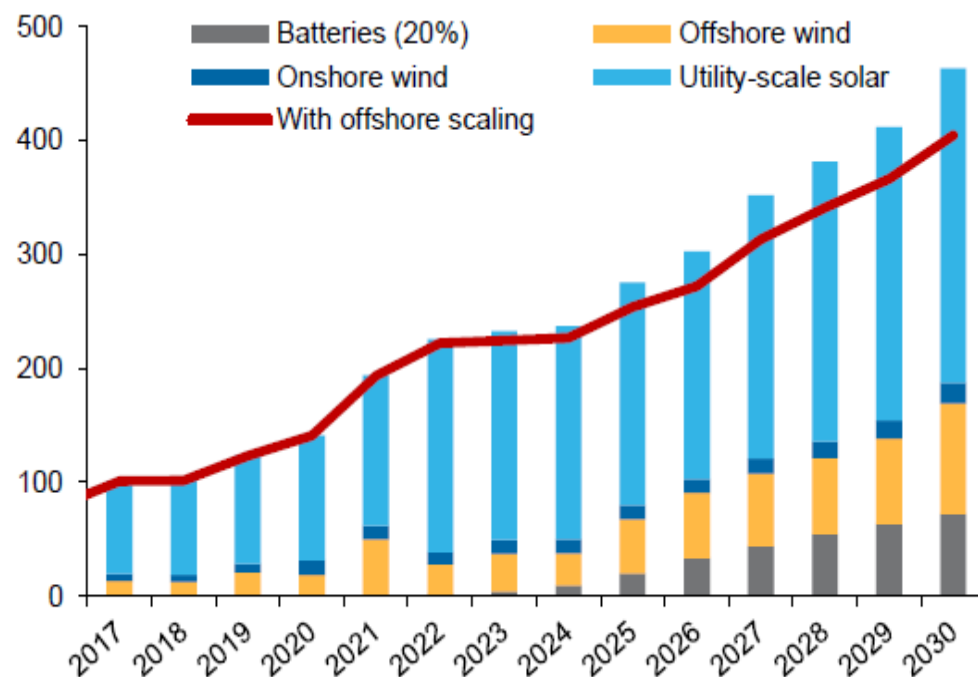


1) 2016-21 actuals from [Worldsteel](#); 2022-2030e from "Steel - Eye of the Storm", Morgan Stanley (Sep 2022); 2) "Net Zero by 2050: A Roadmap for the Global Energy Sector", IEA (May 2021); Green Steel for Europe Consortium (Jun 2021)

3) Total EAFFD addressable market based on the assumed mid-point 17.5kg EAFFD generation per tonne of EAF steel output

# Energy transition megatrend requiring incremental zinc, in addition to regular GDP related growth

## Zinc annual demand from wind, solar and batteries (thousand tonnes)



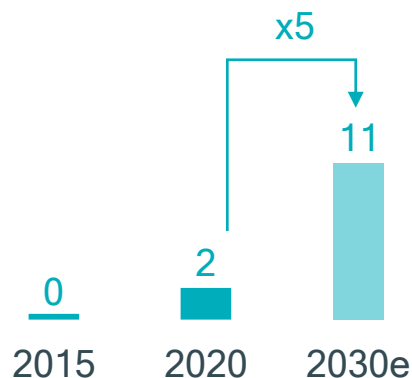
- Global zinc demand grew with GDP at 2-3% CAGR over the L10y
- Zinc consumption expected to be supported as governments invest in **green technologies**
- Renewable energies need storage through batteries, requiring zinc
- Offshore wind, onshore wind and solar panels require 4, 0.4 and 2.4 tonnes of zinc respectively per MWh of installed capacity

Sources: "Commodities Outlook: The (super) cycle is dead, long live the cycle", Macquarie (Oct 2022)

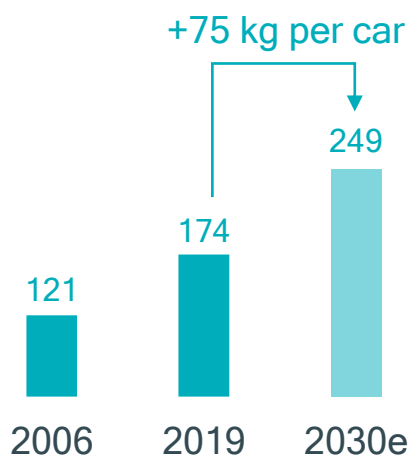


# Decarbonisation and EV driving aluminium market growth in Europe

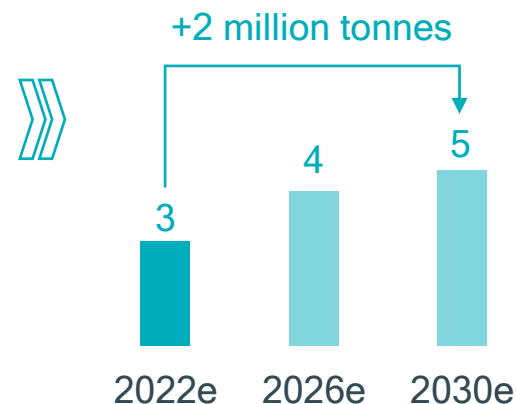
**EV unit sales in Europe<sup>1)</sup>**  
(million units)



**Alu content per vehicle<sup>2)</sup>**  
(kg per passenger car)



**Auto alu demand in Europe<sup>2)</sup>**  
(million tonnes)



- **Decarbonisation trend drives** transition to Electric Vehicles (EV)
- EV requiring **higher aluminium content per car** to achieve light-weight targets ...
- ... driving **higher aluminium demand** in Europe and increased **need for secondary aluminium and salt slags recycling capacity**

1) CRU (Jan 2022)

2) Ducker (Oct 2022)



# **Sustainable Global Growth Plan (SGGP)**

## **Steel Dust Recycling Services**



# Decarbonisation investments & Infrastructure Programme will support EAF growth by 2030

c.\$9-10 Bn capex equal to c.13-14 Mt EAF announced; Plus, \$1.2 T infrastructure program requires more steel overall in the US → generating >300 kt incremental EAFD

## Overview of selected steelmakers








(€ billion capex, million tonnes of new EAF steel capacity)



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■ EAFD recycling sites in the US

■ Zinc refining plant

Steel-maker	Location	Capex, \$Bn	New EAF cap., Mt	Start up
 <b>ARCEROLMITTAL</b> 50/50 JV	① Calvert, Alabama	\$0.8	1.5	H1'23
	② Mason County, Virginia	\$2.7	2.7	2024
 <b>NUCOR</b>	③ Kingman, Arizona	\$0.1	0.5	2024
	④ Crawfordsville, Indiana	\$0.3	0.5	YE'24
	⑤ Lexington, NC	\$0.4	0.4	c.2024
 <b>USS</b>	⑥ Osceola, Arkansas	\$3.0	2.7	2024
 <b>ALGOMA STEEL INC.</b>	⑦ Ontario, Canada	\$0.6	0.6	2024
 <b>PACIFIC STEEL &amp; RECYCLING</b>	⑧ Mojave, California	\$0.4	0.3	2025
 <b>ARCEROLMITTAL</b>	⑨ Hamilton, Ontario, Canada	\$1.3	4.0	2028
 <b>CMC Commercial Metals</b>	⑩ Northeast US	TBD	TBD	TBD
		<b>\$9-10 Bn</b>	<b>13-14 Mt</b>	



