Statement for the

First Quarter 2019

BEFESA

BEFESA AT A GLANCE

KEY FIGURES – Q1 2019

(€ million, unless specified otherwise)

	Q1 2019	Q1 2018	Change
Key operational data			
Steel dust throughput (tonnes)	168,968	187,822	(10.0) %
Waelz oxide (WOX) sold (tonnes)	53,189	62,947	(15.5) %
Salt slags and Spent Pot Linings (SPL) recycled (tonnes)	129,095	130,985	(1.4) %
Secondary aluminium alloys produced (tonnes)	47,965	49,609	(3.3) %
LME zinc average price (€ / tonne)	2,380	2,776	(14.3) %
Blended zinc price (€ / tonne)	2,373	2,299	3.2 %
Aluminium alloy average market price (€ / tonne)	1,528	1,833	(16.6) %
Key financial data			
Revenue	179.1	195.4	(8.3) %
EBITDA	43.0	44.5	(3.4) %
EBITDA margin (% over revenue)	24.0 %	22.8 %	
EBIT	34.6	37.2	(7.2) %
EBIT margin (% over revenue)	19.3 %	19.1 %	
Financial result	(4.1)	(4.4)	(6.1) %
Profit before taxes and minority interests	30.4	32.8	(7.3) %
Net profit attributable to shareholders of Befesa S.A.	22.1	21.7	1.9 %
EPS (in €) based on 34,066,705 shares	0.65	0.64	1.9 %
Total assets (i)	1,073.3	1,086.1	(1.2) %
Capital expenditures	12.9	6.7	92.7 %
Cash flow from operating activities	17.6	9.9	77.8 %
Cash and cash equivalents at the end of the period	154.8	118.2	30.9 %
Net debt (ii)	383.0	407.1	(5.9) %
Leverage (ii)	x 2.2	x 2.3	
Number of employees (as of end of the period)	1,161	1,122	3.5 %

(i) 2018 figure is as of 31 December

(ii) From 1 January 2019, implemented IFRS 16 amendment affecting accounting for renting & leasing results in €14 million higher debt or ~0.1 higher leverage compared to year-end 2018

KEY HIGHLIGHTS

- **Full Year 2019 targeting EBITDA growth of 3% to 5%, corresponding to €182-185 million** (2018: €176.0 million), taking into account reference zinc treatment charges of up to $245 per tonne and average LME zinc price of approx. $2,850 per tonne in 2019

- **H2 2019** expected to be **stronger than H1** 2019 mainly due to the Steel Dust recycling plant in Turkey coming back into operation following the capacity increase starting Q3 as well as continued recovery of Stainless operations

- **Q1 2019 volumes** in core businesses as anticipated: Steel Dust throughput at 169 thousand tonnes (-10% year-on-year) due to the scheduled downtime in Turkey to expand the plant capacity; Salt Slags volumes ~flat at high 99% asset utilisation (-1% year-on-year)

- **Q1 2019 EBITDA** at €43 million (-3%) as expected, impacted by lower volumes in Turkey and unfavourable zinc treatment charges, partially offset by better zinc hedges, recovered Stainless operations and upgraded high efficiency furnaces in Secondary Aluminium delivering results

- Continued **stable leverage of x2.2** at Q1 close

- Execution of organic **growth projects on track**

- **China** – Plant #1 (Jiangsu province): Broke ground in April 2019 and ramp-up planned for H2 2020; Plant #2 (Henan province): Development agreement signed; Ground breaking scheduled for Q4 2019 and ramp-up during H1 2021

- **Triton sold 4.5 million shares of Befesa S.A. on 4 April 2019**. This represents 13.2% of Befesa S.A.'s share capital. As a result, the free-float of Befesa S.A. increased to 81%

BUSINESS OVERVIEW

RESULTS OF OPERATIONS, FINANCIAL POSITION & LIQUIDITY

Revenue

In Q1 2019, consolidated revenue decreased by 8.3% to €179.1 million. The revenue decrease is mainly driven by reduced volumes in Steel Dust Recycling Services as expected due to the scheduled plant downtime in Turkey to expand its capacity, unfavourable zinc treatment charges, as well as lower aluminium alloys prices. The revenue decrease was partially offset by the recovery of Stainless operations as well as by the improved blended zinc prices thanks to hedges in place.

