

BEFESA



First Quarter 2018 Presentation

May 24, 2018

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Q1 2018 figures contained in this presentation have not been audited.



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

Solid start of 2018 with €44.5m EBITDA / €37.2m EBIT in Q1 '18, both up +7% YoY... driven mainly by higher volumes and continued favorable price environment

Consecutive run rate growth ... LTM⁽¹⁾ Q1 '18 revenue of €747m, Adj. EBITDA of €175m and Adj. EBIT of €146m

Stable new capital structure and slightly reduced leverage⁽²⁾ down to 2.3x (compared to 2.4x in YE 2017 or 3.5x at YE 2016)

Distributed 2017 dividend at upper end of 40-50% target range of reported Net Profit ... Equal to €0.73 per share

Free Float increased from approx. 47.5% to 56.3% due to funds advised by Triton selling approx. 3 million shares to institutional investors on March 20

Outlook 2018 confirmed

Implementation of the next set of organic growth initiatives on track ... Continuing to fund the company's successful development in 2019 & beyond

(1) LTM stands for Last Twelve Months;

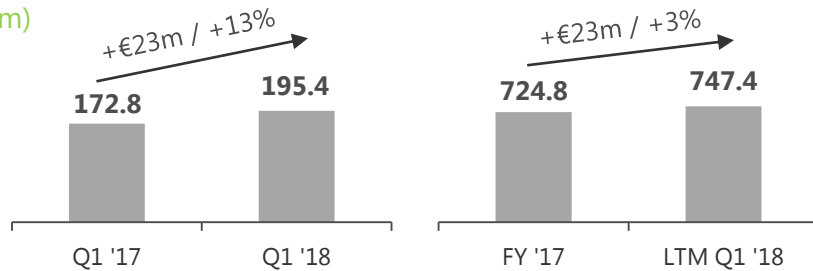
(2) Leverage calculated as Net Debt / Adjusted EBITDA. Leverage at close Q1 2018 is calculated using Adjusted EBITDA of the Last Twelve Months (LTM) as of March 31, 2018.

Continued solid growth; Earnings Q1 YoY up +7% ...

Befesa LTM run rate at €747m Revenue, €175m Adj. EBITDA / €146m Adj. EBIT

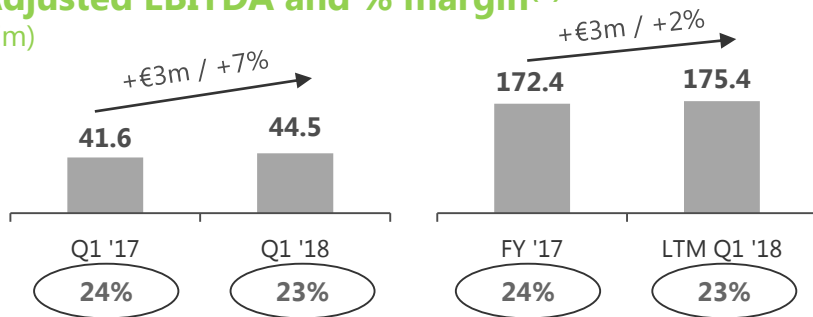
Revenue

(€m)



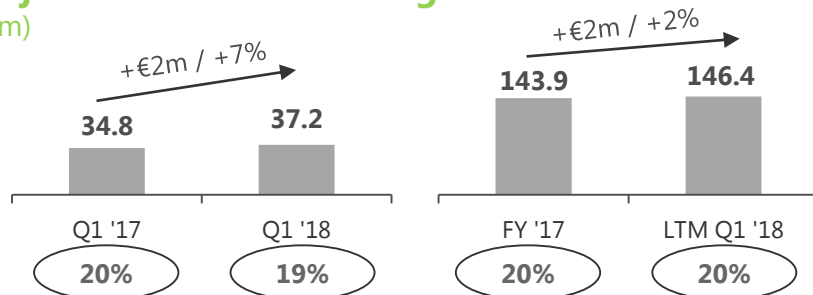
Adjusted EBITDA and % margin⁽¹⁾

(€m)



Adjusted EBIT and % margin⁽¹⁾

(€m)