>300 kt EAFD

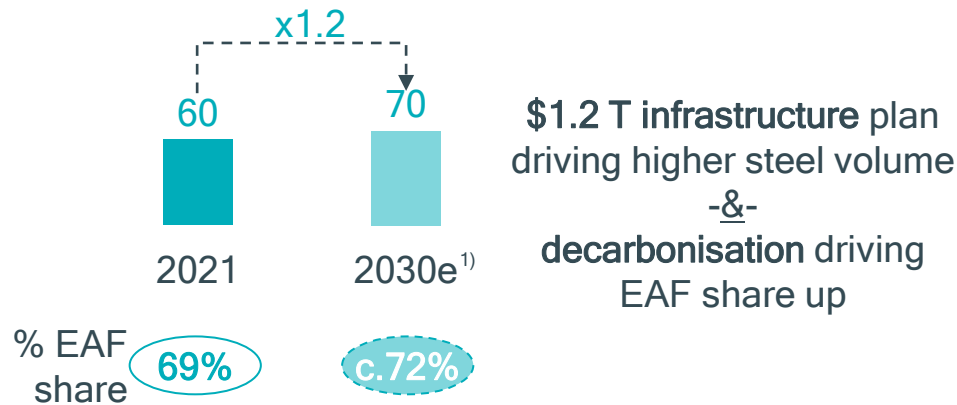


# SGGP – Steel Dust – US

EAFD generation in the US expected to increase >0.3 Mt by 2030 ...  
Befesa to fully utilise existing c.620 kt annual installed capacity

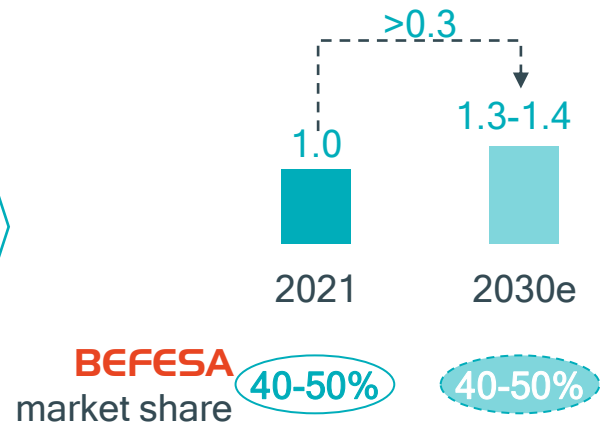
## EAF steel production

(million tonnes, EAF % of total crude steel output)



## EAFD generation

(million tonnes)



## Befesa's expansion projects

- ✓ Acquisition of Zinc refining asset on 30 Sep '22 for \$47m cash transaction
- Executing capacity utilisation increase in 2023-26;
  - Targeting c.200 kt incremental throughput to fully utilise existing c.620 kt nameplate capacity
  - Refurbishing Palmerton site in 2023-24, to be ready for expected volume increase in '24-26 onwards
  - Efficiencies & refurbishment vital to achieve throughput, energy & CO<sub>2</sub> intensity improvements

c. €110-120m total investment; c. €35-45m total incremental EBITDA p.a.; Low-risk & high-return projects

<sup>1)</sup> Macquarie (June 2022)



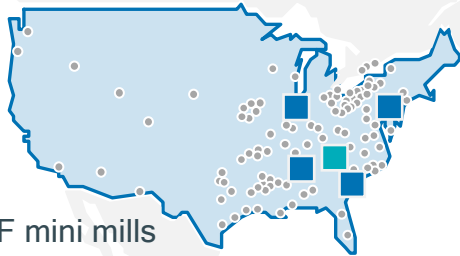


# ✓ US Zinc refining asset acquisition: Transaction highlights

## Zinc refining plant

Location: Rutherford County, NC

Installed capacity: c. 140 kt SHG zinc p.a.



● EAF mini mills

**BEFESA**

■ EAFD recycling sites in the US

■ Zinc refining plant

Zinc refining plant centrally located  
amongst Befesa's EAFD recycling plants  
close to the major US EAF steel mini mills

- **Acquired** remaining 93% of zinc refining asset on 30 Sep '22 for **\$47m cash** transaction; 65% or \$88m below original purchase option of \$135m
- **Attractive multiple** of around 5x Adj. EBITDA and at about 1/10<sup>th</sup> of >\$500m invested
- **Long-term view** around asset potential **unchanged**; **Opportunity to improve performance** of the plant further, especially post current high inflation environment
- **Size of refining plant sufficient to process zinc Waelz oxide (WOX)** of up to 220 kt of all 4 recycling assets at full capacity to pure zinc
- **Recycled WOX + Solvent extraction zinc refining = Green zinc**



# Refurbishing Palmerton to drive efficiencies and increase capacity utilisation by 2026

## EAFD recycling assets

### 1 Barnwell, SC



### 2 Rockwood, TN



### 3 Calumet, IL



### 4 Palmerton, PA



x EAFD annual nameplate recycling capacity

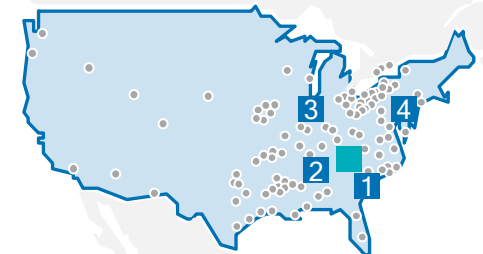
- c.620 kt nameplate **recycling capacity**;  
c.70% current utilisation
- Targeting c.200 kt incremental throughput to fully utilise Befesa's capacity and maintain market share in the US
- Refurbishing Palmerton site in 2023-24, to **be ready for expected volume increase** in 2024-26 onwards
- Efficiency projects & refurbishment vital to achieve **throughput, energy & CO<sub>2</sub> intensity improvements**

● EAF mini mills

**BEFESA**

■ EAFD recycling sites in the US

■ Zinc refining plant



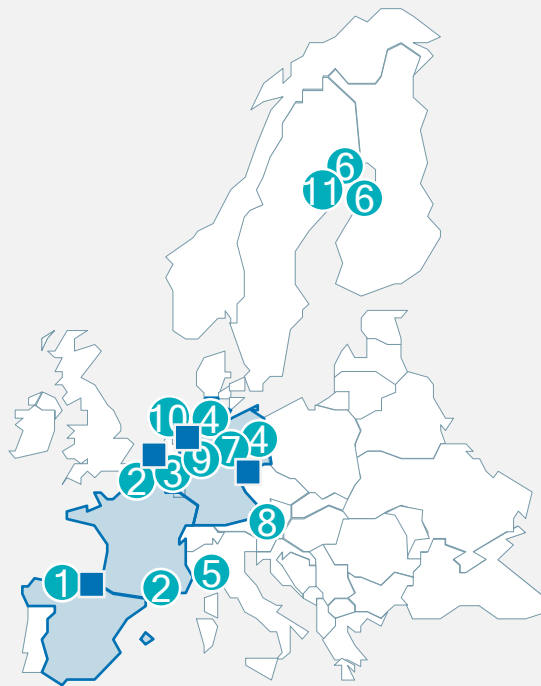


# Accelerating decarbonisation investments in EU will support EAF share growing to >50% by 2030

c.€14-15 Bn investments in new steel EAF projects in Europe announced ...  
Representing c.20-21 Mt incremental steel EAF capacity → generating c.350 kt EAFD

## Overview of selected steelmakers

(€ billion capex, million tonnes of new EAF steel production capacity)



**BEFESA**

■ EAFD recycling sites in Europe

Steel-maker	Location	Capex, €Bn	New EAF cap., Mt	Start up
	① Gijón, Spain	€1.0	1.1	YE'25
	② Fos-sur-Mer & Dunkirk, France	€1.7	2.0	H1'27
	③ Ghent, Belgium	€1.1	2.0	2030
	④ Bremen & Eisenhüttenstadt, Ger	€1.3	1.0	2030
	⑤ Genoa & Novi Ligure, Italy	€1.3	2.5	H1'24
<b>SSAB</b>	⑥ Luleå, Sweden; Raah, Finland	€4.2	5.0	2030
	⑦ Peine, Niedersachsen, Germany	€1.1	1.9	'25-30
<b>voestalpine</b>	⑧ Linz & Donawitz, Austria	€1.0	2.5	H1'27
	⑨ Duisburg, Germany	€2.0	2.5	'25-29
<b>TATA STEEL</b>	⑩ IJmuiden, The Netherlands	TBD	TBD	2025
<b>H2green steel</b>	⑪ Boden-Luleå, Sweden	TBD	5.5	'24-26
		€14-15 Bn 20-21 Mt		



c.350 kt EAFD

Sources: ArcelorMittal Annual Report 2021; S&P Global (Jan 2022); Salzgitter Roadshow Presentation (March 2022); voestalpine's Consolidated Financial Statements 2021/22



