

BEFESA



Full Year 2017 Earnings Presentation

March 15, 2018

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CEO since 2000

Javier Molina

CEO

- In the company since 1994



CFO since 2014

Wolf Lehmann

CFO; including responsibilities for Operational Excellence and IT

- 20+ years in operational and finance 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

Continued double-digit growth in revenue and earnings driven by strong volumes, favorable prices and operational excellence in both core businesses

Profitability improved to 20% Adjusted EBIT Margin ⁽¹⁾ (compared to 17% in 2016)

Strong cash generation and reduced leverage⁽²⁾ further down to x2,4 (compared to x3,5 in YE 2016)

Hedging program extended through swaps to Jan 2021 improving visibility of earnings and cash flows for the next ~3 years

New capital structure⁽³⁾ lowers interest costs and debt service by approx. 60% ... improved credit ratings assigned to Befesa of Ba3 / BB- Moody`s / S&P

Focus on implementing the next set of organic growth initiatives to continue the company's successful development in 2019 & beyond

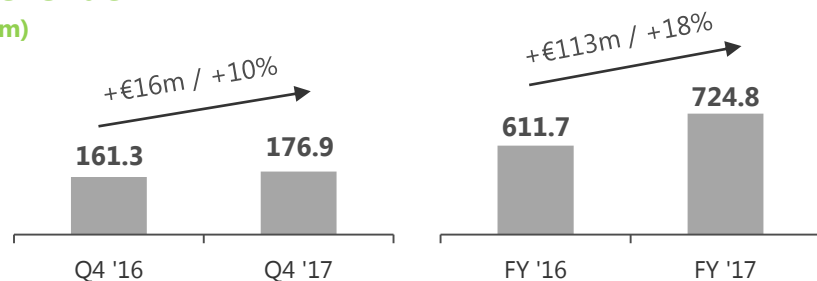
(1) Adjusted EBIT / Revenue as of Dec. 31, 2017. (2) Leverage calculated as Net Debt / Adjusted EBITDA. Leverage at year-end 2017 is calculated using Adjusted EBITDA as of Dec. 31, 2017

(3) New Capital structure in place since December 7, 2017.

Continued solid growth in revenue, earnings and profitability driven by strong volumes, favorable prices and operational excellence

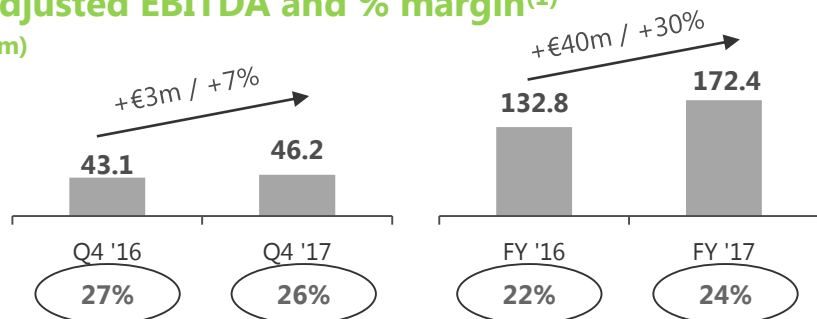
Revenue

(€m)



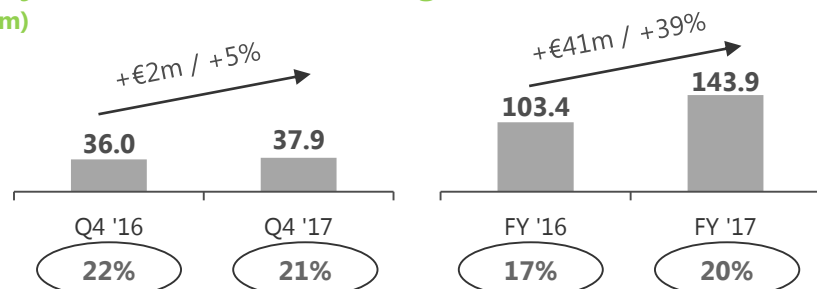
Adjusted EBITDA and % margin⁽¹⁾

(€m)



