H1 2021 Interim Report

BEFESA

Content

Befesa at a glance

Business review

Consolidated financial statements

Additional information

Befesa at a glance

Key figures – H1/Q2 2021

	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Key operational data (tonnes, unless specified otherwise)						
Electric arc furnace steel dust (EAFD) throughput	340,668	341,238	(0.2) %	159,573	155,581	2.6 %
Waelz oxide (WOX) sold	119,334	126,462	(5.6) %	52,607	58,685	(10.4) %
Salt slags and Spent Pot Linings (SPL) recycled	195,764	230,438	(15.0) %	91,334	105,741	(13.6) %
Secondary aluminium alloys produced	99,453	79,255	25.5 %	48,170	31,336	53.7 %
Zinc LME average price (€ / tonne)	2,349	1,855	26.7 %	2,418	1,780	35.9 %
Zinc blended price (€ / tonne)	2,254	2,064	9.2 %	2,275	1,991	14.3 %
Aluminium alloy FMB average price (€ / tonne)	1,963	1,357	44.6 %	1,945	1,282	51.7 %
Key financial data (€ million, unless specified otherwise)						
Revenue	384.2	301.2	27.6 %	191.6	122.2	56.8 %
EBITDA	94.1	55.3	70.4 %	45.3	21.7	> 100 %
EBITDA margin	24.5 %	18.3 %	615 bps	23.6 %	17.8 %	587 bps
EBIT	75.5	20.5	> 100 %	36.1	(3.6)	-
EBIT margin	19.6 %	6.8 %	1,283 bps	18.8 %	(2.9) %	2,174 bps
Adjusted EBIT[1]	75.5	36.1	> 100 %	36.1	12.0	> 100 %
Adjusted EBIT margin[1]	19.6 %	12.0 %	766 bps	18.8 %	9.8 %	901 bps
Financial result	(10.2)	6.2	-	(5.5)	10.5	-
Profit before taxes and minority interests	65.3	26.7	> 100 %	30.6	6.9	> 100 %
Net profit attributable to shareholders of Befesa S.A.	45.6	20.6	> 100 %	20.8	5.9	> 100 %
EPS (in €)[2]	1.32	0.60	> 100 %	0.60	0.17	> 100 %
Total assets[3]	1,539.8	1,100.4	39.9 %	1,539.8	1,100.4	39.9 %
Capital expenditures	44.0	24.3	80.8 %	16.3	12.6	28.7 %
Cash flow from operating activities	70.2	11.2	> 100 %	43.7	2.8	> 100 %
Cash and cash equivalents at the end of the period[4]	196.6	106.6	84.4 %	196.6	106.6	84.4 %
Net debt	371.4	423.5	(12.3) %	371.4	423.5	(12.3) %
Net leverage	x 2.24	x 3.14	(x 0.90)	x 2.24	x 3.14	(x 0.90)
Number of employees (as of end of the period)	1,195	1,156	3.4 %	1,195	1,156	3.4 %

[1] EBIT adjusted for the impairment of the UK salt slags plant

[2] EPS in H1/Q2 2020 is based on 34,066,705 shares; H1/Q2 2021 is based on 34,525,634 weighted average shares after the capital increase of 5,933,293 new shares (see Note 14 to the consolidated financial statements)

[3] 2020 figure as of 31 December

[4] Reported cash position of €527.2 million at 30 June 2021, adjusted for the €330.6 million of net funds raised through the capital increase in connection with the American Zinc Recycling (AZR) acquisition signed on 16 June 2021

Highlights

- **Operational volumes on a solid level** in H1, with **plant utilisation rates at pre-COVID levels**, especially considering that multiple of the scheduled annual plant maintenance overhauls were conducted in Q2
  - Electric arc furnace steel dust (EAFD) throughput at 340.7 thousand tonnes (flat yoy)
  - Salt slags & spent pot linings (SPL) treated at 195.8 thousand tonnes (-15% yoy), mainly due to the impact of the UK plant closure at year-end 2020
  - Secondary aluminium alloys produced at 99.5 thousand tonnes (+25% yoy)

- **H1 EBITDA at €94.1 million**, **all-time-high**, **up 70% yoy** (H1 2020: €55.3 million), and **up 18% or €14.1 million vs. H1 2019**; clearly demonstrating the recovery to and above pre-COVID levels;
  H1 EBITDA margin at 24% (H1 2020: 18%)
  Main drivers of €38.9 million yoy earnings increase:
  (+) Favourable metal prices:
    - Zinc LME prices averaged at €2,349 per tonne, up 27% yoy
    - Zinc treatment charges (TC) for 2021 referenced at $159 per tonne (2020: $300 per tonne)
    - Aluminium alloy FMB prices averaged €1,963 per tonne, up 45% yoy

  (+) Higher secondary aluminium alloys
  Positive effects were partially offset by:
  (-) Lower salt slags & SPL volumes mainly due to the impact of the UK plant closure
  (-) Zinc hedging prices slightly lower yoy

- **Operating cash flows grew more than six times yoy to €70.2 million** in H1 (H1 2020: €11.2m);
  LTM operating cash flows at an all-time-high of €151.6 million

- **Record liquidity** with **€196.6 million cash on hand** at Q2 closing, up €32.6 million vs. Q1 2021 closing at €164.0 million, plus €75 million Revolving Credit Facility (RCF) entirely undrawn;
  Net leverage improved to x2.24 (Q1 2021: x2.77; year-end 2020: x3.10), triggering the next lower interest rate ratchet of the Term Loan B (TLB) and reducing interest rate from 2.0% to 1.75%

- **Dividend** of **€1.17 per share**, equal to €46.8 million, **distributed** in July

- **Hedge book extended to July 2024**, providing increased earnings and cash flow visibility

- **Credit ratings enhanced**: Moody’s reaffirmed at “Ba2, outlook stable”; S&P upgraded to “BB+, outlook stable”

- **ESG**:
  - Befesa **2020 ESG Progress Update published** on 27 April
  - Befesa continues to be a vital player within the circular economy with **strong ESG ratings**

- **China expansion on track:**
  - Jiangsu: In trial production; Targeting commercial output from August onwards
  - Henan: Construction progressing on time and budget; Completion scheduled in Q4

- American Zinc Recycling Corp. (**AZR**) **acquisition** signed on 16 June; Closing expected in August

- **Outlook 2021:**
  - H1 EBITDA annualised & expected strong H2 indicate upper-end of €165-190 million FY EBITDA range
  - Befesa intends to update its guidance after closing and consolidating the AZR acquisition, as part of its Q3 reporting cycle

Business review

Results of operations, financial position & liquidity

Revenue

Total revenue increased by 27.6% yoy to €384.2 million in H1 2021 (H1 2020: €301.2 million) and by 56.8% to €191.6 million in Q2 (Q2 2020: €122.2 million). The development was primarily driven by the higher zinc and aluminium alloy market prices, the favourable lower zinc TC reference, and stronger volumes in Secondary Aluminium. These positive effects were partially offset by the lower volumes treated of salt slags and SPL, mainly driven by the UK plant, which is permanently closed since year-end 2020. Also, the slightly unfavourable zinc hedging prices partially offset the positive effect from the zinc LME price increase yoy.