Highlights

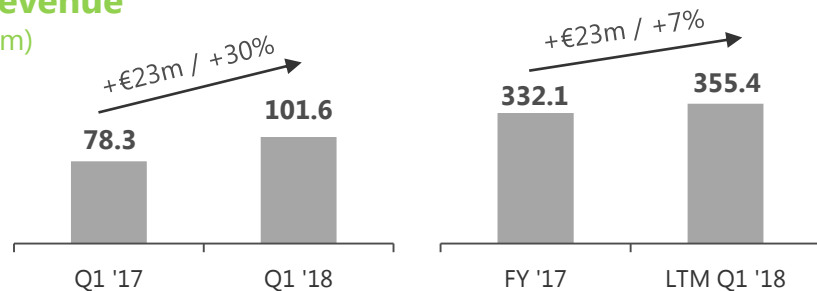
- Q1 '18 revenue** increased +€23m / +13% YoY ... primarily due to:
 - **higher volumes in both core segments**
+20% steel dust throughput ...
+3% salt slags & SPL recycled
 - **higher prices** for both **zinc** (blended zinc price increased +6% YoY) and **aluminium alloys** (average market prices +4% YoY)
- Q1 '18 earnings** increased to **€44.5m / +7% YoY Adjusted EBITDA (23% of revenue) ... €37.2m / +7% YoY Adj. EBIT (19% of revenue)** ... driven by strong volumes in both core segments, and favorable zinc & aluminium prices ... partially offset by non-core activities:
 - 2nd Alu with lower metal margin, expected to recover over the coming quarters;
 - temporary shutdown in Stainless plant in Sweden to implement an operational excellence improvement in Q1 '18
- LTM run rate growth to €747m Revenue, €175m Adjusted EBITDA and €146m Adjusted EBIT ...** driven by higher run rate volumes and favorable prices

(1) Adjusted EBIT(DA) have been calculated based on the reported operating result adjusted for holding, restructuring and other one-time effects; Adjusted EBIT(DA) margin is calculated as the ratio of Adjusted EBIT(DA) to Revenue.

YoY double-digit increase in revenues & earnings driven by higher EAFD throughput and continued favorable zinc price environment ...

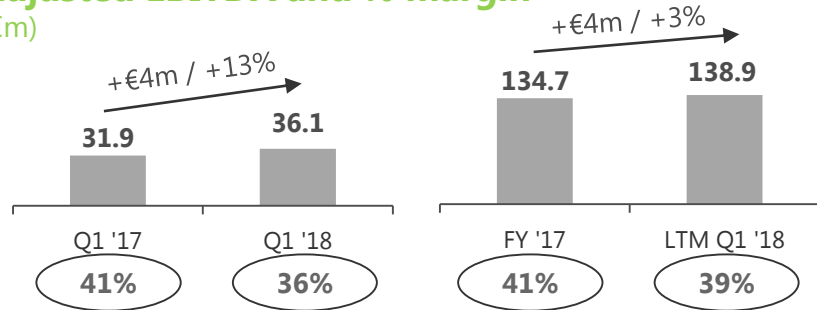
Revenue

(€m)



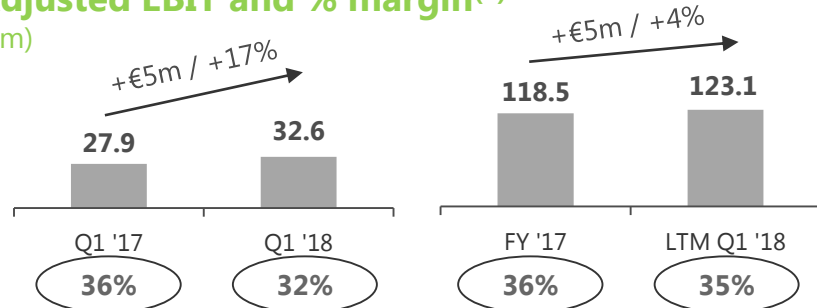
Adjusted EBITDA and % margin⁽¹⁾

(€m)