Adjusted EBIT and % margin⁽¹⁾

(€m)



Highlights

- FY '17 Revenue** increased **+€113m / +18% YoY** ... primarily due to:
 - **higher volumes in both core segments** +12% steel dust throughput / +4% salt slags & SPL recycled
 - **higher prices** for both **zinc** (blended zinc price increased 11% YoY) and **aluminium alloys** (average market prices +9% YoY)
- FY '17 Earnings** increased to **€172m / +30% YoY Adjusted EBITDA (24% of revenue) ... €144m / +39% YoY Adjusted EBIT (20% of revenue) ...**

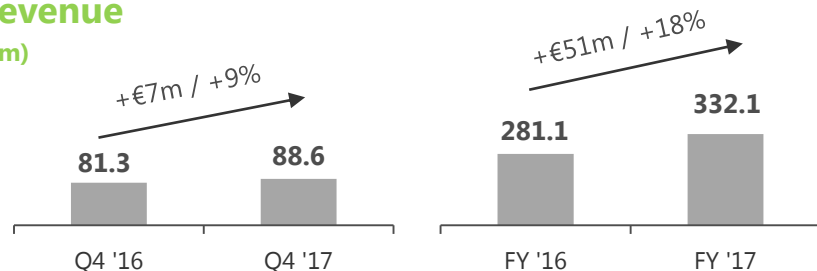
... driven by strong volumes in both core segments, favorable zinc and aluminium prices and cost efficiencies from operational excellence initiatives

(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 increase in revenues & earnings driven by higher EAFD throughput, Waelz oxide volumes, favorable zinc price and operational excellence

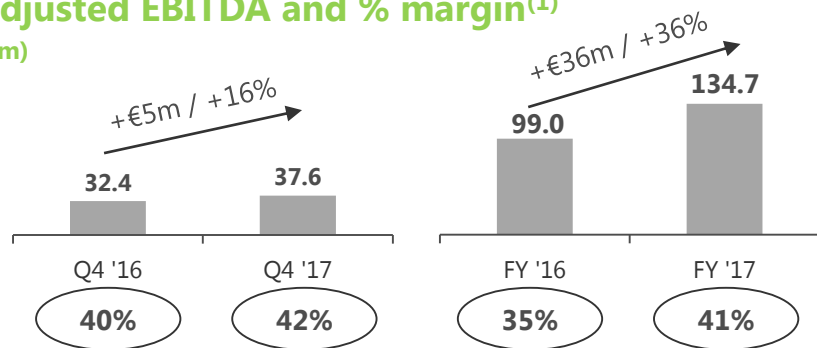
Revenue

(€m)



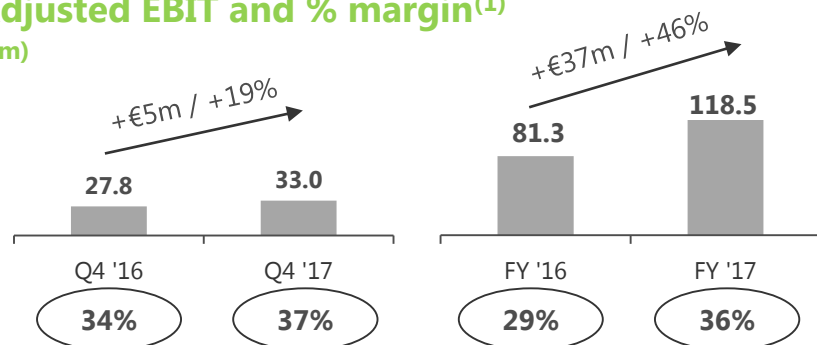
Adjusted EBITDA and % margin⁽¹⁾

(€m)



