H1 2023 Interim Report

BEFESA

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Befesa at a glance

Key figures

	H1 2023	H1 2022	Change	Q2 2023	Q2 2022	Change
Key operational data (tonnes, unless specified otherwise)						
Electric arc furnace steel dust (EAFD) throughput	592,335	629,661	(5.9) %	305,266	292,295	4.4 %
Waelz oxide (WOX) sold	197,238	213,889	(7.8) %	97,406	110,158	(11.6) %
Salt slags and Spent Pot Linings (SPL) recycled	171,076	172,949	(1.1) %	88,783	85,497	3.8 %
Secondary aluminium alloys produced	87,151	84,645	3.0 %	43,471	42,401	2.5 %
Zinc LME average price (€ / tonne)	2,624	3,510	(25.3) %	2,331	3,683	(36.7) %
Zinc blended price (€ / tonne)	2,464	2,668	(7.6) %	2,290	2,789	(17.9) %
Aluminium alloy FMB average price (€ / tonne)	2,243	2,558	(12.3) %	2,184	2,488	(12.2) %
Key financial data (€ million, unless specified otherwise)						
Revenue	615.5	572.5	7.5 %	293.5	311.1	(5.7) %
EBITDA	90.8	115.7	(21.5) %	41.5	55.7	(25.5) %
EBITDA margin	14.8 %	20.2 %	(545) bps	14.1 %	17.9 %	(377) bps
Adjusted EBITDA	94.7	118.0	(19.7) %	44.6	56.9	(21.5) %
Adjusted EBITDA margin	15.4 %	20.6 %	(521) bps	15.2 %	18.3 %	(307) bps
EBIT	50.4	80.3	(37.2) %	21.4	37.4	(42.9) %
EBIT margin	8.2 %	14.0 %	(583) bps	7.3 %	12.0 %	(475) bps
Adjusted EBIT	55.1	82.6	(33.3) %	25.2	38.6	(34.7) %
Adjusted EBIT margin	9.0 %	14.4 %	(548) bps	8.6 %	12.4 %	(381) bps
Financial result	(19.6)	(12.3)	59.2 %	(13.0)	(5.4)	> 100 %
Profit before taxes and minority interests	30.8	68.0	(54.7) %	8.4	32.0	(73.8) %
Net profit attributable to shareholders of Befesa S.A.	20.2	50.0	(59.5) %	5.1	23.0	(77.9) %
EPS (in €)	0.51	1.25	(59.5) %	0.13	0.58	(77.9) %
Total assets	2,017.0	1,968.5	2.5 %	2,017.0	1,968.5	2.5 %
Capital expenditures	53.9	54.2	(0.6) %	22.9	33.2	(30.9) %
Cash flow from operating activities	42.0	64.0	(34.4) %	29.0	38.3	(24.2) %
Cash and cash equivalents at the end of the period	143.5	238.7	(39.9) %	143.5	238.7	(39.9) %
Net debt	567.0	470.9	20.4 %	567.0	470.9	20.4 %
Net leverage	x2.96	x2.13	x 0.84	x2.96	x2.13	x 0.84
Number of employees (as of end of the period)	1,814	1,583	14.6 %	1,814	1,583	14.6 %

Highlights

- **Revenue increased by 8% to €615m** (H1 2022: €573m) mainly driven by the zinc refining operations

- **Adjusted EBITDA at €95m** (H1 2022: €118m) mainly driven by lower zinc market prices unfavourable zinc treatment charges (TC)

- **US**: Gradually improving performance of the zinc refining operations; Refurbishment of plant in Palmerton, Pennsylvania, on track

- **China**: Ramp up of Henan plant completed; Progressing in third province, Guangdong

- **ESG Progress Report 2022 published** on 30 June 2023

- **Outlook**: Overall expecting stronger H2 versus H1; Guidance confirmed

Business review

Results of operations, financial position & liquidity

Revenue

Total revenue increased by 7.5% yoy to €615.5 million in H1 2023 (H1 2022: €572.5 million). The increase was primarily attributable to the contribution from the zinc refining operations in the US.

EBITDA & EBIT

Total adjusted EBITDA decreased by 19.7% yoy to €94.7 million in H1 2023 (H1 2022: €118.0 million) was primarily driven by lower zinc LME prices, as well as by the unfavourable increase in zinc TC (19% year-on-year). Detailed by volume, price, and cost components, the €23.2 million yoy decrease is explained as follows:

- Volumes (c. -€2 million): lower in Steel Dust (-€2 million) mainly due to the 6% decline in EAF steel dust (EAFD) throughput primarily driven by the US operations and the earthquake in Turkey; volumes in Aluminium Salt Slags were overall flat yoy.
- Metal prices (c. -€29 million): 25% lower zinc LME prices (-€27 million), partially offset by higher zinc hedging prices (€6 million); 19% higher zinc treatment charges (TC) at $274 per tonne for the full year 2023 (-€6 million); 12% lower aluminium FMB prices partially offset by higher aluminium metal margins (-€3 million).
- Cost / other (c. €7 million): in Steel Dust, higher coke prices (-€6 million) were offset by the positive impact from productivity and synergies (+€6 million); Aluminium Salt Slags business benefitted from lower costs, mainly through lower energy prices (c. €7 million).

Total adjusted EBIT decreased by 33.3% yoy to €55.1 million in H1 2023 (H1 2022: €82.6 million).

Total EBITDA and EBIT were adjusted for €3.9 million and €4.7 million respectively in H1 2023, mainly driven by impacts from the ramp up of some facilities. Total reported EBITDA amounted to €90.8 million in H1 2023 (-21.5% yoy). Total reported EBIT amounted to €50.4 million in H1 2023 (-37.2% yoy).

Financial result & net profit

Total net **financial result** decreased by 59.2% yoy to -€19.6 million in H1 2023 (H1 2022: -€12.3 million). This decrease was primarily driven by two factors: on the one hand, the higher margin applicable to the Term Loan B (TLB), which increased in December 2022 by 25 bps to Euribor plus 200 bps due to the increase on the leverage ratio. On the other hand, the yoy higher Euribor, from 0% in H1 2022 to 1%–3% applicable in H1 2023.

Total **net profit** attributable to the shareholders in H1 2023 decreased by 59.5% yoy to €20.2 million (H1 2022: €50.0 million). This development was primarily due to the aforementioned negative drivers impacting EBITDA and EBIT. As a result, earnings per share (EPS) in H1 2023 decreased accordingly by 59.5% yoy to €0.51 (H1 2022: €1.25).

Financial position & liquidity

Gross debt at 30 June 2023 remained stable at €710.5 million (31 December 2022: €710.8 million).

Net debt at 30 June 2023 increased by 3.3% to €567.0 million (31 December 2022: €549.0 million). This is mainly explained by the decrease in cash balance.

Net leverage of x2.96 at Q2 2023 closing (year-end 2022: x2.56) based on the underlying net debt of €567.0 million and LTM adjusted EBITDA of €191.4 million.

Befesa continues to be compliant with all debt covenants.

Net debt (€ million)

	30 June 2023	31 December 2022
Non-current financial indebtedness	673.7	677.4
+ Current financial indebtedness	36.8	33.3
Financial indebtedness	**710.5**	**710.8**
- Cash and cash equivalents	(143.5)	(161.8)
- Other current financial assets[1]	(0.1)	(0.1)
Net debt	**567.0**	**549.0**
LTM Adjusted EBITDA	191.4	214.6
Net leverage ratio	**x2.96**	**x2.56**

1 Other current financial assets adjusted by hedging valuation and restricted deposits

Operating cash flow in H1 2023 amounted to €42.0 million, 34.4% lower yoy (H1 2022: €64.0 million).