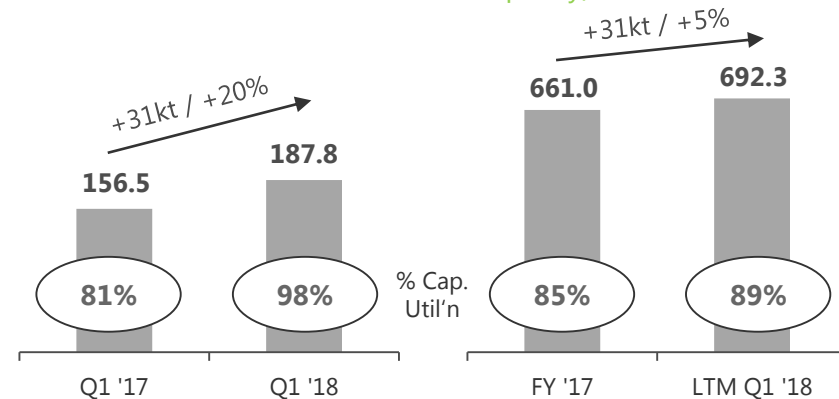
Adjusted EBIT and % margin⁽¹⁾

(€m)



EAFD Throughput & Capacity Utilization

(thousand tons, % of annual installed capacity)



Prices

(€ per ton)

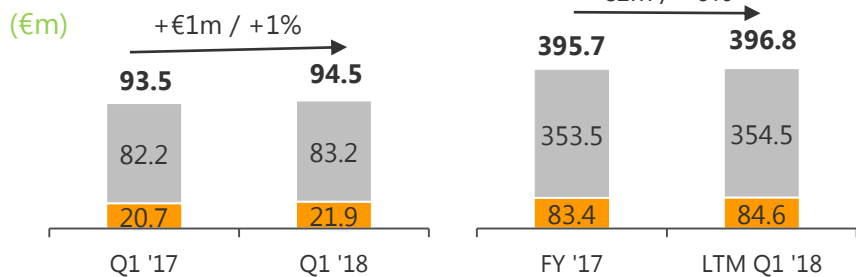
	Q1 2017	Q1 2018	% Var.	FY 2017
Befesa blended (*)zinc price (€/t)	2,171	2,299	+6%	2,160
LME avg. price (€/t)	2,612	2,776	+6%	2,572

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

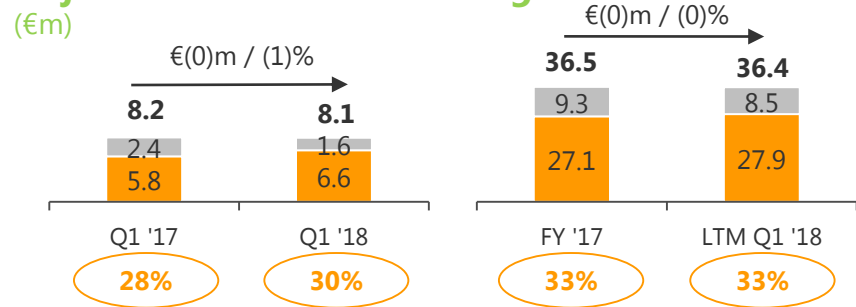
(1) Adjusted EBIT(DA) have been calculated based on the reported operating result adjusted for holding, restructuring and other one-time effects; Adjusted EBIT(DA) margin is calculated as the ratio of Adjusted EBIT(DA) to Revenue.

Alu Salt Slags approx. flat YoY ...
Moderate volume growth in Salt Slags partially offset in 2nd Alu