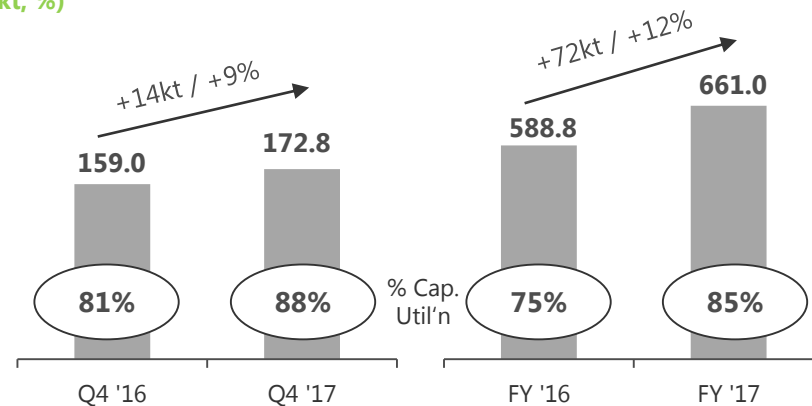
Adjusted EBIT and % margin⁽¹⁾

(€m)



EAFD Throughput & Capacity Utilization

(kt, %)



Prices

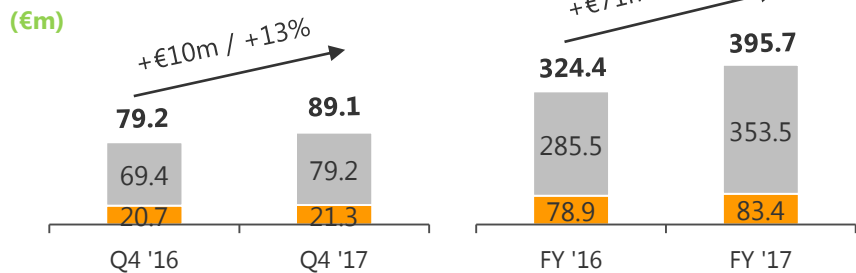
	Q4 2016	Q4 2017	% Var.	FY 2016	FY 2017	% Var.
Befesa blended (*)zinc price (€/t)	2,162	2,210	+2%	1,939	2,160	+11%
LME avg. price (€/t)	2,338	2,723	+16%	1,893	2,572	+36%

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

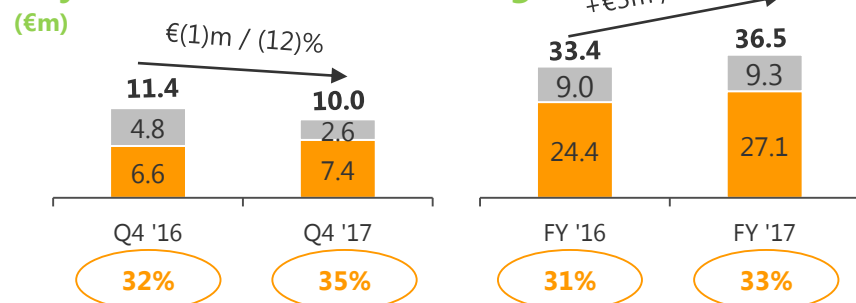
(1) Adjusted EBIT(DA) have been calculated based on the reported operating result adjusted for holding, restructuring and other one-time effects; Adjusted EBIT(DA) margin is calculated as the ratio of Adjusted EBIT(DA) to Revenue.