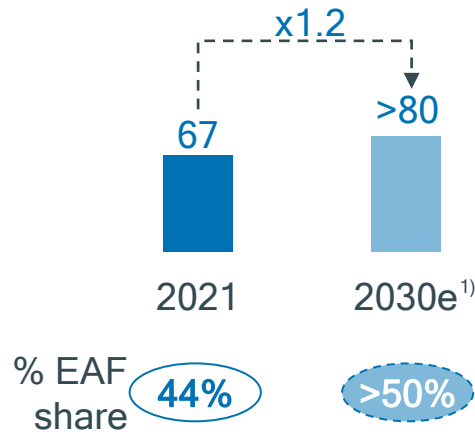
# SGGP – Steel Dust – Europe

EAFD generation in Europe expected to increase >0.3 Mt by 2030 ...

Befesa adding 140-160 kt new EAFD recycling capacity to maintain its current c.45% market share

## EAF steel production

(million tonnes, EAF % of total crude steel output)

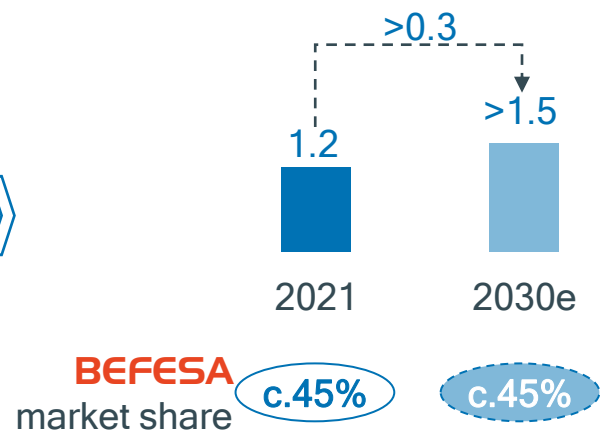


Large scale decarbonisation investments supporting EAF % growth to >50%<sup>2)</sup>



## EAFD generation

(million tonnes)



## Befesa's expansion projects

- Grow with EAFD market & invest in **new state-of-the-art EAFD recycling capacity**; 140-160 kt incremental EAFD capacity
- Expand WOX washing capacity in line with incremental EAFD volume

c. €105-115m total investment; c. €30-35m total incremental EBITDA p.a.; Low-risk & high-return projects



# Adding new EAFD recycling capacity –and– WOX washing expansion

c.€105-115m total investment; c.€30-35m total incremental EBITDA p.a.; Low-risk & high-return projects



## New EAFD recycling plant

- Grow with EAFD addressable market and invest in a **new 140-160 kt state-of-the-art EAFD plant**
- Construction + ramp-up in 2025-26; **Operational by 2026-27**
- **Low-risk & high-return project**



## WOX washing expansion

- **Expand WOX washing capacity** at Gravelines, France, in line with incremental European EAFD capacity
- Construction + ramp-up in 2025-26; **Operational by 2026-27**
- Investment required to enable EAFD capacity growth





# Largest producer of steel, rapidly transitioning from BOF to EAF; a strong growth opportunity

>60 Mt new EAF capacity announced, representing c.1 Mt EAFD incremental generation;  
Befesa strategically located in provinces with high EAFD generation

## Overview of selected steelmakers

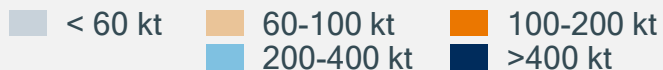
(million tonnes of new  
EAF steel production capacity)



**BEFESA**

■ EAFD recycling sites in China

### EAFD generation



# EAF projects	Chinese province		New EAF steel production capacity, Mt
2	①	Anhui	3.0
2	②	Fujian	2.1
1	③	Guangdong	8.0
9	④	Hebei	13.9
3	⑤	Henan	2.4
1	⑥	Heilongjiang	2.1
5	⑦	Hubei	4.5
1	⑧	Jilin	0.8
5	⑨	Jiangsu	6.0
(continues on next page)			

Sources: Internal analysis

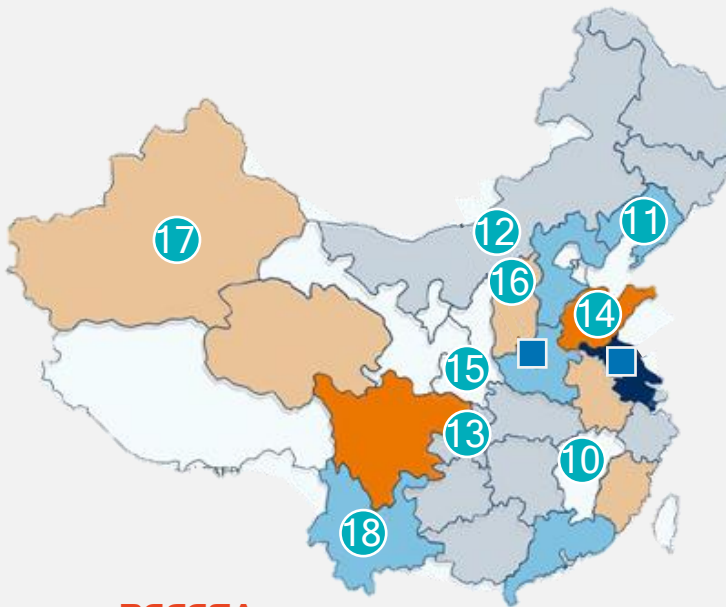


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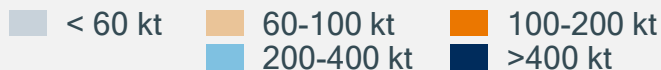
(million tonnes of new  
EAF steel production capacity)



**BEFESA**

■ EAFD recycling sites in China

### EAFD generation



# EAF projects	Chinese province	New EAF steel production capacity, Mt
2	10 Jiangxi	1.5
1	11 Liaoning	1.8
3	12 Inner Mongolia	2.5
1	13 Chongqing	4.0
3	14 Shandong	3.0
1	15 Shaanxi	1.1
1	16 Shanxi	0.7
1	17 Xinjiang	1.0
1	18 Yunnan	2.0

Total # new EAF projects in China: 43

>60 Mt EAF steel  
production capacity

Sources: Internal analysis

28 / Befesa Capital Markets Day - 8 November 2022



c.1 Mt EAFD

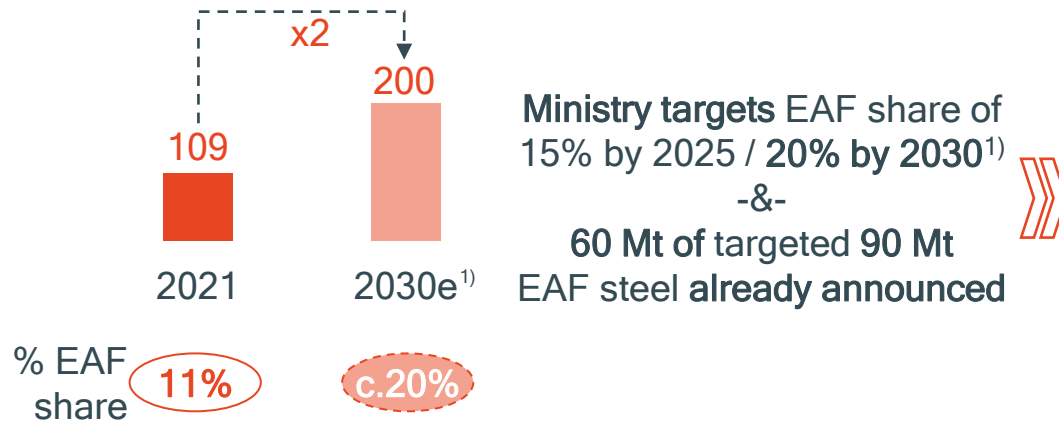


# SGGP – Steel Dust – China

EAFD generation in China expected to increase about 1.6 Mt by 2030 as it transitions from BOF to EAF; Befesa to add 3x 110 kt = 330 kt new capacity which will increase market share to 15-20%