EBITDA & EBIT

In Q1 2019, EBITDA decreased by 3.4% to €43.0 million. Similarly, EBIT declined by 7.2% to €34.6 million. Additionally to the drivers explained above, EBITDA & EBIT benefitted from the higher efficiency furnaces installed during H2 2018 in Aluminium Salt Slags Recycling Services.

Financial result & net profit

In Q1 2019, the consolidated **financial result** amounted to €-4.1 million compared with €-4.4 million in Q1 2018 (+6.1%). Main factor driving this development was a reduction in financial expenses driven by lower interest rates (Euribor+250 bps in Q1 2019 vs. Euribor+275 bps in Q1 2018) due to the improved leverage ratio (Q1 2019: x2.2; Q1 2018: above x2.25 ratchet at x2.3).

Q1 2019 consolidated **net profit** attributable to the shareholders increased by 1.9% to €22.1 million (Q1 2018: €21.7 million).

Financial position & liquidity

Financial indebtedness compared to year-end 2018 increased by €10.4 million, to €537.9 million as of 31 March 2019 mainly due to a €14 million increase in non-current financial indebtedness after implementing the IFRS16 amendment affecting accounting for renting and leasing from 1 January 2019.

Compared to year-end 2018, **net debt** increased slightly in Q1 2019 by €6.3 million to €383.0 million.

The following table reconciles net debt to the relevant balance sheet line items:

Net debt
(€ million)

	31 March 2019	**31 December 2018**
Non-current financial indebtedness	531.9	520.2
+ Current financial indebtedness (i)	6.0	7.3
Financial indebtedness	**537.9**	**527.5**
- Cash and cash equivalents	(154.8)	(150.6)
- Other current financial assets (ii)	(0.1)	(0.1)
Net debt (iii)	**383.0**	**376.8**
EBITDA	174.5	176.0
Leverage ratio (iii)	**x 2.2**	**x 2.1**

(i) €7.3 million at year-end 2018 mainly includes accrued bi-annual interests of term loan B paid in 9 January 2019
(ii) Other current financial assets adjusted by hedging valuation
(iii) From 1 January 2019, implemented IFRS 16 amendment affecting accounting for renting & leasing results in €14 million higher net debt or ~0.1 higher leverage compared to year-end 2018

Q1 2019 operating **cash flow** amounted to €17.6 million, up from €9.9 million Q1 2018, mainly driven by a lower increase in working capital and the payment of one-off IPO related cost in Q1 2018. Q1 2019 operating cash flow was mainly affected by €-13 million of change in working capital mainly due higher receivables based on seasonality of revenue loading between Q4 2018 and Q1 2019 and timing of collections.

Q1 2019 closed at a **leverage of x2.2 EBITDA** and Befesa continues to be compliant with all debt covenants.

SEGMENT INFORMATION

Steel Dust Recycling Services

Steel dust recycling volumes processed in Q1 2019 amounted to 168,968 tonnes, representing a decrease of 10.0 % compared to Q1 2018. This expected decrease is explained by the scheduled downtime of the plant in Turkey, since January 2019, to expand the plant capacity from 65,000 to 110,000 tonnes. The European plants as well as the plant in South Korea operated at high utilisation levels. With these volumes, steel dust recycling plants have been running at an average load factor of 87.8% in Q1 2019 (Q1 2018: 97.6%). As a result, the volume of Waelz oxide (WOX) sold decreased by 15.5%, to 53,189 tonnes in Q1 2019 (Q1 2018: 62,947 tonnes).