EBITDA & EBIT

Total EBITDA in H1 2021 increased by 70.4% yoy to €94.1 million (H1 2020: €55.3 million) and by 108.7% to €45.3 million in Q2 (Q2 2020: €21.7 million).
In H1, Befesa benefited from a strong and favourable market price environment which resulted in the €39 million EBITDA improvement yoy, driven by the following main components:

- Favourable metal prices: zinc TC (€15 million); aluminium alloy FMB and metal margins (€13 million);
- Zinc blended prices: zinc LME price increase (€13 million) partially offset by slightly lower zinc hedging prices (-€2 million)

Total EBIT doubled yoy to €75.5 million in H1 (H1 2020: €36.1 million) and it tripled yoy to €36.1 million in Q2 (Q2 2020: €12.0 million), following the same drivers explained referring to the EBITDA development.

Earnings margins so far in 2021 demonstrated the recovery to and above pre-COVID levels: EBITDA margin improved to 24.5% in H1 (H1 2020: 18.3%) and to 23.6% in Q2 (Q2 2020: 17.8%); EBIT margin increased to 19.6% in H1 (H1 2020: 12.0%) and to 18.8% in Q2 (Q2 2020: 9.8%).

Financial result & net profit

Total net **financial result** in H1 2021 came in at -€10.2 million (H1 2020: €6.2 million). The development was primarily driven by the one-time impact from the Term Loan B (TLB) repricing in February 2020 and related accounting for financial instruments per IFRS-9 (€14.7 million impact to finance income).

Total **net profit** attributable to the shareholders in H1 2021 more than doubled yoy to €45.6 million (H1 2020: €20.6 million), hitting a new record high. This improvement was primarily due to the positive drivers impacting EBITDA and EBIT. Correspondingly, earnings per share (EPS) in H1 also improved yoy to €1.32 (H1 2020: €0.60) despite the fact that the number of shares increased by 17.4% to 39,999,998.

Financial position & liquidity

Net debt decreased to €371.4 million at Q2 closing (Q1 2021: €394.7 million; year-end 2020: €393.6 million).
Net leverage further improved to x2.24 (Q1 2021: x2.77; year-end 2020: x3.10) due to the underlying higher last-twelve-months (LTM) EBITDA. The current x2.24 net leverage ratio, below x2.25, will trigger the next interest rate ratchet. As such, the interest rate paid on the TLB facility will be reduced in Q3 to 1.75% from 2.0%. Based on the €626 million extended TLB (future gross financial indebtedness, including €100 million add-on raised to partly fund the AZR acquisition, once the deal is closed), the 25-bps interest rate reduction will imply €1.6 million annual interest reduction.

Net debt (€ million)

	30 June 2021	31 December 2020
Non-current financial indebtedness	550.0	531.5
+ Current financial indebtedness	18.1	16.8
Financial indebtedness	**568.1**	**548.2**
– Cash and cash equivalents[1]	(196.6)	(154.6)
– Other current financial assets[2]	(0.1)	(0.1)
Net debt	**371.4**	**393.6**
EBITDA LTM	165.8	127.0
Net leverage ratio	**x 2.24**	**x 3.10**

1 Reported cash position of €527.2 million at 30 June 2021, adjusted for the €330.6 million of net funds raised through the capital increase in connection with the AZR acquisition signed on 16 June 2021

2 Other current financial assets adjusted by hedging valuation

Operating cash flow in H1 2021 amounted to €70.2 million, an all-time-high and more than six times higher yoy (H1 2020: €11.2 million). This improvement was mainly driven by the earnings increase explained. Interests paid in H1 2021 reduced by 26% yoy to €7.6 million (H1 2020: €10.3 million) as a result of the repricing of the capital structure in February 2020.

On a LTM basis, the operating cash flow amounted to €151.6 million, above pre-COVID levels (full year 2018 at €103.8 million; full year 2019 at €102.5 million; full year 2020: €92.5 million).

In H1 2021, Befesa invested €43.1 million (H1 2020: €30.9 million) to fund regular maintenance capex as well as growth investments, the latter mainly related to the first two plants in China partly funded through local loans.

In June 2021, €330.6 million of net funds were raised through a capital increase to partly fund the AZR acquisition. Total cash flow in H1 2021 amounted to €372.7 million, or €42.1 million when adjusted for the mentioned €330.6 million net funds raised through the capital increase.

The €42.1 million total adjusted cash flow generated in H1 2021 improved Befesa's cash on hand from €154.6 million at year-end 2020 to €196.6 million at Q2 closing, also a new high on Befesa's record. The adjusted cash balance of €196.6 million together with the entirely undrawn RCF of €75.0m provides Befesa with a €271.6 million **liquidity**. This supports the enhanced **credit ratings** received in Q2 from Moody's, reaffirmed at current "Ba2, outlook stable", and S&P, who upgraded Befesa's credit rating to "BB+, outlook stable" (from "BB, outlook stable").

Segment information

Steel Dust Recycling Services

Volumes of **EAFD recycled** in H1 2021 remained flat yoy at 340,668 tonnes. In Q2 2021, 159,573 tonnes of EAFD were recycled, up 2.6% yoy (Q2 2020: 155,581 tonnes). With these volumes, Befesa's EAFD recycling plants ran at average load factors of 83% and 78% of the installed annual recycling capacity of 825 thousand tonnes, respectively in H1 and Q2 2021. These utilisation levels demonstrate a recovery to pre-COVID levels, especially considering that multiple of the scheduled annual plant maintenance overhauls were conducted in Q2 2021.
The volume of Waelz oxide (WOX) sold decreased by 5.6% yoy to 119,334 tonnes in H1 (H1 2020: 126,462 tonnes) and by 10.4% yoy to 52,607 tonnes in Q2 (Q2 2020: 58,685 tonnes) due to WOX stock management.

Revenue in the Steel Dust business increased by 11.3% yoy to €195.3 million in H1 2021 (H1 2020: €175.5 million) and by 27.1% yoy to €94.4 million in Q2 2021 (Q2 2020: €74.3 million).

EBITDA increased by 54.7% yoy to €69.2 million in H1 2021 (H1 2020: €44.7 million) and by 74.1% yoy to €32.7 million in Q2 2021 (Q2 2020: €18.8 million). These yoy increases are primarily driven by the higher market prices and favourable zinc TC. So far in 2021, zinc LME prices were higher and averaged at €2,349 per tonne in H1 and at €2,418 per tonne in Q2, yoy up 26.7% and 35.9%, respectively. Zinc TC was referenced at $159 per tonne for the full year 2021 (2020: $300 per tonne). Combined, the net price effect (zinc LME and TC) was up 53% yoy in H1 and up 67% yoy in Q2. Zinc hedging average prices in both H1 and Q2 were slightly lower yoy, as well as compared to spot average prices in the respective periods. Combined, the zinc effective average prices (blended rate between hedged volume and non-hedged volume) amounted to €2,254 per tonne in H1 2021, up 9.2% yoy (H1 2020: €2,064 per tonne), and to €2,275 per tonne in Q2 2021, up 14.3% yoy (Q2 2020: €1,991 per tonne).

EBIT came in at €59.6 million in H1 2021, up 72.6% yoy (H1 2020: €34.5 million), and at €28.0 million in Q2 2021, a two-times increase yoy (Q2 2020: €13.7 million), following the same drivers explained referring to the EBITDA development.

Consequently, earnings margins in 2021 recovered yoy to pre-COVID-19 levels: EBITDA margin increased to 35.4% in H1 (H1 2020: 25.5%) and to 34.6% in Q2 (Q2 2020: 25.3%); EBIT margin improved to 30.5% in H1 (H1 2020: 19.7%) and to 29.6% in Q2 (Q2 2020: 18.4%).