Growth in revenues & earnings driven by good volumes, increasing alu alloy prices, and operational excellence

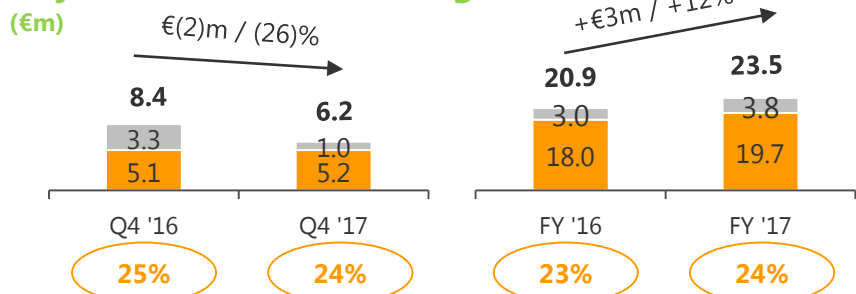
Revenue⁽¹⁾



Adjusted EBITDA and % margin⁽²⁾



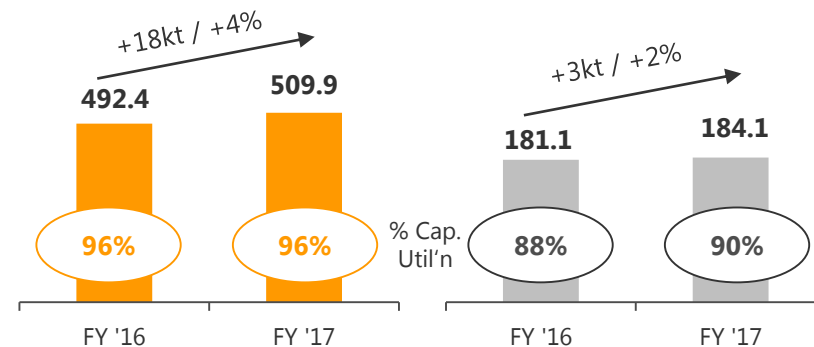
Adjusted EBIT and % margin⁽²⁾



Volumes & Capacity Utilization

Salt Slags & SPL Treated (kt)

Alu Alloys Produced (kt)



Prices

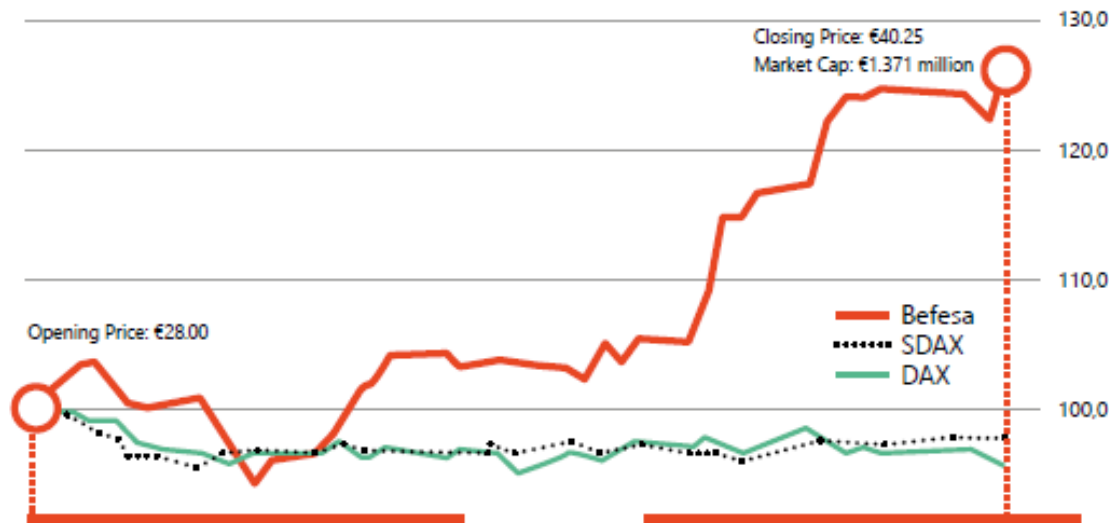
	Q4 2016	Q4 2017	% Var.	FY 2016	FY 2017	% Var.
Alu alloy avg. price (*) (€/t)	1,591	1,753	+10%	1,618	1,766	+9%

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

- Salt Slags sub-segment
- Secondary Aluminium sub-segment

Befesa's share price has developed positively since the IPO with still significant value upside when comparing to peers

Performance of Befesa Share vs. Market



November 3, 2017

Over the course of the first day of trading, the share price rose more than 13%, closing at €31.77.