In Q1 2019, **revenue** decreased by -6.4% to €95.1 million. This was primarily due to mentioned 10% decrease in steel dust throughput mainly due to lower volumes in Turkey and higher zinc treatment charges referenced at around $245 per tonne in 2019 (compared to $147 per tonne in 2018). The revenue decrease was partially offset by average effective zinc prices (blended rate between hedged volume and non-hedged volume), which increased during Q1 by 3% year-on-year to €2,373 per tonne (Q1 2018: €2,299 per tonne).

EBITDA decreased by €2.2 million or 6.1%, to €33.9 million in Q1 2019 (Q1 2018: €36.1 million). Similarly, **EBIT** decreased by 9.2% to €29.6 million in Q1 2019 (Q1 2018: €32.6 million). Earnings in Q1 were impacted by the mentioned scheduled downtime in Turkey to increase the capacity as well as the unfavourable reference zinc treatment charges, partially offset by the improved performance of the Stainless operations and higher zinc hedged prices.

EBITDA margins in Q1 2019 remained flat at 36% and EBIT margins amounted to 31.1% (Q1 2018: 32.1%).

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

Salt slags and SPL recycled volumes in Q1 2019 amounted to 129,095 tonnes, a slight decrease of 1.4% compared to the same period in the previous year. Capacity utilisation levels remained very high at 99%.

Revenue in the Salt Slags subsegment increased slightly by 1.9% corresponding to €22.3 million in Q1 2019 and was primarily driven by the better treatment fees which compensated the 16.6% decrease in prices for aluminium alloys (Q1 2019: €1,528 per tonne; Q1 2018: €1,833 per tonne).

EBITDA in the Salt Slags subsegment slightly decreased by 2.4%, to €6.4 million in Q1 2019 (Q1 2018: €6.6 million). Similarly, **EBIT** in Q1 2019 slightly declined by €0.4 million, to €4.3 million (Q1 2018: €4.7 million).

Secondary Aluminium subsegment

Aluminium alloy production volumes in Q1 2019 decreased by 3.3% to 47,965 tonnes.

In Q1 2019, **revenue** decreased by 14.0% to €71.6 million (Q1 2018: €83.2 million), primarily driven by lower aluminium alloy average prices.

EBITDA in the Secondary Aluminium subsegment grew to €2.5 million in Q1 2019 compared with €1.6 million for the same period in 2018, representing an increase of €0.9 million. Similarly, **EBIT** increased in Q1 2019 by €0.7 million to €0.8 million. The increase in earnings was primarily driven by higher margins due to the upgraded more efficient furnaces which are delivering results as well as aluminium metal margins recovering. These improvements offset the slightly reduced volumes of aluminium alloys produced and salt slags & SPL recycled and the lower prices for aluminium alloys.

STRATEGY

Hedging strategy

A key element of Befesa's business model is its hedging strategy to manage the zinc price volatility and increase the visibility of its earnings and cash flow going forward.

The hedging currently in place provides Befesa with improved pricing visibility through 2019, 2020 and the first half of 2021. The average hedged prices and volumes for each of the periods are as follows:

Period	Average hedged price (€ / tonne)	Zinc content hedged (tonnes)
2017	€1,876	73,200
2018	€2,051	92,400
2019	€2,325	92,400
2020	€2,260	92,400
H1 2021	€2,230	46,200

Befesa will continue its hedging strategy, targeting stability even if foregoing short-term upside from higher zinc prices. Opportunities are constantly being monitored and re-evaluated when closing existing hedges in light of the current zinc market environment. Befesa's strategy is to hedge 60% to 75% of the volume of zinc contained in the Waelz oxide (WOX) for a period of one to four years going forward.

Befesa has hedged for the last 15 years and its hedging strategy has proven to be a key element in improving earnings stability and visibility across different moments in the economic cycle.

Market zinc prices vs. zinc hedges (€ per tonne)

Organic growth projects

Befesa continues to execute its organic growth project roadmap, which will enable the Company to maintain its leadership position in Europe and to expand operations in Turkey, South Korea as well as enter China.