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

Salt slags and SPL recycled volumes in H1 2021 decreased by 15.0% yoy to 195,764 tonnes (H1 2020: 230,438 tonnes). Volumes recycled in Q2 amounted to 91,334 tonnes, 13.6% lower yoy (Q2 2020: 105,741 tonnes). This development was primarily due to the plant in the UK, which was permanently closed at year-end 2020.
On average, salt slags recycling plants continued to operate at solid pre-COVID levels with utilisation rates at 88% and 81% in H1 and Q2, respectively, of the latest installed annual recycling capacity of 450,000 tonnes.

Revenue in the Salt Slags subsegment came in at €37.3 million in H1 2021, 1.5% lower yoy (H1 2020: €37.9 million). In Q2 2021, revenue improved by 10.9% yoy to €17.5 million (Q2 2020: €15.8 million).

EBITDA increased by 26.3% yoy to €11.1 million in H1 (H1 2020: €8.8 million) and by 77.3% yoy to €5.2 million in Q2 (Q2 2020: €3.0 million). The yoy earnings increase was primarily driven by the higher aluminium alloy FMB prices, which averaged €1,963 per tonne in H1, up 44.6% yoy (H1 2020: €1,357 per tonne), and €1,945 per tonne in Q2, up 51.7% yoy (Q2 2020: €1,282 per tonne). This positive development was partially offset by the volume decrease.

EBIT increased by 53.9% yoy to €6.5 million in H1 2021 (H1 2020: €4.2 million) and by more than four times yoy to €2.9 million in Q2 2021 (Q2 2020: €0.6 million), following the same drivers explained referring to the EBITDA development.

Therefore, earnings margins in the Salt Slags subsegment also recovered yoy to pre-COVID-19 levels: EBITDA margin improved to 29.8% in H1 (H1 2020: 23.3%) and to 29.9% in Q2 (Q2 2020: 18.7%); EBIT margin increased to 17.3% in H1 (H1 2020: 11.1%) and to 16.5% in Q2 (Q2 2020: 3.9%).

Secondary Aluminium subsegment

Aluminium alloy production volumes in H1 2021 increased by 25.5% yoy to 99,453 tonnes (H1 2020: 79,255 tonnes), which represents an all-time-high. In Q2 2021, volumes improved by 53.7% yoy to 48,170 tonnes (Q2 2020: 31,336 tonnes). Plants ran approximately at full capacity on average.

Revenue in the Secondary Aluminium subsegment amounted to €172.3 million in H1 2021, up 63.8% yoy (H1 2020: €105.2 million). In Q2 2021, revenue more than doubled yoy to €89.8 million (Q2 2020: €39.8 million). The positive revenue development follows the volume increase and the favourable aluminium alloy FMB prices.

EBITDA quadrupled yoy to €13.7 million in H1 (H1 2020: €3.4 million) and increased by over ten times yoy to €7.3 million in Q2 (Q2 2020: €0.7 million). This positive development is primarily due to the improvement in volumes, the high market prices and recovered aluminium metal margins.

EBIT improved yoy and reversed from the negative levels in 2020, to €9.6 million in H1 2021 (H1 2020: -€0.7 million) and to €5.2 million in Q2 (Q2 2020: -€1.5 million), following the same drivers that impact the EBITDA development.

Risks & opportunities

No material risks or opportunities for the prospective development of the Company have emerged against the comprehensive disclosures, including the ones related to the COVID-19 pandemic.

Strategy

Hedging strategy

Befesa’s hedging strategy is unchanged and continues to be a key element of Befesa’s business model to manage the zinc price volatility and therefore improve the stability and visibility of earnings and cash flow across the economic cycle. Further details are available in Befesa’s Annual Report 2020 (page 33).

In H1 2021, Befesa continued its hedging rigor and extended its zinc hedge book up to and including July 2024. For the year 2024, 46,200 tonnes of zinc equivalent payable output have been locked in at c. €2,325 per tonne, representing 50% of the annual 92,400 tonnes target.

The hedge book in place as of the date of this Interim Report provides Befesa with improved pricing visibility for the following three years, through 2021 (at c. €2,150 per tonne), 2022 (at c. €2,200 per tonne), 2023 (at c. €2,300 per tonne) and 50% of 2024 (at c. €2,325 per tonne).

The average hedged prices and volumes for each of the periods are:

Period	Average hedged price (€ per tonne)	Zinc content in WOX hedged (tonnes)
2020	€2,239	92,400
2021	c. €2,150	92,400
2022	c. €2,200	92,400
2023	c. €2,300	92,400
Up to July 2024	c. €2,325	46,200

China expansion

During Q2 2021, the expansion of the Steel Dust Recycling Services operations into China continued progressing on schedule and budget in both provinces – Jiangsu and Henan.

- **Jiangsu**: The plant at Changzhou is in trial production. First commercial output is targeted from August onwards.

- **Henan**: Construction works at the Xuchang site are progressing on time and budget. The construction of the plant is scheduled for completion in Q4.

The two plants in Jiangsu and Henan are designed to each recycle 110,000 tonnes of EAFD per year and will represent Befesa's seventh and eighth EAFD recycling sites globally, along with the existing sites in Europe, Turkey and South Korea.

US market entry

On 16 June 2021, Befesa signed the agreement to acquire 100% of American Zinc Recycling (AZR)'s recycling assets for a purchase price of $450 million and a 6.9% minority stake in AZR's zinc refining subsidiary for $10 million. The closing of the transaction is expected in August 2021.

AZR is a US market leader in providing EAFD recycling services with a processing capacity of c. 620,000 tonnes of EAFD per year offered through four recycling plants located in South Carolina, Tennessee, Illinois and Pennsylvania, near the major US electric arc furnace (EAF) steel mini-mills.

The EAF is a prevailing steelmaking method in the US, representing more than 70% of the total steel produced. As such, the US has one of the largest and growing markets of EAF steelmakers globally driven by the decarbonisation trend.

This transaction represents a great step forward in executing Befesa's strategy and in accelerating its growth globally. Through the acquisition of AZR's recycling assets, Befesa will become a global leader in EAFD recycling with a globally well-balanced footprint across Europe, Asia and the US with 12 facilities offering c. 1.7 million tonnes of EAFD processing capacity per year.

ESG

ESG topics are crucial for Befesa as its business model has been based on sustainability and a circular-economy approach for more than three decades.

Updated information on sustainability at Befesa is presented in the **2020 ESG Progress Update**, which was published on 27 April 2021 and is available on Befesa's website (www.befesa.com).

As of 30 June 2021, four well-known international ESG rating agencies following Befesa have maintained their respective **ESG ratings** unchanged and as follows:

ISS ESG	Sustainalytics	V.E	MSCI
B Top 3 of 205 Metals & mining	14.8 #3 of 60 Commercial services	#5 of 105 Business services	BBB Commercial services

Subsequent events

On 16 June 2021, Befesa signed an agreement to acquire all shares in U.S.-based company American Zinc Recycling Corp (AZR) for a purchase price of $450 million. As part of the agreements, Befesa will also acquire a minority stake (6.9%) of the equity interests in American Zinc Products LLC (AZP), AZR's zinc refining subsidiary, for $10 million with an option to acquire the remaining 93.1% of the equity interests in AZP for a consideration of $135 million. The acquisition of the remaining 93.1% in AZP depend on the fulfilment of certain operational and financial milestones by AZP prior to 31 December 2023.