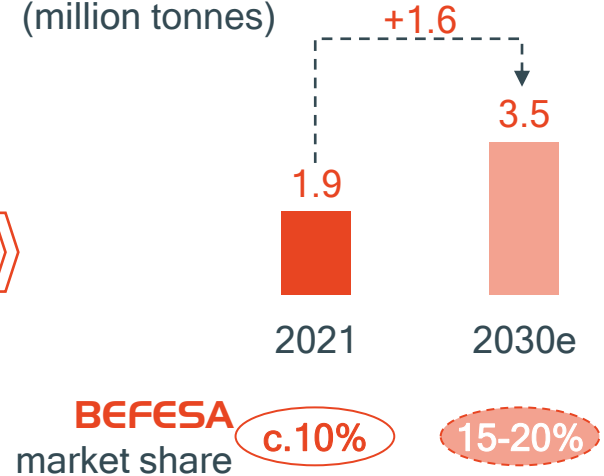
## EAF steel production

(million tonnes, EAF % of total crude steel output)



## EAFD generation

(million tonnes)



## Befesa's expansion projects

- Awaiting / Expecting improved COVID approach in China ahead of next expansion projects
- Expanding into additional provinces; ✓ LOI signed at Guangdong
- Scale up existing plant sites -and- new province (GuangDong); Overall, 3x 110 kt = +330 kt
- Risk-averse: Debt - ring-fenced local financing; Equity - investment guaranteed by German Gov. (DIA)

c. €115-125m total investment; c. €25-30m total incremental EBITDA p.a.; Cautious risk-averse approach

¹) S&P Global Commodity Insights (Aug 2022); Macquarie (June 2022)



# Befesa strategically located in provinces with high EAFD generation

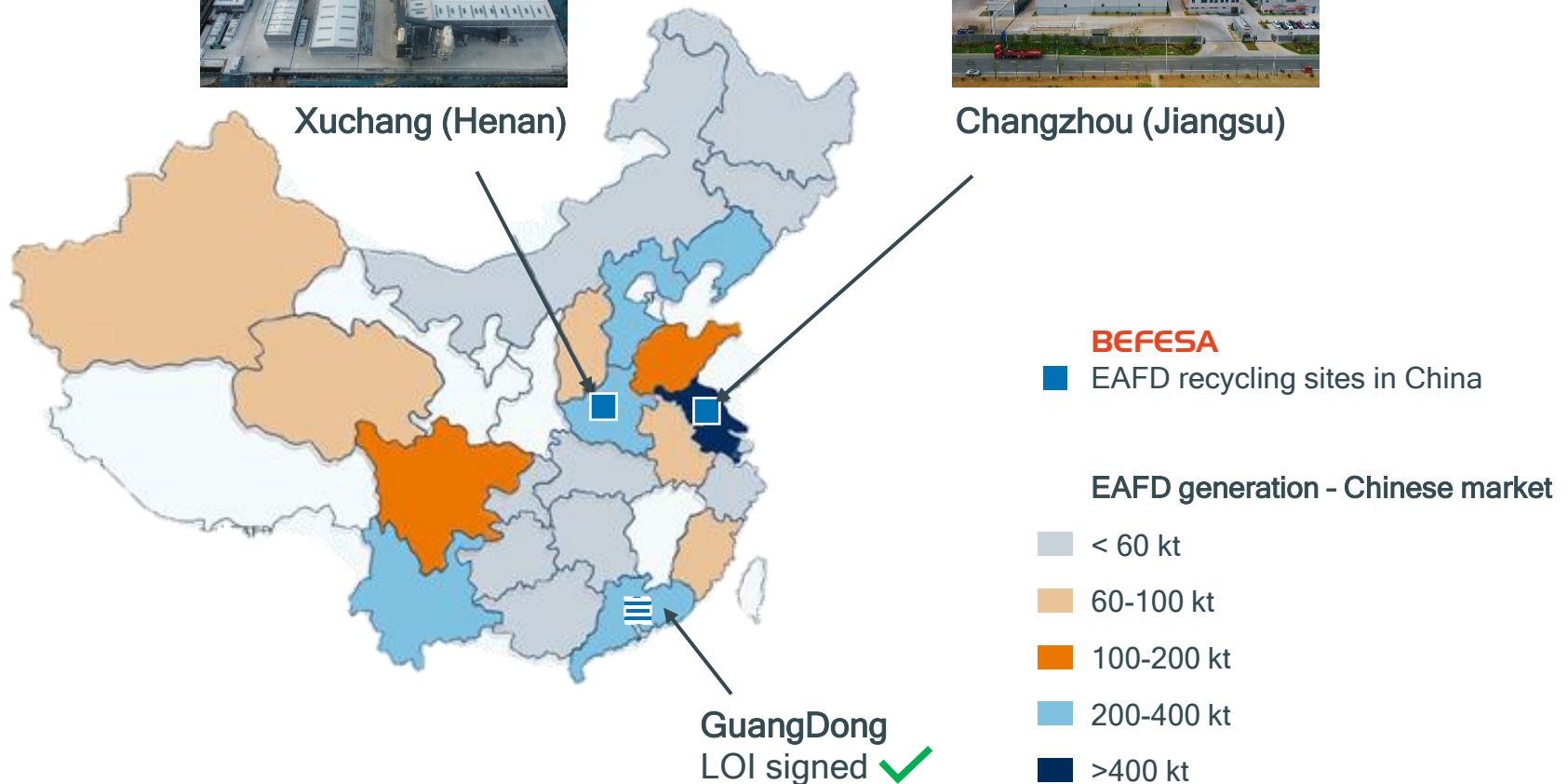
## EAFD generation in China



Xuchang (Henan)



Changzhou (Jiangsu)





## **Sustainable Global Growth Plan (SGGP)**

## **Aluminium Salt Slags Recycling Services**

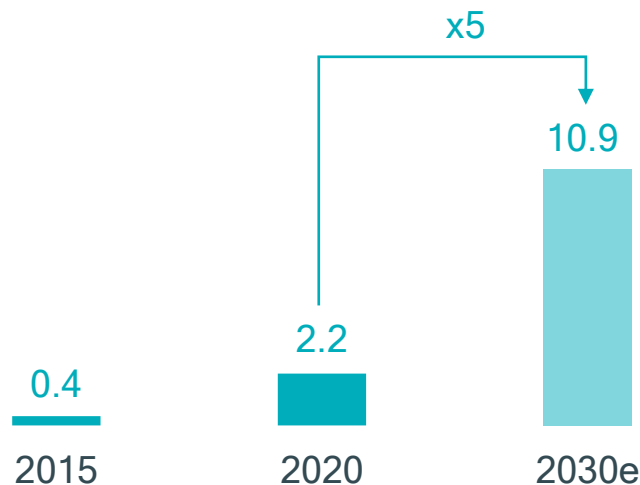




# Decarbonisation trend drives transition to Electric Vehicles (EV)

Automotive industry switching from combustion to EV

## EV unit sales in Europe<sup>1)</sup> (million units)



- EU approved plan to ban sales of vehicles with combustion engines (ICE) by 2035<sup>2)</sup>
- EV unit sales forecasted to grow x5 from c.2 million in 2020 to >10 million by 2030
- EV cars requiring light-weight construction, favouring aluminium demand