December 29, 2017

As of December 29, 2017, the share price amounted to €40.25. This is an increase of 43.8% since November 3, 2017, compared to the issue price.

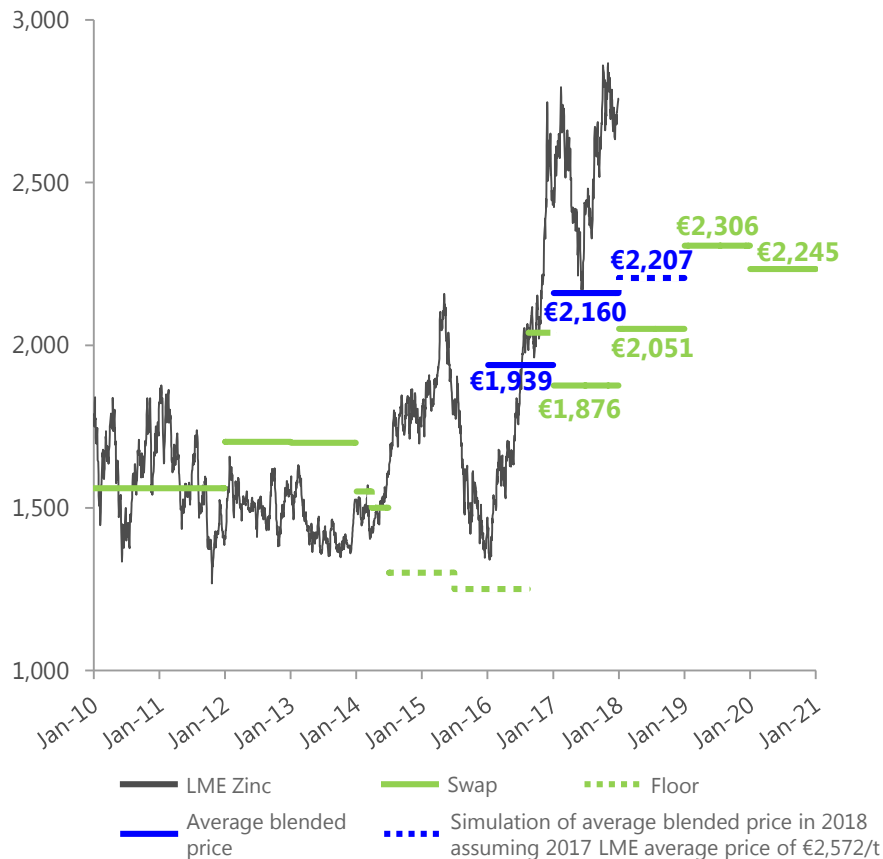
Key Highlights

- Befesa share developed positively, closing 2017 at €40.25, up by 44% (compared to the issue price) backed by strong operational performance
- Still significant share price upside potential to broker target price
- Strong broker consensus with all brokers giving a buy recommendation (7 in total)⁽¹⁾
- Additional upside from extended hedging activity and new growth project
- Befesa shares outperformed the benchmark stock market indices DAX as well as SDAX since IPO

Hedging extended through swaps to cover full year 2020 ... Improving visibility of earnings and cash flows for the next 3 years

Market Zinc Price vs. Zinc Hedge

(€/ton)



