Half-Year Financial Report
H1/Q2 2019

BEFESA

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BEFESA AT A GLANCE

KEY FIGURES – H1/Q2 2019

(€ million, unless specified otherwise)

	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
Key operational data						
Steel dust throughput (tonnes)	317,744	360,843	(11.9) %	148,777	173,021	(14.0) %
Waelz oxide (WOX) sold (tonnes)	104,685	118,781	(11.9) %	51,528	55,818	(7.7) %
Salt slags and Spent Pot Linings (SPL) recycled (tonnes)	253,152	264,842	(4.4) %	124,057	133,857	(7.3) %
Secondary aluminium alloys produced (tonnes)	93,995	95,182	(1.2) %	46,030	45,573	1.0 %
LME zinc average price (€ / tonne)	2,420	2,698	(10.3) %	2,459	2,611	(5.8) %
Blended zinc price (€ / tonne)	2,326	2,240	3.8 %	2,277	2,214	2.9 %
Aluminium alloy average market price (€ / tonne)	1,459	1,829	(20.2) %	1,390	1,826	(23.9) %
Key financial data						
Revenue	349.0	382.4	(8.7) %	169.9	187.0	(9.1) %
EBITDA	80.1	88.9	(9.9) %	37.1	44.3	(16.4) %
EBITDA margin (% over revenue)	22.9 %	23.2 %	(0.3) p.p.	21.8 %	23.7 %	(1.9) p.p.
EBIT	63.5	74.3	(14.5) %	28.9	37.0	(21.9) %
EBIT margin (% over revenue)	18.2 %	19.4 %	(1.2) p.p.	17.0 %	19.8 %	(2.8) p.p.
Financial result	(8.3)	(7.4)	11.8 %	(4.1)	(3.0)	38.2 %
Profit before taxes and minority interests	55.2	66.9	(17.4) %	24.8	34.0	(27.2) %
Net profit attributable to shareholders of Befesa S.A.	41.9	44.8	(6.6) %	19.8	23.1	(14.5) %
EPS (in €) based on 34,066,705 shares	1.23	1.32	(6.6) %	0.58	0.68	(14.5) %
Total assets (i)	1,105.3	1,086.1	1.8 %	1,105.3	1,086.1	1.8 %
Capital expenditures	28.6	19.3	48.0 %	15.5	11.5	34.7 %
Cash flow from operating activities	48.8	36.7	32.8 %	31.1	26.8	16.1 %
Cash and cash equivalents at the end of the period	170.3	104.4	63.1 %	170.3	104.4	63.1 %
Net debt (ii)	373.1	424.1	(12.0) %	373.1	424.1	(12.0) %
Leverage (ii)	x 2.2	x 2.4		x 2.2	x 2.4	
Number of employees (as of end of the period)	1,155	1,131	2.1 %	1,155	1,131	2.1 %

(i) 2018 figure is as of 31 December

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

KEY HIGHLIGHTS

- **H1 2019 EBITDA** at €80 million (€-9 million or -10% year-on-year) as anticipated per sensitivities provided in Q1, mainly driven by lower volume in Steel Dust Recycling Services due to Turkey upgrade and plant maintenance scheduled with more shutdowns in H1 vs. H2, unfavourable zinc treatment charges, low zinc and aluminium alloy market prices, partially offset by better zinc hedges, recovered Stainless operations and upgraded high efficiency furnaces in Secondary Aluminium delivering results.

- **H2 2019** expected to be **stronger than H1** mainly due to the Steel Dust recycling plant in Turkey coming back into operation in August following the capacity increase, less plant maintenance shutdowns scheduled during H2 as most of them have occurred during H1, as well as continued recovery of Stainless operations.

- **H1 2019 volumes** in core businesses as expected: Steel Dust throughput at 318 thousand tonnes (-12% year-on-year) due to the scheduled downtime in Turkey to expand the plant capacity as well as performed plant maintenance; Salt Slags volumes ~flat (-4% year-on-year)

- **H1 profitability continues at solid 23%** EBITDA margin, ~stable year-on-year

- **Cash improved by +€20 million to €170 million** in H1 and by +€66 from €104 million at the same time last year Q2 2018; Operating cash flow LTM (Last Twelve Months) up at €116 million; **Stable leverage of x2.2**

- Execution of organic **growth projects on track**: Expecting to ramp up the upgraded plant in Turkey in August and the new WOX washing plant in South Korea by the end of 2019. In Aluminium Salt Slags the final phase to upgrade the 2nd Alu furnaces in Spain is scheduled mainly during Q3

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

- The **refinancing** of the existing capital structure was successfully **completed** on 9 July in a leverage neutral transaction that a) **extends** Befesa's debt **maturity up to June 2026** with a **7-year tenor of the covenant-lite term loan B** at **attractive interest rates**, and **b) increases loan baskets to accommodate Befesa's growth roadmap including China**

- During Q2, **zinc hedges** were **extended** by three months to cover **up to October 2021**; Average **hedge prices for 2021** remain at **~€2,200** per tonne

- Befesa's **free-float increased to 100%** after Triton fully divested its remaining stake in Befesa S.A. on 6 June 2019

- On 19 June 2019, Befesa held its Annual General Meeting (AGM) in Luxembourg. The AGM approved a **dividend of €1.32 per share** which was **distributed on 3 July 2019**

BUSINESS OVERVIEW

RESULTS OF OPERATIONS, FINANCIAL POSITION & LIQUIDITY

Revenue

Consolidated revenue decreased by 8.7% to €349.0 million in H1 2019 (H1 2018: €382.4 million) and by 9.1% to €169.9 million in Q2 2019 (Q2 2018: €187.0 million). The development was mainly driven by reduced volumes in Steel Dust Recycling Services due to the scheduled plant downtime in Turkey to expand its capacity, scheduled plant maintenance with more shutdowns in H1 2019 vs. expected H2 2019, unfavourable zinc treatment charges and LME prices, as well as lower aluminium alloys prices. The revenue decrease was partially offset by the recovery of Stainless operations and the improved blended zinc prices thanks to better hedges in place.