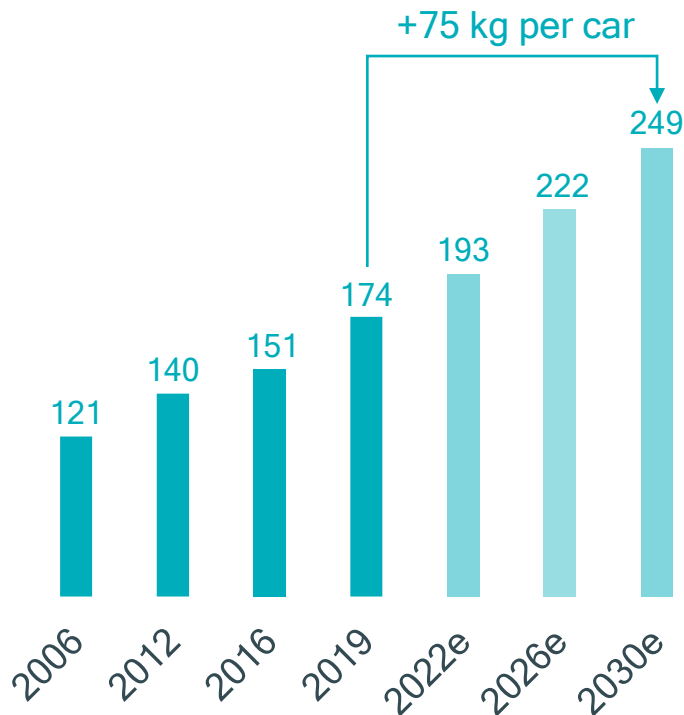
<sup>1)</sup> CRU (Jan 2022)

<sup>2)</sup> [ec.europa.org](https://ec.europa.org/transport/policies/automotive/ev) (June 2022)



# EV requiring higher aluminium content per car to achieve light-weight targets

Average aluminium content per vehicle<sup>1)</sup>, net weight  
(kg per passenger car)



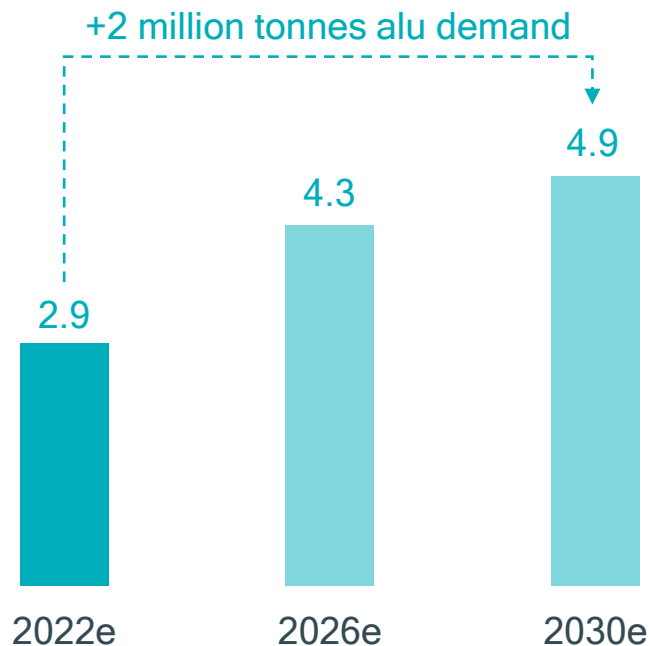
- Average aluminium content per vehicle (passenger cars) has steadily been increasing, from 121 kg/car in 2006 to 193 kg/car in 2022
- Growing and mandatory **electrification** requires **light-weighting** construction and drives **growing demand for aluminium**
- Aluminium content per vehicle expected to **accelerate** to 249 kg/car by 2030

<sup>1)</sup> Ducker (Oct 2022)



# ... driving higher aluminium demand with increased needs for 2<sup>nd</sup> alu & salt slags recycling

Aluminium demand from Auto<sup>1)</sup> in Europe, net weight  
(million tonnes)



- Automotive aluminium demand will continue to grow to address light-weighting needs
- OEMs aim to reduce their carbon footprint through use of recycled metal
- Requiring increased production of secondary aluminium and salt slags recycling volumes
- Expecting incremental >300 kt salt slags generation in Europe by 2030
- Befesa's salt slags recycling market share is c.45%; **Adding recycling capacity to maintain leadership market share**

1) Aluminium demand from passenger cars and light commercial vehicles; Ducker (Oct 2022)



# Expansion of 2<sup>nd</sup> Aluminium –and– New Salt Slags recycling plant

## Expansion of 2<sup>nd</sup> Aluminium

- Expand 2<sup>nd</sup> aluminium production capacity by c.90 kt at existing site (Bernburg) in line with expected volume
- Permits + construction + ramp-up: 2023-25; Operational by 2026
- Low-risk & medium-return project



## New Salt Slags recycling plant

- Invest in a new c.120 kt state-of-the-art salt slags recycling plant in line with incremental secondary aluminium capacity
- Permits + construction + ramp-up: 2023-26; Operational by 2026-27
- Low-risk & medium-return project



## Befesa's expansion projects

- Expansion of 2<sup>nd</sup> Aluminium will increase capacity from existing 205 kt to c.295 kt
- New Salt Slags recycling plant will increase capacity from existing 450 kt to c.570 kt

**c.€80-90m total investment; +€15-20m total incremental EBITDA p.a.; Low-risk & medium-return projects**





















## Sustainable Global Growth Plan (SGGP)



# SGGP indicative timeline; Befesa in control; Adjusting timing to macroeconomic developments

€410-450m total capex requirement over next 5 years

● Steel Dust ● Alu Salt Slags

		SGGP growth projects	Timing		Capex €m	EBITDA run-rate €m	Pay-back <sup>1)</sup>	IRR <sup>2)</sup>
			2022e	2027e				
✓		1 Zinc refining			€110-120	€35-45	3-4	>30%
		2 Cap. utilisation						
		3 EAFD plant			€105-115	€30-35	3-4	>30%
		4 WOX washing						
		5 China III ✓ LOI signed			€115-125	€30-35	4-5	>20%
		5 China IV						
		5 China V						
		6 2 <sup>nd</sup> Alu expansion			€80-90	€15-20	5	>15%
		7 Salt Slags plant						
					€410-450	€110-135	3-4	>20%

1) Payback calculated dividing total capex by run-rate EBITDA

2) IRR estimated based on incremental EBITDA less WC & taxes to Operating cash flow contribution vs. growth & maintenance capex, discounted at an 8% WACC

Well defined growth roadmap driving +€125-155m EBITDA growth, 8-10% CAGR, globally balanced, c.1/3 US/EU/Asia



+€35-45m



- ✓ Zinc refining
- Capacity utilisation & efficiencies

Steel  
Alu

+€35-45

-

LTM Q3'22



+€45-55m



- New EAFD plant
- WOX washing expansion
- 2<sup>nd</sup> Alu expansion
- New Salt Slags plant

+€30-35

+€15-20



+€45-55m



- ✓ China I & II
- China III (✓LOI)
- China IV
- China V

+€45-55

-

c.€350-380m  
c.8-10% CAGR



PF Post SGGP  
(run-rate)