In the **Steel Dust Recycling Services** business, Befesa is investing in two organic growth projects in Turkey and South Korea during 2019, both of which are on track to be completed within the envisioned timeline. Firstly, Befesa is increasing the capacity of its Turkish plant from 65,000 tonnes per year at present to 110,000 tonnes per year, building on the increased demand for steel dust recycling services. Secondly, Befesa is building a washing plant in South Korea to offer washed WOX to its customers, similar to its European operations. The construction phase for the expansion project in Turkey started in January 2019 with the ramp-up of operations scheduled to start during Q3 2019. The construction of the new WOX washing plant in South Korea started at the end of 2018 with the ramp-up expected to start during Q4 2019.

In the **Secondary Aluminium** subsegment of the Aluminium Salt Slags Services business, Befesa is executing an operational excellence project to apply the best-in-class furnace technology proven at Befesa's Bernburg plant to its other secondary aluminium production plants in Spain (close to Bilbao and Barcelona). These projects will result in higher efficiencies and unlock capacity to meet additional demand for external salt slags services. The project in Bilbao was successfully completed in H2 2018 delivering positive results in 2019. Regarding the furnace upgrade at the plant in Barcelona, the first phase of this project was concluded in 2018, whereas the second and final phase is scheduled to ramp up during Q3 2019.

In the **Salt Slags** subsegment of the Aluminium Salt Slags Services business, Befesa is working on expanding the capacity of its existing salt slags recycling plant in Hannover (Germany) by 40,000 tonnes during 2019 and 2020. The improved capacity will help to meet the increase in existing and new customer demand.

Growth in China

In April 2019, Befesa broke ground at the first EAF steel dust recycling plant in China, in the province of Jiangsu. The ramp-up of operations is expected for H2 2020.

Additionally, Befesa signed an agreement with the Changge Dazhou Industrial Cluster in XuChang City in April to develop the first EAF steel dust recycling plant in the Chinese province of Henan. This facility will represent Befesa's second EAF steel dust recycling plant in the country.

Similar to Befesa's first development in the province of Jiangsu, the plant under development in the province of Henan is designed to recycle 110,000 tonnes of EAF steel dust per year. The ground breaking is scheduled for Q4 2019, with the ramp-up of operations expected during H1 2021.

OUTLOOK

2019 is expected to be a successful year for Befesa with 3% to 5% EBITDA growth to €182 - €185 million (2018 at €176 million), organically funding Befesa's top growth projects including China while keeping the leverage approximately stable at current levels.

Befesa's earnings growth is mainly driven by expected continued high utilisation levels in both core businesses, better hedged zinc prices, the recovery of the Stainless operations as well as the contribution of some of the organic growth projects like the high efficiency aluminium furnaces. The increase in earnings will be partially offset by the increase in zinc treatment charges in 2019 (reference in 2019 of up to around \$245 per tonne; 2018: \$147 per tonne). Befesa expects to keep similar volume levels as in 2018 for the two business units and thus continues its very high utilisation levels.

H2 2019 is expected to be stronger than the first half, mainly due to the plant in Turkey back in operations with increased capacity from Q3 onwards and the continued recovery of the Stainless operations.

Looking at price developments, Befesa expects LME zinc prices to remain at current levels of around $2,900 per tonne (~average price in April) for the rest of 2019. Considering the actual average prices during Q1 of $2,700 per tonne, this would translate into around $2850 per tonne average LME zinc price for the full year 2019.

2019 will also be a key year for the execution and delivery of growth projects across all business units and main geographies in which Befesa operates. The right execution of these projects will secure additional earnings and volume growth for 2020 and beyond.

Combined, all growth initiatives including China translate into a total expansion capex of around €60 million in 2019 which, together with the recurrent maintenance capex of around €25 million, represent a total capex of approximately €85 million in 2019. The high run rate of operating cash flow will fund Befesa's capex and dividend. Befesa expects a balanced total cash flow and leverage ratio similar to current levels for the full year 2019.