EBITDA & EBIT

In H1 2019, EBITDA decreased by €8.8 million to €80.1 million. Similarly, EBIT declined by €10.8 million to €63.5 million. In Q2 2019, EBITDA decreased by €7.3 million to €37.1 million and EBIT declined by €8.1 million €28.9 million. Additionally, EBITDA & EBIT benefitted from the higher efficiency furnaces installed during H2 2018 in Aluminium Salt Slags Recycling Services.

Financial result & net profit

In H1 2019, the consolidated **financial result** amounted to €-8.3 million compared with €-7.4 million in H1 2018. Main factor driving this development was an unfavourable decrease of €2.3 million in net exchange differences partly offset by a favourable reduction in financial expenses driven by lower interest rates (Euribor+225 bps in Q2 2019 vs. Euribor+275 bps in Q2 2018) due to the improved leverage ratio (H1 2019: x2.23; H1 2018: above x2.25 ratchet at x2.38).

H1 2019 consolidated **net profit** attributable to the shareholders decreased by €2.9 million to €41.9 million (H1 2018: €44.8 million).

Financial position & liquidity

Financial indebtedness compared to year-end 2018 increased by €16.0 million, to €543.5 million as of 30 June 2019 mainly due to a €14 million increase in non-current financial indebtedness after implementing the IFRS 16 amendment affecting accounting for renting and leasing from 1 January 2019 onwards.

Compared to year-end 2018, **net debt** decreased slightly in Q2 2019 by €3.7 million to €373.1 million.

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

Net debt
(€ million)

	30 June 2019	**31 December 2018**
Non-current financial indebtedness	532.5	520.2
+ Current financial indebtedness (i)	11.0	7.3
Financial indebtedness	**543.5**	**527.5**
- Cash and cash equivalents	(170.3)	(150.6)
- Other current financial assets (ii)	(0.1)	(0.1)
Net debt (iii)	**373.1**	**376.8**
EBITDA LTM	167.2	176.0
Leverage ratio (iii)	**x 2.23**	**x 2.14**

(i) See Note 9 of the Interim Consolidated Financial Statements
(ii) Other current financial assets adjusted by hedging valuation
(iii) From 1 January 2019, implemented IFRS 16 amendment affecting accounting for renting & leasing results in €14 million higher net debt or ~0.1 higher leverage compared to year-end 2018

H1 2019 operating **cash flow** amounted to €48.8 million, up from €36.7 million in H1 2018, mainly driven by a lower increase in working capital and the payment of one-off IPO related cost in H1 2018.

Q2 2019 closed at **€170 million of cash & equivalents**, up €20 million from year-end 2018 or up €66 million from Q2 2018, and a **leverage of x2.2 EBITDA.** Befesa continues to be compliant with all debt covenants.

SEGMENT INFORMATION

Steel Dust Recycling Services

Steel dust recycling volumes processed in H1 2019 amounted to 317,744 tonnes, representing a decrease of 11.9% year-on-year (H1 2018: 360,843 tonnes). In Q2 2019, 148,777 tonnes of crude steel dust were recycled, down 14.0% year-on-year (Q2 2018: 173,021 tonnes). These decreases are driven mainly by the scheduled downtime of the plant in Turkey, since January 2019, to expand the plant capacity from 65,000 to 110,000 tonnes, as well as by the schedule of plant maintenance shutdowns.
The European plants as well as the plant in South Korea operated at high utilisation levels. Overall, with these volumes and Turkish shutdown, steel dust recycling plants have been running at an average load factors of 82.1% and 76.5% in H1 and Q2 2019, respectively (H1 2018: 93.3%; Q2 2018: 88.9%). As a result, the volume of Waelz oxide (WOX) sold decreased by 11.9% to 104,685 tonnes in H1 2019 (H1 2018: 118,781 tonnes) and by 7.7% to 51,528 tonnes in Q2 2019 (Q2 2018: 55,818 tonnes).

The **revenue** development (-4.1% year-on-year to €187.1 million in H1 2019, and -1.7% year-on-year to €92.0 million in Q2 2019) was primarily due to the decrease in WOX volume sold as explained, as well as unfavourable zinc treatment charges referenced at around $245 per tonne in 2019 (compared to $147 per tonne in 2018). The revenue decrease was partially offset by a) better zinc hedges in place improving the average effective zinc prices (blended rate between hedged volume and non-hedged volume), which improved during H1 by 3.8% year-on-year to €2,326 per tonne (H1 2018: €2,240 per tonne) and by 2.9% year-on-year to €2,277 per tonne in Q2 2019 (Q2 2018: €2,214 per tonne), and b) higher Sales from the recovered Stainless operations.

EBITDA decreased by 11.7%, to €61.5 million in H1 2019 (H1 2018: €69.7 million) and by 17.8%, to €27.7 million in Q2 2019 (Q2 2018: €33.7 million). EBITDA margins decreased from 35.7% in H1 2018 to 32.9% in H1 2019, and from 36.0% in Q2 2018 to 30.1% in Q2 2019. Similarly, **EBIT** declined by 15.0% to €53.3 million in H1 2019 (H1 2018: €62.7 million) and by 21.3% to €23.7 million in Q2 2019 (Q2 2018: €30.1 million). EBIT margins also declined from 32.1% in H1 2018 to 28.5% in H1 2019, and from 32.1% in Q2 2018 to 25.7% in Q2 2019. Earnings were impacted by the same drivers mentioned above in the revenue section.