The change in working capital impacted operating cash flow by €28 million in H1 2023, without cash consumption in Q2 2023. Interests paid in H1 2023 increased by 12.7% yoy to €13.4 million (H1 2022: €11.9 million).

In H1 2023, Befesa's capex was €53.3 million (H1 2022: €57.5 million) to fund regular maintenance capex, the recovery of the Hanover plant and US operational excellence / synergies, as well as growth investments. The latter are mainly related to the second plant in China, partially funded through local loan.

After funding working capital, interests, taxes and capex, total cash flow in H1 2023 amounted to -€18.3 million. Cash on hand stood at €143.5 million, which together with the €75.0 million RCF, entirely undrawn, provides Befesa with more than €200 million liquidity.

Segment information

Steel Dust Recycling Services

Volumes of **EAFD recycled** in H1 2023 decreased by 5.9% yoy to 592,335 tonnes (H1 2022: 629,661 tonnes). With these volumes, Befesa's EAFD recycling plants ran at an average load factor of 71%. The volume of Waelz oxide (WOX) sold in H1 2023 decreased by 7.8% yoy to 197,238 tonnes (H1 2022: 203,889 tonnes). These lower volumes were primarily driven by the US operations and the earthquake in Turkey. Overall, volumes in Steel Dust continue to be affected by the ongoing challenging global steel industry environment.

Revenue in the Steel Dust business increased by 13.9% yoy to €403.0 million in H1 2023 (H1 2022: €353.8 million), primarily attributed to the contribution from the US zinc refining operations.

Adjusted **EBITDA** in the Steel Dust business decreased by 29.3% yoy to €67.2 million in H1 2023 (H1 2022: €95.0 million).

The yoy -€27.8 million EBITDA development was mainly impacted by the lower zinc LME prices (-25% yoy) – partially offset by higher zinc hedging prices –, the unfavourable zinc TC at $274 per tonne (+19% yoy), the lower EAFD volumes (-6% yoy), and the higher coke prices (+25% yoy) partially offset by the positive impact from productivity and synergies. Consequently, EBITDA as a percent of revenue stands at 17% in H1 2023 compared to 27% in H1 2022. The yoy profitability decrease was due to two effects: firstly, the impact of the items affecting EBITDA as explained above, and secondly, a change in the business mix with the incorporation of the zinc refining plant which brings high volume of revenue and lower EBITDA margin.

Adjusted **EBIT** in the Steel Dust business came in at €36.4 million in H1 2023, down 46.8% yoy (H1 2022: €68.4 million), following similar drivers explained referring to the EBITDA development.

EBITDA and EBIT in the Steel Dust business were adjusted for €3.8 million and €4.5 million respectively in H1 2023, mainly driven by impacts from the ramp up of some facilities. Total reported EBITDA amounted to €63.4 million in H1 2023 (-33.3% yoy). Total reported EBIT amounted to €31.8 million in H1 2023 (-53.4% yoy).

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

Salt slags and SPL recycled volumes in H1 2023 amounted to 171,076 tonnes, down 1.1% yoy (H1 2022: 172,949 tonnes), primarily due to the ramp up of the Hanover plant. On average, Salt Slags recycling plants operated at 73% in H1 2023 of the latest installed annual recycling capacity of 470,000 tonnes.

Revenue in the Salt Slags subsegment remained stable yoy at €41.3 million in H1 2023.

EBITDA slightly decreased by 2.1% yoy to €14.3 million in H1 2023 (H1 2022: €14.6 million). The positive impact from lower energy prices was offset by lower aluminium alloy FMB market prices. Consequently, EBITDA as a percent of revenue in the Salt Slags subsegment remained at 35% in H1 2023.

EBIT decreased by 5.4% yoy to €9.6 million in H1 2023 (H1 2022: €4.0 million), following similar drivers explained referring to the EBITDA development.

Secondary Aluminium subsegment

Aluminium alloy production volumes increased by 3.0% yoy to 87,151 tonnes in H1 2023 (H1 2022: 84,645 tonnes). Secondary Aluminium production plants overall operated at around 86% utilisation rate on average in H1 2023.

Revenue in the Secondary Aluminium subsegment amounted to €195.2 million in H1 2023, down 10.3% yoy (H1 2022: €217.7 million). The yoy higher volumes were offset with the lower aluminium alloy FMB market prices.

EBITDA in the Secondary Aluminium subsegment increased by 48.1% yoy to €13.4 million in H1 2023 (H1 2022: €9.0 million). The yoy EBITDA improvement was mainly explained by lower costs, primarily through the lower gas and electricity prices –reduced further and back at 2021 average levels –, and the higher aluminium metal margins.

EBIT in the Secondary Aluminium subsegment increased by 88.5% yoy to €9.5 million in H1 2023 (H1 2022: €5.0 million), following similar drivers which impacted the EBITDA development.

Risks & opportunities

No material risks or opportunities for the prospective development of the Company have emerged against the comprehensive disclosures in the Annual Report 2022, pages 70-76.

Strategy

Hedging

Befesa's hedging strategy is unchanged and continues to be a key element of Befesa's business model, providing zinc price visibility, lowering the impact from zinc price volatility and therefore improving the stability and visibility of earnings and cash flow across the economic cycle. Further details are available in the Befesa Annual Report 2022 (pages 38-39).

Befesa's current hedging volume run rate is to hedge around 38 thousand tonnes of zinc per quarter or around 152 thousand tonnes per year.

The combined global hedge book in place as of the date of this H1 2023 Interim Report provides Befesa with improved zinc price visibility up to July 2025, therefore for the following two years, at increasing hedging average prices: around €2,400 per tonne in 2023, around €2,500 per tonne in 2024 and around €2,650 per tonne for the first half of 2025.

Growth

Befesa's Sustainable Global Growth Plan (SGGP) is progressing as planned. In the **US**, Befesa continues the gradual improvement of the performance of its zinc refining operations in Rutherford County, North Carolina. The refurbishment of the plant in Palmerton, Pennsylvania, is on track as well, and it will continue during the rest of 2023 and 2024, and will allow Befesa to capture the incremental EAFD volumes expected in the US market over the coming years.

Befesa's expansion in **China** continued to progress, with the start of operations at the second Chinese plant, in Henan. The two existing Chinese plants in Jiangsu and Henan are operating and will contribute to earnings in H2 2023. Furthermore, Befesa is preparing its next EAFD recycling plant – the third in China and thirteenth globally – in the province of Guangdong.

ESG

On 30 June 2023, Befesa published its **ESG Progress Report 2022** available on the Befesa website. This edition includes Befesa's progress on CO_2 intensity reduction plan and EU Taxonomy alignment disclosures. The report also covers three new topics: Scope 3 emissions; production of green metals from 100% recycled material; and contribution to biodiversity.

As of 30 June 2023, the **ESG ratings** from six renowned international ESG rating agencies following Befesa were as follows:

	30 June 2023	31 December 2022
ISS ESG	**B / Prime**	Top 3 of 69
Sustainalytics	**#181 / 430**	#181 / 430
V.E	**#7 / 103**	#7 / 103
MSCI	**BBB**	BBB
esgbook	**Top 12%**	Top 5%
S&P Global	**Top 15%**	Top 15%

Subsequent events

There are no events between the financial statement date (30 June 2023) and the date of presentation of this H1 2023 Interim Report (27 July 2023) which would materially affect the Group's assets or the Group's financial and/or earnings position.