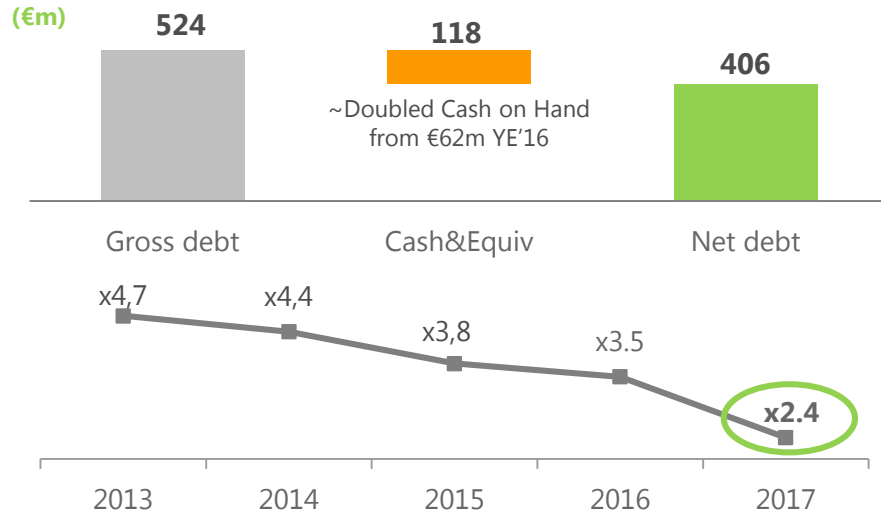
- **Extended** hedging period **to fully cover 2020**
- **Increased volume coverage ...**
Higher volume of 7.7 kt/month or 92.4kt/year (vs previous 6.1 kt/month or 73.2 kt/year) ... **approx. 70%** of zinc equivalent payable output
- **Strong hedge price levels** of €2,306/t in 2019 and €2,245/t in 2020

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**

Strong Cash Flow reduced Net Debt to €406m and Leverage to x2.4 at YE '17 ...

Net Debt and Leverage Rate Evolution⁽¹⁾



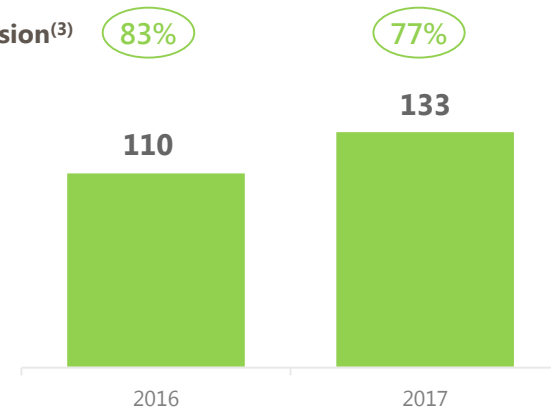
New Capital Structure

- **Moody's and S&P assigned improved credit ratings for Befesa S.A. of Ba3 / BB-** ... notching up from B2 / B, respectively
- €636m New Senior Facilities Agreement since Dec. 7, 2017:
 - **€526m Term Loan B – covenant lite;**
 - 3M 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 (€316m of €526m)
- **Reduced annual run rate of interest costs and debt service by approx. 60%**

Free Cash Flow⁽²⁾

(€m)