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

Salt slags and SPL recycled volumes in H1 2019 amounted to 253,152 tonnes, down by 4.4% compared to the same period in the previous year. In Q2 2019, the Salt Slags subsegment recycled 124,057 tonnes of salt slags and SPL, which represents a decrease of 7.3% year-on-year. Capacity utilisation levels remained above 90%.

The **revenue** development in the Salt Slags subsegment (-5.2% year-on-year to €42.4 million in H1 2019, and -12.0% year-on-year to €20.1 million in Q2 2019) was primarily driven by the slight reduction in volumes but more so by the decline in prices for aluminium alloys (-20.2% in H1, from €1,829 per tonne in 2018 to €1,459 per tonne in 2019; -23.9% in Q2, from €1,826 per tonne in 2018 to €1,390 per tonne in 2019).

EBITDA in the Salt Slags subsegment decreased by 13.2%, to €12.0 million in H1 2019 (H1 2018: €13.8 million), and by 23.0% to €5.6 million in Q2 2019 (Q2 2018: €7.3 million). EBITDA margins decreased to 28.4% (H1 2018: 31.0%), and to 28.0% (Q2 2018: 32.0%). Similarly, **EBIT** in H1 2019 declined to €7.8 million (H1 2018: €10.2 million), and to €3.6 million in Q2 2019 (Q2 2018: €5.5 million). EBIT margins reached 18.5% in H1 2019 (H1 2018: 22.8%), and 17.8% in Q2 2019 (Q2 2018: 24.1%). The decline of earnings in the Salt Slags subsegment was mainly driven by the lower aluminium alloy market prices.

Secondary Aluminium subsegment

Aluminium alloy production volumes in H1 2019 slightly reduced by 1.2% to 93,995 tonnes. In Q2 2019, 46,030 tonnes of aluminium alloys were produced, which represented a slight increase of 1.2% year-on-year.

The **revenue** decrease in the Secondary Aluminium subsegment (16.0% year-on-year to €139.6 million in H1 2019, and 18.0% year-on-year to €68.1 million in Q2 2019) was primarily driven by lower aluminium alloy average prices.

EBITDA in the Secondary Aluminium subsegment grew by 40.0% to €6.7 million in H1 2019 (H1 2018: €4.8 million) and by 31.2% to €4.1 million in Q2 2019 (Q2 2018: €3.2 million). EBITDA margins improved to 4.8% in H1 2019 and 6.1% in Q2 2019 from 2.9% and 3.8% in the respective periods in 2018. Similarly, **EBIT** almost doubled in H1 2019 to €3.1 million (H1 2018: €1.6 million) and by 57.5% to €2.3. million in Q2 2019 (Q2 2018: €1.5 million). The increase in earnings was primarily driven by higher margins due to the upgraded more efficient furnaces which are delivering results, as well as aluminium metal margins recovering slightly. These improvements offset the lower prices for aluminium alloys.

RISKS & OPPORTUNITIES

No material risks or opportunities for the prospective development of the Company have emerged against the comprehensive disclosures made in the Befesa Annual Report 2018 (pages 57-59).

STRATEGY

Hedging

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

During Q2, Befesa further extended its zinc hedges by another three months up to October 2021, securing the price for 11,100 tonnes or 3,700 tonnes per month of the zinc equivalent payable output. The 2021 hedges remain at an average hedge price of ~€2,200 per tonne.

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

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

Period	Average hedged price (€ / tonne)	Zinc content hedged (tonnes)
2017	€1,876	73,200
2018	€2,051	92,400
2019	€2,310	92,400
2020	€2,250	92,400
9M 2021	€2,200	57,300

Befesa will continue its hedging strategy, targeting stability even if foregoing short-term upside from higher zinc prices. Opportunities are constantly being monitored and re-evaluated when closing existing hedges in light of the current zinc market environment. Befesa's strategy is to hedge ~60% to ~75% of the volume of payable zinc contained in the Waelz oxide (WOX) for a period of one to four years going forward. Furthermore, hedges are primarily denominated in Euro. Befesa does not provide any collateral for the hedging book in place – as such hedge prices listed are shown net after any applicable e.g. forward risk, foreign exchange and / or credit line discounts.

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

Organic growth projects

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

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

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

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

China update

The expansion of the Steel Dust Recycling Services operations into China is progressing on time and budget, in both provinces – Jiangsu and Henan.

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

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

Befesa's second EAF steel dust recycling plant in the country.

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

SUBSEQUENT EVENTS

On 9 July 2019, Befesa successfully completed the refinancing of its existing capital structure consisting of a €526 million senior secured Term Loan B with 7-year tenor due 2026, a €75 million revolving credit facility maturing 2025, and a €35 million guarantee facility maturing 2025.

The refinancing extends the maturity of Befesa's capital structure, provides increased baskets to accommodate Befesa's organic growth roadmap including the expansion in China and has no effect on its leverage. The covenant-lite Term Loan B has an initial margin of Euribor +250 bps for nine months. After the first nine months the margin could be reduced alongside certain leverage ratchets, e.g. until E+175 bps for leverage lower than x1.75.

OUTLOOK 2019

From an operating point of view the company continues to experience solid demand for its recycling services. During the second half of the year, the company expects to increase its volume of steel dust treated driven by the restart of the Turkish plant with the increased capacity of 110 thousand tons as well as less scheduled maintenance shutdowns during H2 2019. As such the volume of its core businesses, steel dust and aluminium salt slags recycled, and expected utilisation levels continue to be approximately in line with guidance assumptions.