Outlook

Befesa expects a stronger overall second half of the year 2023. This confidence is mainly based on the temporary nature of the external pressures, including an expected recovery in zinc market prices, a reduction of coke price, and improved volumes.

As a result, Befesa **confirms its full-year guidance**, with 2023 EBITDA expected at between €200 million and €230 million (-7% to +7% yoy).

Interim consolidated financial statements as of 30 June 2023 (thousands of euros)

Statement of financial position

Assets

	Note(s)	30 June 2023	31 December 2022
Non-current assets:			
Intangible assets			
Goodwill		583,209	587,853
Other intangible assets	4	104,271	106,114
		687,480	693,967
Right-of-use assets	9	31,598	30,895
Property, plant and equipment	5	690,561	682,809
Non-current financial assets			
Investments in Group companies and associates		43	45
Other non-current financial assets	6-10	89,580	44,521
		89,623	44,566
Deferred tax assets		89,405	103,647
Total non-current assets		1,588,667	1,555,884
Current assets:			
Inventories	7	103,252	102,539
Trade and other receivables		88,146	107,591
Trade receivables from related companies	16	581	1,039
Accounts receivables from public authorities	13	24,095	19,566
Other receivables		27,896	26,898
Other current financial assets		40,908	1,342
Cash and cash equivalents		143,463	161,751
Total current assets		428,341	420,726
Total assets		2,017,008	1,976,610

Statement of financial position (continued)

Equity and liabilities

	Note(s)	30 June 2023	31 December 2022
Equity:			
Parent Company			
Share capital	8	111,048	111,048
Share premium	8	532,867	532,867
Hedging reserves		109,163	(2,573)
Other reserves		93,661	37,340
Translation differences		(1,863)	20,197
Net profit/(loss) for the period		20,249	106,220
Equity attributable to the owners of the Company		**865,125**	**805,099**
Non-controlling interests		**21,641**	**14,153**
Total equity		**886,766**	**819,252**
Non-current liabilities:			
Long-term provisions	11	**14,878**	**18,518**
Loans and borrowings	9	**656,820**	**663,448**
Lease liabilities	9	**16,883**	**13,988**
Other non-current financial liabilities	10	**-**	**12,875**
Other non-current liabilities		**8,572**	**7,831**
Deferred tax liabilities		**115,949**	**107,633**
Total non-current liabilities		**813,102**	**824,293**
Current liabilities:			
Loans and borrowings	9	**28,094**	**23,038**
Lease liabilities	9	**8,745**	**10,298**
Other current financial liabilities	10	**90**	**38,223**
Trade payables to related companies	16	**-**	**1,573**
Trade and other payables		**171,897**	**198,870**
Other payables			
Accounts payable to public administrations	13	25,898	14,220
Other current liabilities	8	82,416	46,843
		108,314	**61,063**
Total current liabilities		**317,140**	**333,065**
Total equity and liabilities		**2,017,008**	**1,976,610**

Income statement

	Note(s)	H1 2023	H1 2022	Change	Q2 2023	Q2 2022	Change
Revenue		615,492	572,535	7.5 %	293,490	311,128	(5.7) %
Changes in inventories of finished goods and work-in-progress		(2,677)	(7,366)	-	(1,476)	(22,140)	-
Procurements		(303,948)	(286,241)	6.2 %	(144,708)	(156,481)	(7.5) %
Other operating income		7,597	30,246	(74.9) %	4,450	5,375	(17.2) %
Personnel expenses		(74,483)	(62,348)	19.5 %	(36,007)	(30,657)	17.5 %
Other operating expenses		(151,177)	(131,152)	15.3 %	(74,238)	(51,495)	44.2 %
Amortisation/depreciation, impairment and provisions		(40,360)	(35,346)	14.2 %	(20,155)	(18,308)	10.1 %
Operating profit/(loss)		**50,444**	**80,328**	**(37.2) %**	**21,356**	**37,422**	**(42.9) %**
Finance income		5,979	316	> 100 %	3,139	164	> 100 %
Finance expenses		(20,778)	(13,327)	55.9 %	(10,897)	(6,056)	79.9 %
Net exchange differences		(4,807)	697	-	(5,217)	454	-
Net finance income/(loss)		**(19,606)**	**(12,314)**	**59.2 %**	**(12,975)**	**(5,438)**	**> 100 %**
Profit/(loss) before tax		**30,838**	**68,014**	**(54.7) %**	**8,381**	**31,984**	**(73.8) %**
Corporate income tax		(11,298)	(14,633)	(22.8) %	(2,842)	(7,176)	(60.4) %
Profit/(loss) for the period		**19,540**	**53,381**	**(63.4) %**	**5,539**	**24,808**	**(77.7) %**
Attributable to:							
Parent Company's owners		20,249	50,033	(59.5) %	5,090	23,040	(77.9) %
Non-controlling interests		(709)	3,348	-	449	1,768	-
Earnings/(losses) per share attributable to Parent Company's owners (in euros per share)	**14**	**0.51**	**1.25**	**(59.5) %**	**0.13**	**0.58**	**(77.9) %**

Statement of comprehensive income

	Note(s)	H1 2023	H1 2022
Consolidated profit/(loss) for the period		**19,540**	**53,381**
Items that may subsequently be reclassified to income statement:			
Income and expense recognised directly in equity		**98,215**	**33,197**
- Cash-flow hedges	10	138,885	(7,559)
- Translation differences		(13,863)	38,488
- Tax effect		(26,807)	2,268
Transfers to the income statement		**(342)**	**47,106**
- Cash-flow hedges	10	1,343	64,848
- Tax effect		(1,685)	(17,742)
Other comprehensive income/(loss) for the period, net of tax		**97,873**	**80,303**
Total comprehensive income/(loss) for the period		**117,413**	**133,684**
Attributable to:			
- Parent Company's owners		109,925	131,292
- Non-controlling interests		7,488	2,392

Statement of changes in equity

	Equity attributable to the Parent Company's owners								
	Share capital	Share premium	Hedging reserves (Note 2)	Other reserves	Interim dividend	Translation differences	Net profit/(loss) for the period	Non-controlling interests	Total equity
Balances at 31 December 2022	**111,048**	**532,867**	**(2,573)**	**37,340**	**-**	**20,197**	**106,220**	**14,153**	**819,252**
Total comprehensive income/(loss) for the period	-	-	111,736	-	-	(22,060)	20,249	7,488	117,413
Distribution of profit/(loss) for the period									
Reserves	-	-	-	106,220	-	-	(106,220)	-	-
Dividends	-	-	-	(50,000)	-	-	-	-	(50,000)
Other movements	-	-	-	101	-	-	-	-	101
Balances at 30 June 2023	**111,048**	**532,867**	**109,163**	**93,661**	**-**	**(1,863)**	**20,249**	**21,641**	**886,766**
Balances at 31 December 2021	**111,048**	**532,867**	**(96,830)**	**(19,915)**	**-**	**(4,080)**	**99,745**	**8,712**	**631,547**
Total comprehensive income/(loss) for the period	-	-	41,815	-	-	39,444	50,033	2,392	133,684
Distribution of profit/(loss) for the period									
Reserves	-	-	-	99,745	-	-	(99,745)	-	-
Dividends	-	-	-	(50,000)	-	-	-	-	(50,000)
Other movements	-	-	-	1,976	-	-	-	-	1,976
Balances at 30 June 2022	**111,048**	**532,867**	**(55,015)**	**31,806**	**-**	**35,364**	**50,033**	**11,104**	**717,207**