The transaction is financed through:

- a capital increase of 5,933,293 new ordinary shares from the existing authorised capital, placed with institutional investors in a private placement by way of an accelerated book building process; and
- a TLB add-on of €100 million, allocated and priced at par, with same terms as the existing TLB facility.

The closing of the transaction is expected to occur in August 2021, subject to antitrust approval and other customary closing conditions. Thus, it has no impact in the financial statements as at 30 June 2021 other than the issuance of 5,933,293 new ordinary shares made by the Company on 16 June 2021 (Note 8).

Outlook 2021

Full year **2021 EBITDA guidance** remains unchanged at **€165–190 million,** equal to 30% to 50% yoy growth (2020: €127.0 million).

H1 EBITDA annualised as well as **expected strong H2** EBITDA **indicate FY 2021 EBITDA towards the upper end** of the full year guidance range.

Befesa intends to **update** its **guidance after closing and consolidating** the **AZR acquisition**, as part of its Q3 reporting cycle.

Interim consolidated financial statements
as of 30 June 2021 (thousand of euros)

Statement of financial position

Assets

	Note(s)	30 June 2021	31 December 2020
Non-current assets:			
Intangible assets			
Goodwill		335,564	335,564
Other intangible assets	4	86,668	87,458
		422,232	**423,022**
Right-of-use assets	9	**20,852**	**20,401**
Property, plant and equipment, net	5	**322,818**	**295,308**
Non-current financial assets	6		
Investments in Group companies and associates		144	118
Other non-current financial assets		2,170	2,546
		2,314	**2,664**
Deferred tax assets		**91,780**	**81,369**
Total non-current assets		**859,996**	**822,764**
Current assets:			
Inventories	7	**38,871**	**39,350**
Trade and other receivables		**75,072**	**54,222**
Trade receivables from related companies	16	**893**	**1,003**
Accounts receivables from public authorities	13	**13,649**	**9,621**
Other receivables		**17,704**	**18,817**
Other current financial assets		**6,358**	**64**
Cash and cash equivalents		**527,232**	**154,558**
Total current assets		**679,779**	**277,635**
Total assets		**1,539,775**	**1,100,399**

Statement of financial position (continued)

Equity and liabilities

	Note(s)	30 June 2021	31 December 2020
Equity:			
Parent Company			
Share capital	**8**	111,048	94,576
Share premium	**8**	532,867	263,875
Hedging reserves		(37,625)	(9,509)
Other reserves		(17,999)	(54,306)
Translation differences		(16,106)	(15,077)
Net profit/(loss) for the period		45,594	47,608
Interim dividend		-	(9,880)
Equity attributable to the owners of the Company		**617,779**	**317,287**
Non-controlling interests		**11,210**	**10,294**
Total equity		**628,989**	**327,581**
Non-current liabilities:			
Long-term provisions	**11**	**10,678**	**9,968**
Loans and borrowings	**9**	**538,975**	**520,602**
Lease liabilities	**9**	**11,029**	**10,860**
Other non-current financial liabilities		**25,567**	**4,614**
Other non-current liabilities		**4,561**	**4,905**
Deferred tax liabilities		**69,582**	**68,293**
Total non-current liabilities		**660,392**	**619,242**
Current liabilities:			
Loans and borrowings	**9**	**15,017**	**13,629**
Lease liabilities	**9**	**3,114**	**3,124**
Other current financial liabilities		**32,704**	**8,842**
Trade payables to related companies	**16**	**798**	**613**
Trade and other payables		**112,392**	**98,091**
Other payables			
Accounts payable to public administrations	**13**	21,040	11,432
Other current liabilities	**8**	65,329	17,845
		86,369	**29,277**
Total current liabilities		**250,394**	**153,576**
Total equity and liabilities		**1,539,775**	**1,100,399**

Income statement

	Note(s)	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Revenue	**3–12**	384,236	301,195	27.6 %	191,596	122,167	56.8 %
Changes in inventories of finished goods and work-in-progress		(5,648)	(10,234)	(44.8) %	(1,646)	(3,034)	(45.7) %
Procurements		(171,908)	(121,199)	41.8 %	(88,715)	(44,025)	> 100 %
Other operating income		2,889	2,274	27.0 %	1,411	1,636	(13.8) %
Personnel expenses		(42,080)	(41,097)	2.4 %	(21,014)	(20,031)	4.9 %
Other operating expenses		(73,360)	(75,684)	(3.1) %	(36,349)	(35,012)	3.8 %
Amortisation/depreciation, impairment and provisions		(18,642)	(34,713)	(46.3) %	(9,223)	(25,264)	(63.5) %
Operating profit (EBIT)		**75,487**	**20,542**	**> 100 %**	**36,060**	**(3,563)**	**-**
Finance income	**9**	45	15,588	(99.7) %	21	15,545	(99.9) %
Finance expenses		(10,021)	(9,016)	11.1 %	(4,732)	(4,725)	0.1 %
Net exchange differences		(211)	(387)	(45.5) %	(771)	(368)	> 100 %
Net finance income/(loss)		**(10,187)**	**6,185**	**-**	**(5,482)**	**10,452**	**-**
Profit/(loss) before tax		**65,300**	**26,727**	**> 100 %**	**30,578**	**6,889**	**> 100 %**
Corporate income tax		(17,768)	(7,442)	> 100 %	(8,571)	(1,460)	> 100 %
Profit/(loss) for the period		**47,532**	**19,285**	**> 100 %**	**22,007**	**5,429**	**> 100 %**
Attributable to:							
Parent Company's owners		45,594	20,574	> 100 %	20,814	5,884	> 100 %
Non-controlling interests		1,938	(1,289)	-	1,193	(455)	-
Earnings/(losses) per share attributable to owners of the Parent (expressed in euros per share)	**14**	**1.32**	**0.60**	**> 100 %**	**0.60**	**0.17**	**> 100 %**

Statement of comprehensive income

	Note(s)	H1 2021	H1 2020
Consolidated profit/(loss) for the period		**47,532**	**19,285**
Other comprehensive income:			
Items that may subsequently be reclassified to income statement:			
Income and expense recognised directly in equity		**(35,888)**	**5,131**
– Cash-flow hedges	**10**	(48,339)	20,130
– Translation differences		(2,051)	(8,960)
– Tax effect		14,502	(6,039)
Transfers to the income statement		**5,721**	**(13,511)**
– Cash-flow hedges	**10**	7,823	(18,724)
– Tax effect		(2,102)	5,213
Other comprehensive income/(loss) for the period, net of tax		**(30,167)**	**(8,380)**
Total comprehensive income/(loss) for the period		**17,365**	**10,905**
Attributable to:			
– Parent Company's owners		16,449	13,448
– Non-controlling interests		916	(2,543)