CONSOLIDATED FINANCIAL STATEMENTS

as of 31 March 2019

BALANCE SHEET

(€ thousand)

	31 March 2019	31 December 2018
Goodwill and intangible assets	422,268	422,668
Property, plant and equipment, net	280,931	261,514
Other non-current assets	3,032	46,518
Deferred tax assets	69,620	57,399
Inventories	46,011	46,049
Trade receivables and other current financial assets	96,677	101,325
Cash and cash equivalents	154,774	150,648
Total assets	**1,073,313**	**1,086,121**

Equity and liabilities

(€ thousand)

	31 March 2019	31 December 2018
Equity of the Parent Company	285,674	333,203
Non-controlling interests	9,985	9,426
Total Equity	**295,659**	**342,629**
Provisions	7,503	6,653
Borrowings	537,883	527,498
Trade and other accounts payable	125,028	116,690
Deferred tax liabilities	50,145	65,991
Other liabilities	57,095	26,660
Total liabilities	**777,654**	**743,492**
Total equity and liabilities	**1,073,313**	**1,086,121**

INCOME STATEMENT

(€ thousand)	Q1 2019	Q1 2018	Change
Revenue	179,135	195,418	(8.3) %
+/- Changes in stocks of finished products and work in progress	1,903	(608)	-
Procurements	(82,309)	(97,685)	(15.7) %
Other operating income	1,027	1,118	(8.1) %
Staff costs	(20,300)	(18,541)	9.5 %
Other operating expenses	(36,446)	(35,160)	3.7 %
Amortisation/depreciation, impairment and provisions	(8,436)	(7,302)	15.5 %
Operating profit (EBIT)	**34,574**	**37,240**	**(7.2) %**
Financial income	89	19	> 100 %
Financial expenses	(4,506)	(5,005)	(10.0) %
Net exchange differences	279	578	(51.7) %
Finance income/(loss)	**(4,138)**	**(4,408)**	**(6.1) %**
Profit/(loss) before tax	**30,436**	**32,832**	**(7.3) %**
Corporate income tax	(7,472)	(9,702)	(23.0) %
Profit/(loss) for the period	**22,964**	**23,130**	**(0.7) %**
Attributable to:			
Shareholders of Befesa S.A.	22,100	21,695	1.9 %
Non-controlling interests	864	1,435	(39.8) %
Earnings/(losses) per share attributable to shareholders of Befesa S.A. (expressed in € per share)			
Basic earnings per share	0.65	0.64	1.9 %

CASH FLOW STATEMENT

(€ thousand)	**Q1 2019**	**Q1 2018**
Cash flow from operating activities		
Profit / (loss) for the period before tax	**30,436**	**32,832**
Adjustments due to:	**13,217**	**11,436**
Depreciation and amortisation charge	8,436	7,302
Changes in provisions	841	-
Interest income	(89)	(19)
Finance costs	4,506	5,005
Other profit / (loss)	(198)	(274)
Exchange differences	(279)	(578)
Change in working capital	**(12,932)**	**(20,798)**
Trade receivables and other current assets	(14,983)	(24,500)
Inventories	38	3,542
Trade payables	2,013	160
Other cash flows from operating activities	**(13,101)**	**(13,559)**
Interest paid	(8,063)	(3,368)
Other payments	-	(5,400)
Taxes paid	(5,038)	(4,791)
Net cash flows from operating activities (I)	**17,620**	**9,911**
Cash flows from investing activities		
Investments in intangible assets	(317)	(697)
Investments in property, plant and equipment	(12,800)	(7,138)
Collections from disposal of Group and associated companies, net of cash	14	-
Investments in other current financial assets	(87)	(25)
Interests received	-	-
Net cash flows from investing activities (II)	**(13,190)**	**(7,860)**
Cash flows from financing activities		
Cash bank inflows from bank borrowings and other liabilities	-	-
Cash bank outflows from bank borrowings and other liabilities	(15)	(511)
Dividends paid	-	-
Net cash flows from financing activities (III)	**(15)**	**(511)**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)	**(289)**	**(897)**
Net increase in cash and cash equivalents (I+II+III+IV)	**4,126**	**643**
Cash and cash equivalents at the beginning of the period	150,648	117,582
Cash and cash equivalents at the end of period	154,774	118,225