From the point of view of market prices, the environment at the end of Q2 and beginning of Q3 is unfavourable to the one experienced in Q1, when the company provided the initial guidance for the full year 2019. The sensitivities to metal price variances are unchanged. With ~70% of zinc volume hedged, the remaining sensitivity after hedging, to a +/- €100 per tonne zinc price deviation from the initially assumed price level of ~€2,520 per tonne is equivalent to approximately €4 to €4.5 million EBITDA full year impact. Similarly, the sensitivity to a +/- €100 per tonne aluminium alloy FMB price deviation from the initially assumed price level of ~€1,650 per tonne is equivalent to approximately €2 million EBITDA full-year impact.

From a strategic and growth roadmap point of view, the projects, including the expansion in China, have progressed well in H1 and are expected on schedule, in line with guidance, for the remainder of 2019. Befesa's growth roadmap is well supported by its recently refinanced capital structure and Befesa continues to expect a leverage ratio similar to current levels for the full year 2019.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as at 30 June 2019

The accompanying Notes 1 to 15 are an integral part of these condensed interim consolidated financial statements.

BALANCE SHEET

Assets

(€ thousand)	Note(s)	30 June 2019	31 December 2018
Non-current assets:			
Intangible assets			
Goodwill		335,564	335,564
Other intangible assets, net	4	87,341	87,104
		422,905	**422,668**
Property, plant and equipment, net	5		
Property, plant and equipment in use		225,478	236,366
Property, plant and equipment under construction		44,099	25,148
		269,577	**261,514**
Right of use asset	1.2 - 9	**17,496**	**-**
Non-current financial assets	6		
Investments in subsidiaries and associates		118	558
Other non-current financial assets		18,011	45,960
		18,129	**46,518**
Deferred tax assets		**66,283**	**57,399**
Total non-current assets		**794,390**	**788,099**
Current assets:			
Inventories	7	**45,032**	**46,049**
Trade and other receivables		**60,376**	**59,695**
Trade receivables from related companies	15	**642**	**924**
Accounts receivables from public authorities	12	**11,506**	**9,231**
Other receivables		**12,354**	**10,807**
Other current financial assets		**10,692**	**20,668**
Cash and cash equivalents		**170,346**	**150,648**
Total current assets		**310,948**	**298,022**
Total assets		**1,105,338**	**1,086,121**

BALANCE SHEET

Equity and liabilities

(€ thousand)	Note(s)	30 June 2019	31 December 2018
Equity:	8		
Parent Company			
Share capital		94,576	94,576
Share premium		263,875	263,875
Hedging and revaluation reserves		16,028	46,240
Other reserves		(113,456)	(158,918)
Translation differences		(6,474)	(2,759)
Net profit / (loss) for the period		41,886	90,189
		296,435	**333,203**
Non-controlling interests		**11,988**	**9,426**
Total equity		**308,423**	**342,629**
Non-current liabilities:			
Long-term provisions	11	**7,973**	**6,422**
Financial debt	9	**520,836**	**520,091**
Lease payables	9	**11,633**	**78**
Deferred tax liabilities		**57,313**	**65,991**
Other non-current liabilities		**10,163**	**9,084**
Total non-current liabilities		**607,918**	**601,666**
Current liabilities:			
Financial debt	9	**8,118**	**7,269**
Lease payables	9	**2,923**	**60**
Trade payables to related companies	15	**352**	**1,432**
Trade and other payables		**94,313**	**100,191**
Short-term provisions	11	**230**	**231**
Other payables			
Accounts payable to public administrations	12	21,814	15,067
Other current liabilities	8	61,247	17,576
		83,061	**32,643**
Total current liabilities		**188,997**	**141,826**
Total equity and liabilities		**1,105,338**	**1,086,121**

INCOME STATEMENT

(€ thousand)	Note(s)	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
Revenue	3	349,027	382,389	(8.7) %	169,892	186,971	(9.1) %
+/- Changes in stocks of finished products and work in progress		3,860	5,413	(28.7) %	1,957	6,021	(67.5) %
Procurements		(159,782)	(194,441)	(17.8) %	(77,473)	(96,756)	(19.9) %
Other operating income		2,398	1,919	25.0 %	1,371	801	71.2 %
Staff costs		(39,330)	(37,816)	4.0 %	(19,030)	(19,275)	(1.3) %
Other operating expenses		(76,113)	(68,607)	10.9 %	(39,667)	(33,447)	18.6 %
Amortisation/depreciation, impairment and provisions		(16,557)	(14,582)	13.5 %	(8,121)	(7,280)	11.6 %
Operating profit (EBIT)		**63,503**	**74,275**	**(14.5) %**	**28,929**	**37,035**	**(21.9) %**
Financial income		143	61	134.4 %	54	42	28.6 %
Financial expenses		(8,768)	(10,091)	(13.1) %	(4,262)	(5,086)	(16.2) %
Net exchange differences		346	2,625	(86.8) %	67	2,047	(96.7) %
Finance income/(loss)		**(8,279)**	**(7,405)**	**11.8 %**	**(4,141)**	**(2,997)**	**38.2 %**
Profit/(loss) before tax		**55,224**	**66,870**	**(17.4) %**	**24,788**	**34,038**	**(27.2) %**
Corporate income tax		(10,204)	(18,946)	(46.1) %	(2,732)	(9,244)	(70.4) %
Profit/(loss) for the period		**45,020**	**47,924**	**(6.1) %**	**22,056**	**24,794**	**(11.0) %**
Attributable to:							
Shareholders of Befesa S.A.		41,886	44,826	(6.6) %	19,786	23,131	(14.5) %
Non-controlling interests		3,134	3,098	1.2 %	2,270	1,663	36.5 %
Earnings/(losses) per share attributable to shareholders of Befesa S.A. (expressed in € per share)							
Basic earnings per share	13	1.23	1.32	(6.6) %	0.58	0.68	(14.5) %