Statement of changes in equity

	Attributable to owners of the Parent								
	Share capital	**Share premium**	**Hedging reserves (Note 2)**	**Other reserves**	**Interim dividend (Note 8)**	**Translation differences**	**Net profit/(loss) for the period**	**Non-controlling interests**	**Total equity**
Balances at 31 December 2020	**94,576**	**263,875**	**(9,509)**	**(54,306)**	**(9,880)**	**(15,077)**	**47,608**	**10,294**	**327,581**
Total comprehensive income for the period	-	-	(28,116)	-	-	(1,029)	45,594	916	17,365
Distribution of profit for the period	-	-	-	-	-	-	-	-	-
Reserves	-	-	-	47,608	-	-	(47,608)	-	-
Dividends (Note 8)	-	(46,800)	-	(9,880)	9,880	-	-	-	(46,800)
Capital increase (Note 8)	16,472	315,792	-	(1,661)	-	-	-	-	330,603
Other movements	-	-	-	240	-	-	-	-	240
Balances at 30 June 2021	**111,048**	**532,867**	**(37,625)**	**(17,999)**	**-**	**(16,106)**	**45,594**	**11,210**	**628,989**
Balances at 31 December 2019	**94,576**	**263,875**	**26,951**	**(117,286)**	**-**	**(4,396)**	**82,713**	**13,785**	**360,218**
Total comprehensive income for the period	-	-	580	-	-	(7,706)	20,574	(2,543)	10,905
Distribution of profit for the period	-	-	-	-	-	-	-	-	-
Reserves	-	-	-	82,713	-	-	(82,713)	-	-
Dividends (Note 8)	-	-	-	(14,989)	-	-	-	-	(14,989)
Other movements	-	-	-	(4,184)	-	-	-	-	(4,184)
Balances at 30 June 2020	**94,576**	**263,875**	**27,531**	**(53,746)**	**-**	**(12,102)**	**20,574**	**11,242**	**351,950**

Statement of cash flows

	H1 2021	H1 2020	Q2 2021	Q2 2020
Profit/(loss) for the period before tax	**65,300**	**26,727**	**30,578**	**6,889**
Adjustments due to:	**29,163**	**25,540**	**15,961**	**10,862**
Depreciation and amortisation	18,642	34,713	9,223	25,264
Changes in provisions	710	(2,467)	1,450	(3,689)
Interest income	(45)	(15,588)	(21)	(15,545)
Finance costs	10,021	9,016	4,732	4,725
Other profit/(loss)	(376)	(521)	(194)	(261)
Exchange differences	211	387	771	368
Changes in working capital:	**(7,327)**	**(20,530)**	**4,392**	**(9,433)**
Trade receivables and other current assets	(22,668)	(14,816)	1,213	2,652
Inventories	478	12,832	(582)	9,000
Trade payables	14,863	(18,546)	3,761	(21,085)
Other cash flows from/(used in) operating activities:	**(16,898)**	**(20,537)**	**(7,196)**	**(5,495)**
Interest paid	(7,638)	(10,279)	(1,291)	(797)
Taxes paid	(9,260)	(10,258)	(5,905)	(4,698)
Net cash flows from/(used in) operating activities (I)	**70,238**	**11,200**	**43,735**	**2,823**
Cash flows from/(used in) investing activities:				
Investments in intangible assets	(150)	(125)	(150)	(29)
Investments in property, plant and equipment	(42,977)	(30,800)	(14,961)	(14,696)
Collections from sale of property, plant and equipment	-	17	-	17
Divestments in other current financial assets	(43)	(50)	(46)	(50)
Net cash flows from/(used in) investing activities (II)	**(43,170)**	**(30,958)**	**(15,157)**	**(14,758)**
Cash flows from/(used in) financing activities:				
Equity issuance	330,603	-	330,603	-
Cash inflows from bank borrowings and other liabilities	18,034	3,628	6,421	(20)
Cash outflows from bank borrowings and other liabilities	(3,063)	(2,259)	(2,038)	(1,225)
Net cash flows from/(used in) financing activities (III)	**345,574**	**1,369**	**334,986**	**(1,245)**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)	**32**	**(446)**	**(321)**	**(118)**
Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	**372,674**	**(18,835)**	**363,243**	**(13,298)**
Cash and cash equivalents at the beginning of the period	154,558	125,460	163,989	119,923
Cash and cash equivalents at the end of the period	**527,232**	**106,625**	**527,232**	**106,625**

Notes to the condensed interim consolidated financial statements

1. Accounting policies and basis of presentation

1.1. Basis of presentation

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 2020. These Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2020, 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 2020.

1.2. Changes in the scope of consolidation

June 2021

There are no changes in the scope of consolidation in June 2021.

June 2020

There are no changes in the scope of consolidation in June 2020.

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 net from derivative financial instruments. 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.

The following table reconciles net debt to the relevant statement of financial position line items:

	30 June 2021	31 December 2020
Non-current financial debt (Note 9)	538,975	520,602
Non-current lease liabilty (Note 9)	11,029	10,860
Current financial debt (Note 9)	15,017	13,629
Current lease liability (Note 9)	3,114	3,124
Cash and cash equivalents	(527,232)	(154,558)
(*) Equity issuance (Note 8)	330,603	-
Other current financial assets net of derivative financial instruments	(70)	(64)
Net debt	**371,436**	**393,593**

(*) Reported cash position of €527.2 million at 30 June 2021, adjusted for the €330.6 million of net funds raised through the capital increase in connection with the American Zinc Recycling (AZR) acquisition signed on 16 June 2021, pending to be utilised once the transaction is closed.

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 one-time projects/non-recurrent charges or income.

EBITDA margin is defined as EBITDA divided by revenue. Befesa uses EBITDA and EBITDA margin as best indicators for the Group’s operating performance.

The following table reconciles EBITDA and adjusted EBITDA to the consolidated income statement line items from which it is derived:

	30 June 2021	30 June 2020
Revenue	384,236	301,195
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(290,107)	(245,940)
Amortisation/depreciation, impairment and provisions (a)	(18,642)	(34,713)
EBIT (Operating profit/(loss)) (b)	**75,487**	**20,542**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions) (a+b)	**94,129**	**55,255**
One-time projects	-	-
Non-recurrent charges/income	-	-
Adjusted EBITDA	**94,129**	**55,255**

The following table provides a reconciliation of EBITDA margin and adjusted EBITDA margin:

	30 June 2021	30 June 2020
Revenue (a)	**384,236**	**301,195**
EBITDA (b)	**94,129**	**55,255**
One-time projects	-	-
Non-recurrent charges/income	-	-
Adjusted EBITDA (c)	**94,129**	**55,255**
EBITDA margin (%) (b/a)	**24%**	**18%**
Adjusted EBITDA margin (%) (c/a)	**24%**	**18%**

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 one-time projects/non-recurrent charges or 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.

The following table reconciles EBIT and adjusted EBIT to the income statement line items from which it is derived:

	30 June 2021	30 June 2020
Revenue	384,236	301,195
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(290,107)	(245,940)
Amortisation/depreciation, impairment and provisions	(18,642)	(34,713)
EBIT (Operating profit/(loss))	**75,487**	**20,542**
Extraordinary impairments/provisions	-	15,553
EBITDA adjustments	-	-
Adjusted EBIT	**75,487**	**36,095**

The following table provides a reconciliation of EBIT margin and Adjusted EBIT margin:

	30 June 2021	30 June 2020
Revenue (a)	**384,236**	**301,195**
EBIT (b)	**75,487**	**20,542**
Extraordinary impairments/provisions	-	15,553
EBITDA adjustments	-	-
Adjusted EBIT (c)	**75,487**	**36,095**
EBIT margin (%) (b/a)	**20%**	**7%**
Adjusted EBIT margin (%) (c/a)	**20%**	**12%**

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.