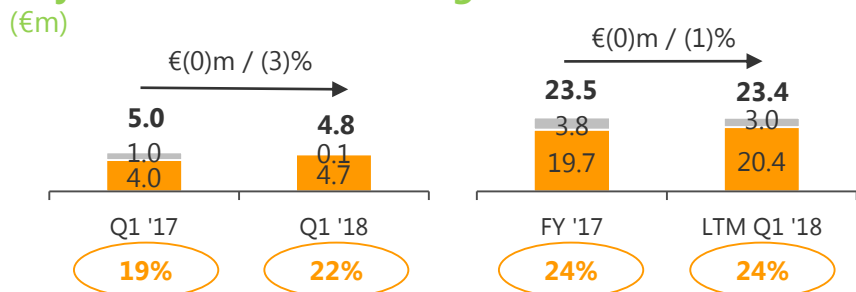
Revenue⁽¹⁾



Adjusted EBITDA and % margin⁽²⁾



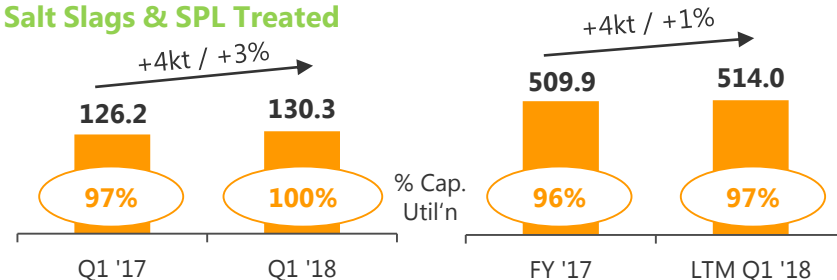
Adjusted EBIT and % margin⁽²⁾



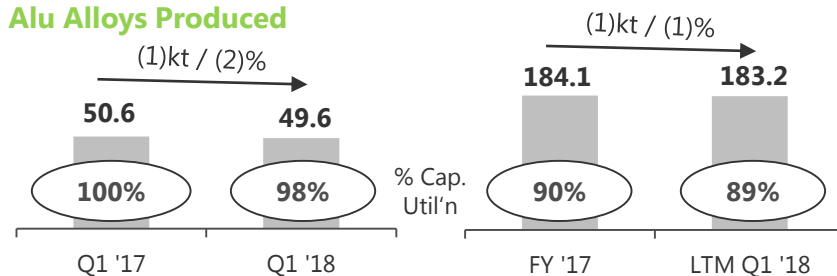
Volumes & Capacity Utilization

(thousand tons, % of annual installed capacity)

Salt Slags & SPL Treated



Alu Alloys Produced



Prices

(€ per ton)

	Q1 2017	Q1 2018	% Var.	FY 2017
Alu alloy avg. price (*) (€/t)	1,765	1,833	+4%	1,766

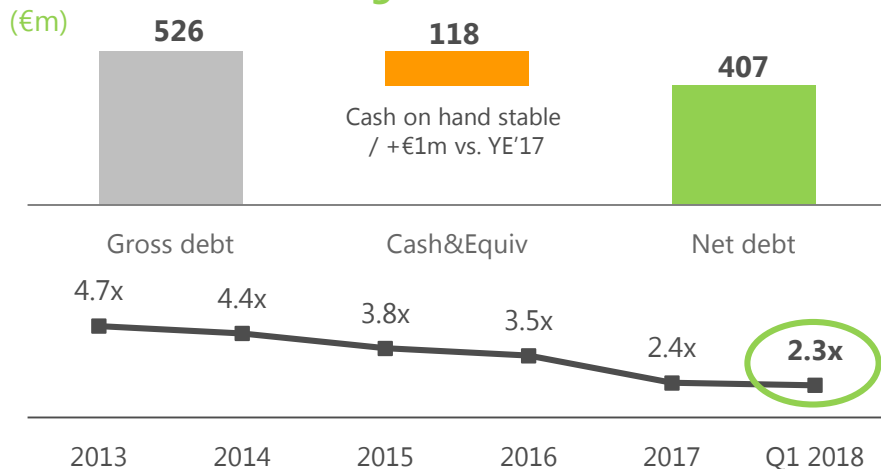
(*) Aluminium Scrap and Foundry Ingots Aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin Free Market Duty paid delivered works.

Orange bar: Salt Slags sub-segment

Grey bar: Secondary Aluminium sub-segment

Stable capital structure and slightly reduced leverage to 2.3x at close Q1 '18 ...