# Break



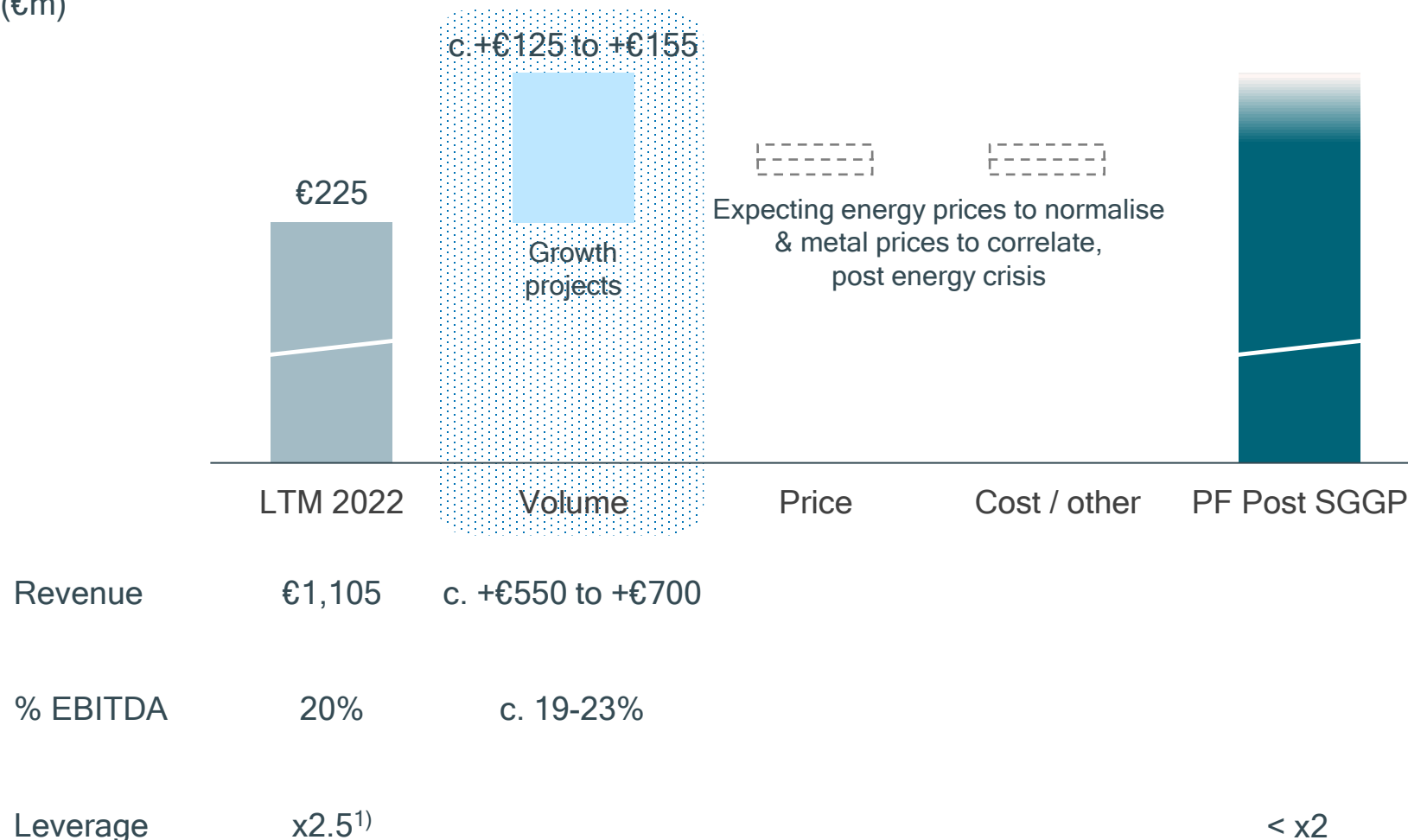
## Financials



**Wolf Lehmann**  
CFO

# Maintaining strong financial profile through focus on core-business growth

EBITDA LTM 2022 to PF Post SGGP, Illustrative management walk  
(€m)

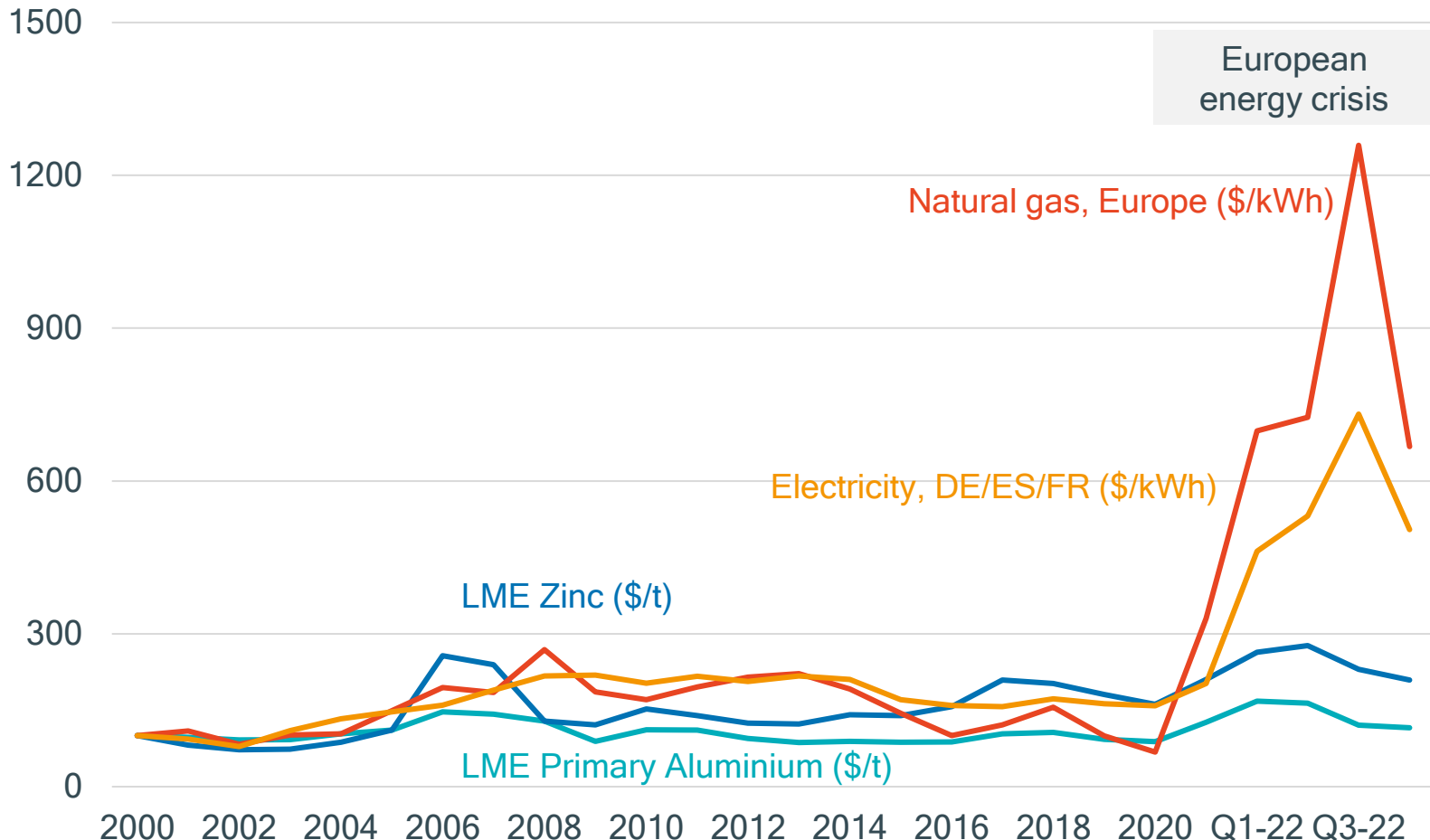


1) LTM Q3'22 EBITDA of €225m normalised PF for Zinc Refining acquisition of \$47m at c.x2.5; Net debt at Q3 closing after €50m dividend distribution and €47m Zinc Refining acquisition at €574m  
41 / Befesa Capital Markets Day - 8 November 2022



# Zinc & alu metal prices directly correlated with electricity & gas prices over the last >20 years

Indexed annual price trend<sup>1)</sup>, 2000 - Oct YTD 2022  
(Index, 2000 = 100)