The following table reconciles the net debt/Adjusted EBITDA ratio to net debt and adjusted EBITDA:

	30 June 2021	30 June 2020
Net debt	371,436	423,475
Adjusted EBITDA LTM	165,822	134,754
Net debt/Adjusted EBITDA	**2.24**	**3.14**

1.3.5. Capex

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

Befesa 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.

The following table reconciles capex to the cash flow statement line items from which it is derived:

	30 June 2021	30 June 2020
Cash flows from investing activities:		
Investments in intangible assets	150	125
Investments in property, plant and equipment	42,977	30,800
Payments for right-of-use assets	-	-
Capex	**43,127**	**30,925**

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 2020.

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 for the asset or liability, either directly (e.g. reference prices) or indirectly (e.g. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The tables below show the Group's assets and liabilities that were measured at fair value at 30 June 2021 and at 31 December 2020:

	Level 2	Total
30 June 2021		
Assets		
- Derivatives (Note 10)	6,288	6,288
Total assets at fair value	**6,288**	**6,288**
Liabilities		
- Derivatives (Note 10)	58,271	58,271
Total liabilities at fair value	**58,271**	**58,271**

	Level 2	Total
31 December 2020		
Assets		
- Derivatives (Note 10)	249	249
Total assets at fair value	**249**	**249**
Liabilities		
- Derivatives (Note 10)	13,456	13,456
Total liabilities at fair value	**13,456**	**13,456**

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 the following 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 Company's products do not have more than one performance obligation: delivery of steel and delivery of 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.

Set out below is the distribution by segment of EBITDA and EBIT for the six-month period ended 30 June 2021, and for the six-month period ended 30 June 2020:

	30 June 2021				
	Steel Dust	Salt Slags	Secondaty Aluminium	Corporate, other minor & eliminations	Total
Revenue	195,306	37,316	172,279	(20,665)	384,236
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(126,088)	(26,185)	(158,579)	20,745	(290,107)
Amortisation/depreciation, impairment and provisions (a)	(9,641)	(4,667)	(4,127)	(207)	(18,642)
EBIT (Operating profit/(loss)) (b)	**59,577**	**6,464**	**9,573**	**(127)**	**75,487**
EBITDA (Operating profit/(loss) before amortisation) (a) + (b)	**69,218**	**11,131**	**13,700**	**80**	**94,129**

	30 June 2020				
	Steel Dust	Salt Slags	Secondaty Aluminium	Corporate, other minor & eliminations	Total
Revenue	175,488	37,884	105,186	(17,363)	301,195
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(130,755)	(29,068)	(101,778)	15,661	(245,940)
Amortisation/depreciation, impairment and provisions (a)	(10,211)	(20,170)	(4,146)	(186)	(34,713)
EBIT (Operating profit/(loss)) (b)	**34,522**	**(11,354)**	**(738)**	**(1,888)**	**20,542**
EBITDA (Operating profit/(loss) before amortisation) (a) + (b)	**44,733**	**8,816**	**3,408**	**(1,702)**	**55,255**

The reconciliation of EBITDA and EBIT to results attributable to the Parent Company is as follows:

	30 June 2021	30 June 2020
EBITDA	**94,129**	**55,255**
– One-time projects	-	-
– Non-recurrent costs/incomes	-	-
Amortisation/depreciation, impairment and provisions	(18,642)	(34,713)
EBIT - Operating profit/(loss)	**75,487**	**20,542**
Finance income (cost)	(10,187)	6,185
Corporate income tax	(17,768)	(7,442)
Profit/(loss) attributable to continuing operations	47,532	19,285
Profit/(loss) attributable to discontinued operations	-	-
Non-controlling interests	1,938	(1,289)
Profit/(loss) attributed to the Parent Company	**45,594**	**20,574**

The detail of sales by geographical segment for the six-month period ended 30 June 2021, and for the six-month period ended 30 June 2020 is as follows:

Geographical area	30 June 2021	%	30 June 2020	%
Spain	95,045	25%	76,310	25%
Germany	63,477	16%	40,497	13%
Belgium	27,298	7%	20,066	7%
Netherlands	23,131	6%	19,025	7%
Norway	19,284	5%	9,172	3%
Italy	16,134	4%	10,063	3%
Finland	15,636	4%	19,561	6%
France	11,606	3%	9,721	3%
Sweden	8,067	2%	11,022	4%
Rest of Europe	21,288	5%	26,858	9%
Japan	29,952	8%	12,760	4%
South Korea	14,041	4%	8,712	3%
Australia	10,994	3%	14,076	5%
China	10,239	3%	4,575	2%
Rest of the world	18,044	5%	18,777	6%
	384,236	**100%**	**301,195**	**100%**

The detail of the segment assets and liabilities for the six-month period ended 30 June 2021, and for the full-year period ended 31 December 2020 is as follows:

	30 June 2021				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Assets					
Intangible assets	357,639	51,522	12,850	221	422,232
Property, plant and equipment	14,065	5,566	591	630	20,852
Right-of-use assets	205,768	52,562	63,835	653	322,818
Investments in associates and other non-current assets	56,649	41	63,907	(26,503)	94,094
Current assets	168,398	11,661	64,447	435,273	679,779
Total assets	**802,519**	**121,352**	**205,630**	**410,274**	**1,539,775**
Equity and liabilities					
Equity	226,632	32,459	41,965	327,933	628,989
Non-current liabilities	450,139	76,910	90,204	43,139	660,392
Current liabilities	125,748	11,983	73,461	39,202	250,394
Total equity and liabilities	**802,519**	**121,352**	**205,630**	**410,274**	**1,539,775**

	31 December 2020				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Assets					
Intangible assets	357,661	51,925	13,180	256	423,022
Property, plant and equipment	13,088	5,861	707	745	20,401
Right-of-use assets	177,372	50,424	66,842	670	295,308
Investments in associates and other non-current assets	46,466	41	60,340	(22,814)	84,033
Current assets	164,771	14,133	49,548	49,183	277,635
Total assets	**759,358**	**122,384**	**190,617**	**28,040**	**1,100,399**
Equity & liabilities					
Equity	218,250	34,074	29,828	45,429	327,581
Non-current liabilities	435,288	75,968	101,258	6,728	619,242
Current liabilities	105,820	12,342	59,531	(24,117)	153,576
Total equity and liabilities	**759,358**	**122,384**	**190,617**	**28,040**	**1,100,399**

4. Other intangible assets, net

June 2021

During the six-month period ended 30 June 2021, there are no significant additions nor disposals within “Other intangible assets, net”.

December 2020

The most significant additions for the year relate to development expenses capitalised in the "Secondary Aluminium" segment, amounting to €1,805 thousand, and to ERP implementation in the "Steel Dust" segment, €191 thousand.

The most significant disposal for the year relates to the disposal of the SAP (prior ERP), fully amortised, amounting to €7,101 thousand in the subsidiary Befesa Medioambiente, S.L.U..

Investment commitments

At 30 June 2021 and 31 December 2020, the Group had no significant investment commitments.

5. Property, plant and equipment

June 2021

The movements of the "Property, plant and equipment" balance in the six-month period ended 30 June 2021 includes additions amounting to €43.8 million, mainly related to the expansion projects in China (plants in Henan and Jiangsu).

There were no significant disposals in the period.

The amortisation of the period amounted to €15.8 million.

December 2020

At 31 December 2020, the additions amounted to €47.4 million; the main additions for the year are related to the construction of the two new plants in China (€20.0 million) and the annual recurrent environmental and maintenance investments made at each plant.