Statement of cash flows

	H1 2023	H1 2022	Q2 2023	Q2 2022	Q1 2023
Profit/(loss) for the period before tax	**30,838**	**68,014**	**8,381**	**31,984**	**22,457**
Adjustments for:	**55,961**	**46,555**	**32,752**	**25,416**	**23,209**
Depreciation and amortisation	40,360	35,346	20,155	18,308	20,205
Changes in provisions	(3,640)	(740)	(195)	1,818	(3,445)
Interest income	(5,979)	(316)	(3,139)	(164)	(2,840)
Finance costs	20,778	13,327	10,897	6,056	9,881
Other profit/(loss)	(365)	(365)	(183)	(148)	(182)
Exchange differences	4,807	(697)	5,217	(454)	(410)
Changes in working capital:	**(20,047)**	**(22,791)**	**3,447**	**(3,223)**	**(23,494)**
Trade receivables and other current assets	22,947	(56,859)	38,529	(40,521)	(15,582)
Inventories	(1,512)	(2,601)	2,118	9,711	(3,630)
Trade payables	(41,482)	36,669	(37,200)	27,587	(4,282)
Other cash flows from operating activities:	**(24,800)**	**(27,819)**	**(15,582)**	**(15,917)**	**(9,218)**
Interest paid	(13,434)	(11,918)	(6,594)	(4,610)	(6,840)
Taxes paid	(11,366)	(15,901)	(8,988)	(11,307)	(2,378)
Net cash flows from/(used in) operating activities (I)	**41,952**	**63,959**	**28,998**	**38,260**	**12,954**
Cash flows from investing activities:					
Investments in intangible assets	(113)	(307)	111	(49)	(224)
Investments in property, plant and equipment	(53,132)	(57,209)	(21,635)	(31,678)	(31,497)
Collections from disposal of Group and associated companies, net of cash	113	-	-	-	113
Collections from sale of property, plant and equipment	-	-	-	(35)	-
Net cash flows from/(used in) investing activities (II)	**(53,132)**	**(57,516)**	**(21,524)**	**(31,762)**	**(31,608)**
Cash flows from financing activities:					
Cash inflows from bank borrowings and other liabilities	4,069	19,879	121	4,560	3,948
Cash outflows from bank borrowings and other liabilities	(10,040)	(11,677)	(6,823)	(9,469)	(3,217)
Net cash flows from/(used in) financing activities (III)	**(5,971)**	**8,202**	**(6,702)**	**(4,909)**	**731**
Effect of foreign exchange rate changes on cash & cash equivalents (IV)	**(1,137)**	**(32)**	**(299)**	**11**	**(838)**
Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	**(18,288)**	**14,613**	**473**	**1,600**	**(18,761)**
Cash and cash equivalents at the beginning of the period	161,751	224,089	142,990	237,102	161,751
Cash and cash equivalents at the end of the period	143,463	238,702	143,463	238,702	142,990

Notes to the condensed interim consolidated financial statements

1. Accounting policies and basis of presentation

1.1. Basis of presentation of the interim consolidated financial statements and basis of consolidation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2022. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and in conformity with IFRS as adopted by the European Union (EU).

The preparation of the condensed interim consolidated financial statements in conformity with IFRS-EU requires management to make certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the financial statement dates, and the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates.

The criteria that have been considered in the consolidation process are not different to the ones utilised in the consolidation process of the financial statements for the year ended 31 December 2022.

1.2. Changes in the scope of consolidation

H1 2023

There are no changes in the scope of consolidation in H1 2023. Note that in September 2022, the Group acquired the remaining 93.1% interest in American Zinc Products, LLC (currently, Befesa Zinc Metal, LLC). Befesa already owned 6.9% of the zinc refining asset since August 2021 (Note 6 of the 2022 consolidated financial statements).

H1 2022

There were no changes in the scope of consolidation in H1 2022.

1.3. Alternative Performance Measures

The Company regularly reports alternative performance measures (APM) not defined by IFRS that management believes are relevant indicators of the performance of the Group.

Alternative performance measures are used to provide readers with additional financial information that is regularly reviewed by management and used to make decisions about operating matters. These measures are also used for defining senior management's variable remuneration. They are useful in terms of relating to discussions with the investment analysts' community.

However, these APM are not uniformly disclosed by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

Definitions, use and reconciliations to the closest IFRS measures are presented below.

1.3.1. Net debt

Net debt is defined as current and non-current financial debt plus current and non-current liabilities less cash and cash equivalents and less other current financial assets adjusted by non-cash items. The Group believes that net debt is relevant to investors, since it gives an indication of the absolute level of non-equity funding of the business.

This can be compared to the income and cash flows generated by the business, and available undrawn facilities.

Reconciliation net debt to the relevant statement of financial position line items:

	30 June 2023	31 December 2022
Non-current financial debt (Note 9)	656,820	663,448
Non-current lease liabilty (Note 9)	16,883	13,988
Current financial debt (Note 9)	28,094	23,038
Current lease liability (Note 9)	8,745	10,298
Cash and cash equivalents	(143,463)	(161,751)
Other current financial assets adjusted by non-cash items	(75)	(60)
Net debt	**567,004**	**548,961**

1.3.2. EBITDA, adjusted EBITDA and EBITDA margin

EBITDA is defined as operating profit for the period before the impact of amortisation, depreciation, impairment and provisions.

Adjusted EBITDA is defined as EBITDA adjusted by any non-recurrent costs/incomes.

EBITDA margin is defined as EBITDA divided by revenue. The Company believes that EBITDA and EBITDA margin are useful supplemental indicators that may be used to assist in evaluating the Group's operating performance.

Reconciliation EBITDA and adjusted EBITDA to the consolidated income statement line items from which it is derived:

	30 June 2023	30 June 2022
Revenue	615,492	572,535
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(524,688)	(456,861)
Amortisation/depreciation, impairment and provisions (a)	(40,360)	(35,346)
EBIT (Operating profit/(loss)) (b)	**50,444**	**80,328**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions) (a+b)	**90,804**	**115,674**
Non-recurrent costs/income	3,932	2,288
Adjusted EBITDA	**94,736**	**117,962**

Reconciliation EBITDA margin and adjusted EBITDA margin:

	30 June 2023	30 June 2022
Revenue (a)	**615,492**	**572,535**
EBITDA (b)	**90,804**	**115,674**
Non-recurrent costs/income	3,932	2,288
Adjusted EBITDA (c)	**94,736**	**117,962**
EBITDA margin (%) (b/a)	**15%**	**20%**
Adjusted EBITDA margin (%) (c/a)	**15%**	**21%**

1.3.3. EBIT, adjusted EBIT and EBIT margin

EBIT is defined as operating profit for the year. Befesa 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.

Adjusted EBIT is defined as EBIT adjusted by any non-recurrent costs/incomes.

EBIT margin and Adjusted EBIT margin is defined as EBIT and adjusted EBIT as a percentage of revenue. Befesa believes that these ratios are useful measures to demonstrate the proportion of revenue that has been realised as EBIT and adjusted EBIT, and therefore indicators of profitability.