STATEMENT OF COMPREHENSIVE INCOME

(€ thousand)	Note(s)	H1 2019	H1 2018
Consolidated profit/(loss) for the period		**45,020**	**47,924**
Other comprehensive income:			
Items that may subsequently be reclassified to income statement:			
Income and expense recognised directly in equity		**(38,428)**	**28,542**
- Cash-flow hedges	10	(48,086)	46,907
- Translation differences		(4,287)	(4,293)
- Tax effect		13,945	(14,072)
Transfers to the income statement		**3,929**	**20,976**
- Cash-flow hedges	10	5,505	29,856
- Tax effect		(1,576)	(8,880)
Other comprehensive income/(loss) for the period, net of tax		**(34,499)**	**49,518**
Total comprehensive income/(loss) for the period		**10,521**	**97,442**
Attributable to:			
- Parent company owners		7,959	95,472
- Non-controlling interests		2,562	1,970

STATEMENT OF CHANGES IN EQUITY

(€ thousand)

	Attributable to owners of the Parent							
	Share capital	**Share premium**	**Hedging and revaluation reserves**	**Other reserves**	**Translation differences**	**Net profit (loss) for the period**	**Non-controlling interests**	**Total equity**
Balance as of 31 December 2018	**94,576**	**263,875**	**46,240**	**(158,918)**	**(2,759)**	**90,189**	**9,426**	**342,629**
Net profit / (loss) for the period ended 30 June 2019						41,886		41,886
Profit for the period attributable to non-controlling interests							3,134	3,134
Transfer of hedges to profit or loss (Note 10)			3,929					3,929
Changes in valuation of hedges (Note 10)			(34,141)					(34,141)
Translation differences					(3,715)		(572)	(4,287)
Total comprehensive income / (loss) for the period ended 30 June 2019	**-**	**-**	**(30,212)**	**-**	**(3,715)**	**41,886**	**2,562**	**10,521**
Distribution profit / (loss) of 2018				90,189		(90,189)		-
Dividend (Note 16)				(44,968)				(44,968)
Other changes				241				241
Balance as of 30 June 2019	**94,576**	**263,875**	**16,028**	**(113,456)**	**(6,474)**	**41,886**	**11,988**	**308,423**
Balance as of 31 December 2017	**94,576**	**288,744**	**(57,013)**	**(205,836)**	**(562)**	**49,251**	**10,567**	**179,727**
Net profit / (loss) for the period ended 30 June 2018						44,826		44,826
Profit for the period attributable to non-controlling interests							3,098	3,098
Transfer of hedges to profit or loss (Note 10)			20,976					20,976
Changes in valuation of hedges (Note 10)			32,835					32,835
Translation differences					(3,165)		(1,128)	(4,293)
Total comprehensive income / (loss) for the period ended 30 June 2019	**-**	**-**	**53,811**	**-**	**(3,165)**	**44,826**	**1,970**	**97,442**
Distribution profit / (loss) of 2017				49,251		(49,251)		-
Dividend		(24,869)					(4,223)	(29,092)
Other changes				(1,798)				(1,798)
Balance as of 30 June 2018	**94,576**	**263,875**	**(3,202)**	**(158,383)**	**(3,727)**	**44,826**	**8,314**	**246,279**

CASH FLOW STATEMENT

(€ thousand)	H1 2019	H1 2018	Q2 2019	Q2 2018
Cash flow from operating activities				
Profit / (loss) for the period before tax	**55,224**	**66,870**	**24,788**	**34,038**
Adjustments due to:	**25,318**	**21,432**	**12,101**	**9,996**
Depreciation and amortisation charge	16,557	14,582	8,121	7,280
Changes in long-term provisions	961	-	120	-
Interest income	(143)	(61)	(54)	(42)
Finance costs	8,768	10,091	4,262	5,086
Other profit / (loss)	(479)	(555)	(281)	(281)
Exchange differences	(346)	(2,625)	(67)	(2,047)
Change in working capital	**(9,519)**	**(29,544)**	**3,413**	**(8,746)**
Trade receivables and other current assets	(1,362)	(23,937)	13,621	563
Inventories	1,017	(1,701)	979	(5,243)
Trade payables	(9,174)	(3,906)	(11,187)	(4,066)
Other cash flows from operating activities	**(22,271)**	**(22,037)**	**(9,170)**	**(8,478)**
Interest paid	(8,932)	(4,354)	(869)	(986)
Other payments	-	(6,705)	-	(1,305)
Taxes paid	(13,339)	(10,978)	(8,301)	(6,187)
Net cash flows from operating activities (I)	**48,752**	**36,721**	**31,132**	**26,810**
Cash flows from investing activities				
Investments in intangible assets	(1,819)	(769)	(1,502)	(72)
Investments in property, plant and equipment	(23,589)	(18,538)	(14,070)	(11,400)
Payments for Right of use assets	(3,164)	-	117	-
Collections from disposal of Group and associated companies, net of cash	81	-	67	-
Investments in other current financial assets	(87)	(49)	-	(24)
Interests received	-	-	-	-
Net cash flows from investing activities (II)	**(28,578)**	**(19,356)**	**(15,388)**	**(11,496)**
Cash flows from financing activities				
Cash bank inflows from bank borrowings and other liabilities	1,753	-	1,753	-
Cash bank outflows from bank borrowings and other liabilities	(1,409)	(524)	(1,394)	(13)
Dividends paid	-	(29,387)	-	(29,387)
Net cash flows from financing activities (III)	**344**	**(29,911)**	**359**	**(29,400)**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)	**(820)**	**(614)**	**(531)**	**283**
Net increase in cash and cash equivalents (I+II+III+IV)	**19,698**	**(13,160)**	**15,572**	**(13,803)**
Cash and cash equivalents at the beginning of the period	150,648	117,582	154,774	118,225
Cash and cash equivalents at the end of period	170,346	104,422	170,346	104,422

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 2018. These Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2018, 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 balance sheet 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 utilized in the consolidation process of the financial statements for the year ended 31 December 2018.