The disposals amounted to €5.8 million.

The amortisation of the period amounted to €31.4 million.

Impairment losses

During the six-month period ending 30 June 2021, no significant impairments were recognised in “Property, plant and equipment”.

During the six-month periods ended 30 June 2020, an impairment amounting to €11.6 million was recognised in Befesa Salt Slags, Ltd., after estimated the future cash flows generated by the subsidiary would be insufficient to recover the carrying amount of the plan.

Investment commitments

At 30 June 2021, the investment commitments amounted to €35.4 million mainly due to the expansion projects in China.

At 31 December 2020, the investment commitments amounted to €61.5 million mainly due to the expansion projects in China.

6. Financial assets

The detail of “Non-current financial assets” is as follows:

	30 June 2021	31 December 2020
Investments in subsidiaries and associates		
Investments in Group Companies	2,544	2,518
Value adjustments	(2,400)	(2,400)
	144	**118**

	30 June 2021	31 December 2020
Long-term loans		
Other long-term loans	3,281	3,281
Value adjustments	(1,537)	(1,537)
Derivative financial instruments (Note 10)	-	249
Other non-current financial assets	426	553
	2,170	**2,546**

Total	**2,314**	**2,664**

7. Inventories

The detail of “Inventories” in the accompanying condensed interim consolidated statement of financial position at 30 June 2021 and 31 December 2020 is as follows:

	30 June 2021	31 December 2021
Finished goods	10,965	15,225
Goods in progress and semi-finished goods	2,212	1,749
Raw materials	11,474	9,376
Other	14,220	13,000
	38,871	**39,350**

“Other” at 30 June 2021 and 31 December 2020 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

The shareholder structure as at 30 June 2021 and at 31 December 2020 was as follows:

	Percentage of ownership	
	30 June 2021	31 December 2020
Freefloat	100.0%	100.0%

The number of shares as at 30 June 2021 is 39,999,998 (34,066,705 at 31 December 2020) with a par value of €2.78 each.

On 16 June 2021, the Company issued 5,933,293 new shares each with par value of €2.78 and share premium of €53.22 (Note 17). The new shares were included in the existing listing of Befesa's shares in the Franfurt Stock Exchange.

At 30 June 2021, the costs related to this increase of capital amount to €1.7 million registered as less equity.

On 14 July 2021, Befesa distributed to its shareholders a dividend of €1.17 per share (repayment of the share premium), amounting to €46.8 million, as approved by the AGM held on 30 June 2021. Therefore, as at 30 June 2021 the €46.8 million are reported in "other current liabilities" in the statement of financial position. The AGM also approved the interim dividend of €9.9 million approved by the Board of Directors in November 2020.

On 2 July 2020, Befesa distributed to its shareholders a dividend of €0.44 per share, amounting to €15 million, as approved by the AGM, so as at 30 June 2020 the €15 million are reported in "other current liabilities" in the statement of financial position.

9. Financial debt and lease payables

The detail of the related line items in the accompanying consolidated statement of financial position is as follows:

	30 June 2021		31 December 2020	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans and credit facilities	9,533	538,975	7,818	520,602
Unmatured accrued interest	5,484	-	5,811	-
Finance lease payables	3,114	11,029	3,124	10,860
Total	**18,131**	**550,004**	**16,753**	**531,462**

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

The main terms and conditions of the borrowings are as follows:

Type	Limit in nominal (thousands of currency)	Interest rate	Maturity date	30 June 2021		31 December 2020	
				Current maturity	Non-current maturity	Current maturity	Non-current maturity
Facilities Agreement	EUR 636,000	Euribor + 2%	2026	5,476	508,058	5,798	506,350
Jiangsu	CNY 220,000	LIR (NBIC) + 25bpt	2026	2,932	13,626	1,246	1,739
Henan	CNY 260,000	LPR (NBIC) + 25bpt	2027	690	17,248	-	12,465
Others				9,033	11,072	9,709	10,908
				18,131	**550,004**	**16,753**	**531,462**

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; and
- 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 downwards to 1.75% in the case of TLB and to 1.25% in the case of the RCF, depending on the ratio of net financial debt/EBITDA.

In November 2018, due to the improvement in the Group's leverage ratio, the spread was reduced by 25 bps from Euribor plus 275 bps to Euribor plus 250 bps in the case of TLB.

In March 2019, the margin applicable to TLB was reduced again by 25 bps to Euribor plus 225 bps due to the decrease on the leverage ratio.

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 plus 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.

The Group analysed whether there was a substantial modification of the conditions, having concluded that there is no cancellation of the original liabilities because the only change corresponds to the reduction in the nominal interest rate (repricing) and, the discounted present value of the cash flows under the new terms is a 3% from the discounted present value of the remaining cash flow of the original financial liability. However, this modification entailed recognising finance income of €15 million as the new future cash flows were discounted at the original effective rate of 2.7%.

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 2021 and 31 December 2020, 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 March 2020, Befesa arranged an interest rate swap in order to fix the interest for the extension period of the refinancing signed on 9 July 2019. The fix interest rate is 0.236% and the notional amount totalled €316,000 thousand.

In 2020, Befesa closed the financing structure for both plants under construction in China (Jiangsu and Henan). The notional and the rest of the conditions signed are shown in the table above. At June 2021, there is pending debt which will be drawn during the year as constructions progress.

At 30 June 2021 and 31 December 2020, "Other" mainly includes short-term payables for leases and the short term financing of Befesa Silvermet Iskenderun in connection with the revamping project.

At 30 June 2021 and 31 December 2020, an amount of €75 million was undrawn from the RCF.

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. The detail of the balances that reflect the measurement of derivatives in the accompanying condensed interim consolidated statement of financial position at 30 June 2021 and 31 December 2020 is as follows:

	30 June 2021	31 December 2020
Cash flow hedges non-current assets		
Swap contracts for zinc	-	249
	-	**249**
Cash flow hedges current assets:		
Swap contracts for zinc	6,288	-
	6,288	-
Total assets	**6,288**	**249**
Cash flow hedges non-current liabilities:		
Swap contracts for zinc	23,548	1,025
Swap interest rate	2,019	3,589
	25,567	**4,614**
Cash flow hedges current liabilities:		
Swap contracts for zinc	32,704	8,775
Swap foreign currency	-	67
	32,704	**8,842**
Total liabilities	**58,271**	**13,456**

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 2020	**7,916**	**2,052**	**9,968**
Profit and loss impact	2,677	-	2,677
Payment	-	-	-
Transfers	(1,967)	-	(1,967)
Balance at 30 June 2021	**8,626**	**2,052**	**10,678**

At 30 June 2021, the Group recognised a provision of €8.2 million (€5.2 million at 31 December 2020) related to the compensation plans described in Note 23 of the 2020 consolidated financial statements. At 30 June 2021 the Group charged to the income statement €2.7 million (€2.6 million at 30 June 2020) and reclassified to "Remuneration payable" €1.9 million related to this provision (€5.1 million at 30 June 2020).

“Other provisions for contingencies and expenses” mainly includes provisions recognised by the Group company Befesa Valera, S.A.S., amounting to €1.9 million at 30 June 2021 as well as at 31 December 2020, 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.