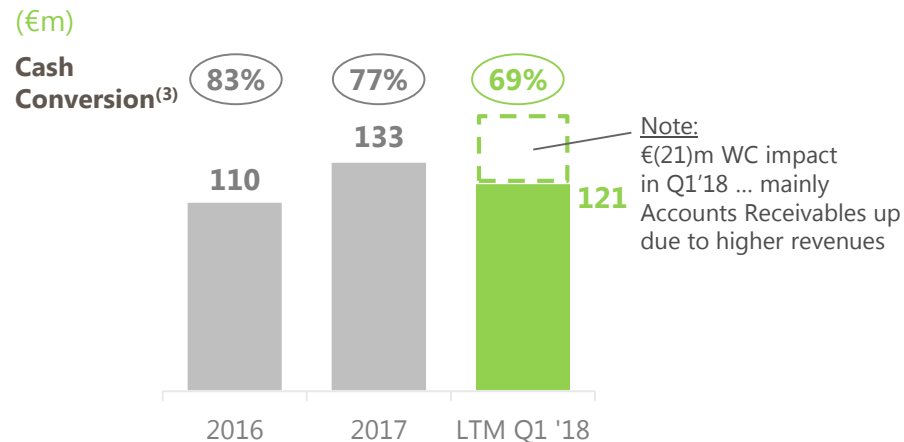
Net Debt and Leverage Rate Evolution⁽¹⁾



Capital Structure

- **Moody's and S&P credit ratings for Befesa S.A. of Ba3 / BB- ...**
Unchanged from year end; Up from B2 / B, pre IPO
- €636m New Senior Facilities Agreement since Dec. 7, 2017:
 - **€526m Term Loan B – covenant lite;**
Euribor +2.75% / no floor;
5 year term; all bullet / no amortization;
 - €75m RCF ... Euribor +2.50% / no floor;
 - €35m Guarantee Line; max 1.75%
- **Variable to fix interest swap** on 60% of the new Term Loan B
- **Reduced annual run rate of interest costs and debt service by around 60% ...** to less than <€20 per year

Free Cash Flow⁽²⁾



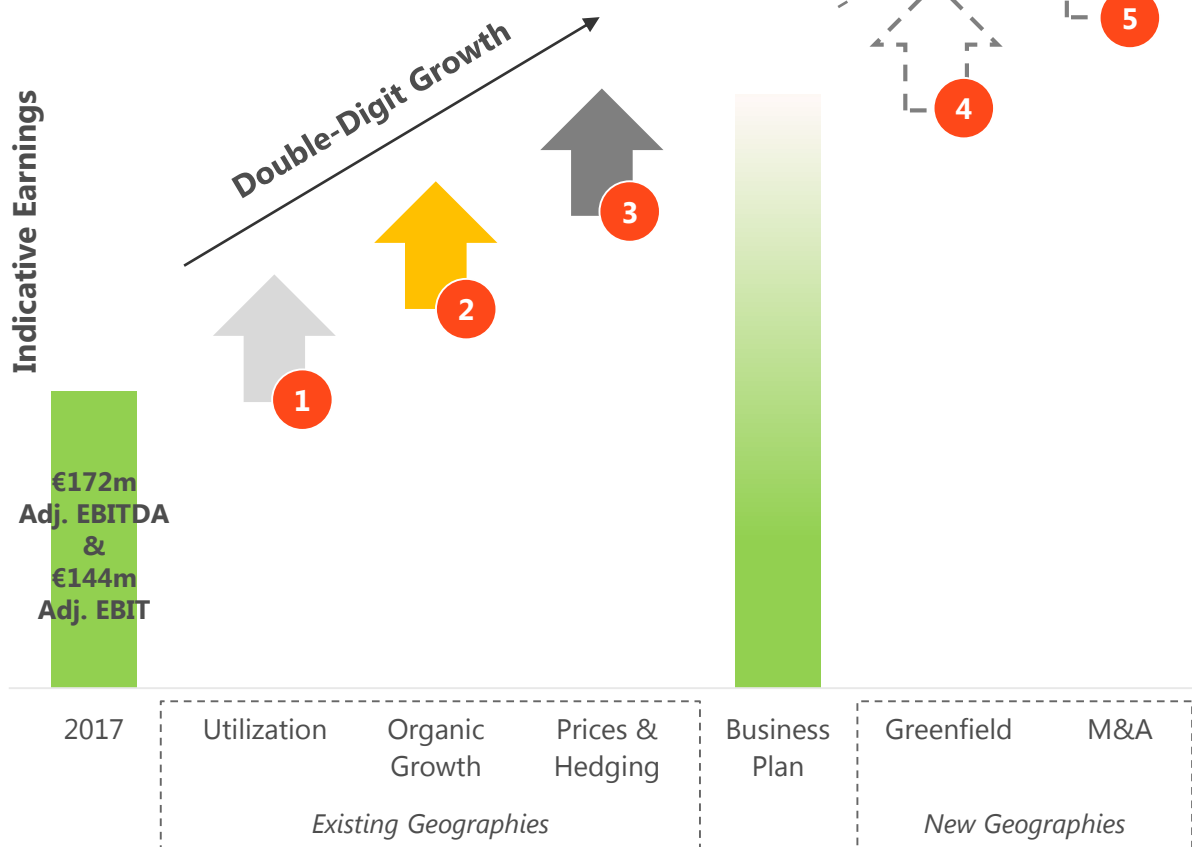
- **Cash flow performance in Q1 ...**
After paying taxes of €4.8m, interests of €3.4m, funding maintenance, productivity and compliance capex of €7.5m ...
... cash on hand increased by +€25m / +26% YoY
... **€118m cash position at close Q1 '18**
- **Solid free cash flow generation run rate due to low maintenance requirements providing funds for growth**

Accelerated top- and bottom-line growth through a well-defined strategy

Q1 Results within Expectations ...