1.2 Adoption of new standards

IFRS 16 "Leases"

In January 2016, the IASB published this new standard, as a result of a joint project with the FASB, which repeals IAS 17, "Leases".

This IFRS will apply to annual reporting periods beginning on or after 1 January 2019. The Group decided to adopt the 'simplified approach' in the transition, without re-expressing comparative figures.

The Group assessed all the agreements for operating leases in order to quantify the recognition on its balance sheet of the right of use associated with the leased items and the corresponding liability in respect of the instalments payable under the lease payment schedules.

Based on this analysis, the accounting effects of application of the new standard in terms of financial liabilities on the balance sheet was €14.5 million as at June 2019 (Note 9).

1.3 Changes in the scope of consolidation

June 2019

Additions to the scope of consolidation

Following the organic growth plan for the Group, two new companies were incorporated in China: Befesa (China) Investments Co., Ltd. and Befesa Zinc Environmental Protection Technology (Jiangsu) Co., Ltd.

June 2018

There are no changes in the scope of consolidation in June 2018.

1.4 Alternative Performance Measures

The Company regularly reports alternative performance measures (APMs) 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.

1.4.1. Net debt

Net debt is defined as current and non-current financial debt 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 balance sheet line items:

	30 June 2019	31 December 2018
Non-current financial debt & lease payables (Note 9)	532,469	520,169
Current financial debt & lease payables (Note 9)	11,041	7,329
Cash and cash equivalents	(170,346)	(150,648)
Other current financial assets net from derivative financial instruments (Note 10)	(62)	(60)
Net debt	**373,102**	**376,790**

1.4.2. 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. The Company believes that EBITDA, adjusted EBITDA and EBITDA margin are useful supplemental indicators that may be used to assist in evaluating 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 2019	30 June 2018
Revenue	349,027	382,389
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(268,967)	(293,532)
Amortisation/depreciation, impairment and provisions (a)	(16,557)	(14,582)
EBIT (Operating profit/(loss)) (b)	**63,503**	**74,275**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions) (a+b)	**80,060**	**88,857**
One-time projects	-	-
Non-recurrent charges / income	-	-
Adjusted EBITDA	**80,060**	**88,857**

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

	30 June 2019	30 June 2018
Revenue (a)	**349,027**	**382,389**
EBITDA (b)	**80,060**	**88,857**
One-time projects	-	-
Non-recurrent charges / income	-	-
Adjusted EBITDA (c)	**80,060**	**88,857**
EBITDA margin (%) (b/a)	**23%**	**23%**
Adjusted EBITDA margin (%) (c/a)	**23%**	**23%**

1.4.3. EBIT, adjusted EBIT and EBIT margin

EBIT is defined as operating profit for the year. The Company 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. The Company 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 2019	30 June 2018
Revenue	349,027	382,389
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(268,967)	(293,532)
Amortisation/Depreciation, impairment and provisions	(16,557)	(14,582)
EBIT (Operating profit/(loss))	**63,503**	**74,275**
Extraordinary impairments / provisions	-	-
EBITDA adjustments	-	-
Adjusted EBIT	**63,503**	**74,275**

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

	30 June 2019	30 June 2018
Revenue (a)	**349,027**	**382,389**
EBIT (b)	**63,503**	**74,275**
Extraordinary impairments / provisions	-	-
EBITDA adjustments	-	-
Adjusted EBIT (c)	**63,503**	**74,275**
EBIT margin (%) (b/a)	**18%**	**19%**
Adjusted EBIT margin (%) (c/a)	**18%**	**19%**

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

Net debt / adjusted EBITDA ratio is defined as net debt divided by adjusted EBITDA. The Group 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 2019	30 June 2018
Net debt	373,102	424,056
Adjusted EBITDA LTM (Last Twelve Months)	167,168	178,187
Net debt / adjusted EBITDA	**x 2.2**	**x 2.4**

1.4.5. Capex

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

The Company believes that this measure is useful to understand the effort done 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 2019	30 June 2018
Cash flows from investing activities:		
Investments in intangible assets	1,819	769
Investments in property, plant and equipment	23,589	18,538
Payments for Right of use assets	3,164	-
Capex expenditure	**28,572**	**19,307**

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 minimize the potential adverse effects on Group's earnings.

There were no changes in the risk management policies since 31 December 2018.

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).

	Level 2	Total
30 June 2019		
Assets		
- Derivatives (Note 10)	25,697	25,697
Total assets at fair value	**25,697**	**25,697**
Liabilities		
- Derivatives (Note 10)	3,497	3,497
Total liabilities at fair value	**3,497**	**3,497**

	Level 2	Total
31 December 2018		
Assets		
- Derivatives (Note 10)	63,731	63,731
Total assets at fair value	**63,731**	**63,731**
Liabilities		
- Derivatives (Note 10)	1,987	1,987
Total liabilities at fair value	**1,987**	**1,987**

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 balance sheet 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 balance sheet 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 carrying amount and fair value of financial liabilities do not differ significantly since a relevant part thereof has been arranged recently and, in all cases, accrue interest at market rates.

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:
    - 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.

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

This measurement basis excludes the effects of non-recurring expenses and those incurred in atypical transactions (adjusted EBIT and 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.