Reconciliation EBIT and adjusted EBIT to the income statement line items from which it is derived:

	30 June 2023	30 June 2022
Revenue	615,492	572,535
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(524,688)	(456,861)
Amortisation/depreciation, impairment and provisions	(40,360)	(35,346)
EBIT (Operating profit/(loss))	**50,444**	**80,328**
Non-recurrent costs/incomes EBIT	719	-
Non-recurrent costs/incomes EBITDA	3,932	2,288
Adjusted EBIT	**55,095**	**82,616**

Reconciliation EBIT margin and Adjusted EBIT margin:

	30 June 2023	30 June 2022
Revenue (a)	**615,492**	**572,535**
EBIT (b)	**50,444**	**80,328**
Non-recurrent costs/incomes EBIT	719	-
Non-recurrent costs/incomes EBITDA	3,932	2,288
Adjusted EBIT (c)	**55,095**	**82,616**
EBIT margin (%) (b/a)	**8%**	**14%**
Adjusted EBIT margin (%) (c/a)	**9%**	**14%**

1.3.4. Net debt / adjusted EBITDA (adjusted leverage ratio)

Net debt/Adjusted EBITDA ratio is defined as net debt divided by adjusted EBITDA. Befesa believes that this ratio is a useful measure to show its ability to generate the income needed to be able to settle its loans and borrowings as they fall due.

Reconciliation net debt/adjusted EBITDA ratio to net debt and adjusted EBITDA:

	30 June 2023	30 June 2022
Net debt	567,004	470,888
Adjusted EBITDA LTM	191,374	221,403
Net debt/Adjusted EBITDA	**2.96**	**2.13**

1.3.5. Capex

Capex is defined as the cash payments made during the period for investments in intangible assets, property plant and equipment, and right-of-use assets.

The Company believes that this measure is useful to understand the effort made by the Company each year to acquire, upgrade and maintain physical assets such as property, industrial buildings, or equipment.

Reconciliation capex to the cash flow statement line items from which it is derived:

	30 June 2023	30 June 2022
Cash flows from investing activities:		
Investments in intangible assets	113	307
Investments in property, plant and equipment	53,132	57,209
Capex	**53,245**	**57,516**

2. Financial risk management policies

The activities carried on by Befesa through its business segments are exposed to several financial risks: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and capital risk. The Group Risk Management Model focuses on the uncertainty in financial markets and attempts to minimise the potential adverse effects on Group's earnings.

There were no changes in the risk management policies since 31 December 2022.

Fair value estimation

On the basis of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports the estimation of fair value by level according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable, either directly (i.e. reference prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Group's assets and liabilities measured at fair value at 30 June 2023 and at 31 December 2022:

	Level 2	Total
30 June 2023		
Assets		
- Derivatives (Notes 6–10)	125,094	125,094
Total assets at fair value	**125,094**	**125,094**
Liabilities		
- Derivatives (Note 10)	90	90
Total liabilities at fair value	**90**	**90**

	Level 2	Total
31 December 2022		
Assets		
- Derivatives (Notes 6–10)	40,947	40,947
Total assets at fair value	**40,947**	**40,947**
Liabilities		
- Derivatives (Note 10)	51,098	51,098
Total liabilities at fair value	**51,098**	**51,098**

Financial instruments Level 2

The fair value of financial instruments not traded in an active market is determined using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flows and uses assumptions based on the market conditions at each financial statement date. If all significant data required to calculate the fair value of an instrument are observable, the instrument is included in Level 2.

Specific techniques for measuring financial instruments include:

- The fair value of swap interest rates is calculated as the present value of future estimated cash flows.
- The fair value of derivative contract exchange rates is determined using forward exchange rates quoted in the market at the financial statement date.
- It is assumed that the book value of receivables and trade payables approximates their fair value.
- The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The instruments included in Level 2 relate to derivative financial instruments (Note 10).

3. Segment reporting

The Board of Directors is ultimately responsible for making the Group's operational decisions as the Chief Operating Decision Maker (CODM). The Board of Directors reviews the Group's internal financial information in order to assess its performance and allocate resources to the segments.

The Board of Directors analyses the business based on the two segments indicated below:

- Steel Dust Recycling Services (Steel Dust)
- Aluminium Salt Slags Recycling Services, which contains two subsegments:
  - Salt Slags Recycling (Salt Slags)
  - Secondary Aluminium Production (Secondary Aluminium)

These segments correspond to the Group's principal activities (products and services), the sales of which (fee for the services and/or sale of the recycled residues) determine the Group's revenue (Note 12).

The Board of Directors assesses the performance of the operating segments largely based on operating income before interest and taxes (EBIT), depreciation/amortisation and provisions (EBITDA).

The financial information received by the Board of Directors also includes financial income and expenses and tax aspects, as well as cash flow and net debt.

Detailed definition of EBIT and EBITDA is shown in Note 1.3.

The accounting policies and measurement bases applied to the information furnished to the Board of Directors are consistent with those applied in the consolidated financial statements.

Disaggregation of revenue from contracts with customers

In relation with revenue recognition, the Group considers that under IFRS 15 there is only one kind of contract with customers. The assessment is supported by the fact that main sales of the Group's products have only one performance obligation: delivery of WOX, green zinc (SHG), or aluminium. Furthermore, the products are not dependent on or connected to other products or services. Consequently, as there are no delayed performance obligations, the revenue is recognised fully after the passing of control to the customer.

Based on this, the Group discloses revenue by reporting segment and geographical area.

Distribution by segment of adjusted EBITDA and adjusted EBIT for the six-month period ended 30 June 2023, and for the six-month period ended 30 June 2022:

	30 June 2023				
	Steel Dust	Salt Slags	Secondaty Aluminium	Corporate, other minor & eliminations	Total
Revenue	403,007	41,268	195,231	(24,014)	615,492
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(339,642)	(26,946)	(181,877)	23,777	(524,688)
Amortisation/depreciation, impairment and provisions (a)	(31,520)	(4,746)	(3,890)	(204)	(40,360)
EBIT (Operating profit/(loss)) (b)	**31,845**	**9,576**	**9,464**	**(441)**	**50,444**
EBITDA (Operating profit/(loss) before amortisation) (a) + (b)	**63,365**	**14,322**	**13,354**	**(237)**	**90,804**
Non-recurrent costs/incomes EBIT	719	-	-	-	719
Non-recurrent costs/incomes EBITDA	3,823	-	-	109	3,932
Adjusted EBIT (Operating profit/(loss)	**36,387**	**9,576**	**9,464**	**(332)**	**55,095**
Adjusted EBITDA (Operating profit/(loss)	**67,188**	**14,322**	**13,354**	**(128)**	**94,736**

	30 June 2022				
	Steel Dust	Salt Slags	Secondaty Aluminium	Corporate, other minor & eliminations	Total
Revenue	353,818	41,308	217,714	(40,305)	572,535
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(258,819)	(26,677)	(208,696)	37,331	(456,861)
Amortisation/depreciation, impairment and provisions (a)	(26,636)	(4,509)	(3,996)	(205)	(35,346)
EBIT (Operating profit/(loss)) (b)	**68,363**	**10,122**	**5,022**	**(3,179)**	**80,328**
EBITDA (Operating profit/(loss) before amortisation) (a) + (b)	**94,999**	**14,631**	**9,018**	**(2,974)**	**115,674**
Non-recurrent costs/incomes EBITDA	-	-	-	2,288	2,288
Adjusted EBIT (Operating profit/(loss)	**68,363**	**10,122**	**5,022**	**(891)**	**82,616**
Adjusted EBITDA (Operating profit/(loss)	**94,999**	**14,631**	**9,018**	**(686)**	**117,962**

Reconciliation adjusted EBITDA and adjusted EBIT to results attributable to the Parent Company:

	30 June 2023	30 June 2022
Adjusted EBITDA	**94,736**	**117,962**
- Non-recurrent costs/incomes EBIT	719	-
Amortisation/depreciation, impairment and provisions	(40,360)	(35,346)
Adjusted EBIT	**55,095**	**82,616**
- Non-recurrent costs/incomes EBITDA & EBIT	4,651	2,288
EBIT - Operating profit/(loss)	**50,444**	**80,328**
Finance income (cost)	(19,606)	(12,314)
Corporate income tax	(11,298)	(14,633)
Profit/(loss)	19,540	53,381
Non-controlling interests	(709)	3,348
Profit/(loss) attributed to the Parent Company	**20,249**	**50,033**