Maintaining 2018 Guidance

- 2017 to **2018 growing** but rather **single digit** ...
- *New capacities coming online 2019 onwards (not 2018) and taking Turkey operations down ~Q4 2018 to mid 2019 to expand capacity*
- **Mid-term** continuing **double-digit growth** ...



- 1 Utilization**
 - Increase plant utilization of prior year growth investments ... mainly Steel Dust Korea
- 2 Organic Growth**

2018 Focus:

 - Steel Dust:
 - Expand Turkey +45kt
 - Korea washing plant
 - Alu Salt Slags:
 - Change to tilting furnaces
 - Expand Hannover +40kt
- 3 Prices & Hedging**
 - 2018: 92.4kt at €2,051
 - 2019: 92.4kt at €2,306
 - 2020: 92.4kt at €2,245
- 4 Greenfield**
 - Monitoring growth opportunities and regulatory framework in new geographies, e.g. South East Asia, China, Russia
- 5 M&A Opportunities**

Financial Calendar

✓ **Monday, February 19, 2018:**
Publication of Preliminary Earnings Full Year 2017

✓ **Thursday, March 15, 2018:**
Publication of Report Full Year 2017 & Analyst Call

✓ **Thursday, April 26, 2018:**
Annual General Meeting in Luxembourg

✓ **Thursday, May 24, 2018:**
Publication of Statement Q1 2018 & Analyst Call

✓ **Thursday, August 30, 2018:**
Publication of Interim Report H1 2018 & Analyst Call

✓ **Thursday, Nov 22, 2018:**
Publication of Statement Q3 2018 & Analyst Call

IR Contact

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Meet Befesa ...

✓ **January 8-9, 2018 - Commerzbank**
New York, German Investment Seminar

✓ **March 8, 2018 - Citibank**
London, Global Resources Conference

✓ **March 16, 2018 - Citibank**
London, Pan-European Business Serv. Conference

✓ **June 6-8, 2018 - Deutsche Bank**
Berlin, dbAccess Berlin Conference

✓ **June 11-13, 2018 - Stifel**
Boston, 2018 Cross Sector Insight Conference

✓ **Sept 11-13, 2018 - JP Morgan**
London, Small and Mid Caps Europe

✓ **Sept 24-26, 2018 - Berenberg & Goldman Sachs**
Munich, German Corporate Conference

✓ **Oct 1, 2018 - Berenberg**
Milan, Berenberg Milan Seminar

✓ **Dec 3-6, 2018 - Berenberg**
London, Pennyhill European Conference

✓ **January 2019 - Commerzbank**
New York, German Investment Seminar

✓ **Feb 5-6, 2019 - HSBC**
Frankfurt, 14th ESG Investor Conference

✓ **Q1 2019 - Santander**
Madrid, Annual Investor Conference

Appendix

Hedging program in place covering up to and including full year 2020 ... Improving visibility of earnings and cash flows for the next 3 years

Market Zinc Price vs. Zinc Hedge

(€/ton)



- **Extended** hedging period **to fully cover 2020**
- **Increased volume coverage ...**
Higher volume of 7.7 kt/month or 92.4 kt/year (vs previous 6.1 kt/month or 73.2 kt/year) ... **approx. 70%** of zinc equivalent payable output
- **Strong hedge price levels** of €2,306/t in 2019, €2,245/t in 2020

Period	Average hedged price €/t	Zinc content hedged
2017	€1,876	73,200 tons
2018	€2,051	92,400 tons
2019	€2,306	92,400 tons
2020	€2,245	92,400 tons

- Using the 2017 average LME market price (€2,572) for **2018** for the un-hedged expected volumes (~30%) ... the **blended** average zinc price **would translate to ~€2,207** per ton ... 2017 blended avg. zinc price at €2,160 per ton
- Hedging **without** Befesa providing **collateral / no margin calls**