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 EBIT and adjusted EBIT for the six-month period ended 30 June 2019, and for the six-month period ended 30 June 2018 (thousand euro):

	30 June 2019				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Revenue	187,082	42,359	139,620	(20,034)	349,027
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(125,544)	(30,349)	(132,965)	19,891	(268,967)
Amortisation/Depreciation, impairment and provisions (a)	(8,282)	(4,176)	(3,554)	(545)	(16,557)
EBIT (Operating profit/(loss)) (b)	**53,256**	**7,834**	**3,101**	**(688)**	**63,503**
EBITDA (Operating profit/(loss) before amortisation) (a) + (b)	**61,538**	**12,010**	**6,655**	**(143)**	**80,060**
EBIT adjustments	-	-	-	-	-
EBITDA adjustments	-	-	-	-	-
Adjusted EBIT	**53,256**	**7,834**	**3,101**	**(688)**	**63,503**
Adjusted EBITDA	**61,538**	**12,010**	**6,655**	**(143)**	**80,060**

	30 June 2018				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Revenue	195,104	44,669	166,283	(23,667)	382,389
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(125,383)	(30,829)	(161,529)	24,209	(293,532)
Amortisation/Depreciation, impairment and provisions (a)	(7,062)	(3,646)	(3,165)	(709)	(14,582)
EBIT (Operating profit/(loss)) (b)	**62,659**	**10,194**	**1,589**	**(167)**	**74,275**
EBITDA (Operating profit/(loss) before amortisation) (a) + (b)	**69,721**	**13,840**	**4,754**	**542**	**88,857**
EBIT adjustments	-	-	-	-	-
EBITDA adjustments	-	-	-	-	-
Adjusted EBIT	**62,659**	**10,194**	**1,589**	**(167)**	**74,275**
Adjusted EBITDA	**69,721**	**13,840**	**4,754**	**542**	**88,857**

The reconciliation of adjusted EBIT to results attributable to the parent company is as follows:

	30 June 2019	30 June 2018
Adjusted EBIT	**63,503**	**74,275**
– Extraordinary impairments/provisions	-	-
– EBITDA adjustments	-	-
Operating profit/(loss)	**63,503**	**74,275**
Financial income (expense)	(8,279)	(7,405)
Corporate income tax	(10,204)	(18,946)
Profit/(loss) attributable to continuing operations	45,020	47,924
Profit/(loss) attributable to discontinued operations	-	-
Non-controlling interests	(3,134)	(3,098)
Profit/(loss) attributed to the parent company	**41,886**	**44,826**

The detail of sales by geographical segment for the six-month period ended 30 June 2019, and for the six-month period ended 30 June 2018 is as follows:

Geographical area	30 June 2019	%	30 June 2018	%
Spain	96,482	28%	115,057	30%
Germany	52,995	15%	57,305	15%
France	14,840	4%	23,366	6%
United Kingdom	11,120	3%	9,042	2%
Rest of Europe	90,829	26%	100,095	26%
South Korea	16,724	5%	19,612	5%
Rest of the world	66,037	19%	57,912	15%
	349,027	**100%**	**382,389**	**100%**

The detail of the segment assets and liabilities for the six-month period ended 30 June 2019, and for the full-year period ended 31 December 2018 is as follows:

	30 June 2019				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Assets:					
Intangible assets	357,470	50,276	14,413	746	422,905
Property, plant and equipment	141,162	58,348	69,409	658	269,577
Right of use	10,593	5,956	560	387	17,496
Investments in associates and other non-current assets	55,356	1,428	36,392	(8,764)	84,412
Current assets	145,803	17,931	55,046	92,168	310,948
Total assets	**710,384**	**133,939**	**175,820**	**85,195**	**1,105,338**
Equity and liabilities:					
Equity	296,615	65,191	44,199	(97,582)	308,423
Non-current liabilities	328,673	59,112	66,346	153,787	607,918
Current liabilities	85,096	9,636	65,275	28,990	188,997
Total equity and liabilities	**710,384**	**133,939**	**175,820**	**85,195**	**1,105,338**

	31 December 2018				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Assets:					
Intangible assets	357,416	49,937	14,329	986	422,668
Property, plant and equipment	132,681	59,241	68,909	683	261,514
Right of use	-	-	-	-	-
Investments in associates and other non-current assets	76,118	1,432	33,326	(6,959)	103,917
Current assets	180,912	19,801	41,599	55,710	298,022
Total assets	**747,127**	**130,411**	**158,163**	**50,420**	**1,086,121**
Equity and liabilities:					
Equity	289,041	65,988	36,945	(49,345)	342,629
Non-current liabilities	369,432	52,134	58,595	121,505	601,666
Current liabilities	88,654	12,289	62,623	(21,740)	141,826
Total equity and liabilities	**747,127**	**130,411**	**158,163**	**50,420**	**1,086,121**

4. Other intangible assets, net

During the six-month period ended 30 June 2019 and during 2018, there are no significant additions, nor disposals within "Other intangible assets, net".

Investment commitments

At 30 June 2019 and 31 December 2018, the Group had no significant investment commitments.

5. Property, plant and equipment

June 2019

The movement of the "Property, plant and equipment" balance in the six-month period ended 30 June 2019 includes additions amounting to €24.4 million, mainly related to the organic projects in Turkey (capacity expansion project), South Korea (washing plant) and Spain (two tilting furnaces in the plants of Aluminium Salt Slags Recycling Services located in Bilbao and Barcelona).

There were no significant disposals in the period.

The amortization for the period amounted to €13.7 million.

December 2018

At 31 December 2018, the additions amounted to €38.8 million. The main additions were related to investment made in Befesa Aluminio S.L., amounting to €12.2 million, regarding to the implementation of the new furnaces in Bilbao and Barcelona, the expansion plan in Befesa Silvermet Iskenderun Celik Tozu Geri Donusumu, A.S. (Turkey), amounting to €5 million; and compliance investments made in Befesa ScanDust AB, amounting to €3 million. Remaining additions relate to other investments in health and safety, and environmental projects as well as maintenance investments made at each plant.