Details of revenues by geographical segment for the six-month period ended 30 June 2023, and for the six-month period ended 30 June 2022:

Geographical area	30 June 2023	%	30 June 2022	%
Spain	106,502	17%	113,155	20%
Germany	64,698	11%	59,428	10%
France	28,066	5%	15,006	3%
Belgium	26,102	4%	33,058	6%
Norway	24,712	4%	18,071	3%
Finland	21,515	3%	22,077	4%
Netherlands	13,997	2%	21,491	4%
Sweden	10,585	2%	11,559	2%
Portugal	10,336	2%	8,934	2%
Italy	9,984	2%	30,755	5%
Rest of Europe	**23,475**	**4%**	**21,899**	**4%**
USA	185,332	30%	113,415	20%
Japan	33,791	5%	25,686	4%
Brazil	11,156	2%	11,314	2%
South Korea	10,516	2%	18,261	3%
China	8,538	1%	7,269	1%
Singanpore	8,129	1%	13,842	2%
Australia	6,853	1%	15,372	3%
Rest of the world	**11,205**	**2%**	**11,943**	**2%**
Total	**615,492**	**100%**	**572,535**	**100%**

Details of the segment assets and liabilities for the six-month period ended 30 June 2023, and for the full-year period ended 31 December 2022:

	30 June 2023				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Assets					
Intangible assets	622,658	51,137	13,598	87	687,480
Right-of-use assets	25,664	4,863	553	518	31,598
Property, plant and equipment	554,094	81,961	54,031	475	690,561
Investments in associates and other non-current assets	95,986	41	30,140	52,861	179,028
Current assets	306,262	16,139	70,370	35,570	428,341
Total assets	**1,604,664**	**154,141**	**168,692**	**89,511**	**2,017,008**
Equity and liabilities					
Equity	414,758	76,162	39,542	356,304	886,766
Non-current liabilities	990,985	65,210	47,394	(290,487)	813,102
Current liabilities	198,921	12,769	81,756	23,694	317,140
Total equity and liabilities	**1,604,664**	**154,141**	**168,692**	**89,511**	**2,017,008**

	31 December 2022				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Assets					
Intangible assets	628,231	51,636	13,985	115	693,967
Right-of-use assets	25,157	4,851	592	295	30,895
Property, plant and equipment	555,526	70,276	56,483	524	682,809
Investments in associates and other non-current assets	66,209	41	35,259	46,704	148,213
Current assets	289,757	27,405	79,055	24,509	420,726
Total assets	**1,564,880**	**154,209**	**185,374**	**72,147**	**1,976,610**
Equity & liabilities					
Equity	321,151	69,287	35,863	392,951	819,252
Non-current liabilities	992,780	67,625	67,245	(303,357)	824,293
Current liabilities	250,949	17,297	82,266	(17,447)	333,065
Total equity and liabilities	**1,564,880**	**154,209**	**185,374**	**72,147**	**1,976,610**

4. Other intangible assets, net

H1 2023

During the six-month period ended 30 June 2023, there are no significant additions, nor disposals within ‘Other intangible assets, net’.

H1 2022

During the six-month period ended 30 June 2022, there are no significant additions, nor disposals within ‘Other intangible assets, net’.

Investment commitments

At 30 June 2023 and 31 December 2022, the Group had no significant investment commitments.

5. Property, plant and equipment

H1 2023

The movements of the ‘Property, plant and equipment’ balance in the six-month period ended 30 June 2023 includes additions amounting to €53.8 million. These were mainly related to the investments made in the US to upgrade the plants and annual maintenance investments of €27.5 million, and a €13.8 million investment of Befesa Salzschlacke, GmbH in the plant of Hanover due to the fire suffered in 2021.

There were no significant disposals in the period.

The amortisation of the period amounted to €32.1 million.

H1 2022

The movements of the ‘Property, plant and equipment’ balance in the six-month period ended 30 June 2022 includes additions amounting to €54.0 million, mainly related to the organic projects in China (plants in Henan and Jiangsu) by €19.2 million, investments made in Befesa Holding US, Inc. amounting to €13.2 million and a €15.6 million investment of Befesa Salzschlacke, GmbH in the plant of Hanover due to the fire suffered in 2021.

There were no significant disposals in the period.

The amortisation of the period amounted to €29.1 million.

Impairment losses

During the six-month period ending 30 June 2023 and 30 June 2022 no significant impairments were recognised in 'Property, plant and equipment'.

Investment commitments

At 30 June 2023, the investment commitments amounted to €23.2 million mainly due to the investments in the plants of Hanover and Lunen (€7.4 million for the reconstruction of the plant and environmental investments), and the revamping of the plant in Palmerton in the US (€6.9 million).

At 31 December 2022, the Group had investment commitments amounting to €28.8 million mainly due to the expansion project in China and the US.

6. Financial assets by category and class

Classification of financial assets by category and class:

	30 June 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Financial assets at amortised cost				
Loans				
Variable rate	-	1,666	-	1,666
Impairment	-	(1,104)	-	(1,104)
Trade and other receivables	140,718	-	155,094	-
Security deposits	605	4,228	887	3,467
Financial assets measured at fair value				
Hedging derivatives (Note 10)	40,303	84,790	455	40,492
Total financial assets	**181,626**	**89,580**	**156,436**	**44,521**

The fair value of financial assets does not differ significantly from their carrying amount.

7. Inventories

Details of 'Inventories' in the accompanying condensed interim consolidated statement of financial position at 30 June 2023 and 31 December 2022:

	30 June 2023	31 December 2022
Finished goods	24,480	28,928
Goods in progress and semi-finished goods	4,868	6,817
Raw materials	40,018	36,124
Other	33,886	30,670
	103,252	**102,539**

'Other' at 30 June 2023 and 31 December 2022 mainly includes spare parts for the Group's facilities.

The Group has taken out insurance policies to cover risks relating to inventories. The coverage provided by these policies is considered to be sufficient.

8. Share capital

Shareholder structure as at 30 June 2023 and at 31 December 2022:

	Percentage of ownership	
	30 June 2023	31 December 2022
Freefloat	100.0%	100.0%

The number of shares as at 30 June 2023 and as at 31 December 2022 is 39,999,998 with a par value of €2.78 each. All shares are listed in the Frankfurt Stock Exchange and have the same rights.

The authorised capital of the Company (including, for the avoidance of doubt, the Company's issued share capital) is set at 39,999,998 shares.

On 16 June 2021, the Company issued 5,933,293 new shares each with par value of €2.78 (€16,472 thousand) and share premium of €53.22 (€315,792 thousand). The new shares were included in the existing listing of Befesa's shares at the Frankfurt Stock Exchange. The Company has recognised €3,648 thousand of issuance costs as a reduction in equity instruments issued.

On 6 July 2023, Befesa distributed to its shareholders a dividend of €1.25 per share, amounting to €50.0 million, as approved by the AGM held on 15 June 2023, so as at 30 June 2023 the €50.0 million are reported in 'Other current liabilities' in the statement of financial position.

On 6 July 2022, Befesa distributed to its shareholders a dividend of €1.25 per share, amounting to €50.0 million, as approved by the AGM held on 16 June 2022.