1) Natural gas, LME Aluminium & Zinc historical trend, 2000-2021, are average real prices from World Bank Commodity Price Data (The Pink Sheet); 2000-2021 electricity prices are annual average of Germany, Spain & France for medium consumers (consuming 2,000 - 19,999 MWh per annum) excluding VAT and other recoverable taxes and levies; 2022 prices: Natural gas prices are monthly average of Dutch TTF closing prices; Electricity prices are monthly average of Germany, Spain & France prices; LME zinc & primary aluminium prices are monthly average of cash settlement prices quoted on the London Metal Exchange

# Zinc hedging strategy unchanged & providing favourable earnings support for 2023 & 2024

**Zinc LME vs. Befesa's hedges & blended prices**  
(€ per tonne)



## **BEFESA** Hedging strategy unchanged

1-3 years forward  
hedging strategy

Targeting 60% to 75%  
of zinc equivalent volume

Befesa providing  
no collateral

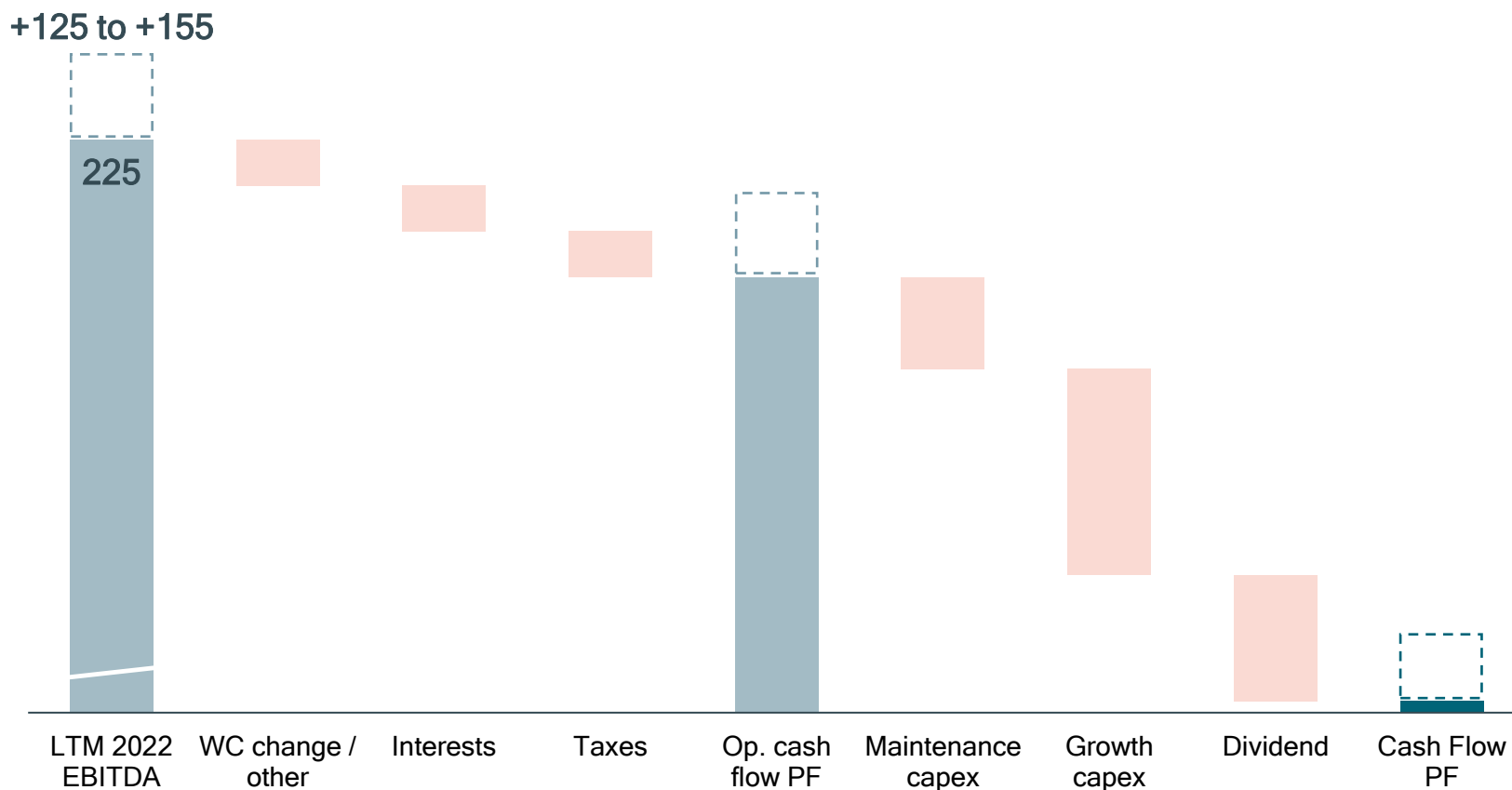
1) London Metal Exchange (LME) zinc daily cash settlement prices

2) Includes BZ US (former AZR) hedge book for the following periods: 18 Aug'21-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.€2,630 at FX 1.05); Feb'23-Jan'24: 58.6kt zinc hedged at c.\$2,900 (c.€2,900 at FX 1.00); Feb'24-Jan'25: 60.0kt zinc hedged at c.\$2,975 (or c.€2,975 at FX 1.00)

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

# Befesa can self-fund SGGP while keeping leverage $\leq x2$ -&- distributing dividends

EBITDA to Cash flow management walk, Illustrative conceptual annual view within SGGP period (€m)



# Diversifying Befesa's global footprint ...

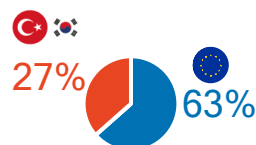
Capacity,  
kt

2017 IPO

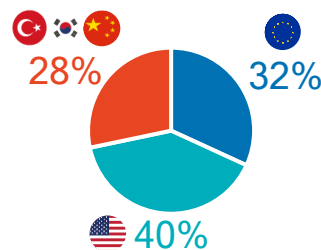
LTM 2022

PF Post SGGP

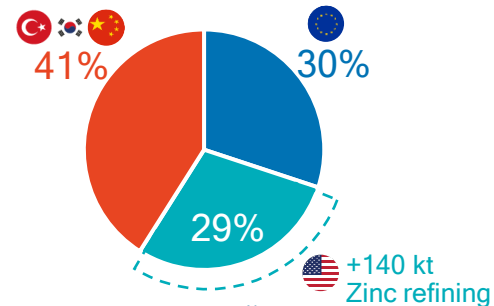
Steel Dust



780



1,555



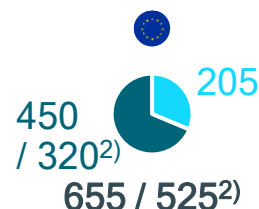
2,145<sup>1)</sup>

Salt Slags

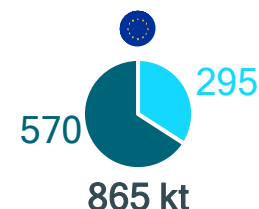
2<sup>nd</sup> Alu



714



655 / 525<sup>2)</sup>



865 kt

Utilisation  
rates

Steel Dust

Salt Slags

2<sup>nd</sup> Alu

85%  
100%  
90%

78%  
74% / 100%<sup>2)</sup>  
80%

c. 85%  
c. 95%  
c. 80%

Volumes,  
kt

Steel Dust

Salt Slags

2<sup>nd</sup> Alu

661  
510  
184

1,220  
332  
165

c. 1,800-1,850  
c. 540-570  
c. 230-240

1) 2,145 kt Steel Dust capacity excludes 140 kt from Zinc Refining; 2) Normalised for 130 kt Hanover installed capacity due to plant shutdown in 2022

# ... core-business focus drives portfolio growth

2017 IPO

LTM 2022

PF Post SGGP

Revenue,  
€m

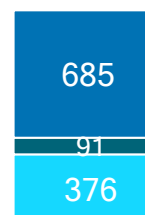
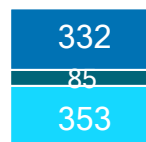
Total<sup>1)</sup>