Cash Conversion⁽³⁾

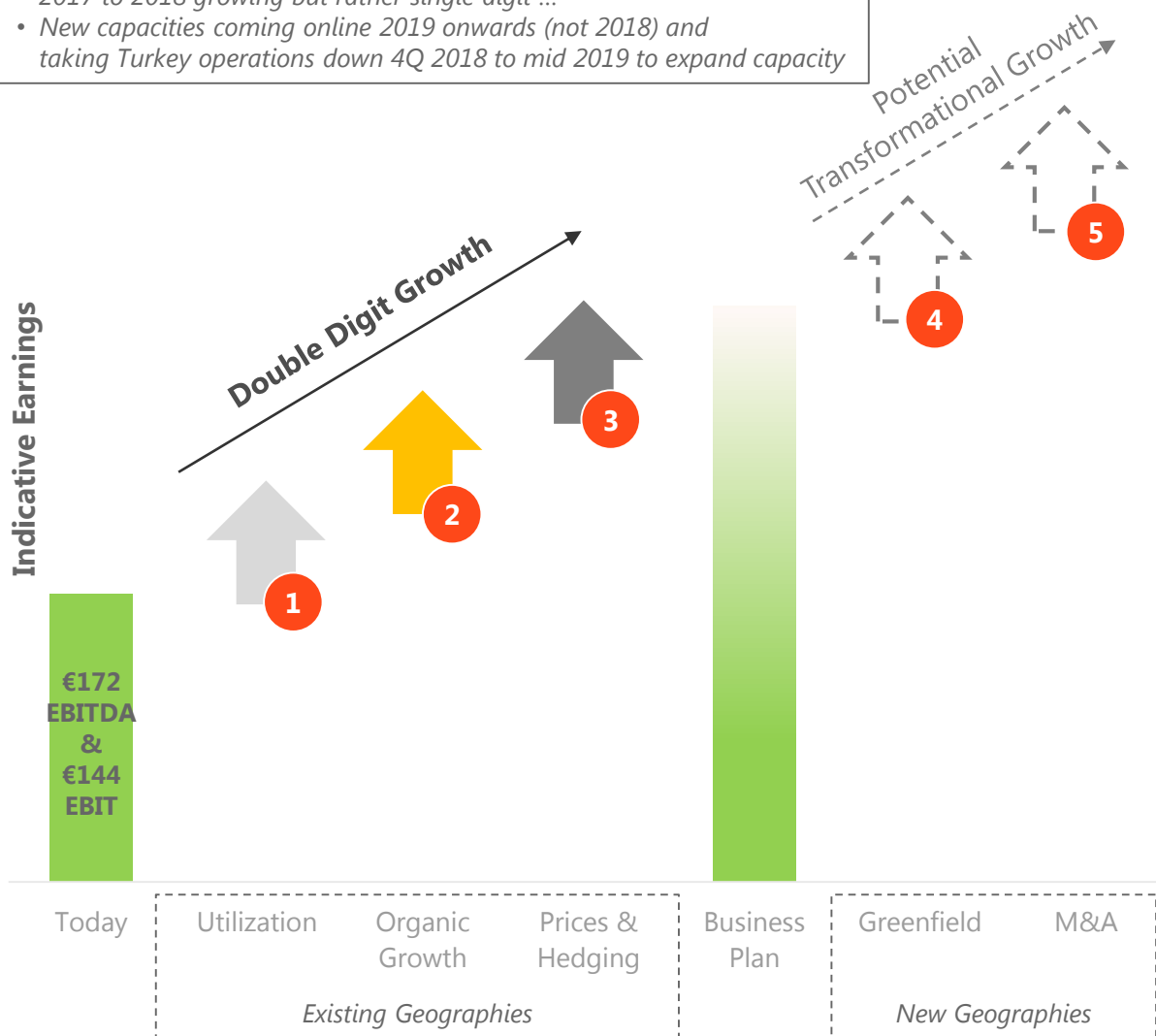


- **Strong cash flow performance ...**
After paying taxes of €21m, €50m interests, funding maintenance and productivity capex of €26m ...
... cash on hand increased by €56m / +90% YoY
... **€118m cash position at YE '17**
- **Strong and growing free cash flow generation due to low maintenance requirements providing funds for growth**

(1) Leverage calculated as Net Debt / Adjusted EBITDA. (2) Free Cash Flow is based on management accounts and is calculated as EBIT + Depreciation & Amortization (D&A) +/- WC change - maintenance capex - taxes; (3) Cash conversion = FCF / (Adj. EBIT + Adj. D&A).

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

- Mid-term continuing double-digit growth ...
- 2017 to 2018 growing but rather single digit ...
- New capacities coming online 2019 onwards (not 2018) and taking Turkey operations down 4Q 2018 to mid 2019 to expand capacity



- 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. China, South East Asia, 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, November 22, 2018:
Publication of Statement Q3 2018 & Analyst Call

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 Services 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

IR Contact

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