9. Financial debt and lease payables

Details of the related line items in the accompanying consolidated statement of financial position:

	30 June 2023		31 December 2022	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans and credit facilities	22,545	656,820	18,349	663,448
Unmatured accrued interest	5,549	-	4,689	-
Finance lease payables	8,745	16,883	10,298	13,988
Total	**36,839**	**673,703**	**33,336**	**677,436**

Fair values of borrowings are not materially different to their carrying amounts since the interest payable is close to current market rates.

Main terms and conditions of the borrowings:

Type	Limit in nominal (thousands of currency)	Interest rate	Maturity date	30 June 2023		31 December 2022	
				Current maturity	Non-current maturity	Current maturity	Non-current maturity
Facilities Agreement	EUR 736,000	Euribor + 2.00%	2026	5,353	614,408	4,604	612,519
Jiangsu	CNY 220,000	LIR (NBIC) + 25bps	2026	7,280	16,776	6,832	21,065
Henan	CNY 260,000	LPR (NBIC) + 25bps	2027	3,823	24,957	3,469	29,182
Others				20,383	17,562	18,431	14,670
				36,839	**673,703**	**33,336**	**677,436**

On 19 October 2017, in order to standardise the financial structure of the Group, the Company as Parent and certain subsidiaries as borrowers and guarantors entered into a €636.0 million Facilities Agreement. This post-IPO agreement is intended to raise financing for the entire Group and cancel the Group's previous current and non-current borrowings in connection with the €300.0 million Zinc Notes, €150.0 million PIK Notes and the €167.5 million Syndicated Loan.

Upon completion of the IPO on 3 November 2017 the Facilities Agreement took effect on 7 December 2017.

On 9 July 2019, the refinancing of the existing capital structure was successfully completed in a leverage neutral transaction that a) extends Befesa's debt maturity up to June 2026 with a seven-year tenor of the covenant-lite Term Loan B (TLB) at attractive interest rates, and b) increases loan baskets to accommodate Befesa's growth roadmap including China.

The Facility Agreement has been signed by the Parent of the Group (Befesa, S.A.) and has been designed to meet the financing needs of all Group companies.

The Facilities Agreement comprises:

- Term Loan B (TLB) Facility Commitment in an amount of €526 million, which is a bullet with a maturity of seven years.
- Revolving Credit Facility (RCF) in an amount of €75 million with a maturity of six years.
- A Guarantee Facility Commitment in an amount of €35 million with a maturity of six years.

Interest on the initial TLB facility was Euribor plus a spread of 2.75%, and 2.50% in the case of the RCF. These spreads could be adjusted depending on the ratio of net financial debt/EBITDA.

After the refinancing in July 2019, the margin was set to 250 bps for the following nine months.

On 17 February 2020, Befesa repriced its TLB reducing its interest rate by 50 bps to Euribor + 200 bps with a floor of 0%. The facility's long-term July 2026 maturity date and all other documentation terms remain without further amendment.

On 2 July 2021, with the purpose of Financing the Acquisition of AZR (including but not limited to any costs and expenses relating to the acquisition and any refinancing of financial indebtedness of the target group), and general corporate purposes, together with the accelerated equity offering (AEO) Befesa signed an incremental term facility for an additional €100 million add-on Term Loan B. The maturity and rest of documentation terms remain in line with existing TLB.

In August 2021, the margin applicable to TLB was reduced by 25 bps to Euribor plus 175 bps due to the decrease on the leverage ratio.

In December 2022, the margin applicable to the TLB was increased by 25 bps to Euribor plus 200 bps due to the increase on the leverage ratio.

The Facilities Agreement provides a financial covenant based on the net leverage which shall not exceed the ratio 4.5:1 for any relevant period. The covenant only applies if the total amount of all drawings under the RCF exceeds 40% of the commitments under the RCF. At 30 June 2023 and 31 December 2022, the RCF has not yet been drawn and no financial covenant applies.

The Facilities Agreement limits dividend distribution if any Group company incurs an event of default as defined in the agreement.

In 2020, Befesa closed the financing structure the plants in China (Jiangsu and Henan). The notional and the rest of the conditions signed are shown in the table above.

At 30 June 2023 and 31 December 2022, 'Other' mainly includes short-term financing of Befesa Silvermet Iskenderun, debt related to the financial leases and the incorporation of Befesa Zinc Metal, LLC to the consolidation perimeter in 2022.

At 30 June 2023 and 31 December 2022, an amount of €75 million was undrawn from the syndicated financing arrangement.

10. Financial derivatives

The Group uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed, which are mainly risks arising from changes in exchange rates, interest rates and the market price of certain metals, mainly zinc.

Details of the balances that reflect the measurement of derivatives in the accompanying condensed interim consolidated statement of financial position at 30 June 2023 and 31 December 2022:

	30 June 2023	31 December 2022
Cash flow hedges non-current assets		
Swap contracts for zinc	52,927	9,369
Interest rate swap	31,864	31,123
	84,791	**40,492**
Cash flow hedges current assets:		
Swap contracts for zinc	40,303	438
Foreign currency swap	-	17
	40,303	**455**
Total assets	**125,094**	**40,947**
Cash flow hedges non-current liabilities:		
Swap contracts for zinc	-	12,875
	0	**12,875**
Cash flow hedges current liabilities:		
Swap contracts for zinc	-	38,223
Foreign currency swap	90	-
	90	**38,223**
Total liabilities	**90**	**51,098**

11. Long-term provisions

	Provisions for litigation, pensions and similar obligations	Other provisions for contingencies and charges	Total long-term provisions
Balance at 31 December 2022	**9,795**	**8,723**	**18,518**
Profit and loss impact	1,446	122	1,568
Payment	(180)	(73)	(253)
Transfers	(4,923)	-	(4,923)
Conversion differences	59	(91)	(32)
Balance at 30 June 2023	**6,197**	**8,681**	**14,878**

Provision for litigation, pensions and similar obligations

At 30 June 2023, the Group recognised a provision of €1.0 million (€4.5 million at 31 December 2022) related to the compensation plans described in Note 24 of the 2022 consolidated financial statements. At 30 June 2023 and at 31 December 2022, the 'Profit and loss impact' is mainly related to this provision and 'Transfers' corresponds to the liability payable in the short term, which has been recognised as 'Remuneration payable' at 30 June 2023 and at 31 December 2022.

Other provisions for contingencies and charges

The Group company Befesa Valera, S.A.S. recognised a provision of approximately €1.9 million at 30 June 2023 as well as at 31 December 2022 for the present value of the estimated costs of dismantling the concession for the performance of their activities at the Port of Dunkirk (France) following its termination.

In addition, the Group recognised other provisions under 'Other provisions for contingencies and charges' to meet liabilities, whether legal or implicit, probable or certain, due to contingencies, ongoing litigations and tax obligations, which arise as a result of past events and are more likely than not to require an outflow of resources embodying economic benefits from the Group to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Befesa Zinc US Inc. recognised asset retirement obligations linked to its different facilities in the US of €6.1 million at 30 June 2023 for the present value of estimated costs (€6.1 million at 31 December 2022).