€725

€1,105

c. €1,650-1,800

■ Steel Dust  
incl. Zinc refining  
■ Salt Slags  
■ 2<sup>nd</sup> Alu



EBITDA,  
€m

Total<sup>1)</sup>

€172

€225

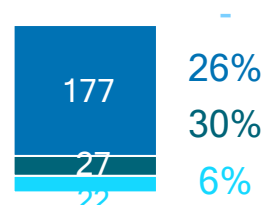
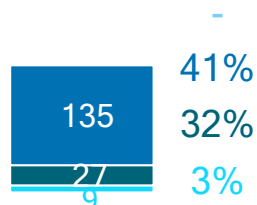
c. €350-380

% margin  
24%

% margin  
20%

% margin  
19-23%

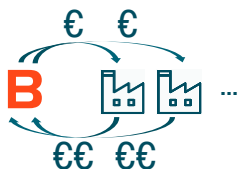
■ Steel Dust  
incl. Zinc refining  
■ Salt Slags  
■ 2<sup>nd</sup> Alu



<sup>1)</sup> Total revenue after intersegment adjustments; Total adjusted EBITDA



# Committing to growth through the cycle



**Strong financial backbone** and high cash flow generation allows to **self-fund SGGP**



Targeting to continue **dividend** distribution at **40-50%** of net profit



**Prudent risk and liquidity management;**  
**Modular SGGP** growth initiatives timing in control of Befesa



Investing in **core businesses**; **Low risk and high returns**,  
at **3-5 years payback** and **>20% IRR**



**Integrate SGGP** into annual **guidance & budget** process



## ESG



**Rafael Pérez**  
IR & Strategy Director

# ESG: Enhanced transparency & performance

## Transparency / reporting

Detailed ESG Report



## External ratings



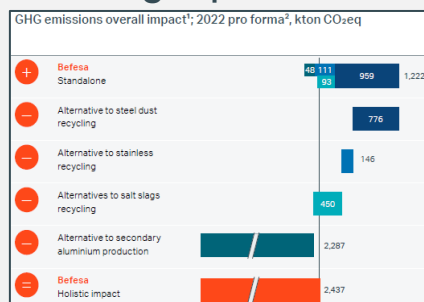
## Health & safety

Lost Time Injury Rate (LTIR)<sup>1)</sup> improved by 85% since 2015



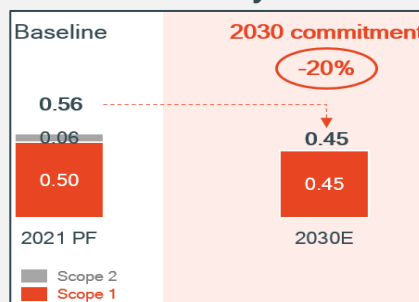
## CO<sub>2</sub> holistic approach

Saving >2mt CO<sub>2</sub><sub>eq</sub> vs. virgin production



## CO<sub>2</sub> intensity targets

-20% by 2030  
Net zero by 2050



## Sustainability Committee



## EU Taxonomy



<sup>1)</sup> Befesa's own employees and contractors

# Sustainability at the core of Befesa

Befesa's operations have a direct net positive environmental impact as well as multiple positive indirect effects by enabling EAF steel and aluminium recycling

**BEFESA**

## Direct environmental benefits



Avoidance of GHG emissions



Reducing landfill of hazardous residues



Recovery and production of new valuable materials



Best-in-class technology (BAT)

## Indirect sustainability benefits



Circular economy pure player



Decarbonisation of steel & alu and energy transition



Natural resources depletion rate

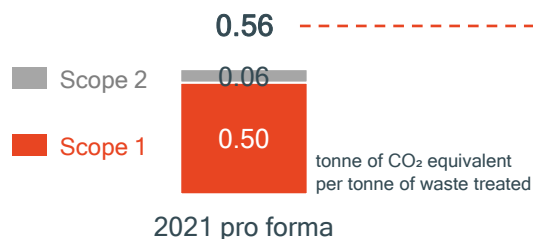


Growth ambition to increase recycling capacity

# Climate action plan

Committing to a 20% GHG emissions intensity reduction by 2030 and aiming at net zero emission by 2050

## Baseline



## 2030 commitment

-20%

0.45

0.45

2030e

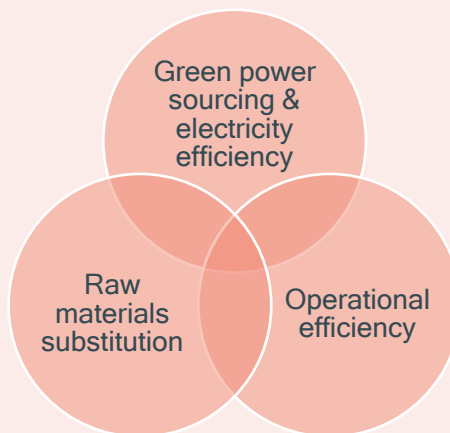
## 2050 vision

Net zero emission

-

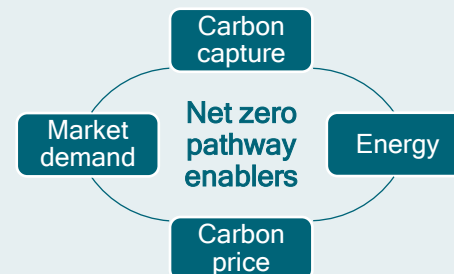
2050e

## 2030 roadmap



## Technology investment commitments

- Substitution of coke with CO<sub>2</sub>-neutral reducing agent (biomass)
- New technologies to recycle EAFD
- Carbon capture on Waelz kiln
- Replacement of fuel by hydrogen
- Energy generation from gas capture



- ✓ Recognised sustainability leader in the circular economy
- ✓ Befesa Climate Change Policy
- ✓ New Sustainability Committee
- » Further increase transparency on sustainability metrics
- » Continuous dialogue with all stakeholders to better understand materiality of sustainability topics



# Selected ESG targets

## Environmental

>2.4mt<sup>1)</sup>



waste recycled by 2025

>1.8mt<sup>2)</sup>



new materials recovered by 2025

ISO



ISO certification schedule (China & US)



-20% by 2030  
net zero by 2050

1) Updated from the target set in 2020 of >2 Mt  
2) Updated from the target set in 2020 of >1.6 Mt

## Social

-50%<sup>3)</sup>



LTIR by 2024

BEzero

maintain zero fatalities



HR policies & procedures



boost initiatives for people with disabilities



HR digitalisation



continue leadership training programmes

3) Compared to 2019

## Governance

IT



improve CIS assessment rating until 2023

≥90%

admin employees trained in compliance each year



continue training for all employees



continue roll-out & ≥90% coverage by 2022



continue annual risk assessment



establish Sustainability Committee in 2022 ✓



women in Board 2022 ✓



## Closing remarks



**Javier Molina**  
Executive Chair

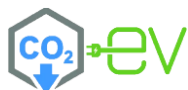
# Why invest in Befesa



Proven resilience & growth track record through last cycles driven by leadership position in **environmental services** focused business model



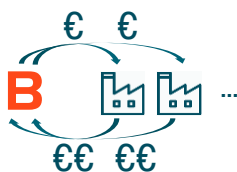
Confirming FY'22 guidance at lower end,  $\geq$  €220m EBITDA & +11% yoy growth; Targeting further expansion in 2023 despite volatile environment



Decarbonisation & EV megatrends favouring and driving EAF steel & aluminium growth → triggering increased residues recycling volume



Tangible, globally balanced, sustainable growth plan, executing in modules, with attractive shareholder returns, 3-5 years payback and >20% IRR



Strong financial backbone & high cash flow generation allows to fund SGGP organically



Focusing on **Circular Economy** for more than 30 years; Strong ESG performance, ratings & targets



An aerial photograph showing a dense green forest on the right side of the frame, with a dark, calm body of water on the left. A narrow, light-colored path or stream runs diagonally through the forest. The text 'Q&A' is overlaid in white on the water.

Q&A