ADDITIONAL INFORMATION

SEGMENTATION OVERVIEW – KEY METRICS

STEEL DUST RECYCLING SERVICES

	Q1 2019	Q1 2018	Change
Key operational data (tonnes, unless specified otherwise)			
Steel dust throughput (i)	168,968	187,822	(10.0) %
Waelz oxide sold	53,189	62,947	(15.5) %
Blended zinc price (€ / tonne)	2,373	2,299	3.2 %
Total installed capacity (ii)	780,300	780,300	0.0 %
Utilisation (%) (iii)	87.8 %	97.6 %	(9.8) p.p.
Key financial data (€ million, unless specified otherwise)			
Revenue	95.1	101.6	(6.4) %
EBITDA	33.9	36.1	(6.1) %
EBITDA margin %	35.6 %	35.5 %	0.1 p.p.
EBIT	29.6	32.6	(9.2) %
EBIT margin %	31.1 %	32.1 %	(1.0) p.p.

ALUMINIUM SALT SLAGS RECYCLING SERVICES

Salt Slags subsegment

	Q1 2019	Q1 2018	Change
Key operational data (tonnes, unless specified otherwise)			
Salt slags and SPL recycled	129,095	130,985	(1.4) %
Total installed capacity	630,000	630,000	0.0 %
Utilisation (%) (iv)	98.8 %	100.2%	(1.4) p.p.
Key financial data (€ million, unless specified otherwise)			
Revenue	22.3	21.9	1.9 %
EBITDA	6.4	6.6	(2.4) %
EBITDA margin %	28.7 %	29.9 %	(1.2) p.p.
EBIT	4.3	4.7	(9.5) %
EBIT margin %	19.1 %	21.5 %	(2.4) p.p.

Secondary Aluminium subsegment

	Q1 2019	Q1 2018	Change
Key operational data (tonnes, unless specified otherwise)			
Secondary aluminium alloys produced	47,965	49,609	(3.3) %
Aluminium alloy average market price (€ / tonne) (v)	1,528	1,833	(16.6) %
Total installed capacity	205,000	205,000	0.0 %
Utilisation (%) (vi)	94.9 %	98.1 %	(3.3) p.p.
Key financial data (€ million, unless specified otherwise)			
Revenue	71.6	83.2	(14.0) %
EBITDA	2.5	1.6	57.3 %
EBITDA margin (% over revenue)	3.5 %	1.9 %	1.6 p.p.
EBIT	0.8	0.1	611.1 %
EBIT margin (% over revenue)	1.1 %	0.1 %	0.9 p.p.

Note: Segment splits and revenue and earnings contributions not taking into account corporate and inter-segment eliminations

(i) Steel dust throughput does not include stainless steel dust volumes

(ii) Total installed capacity in Steel does not include 174,000 tonnes per year of stainless steel dust recycling capacity

(iii) Utilisation represents crude steel dust processed against annual installed capacity

(iv) Utilisation represents the volume of salt slags and SPL recycled by Befesa's plants against annual installed capacity (not including the 100,000 tonnes of capacity at Töging, Germany, currently idle)

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

(vi) Utilisation represents the volume of secondary aluminium produced against annual installed capacity

FINANCIAL CALENDAR

Wednesday, 19 June 2019	Annual General Meeting in Luxembourg
Thursday, 25 July 2019	Publication of H1 2019 interim report & analyst call
Thursday, 31 October 2019	Publication of Q3 2019 statement & analyst call

Notes: Befesa's financial reports and statements are published at 7:30 am CEST
Befesa cannot rule out changes of dates and recommends checking them in the Investor Relations / Investor's Agenda section of its website www.befesa.com

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