12. Incomes and expenses. Revenues

Details of revenues by category for the six-month period ended 30 June 2023 and 30 June 2022:

	30 June 2023	%	30 June 2022	%
Steel Dust	**403,007**	**65%**	**353,818**	**62%**
-Sale of WOX and others metals	240,153	39%	310,397	54%
-Service fees	55,724	9%	43,421	8%
-Smelting: sale of metals and by-products	173,267	28%	-	-
-Eliminations (*)	(66,137)	(11%)	-	-
Salt Slags	**41,268**	**7%**	**41,308**	**7%**
-Sale of aluminium concentrates and melting salt	24,426	4%	27,863	5%
-Fees for recycling salt slags and SPL	16,842	3%	13,445	2%
Secondary Aluminium	**195,231**	**32%**	**217,714**	**38%**
-Sale of secondary aluminium alloys	185,153	30%	199,199	35%
-Technology division & others	10,078	2%	18,515	3%
Corporate, other minor eliminations	**(24,014)**		**(40,305)**	
Total	**615,492**		**572,535**	

(*) Eliminations in the Steel Dust segment correspond to the elimination of sales between Befesa Zinc US, Inc. and Befesa Zinc Metal, LLC following the acquisition of the latter in 2022 given that Befesa Zinc US, Inc. sells 100% of its production to Befesa Zinc Metal, LLC, which processes Waelz oxide (WOX) and transforms it into special high-grade zinc (SHG).

The Group discloses revenue by reporting segment and geographical area in Note 3.

13. Taxation

Income tax is calculated as of the closing date on the basis of the applicable tax regulation. Nevertheless, any alteration on the applicable tax framework, would be accordingly considered on the financial statements prepared immediately after the date such regulation comes into effect.

At 30 June 2023, the accounts arising as a result of the Income Tax estimation for the six-month period ended 30 June 2023, is recorded under ‘Accounts receivables from public authorities’ and ‘Accounts payables to public administrations’ on the condensed interim consolidated statement of financial position included in these condensed interim consolidated financial statements.

14. Earnings per share

Basic earnings per share calculation:

	30 June 2023		30 June 2022	
	Total amount in € thousand	Earnings per share in €	Total amount in € thousand	Earnings per share in €
Net income (attributable to Befesa S.A.'s shareholders)	**20,249**	**0.51**	**50,033**	**1.25**
Weighted average shares	39,999,998		39,999,998	

15. Guarantee commitments to third parties and contingencies

At 30 June 2023, a number of Group companies had provided guarantees for an overall amount of approximately €77.9 million (31 December 2022: €76.1 million) to guarantee their operations vis-à-vis customers, banks, government agencies and other third parties.

The Group has contingent liabilities for litigation arising in the ordinary course of business from which no significant liabilities are expected to arise other than those for which provisions have already been recognised.

16. Balances and transactions with related parties

All the significant balances at period-end between the consolidated companies and the effect of the transactions between them were eliminated on consolidation.

The balances and transactions of Group companies relate to sale and purchase transactions and other commercial operations on an arm’s length basis.

All transactions are commercial and do not accrue interest, except for loans and the above credit facilities with the Group, carried out on an arm’s length basis, the maturity of which are ordinary for these types of transactions.

As transactions with related parties are carried out on an arm’s length basis, the Parent Company’s Directors do not consider that this could give rise to significant liabilities in the future.

17. Subsequent events

There are no events between the financial statement date (30 June 2023) and the date of presentation of this H1 2023 Interim Report (27 July 2023) which would materially affect the Group’s assets or the Group’s financial and/or earnings position.

Management's responsibility statement

We, Javier Molina Montes and Rafael Pérez Gómez, respectively Executive Chair and Chief Financial Officer, confirm, to the best of our knowledge, that:

- the 2023 interim consolidated financial statements of Befesa S.A. presented in this Interim Financial Report, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of Befesa S.A. and the undertakings included in the consolidation taken as a whole, and

- the Management Report includes a fair review of the development and performance of the business and the position of Befesa S.A. and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 26 July 2023

Javier Molina Montes

Rafael Pérez Gómez

Additional information

Segmentation overview - key metrics

Steel Dust Recycling Services

	H1 2023	H1 2022	Change	Q2 2023	Q2 2022	Change
Key operational data (tonnes, unless specified otherwise)						
EAFD throughput	592,335	629,661	(5.9) %	305,266	292,295	4.4 %
WOX sold	197,238	213,889	(7.8) %	97,406	110,158	(11.6) %
Zinc blended price (€ / tonne)	2,464	2,668	(7.6) %	2,290	2,789	(17.9) %
Total installed capacity	1,693,026	1,555,300	8.9 %	1,693,026	1,555,300	8.9 %
Utilisation (%)	70.6 %	81.6 %	(1,109) bps	72.3 %	75.4 %	(306) bps
Key financial data (€ million, unless specified otherwise)						
Revenue	403.0	353.8	13.9 %	186.7	197.9	(5.6) %
EBITDA	63.4	95.0	(33.3) %	26.3	40.2	(34.5) %
EBITDA margin	15.7 %	26.8 %	(1,113) bps	14.1 %	20.3 %	(621) bps
Adjusted EBITDA	67.2	95.0	(29.3) %	30.2	40.2	(25.0) %
Adjusted EBITDA margin	16.7 %	26.8 %	(1,018) bps	16.2 %	20.3 %	(417) bps
EBIT	31.8	68.4	(53.4) %	10.6	26.1	(59.5) %
EBIT margin	7.9 %	19.3 %	(1,142) bps	5.7 %	13.2 %	(753) bps
Adjusted EBIT	36.4	68.4	(46.8) %	15.1	26.1	(42.1) %
Adjusted EBIT margin	9.0 %	19.3 %	(1,029) bps	8.1 %	13.2 %	(510) bps

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

	H1 2023	H1 2022	Change	Q2 2023	Q2 2022	Change
Key operational data (tonnes, unless specified otherwise)						
Salt slags and SPL recycled	171,076	172,949	(1.1) %	88,783	85,497	3.8 %
Total installed capacity	470,000	470,000	-	470,000	470,000	-
Utilisation (%)	73.4 %	74.2%	(80) bps	75.8 %	73.0%	280 bps
Key financial data (€ million, unless specified otherwise)						
Revenue	41.3	41.3	(0.1) %	20.4	22.1	(7.6) %
EBITDA	14.3	14.6	(2.1) %	7.7	8.2	(5.9) %
EBITDA margin	34.7 %	35.4 %	(71) bps	37.9 %	37.2 %	70 bps
EBIT	9.6	10.1	(5.4) %	5.4	6.1	(10.9) %
EBIT margin	23.2 %	24.5 %	(130) bps	26.5 %	27.5 %	(99) bps

Secondary Aluminium subsegment

	H1 2023	H1 2022	Change	Q2 2023	Q2 2022	Change
Key operational data (tonnes, unless specified otherwise)						
Secondary aluminium alloys produced	87,151	84,645	3.0 %	43,471	42,401	2.5 %
Aluminium alloy FMB price (€ / tonne)	2,243	2,558	(12.3) %	2,184	2,488	(12.2) %
Total installed capacity	205,000	205,000	-	205,000	205,000	-
Utilisation (%)	85.7 %	83.3 %	247 bps	85.1 %	83.0 %	209 bps
Key financial data (€ million, unless specified otherwise)						
Revenue	195.2	217.7	(10.3) %	99.4	119.8	(17.0) %
EBITDA	13.4	9.0	48.1 %	6.1	7.8	(21.8) %
EBITDA margin	6.8 %	4.1 %	270 bps	6.2 %	6.5 %	(37) bps
EBIT	9.5	5.0	88.5 %	4.2	5.9	(29.1) %
EBIT margin	4.8 %	2.3 %	254 bps	4.2 %	4.9 %	(72) bps

Note: Segment splits, revenue and earnings contributions do not take into account corporate nor the inter-segment eliminations.

Financial calendar

Thursday, 26 October 2023 Q3 2023 Statement & Conference 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 at the Investor Relations / Investor's Agenda section of Befesa's website www.befesa.com

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