12. Incomes and expenses. Revenues

Details of revenues by category for the six-month period ended 30 June 2021 and 30 June 2020 are as follows:

	30 June 2021	%	30 June 2020	%
Steel Dust	**195,306**	**51%**	**175,488**	**58%**
-Sale of WOX and others metals	168,277	44%	144,183	48%
-Service fees	27,029	7%	31,305	10%
Salt Slags	**37,316**	**10%**	**37,884**	**13%**
-Sale of aluminium concentrates and melting salt	22,456	6%	19,641	7%
-Fees for recycling salt slags and SPL	14,860	4%	18,243	6%
Secondary Aluminium	**172,279**	**45%**	**105,186**	**35%**
-Sale of secondary aluminium alloys	164,045	43%	98,428	33%
-Technology division & others	8,234	2%	6,758	2%
Corporate, other minor eliminations	**(20,665)**		**(17,363)**	
Total	**384,236**		**301,195**	

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 2021, the accounts arising as a result of the Income Tax estimation for the six-month period ended 30 June 2021, 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 are calculated as follows:

	30 June 2021		30 June 2020	
	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)	**45,594**	**1.32**	**20,574**	**0.60**
Weighted average shares	34,525,634		34,066,705	

15. Guarantee commitments to third parties and contingencies

At 30 June 2021, a number of Group companies had provided guarantees for an overall amount of approximately €40.4 million (31 December 2020: €34.8 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 detail of the balances with shareholders and Group and related companies at 30 June 2021 and 31 December 2020 is as follows:

	30 June 2021		30 June 2020	
	Sales and other income	Purchases and other expenses	Sales and other income	Purchases and other expenses
Recytech S.A.	889	(4,777)	758	(2,819)

	30 June 2021			31 December 2020		
	Accounts receivable and other current financial assets	Long term loans	Accounts payable	Accounts receivable and other current financial assets	Long term loans	Accounts payable
Recytech S.A.	358	-	798	344	-	613
Befesa Zinc (Thailand) Ltd.	535	-	-	659	-	-
Other	-	65	-	-	65	-
	893	**65**	**798**	**1,003**	**65**	**613**

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

On 16 June 2021, Befesa signed an agreement to acquire all shares in U.S.-based company American Zinc Recycling Corp (AZR) for a purchase price of $450 million. As part of the agreements, Befesa will also acquire a minority stake (6.9%) of the equity interests in American Zinc Products LLC (AZP), AZR's zinc refining subsidiary, for $10 million with an option to acquire the remaining 93.1% of the equity interests in AZP for a consideration of $135 million.The acquisition of the remaining 93.1% in AZP depend on the fulfilment of certain operational and financial milestones by AZP prior to 31 December 2023.

The transaction is financed through:

- a capital increase of 5,933,293 new ordinary shares from the existing authorised capital, placed with institutional investors in a private placement by way of an accelerated book building process; and
- a TLB add-on of €100 million, allocated and priced at par, with same terms as the existing TLB facility.

The closing of the transaction is expected to occur in August 2021, subject to antitrust approval and other customary closing conditions. Thus, it has no impact in the financial statements as at 30 June 2021 other than the issuance of 5,933,293 new ordinary shares made by the Company on 16 June 2021 (Note 8).

Management's responsibility statement

We, Javier Molina Montes and Wolf Uwe Lehmann, respectively Chief Executive Officer and Chief Financial Officer, confirm, to the best of our knowledge, that:

- the 2021 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, 28 July 2021

Javier Molina Montes

Wolf Uwe Lehmann

Additional information

Segmentation overview – key metrics

Steel Dust Recycling Services

	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Key operational data (tonnes, unless specified otherwise)						
EAFD throughput[1]	340,668	341,238	(0.2) %	159,573	155,581	2.6 %
WOX sold	119,334	126,462	(5.6) %	52,607	58,685	(10.4) %
Zinc blended price (€ / tonne)	2,254	2,064	9.2 %	2,275	1,991	14.3 %
Total installed capacity[2]	825,300	825,300	-	825,300	825,300	-
Utilisation (%)[2]	83.2 %	83.1 %	9 bps	77.6 %	75.8 %	173 bps
Key financial data (€ million, unless specified otherwise)						
Revenue	195.3	175.5	11.3 %	94.4	74.3	27.1 %
EBITDA	69.2	44.7	54.7 %	32.7	18.8	74.1 %
EBITDA margin %	35.4 %	25.5 %	995 bps	34.6 %	25.3 %	934 bps
EBIT	59.6	34.5	72.6 %	28.0	13.7	> 100 %
EBIT margin %	30.5 %	19.7 %	1,083 bps	29.6 %	18.4 %	1,123 bps

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Key operational data (tonnes, unless specified otherwise)						
Salt slags and SPL recycled	195,764	230,438	(15.0) %	91,334	105,741	(13.6) %
Total installed capacity	450,000	530,000	(15.1) %	450,000	530,000	(15.1) %
Utilisation (%)[3]	87.7 %	87.4%	29 bps	81.4 %	80.2%	117 bps
Key financial data (€ million, unless specified otherwise)						
Revenue	37.3	37.9	(1.5) %	17.5	15.8	10.9 %
EBITDA	11.1	8.8	26.3 %	5.2	3.0	77.3 %
EBITDA margin %	29.8 %	23.3 %	656 bps	29.9 %	18.7 %	1,121 bps
EBIT	6.5	(11.4)	-	2.9	(14.9)	-
EBIT margin %	17.3 %	(30.0) %	4,729 bps	16.5 %	(94.8) %	11,127 bps
Adjusted EBIT[4]	6.5	4.2	53.9 %	2.9	0.6	> 100 %
Adjusted EBIT margin %[4]	17.3 %	11.1 %	624 bps	16.5 %	3.9 %	1,263 bps

Secondary Aluminium subsegment

	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Key operational data (tonnes, unless specified otherwise)						
Secondary aluminium alloys produced	99,453	79,255	25.5 %	48,170	31,336	53.7 %
Aluminium alloy FMB price (€ / tonne)[5]	1,963	1,357	44.6 %	1,945	1,282	51.7 %
Total installed capacity[6]	205,000	205,000	-	205,000	205,000	-
Utilisation (%)[6]	97.8 %	77.7 %	2,008 bps	94.2 %	61.5 %	3,277 bps
Key financial data (€ million, unless specified otherwise)						
Revenue	172.3	105.2	63.8 %	89.8	39.8	> 100 %
EBITDA	13.7	3.4	> 100 %	7.3	0.7	> 100 %
EBITDA margin	8.0 %	3.2 %	471 bps	8.1 %	1.7 %	
EBIT	9.6	(0.7)	-	5.2	(1.5)	-
EBIT margin	5.6 %	(0.7) %	626 bps	5.8 %	(3.7) %	

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

1 EAFD throughput does not include stainless steel dust treated volumes
2 Total installed capacity in Steel Dust does not include 174,000 tonnes per year of stainless-steel dust recycling operations;
Utilisation represents EAFD processed against annual installed recycling capacity
3 Utilisation represents the volume of salt slags & SPL recycled against annual installed capacity;
The 80kt reduction in annual installed capacity to 450,000 tonnes reflects the UK plant's permanent closure since year-end 2020;
Total annual installed capacity figures do not include the 100,000 tonnes idled capacity at Töging, Germany
4 2020 figures adjusted for the extraordinary impairment of the UK salt slags plant
5 Aluminium Scrap and Foundry Ingots Aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin Free Market Duty paid delivered works
6 Utilisation represents the volume of secondary aluminium alloys produced against annual installed production capacity

Financial calendar

Thursday, 28 October 2021 Q3 2021 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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