The disposals amounted to €14.1 million.

The amortization amounted to €26.6 million.

Impairment losses

During the six-month periods ended 30 June 2019 and 30 June 2018 no significant impairments were recognized in Property, plant and equipment.

Investment commitments

At 30 June 2019, the investment commitments amounted to €30.4 million mainly due to the organic projects in Turkey and South Korea.

At 31 December 2018, the Group had investment commitments amounting to €28.8 million mainly due to the organic project in Turkey and expansion project in China.

6. Financial assets

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

	30 June 2019	31 December 2018
Investments in subsidiaries and associates		
Investments in Group Companies	2,518	2,959
Value adjustments	(2,400)	(2,401)
	118	**558**

	30 June 2019	31 December 2018
Long-term loans		
Other long-term loans	11,574	11,566
Value adjustments	(8,975)	(8,975)
Derivative financial instruments (Note 10)	15,068	43,123
Other non-current financial assets	344	246
	18,011	**45,960**
Total	**18,129**	**46,518**

7. Inventories

The detail of "Inventories" in the accompanying condensed interim consolidated balance sheet at 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	31 December 2018
Finished goods	12,946	13,838
Goods in progress and semi-finished goods	5,710	3,550
Work in progress	-	145
Raw materials	9,633	12,161
Other	14,525	12,569
Advances to suppliers	2,218	3,786
	45,032	**46,049**

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 2019 and at 31 December 2018 was as follows:

	Percentage of ownership	
	30 June 2019	31 December 2018
Triton	0.0%	40.6%
Freefloat (including management)	100.0%	59.4%
Total	**100.0%**	**100.0%**

The number of shares as at 30 June 2019 is 34,066,705, with a par value of €2.78 each.

On 3 July 2019, Befesa distributed to its shareholders a dividend of €1.32 per share, amounting to €45 million, as approved by the AGM, so as at 30 June 2019 the €45 million are reported in "other current liabilities" in the balance sheet.

9. Financial debt & lease payables

The detail of the related line items in the accompanying consolidated balance sheet is as follows:

	30 June 2019		31 December 2018	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans and credit facilities	1,753	520,836	-	520,091
Unmatured accrued interest	6,365	-	7,269	-
Accounts payable for finance leases	2,923	11,633	60	78
Total	**11,041**	**532,469**	**7,329**	**520,169**

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:

Limit in nominal currency (thousand currency)	Effective interest rate	Maturity date	30 June 2019		31 December 2018	
			Current maturity	Non-current maturity	Current maturity	Non-current maturity
EUR 636,000	Euribor + 2.25%	2022	6,365	520,836	7,269	520,091
USD 2,000	Libor + 1.75%	2019	1,753	-	-	-
Other			2,923	11,633	60	78
			11,041	**532,469**	**7,329**	**520,169**

On 19 October 2017, in order to standardize the financial structure of the Group, the company as parent and certain of its subsidiaries as borrowers and guarantors entered into an €636 million Facilities Agreement. This post-IPO agreement is intended to raise financing for all the 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.

The Facilities Agreement took effect on December 7, 2017 and compromises Term Loan B Facility Commitment in an amount of €526 million, which is a bullet with a maturity of 5 years, RCF in an amount of €75 million with a maturity of 5 years and a Guarantee Facility Commitment in an amount of €35 million with a maturity of 5 years.

On 9 July 2019, this Facility Agreement was refinanced in a leverage neutral transaction that extends the maturity until 9 July 2026 (Note 16).

At 30 June 2019, "Other" mainly includes the accounting effects of the application of the new standard of IFRS 16, €14.5 million in terms of financial liabilities (Note 1.2).

At 31 December 2018, "Other" mainly includes payables for leases.

At 30 June 2019 and 31 December 2018, an amount of €75 million was undrawn yet from the syndicated financing arrangement, respectively.

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 balance sheets at 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	31 December 2018
Cash flow hedges non-current assets:		
Swap contracts for zinc	15,068	43,123
	15,068	**43,123**
Cash flow hedges current assets:		
Swap contracts for zinc	10,630	20,592
Swap foreign currency	-	16
	10,630	**20,608**
Total assets	**25,698**	**63,731**
Cash flow hedges non-current liabilities:		
Swap interest rate	3,490	1,794
	3,490	**1,794**
Cash flow hedges current liabilities:		
Swap contracts for zinc	-	-
Swap foreign currency	7	193
	7	**193**
Total liabilities	**3,497**	**1,987**

11. Long-term provisions

	30 June 2019	31 December 2018
Provisions for litigation, pensions and similar obligations	5,923	4,389
Other provisions for contingencies and expenses	2,050	2,033
Total long-term provisions	**7,973**	**6,422**
Total short-term provisions	**230**	**231**
Total provisions	**8,203**	**6,653**

As at 30 June 2019, the Group recognises a provision of €4.0 million (€2.4 million at 31 December 2018) related to the compensation plans, described in Note 23 of the 2018 consolidated financial statements. During 2019, the Company charged to the income statement €1.6 million related to this provision (€0.6 million at 30 June 2018).

"Other provisions for contingencies and expenses" mainly includes provisions recognized by the Group company Befesa Valera, S.A.S. amounting to €1.9 million at 30 June 2019 as well as at 31 December 2018 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. 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 2019, the accounts arising as a result of the Income Tax estimation for the six-month period ended 30 June 2019, is recorded under "Accounts receivables from public authorities" and "Accounts payables to public administrations" on the condensed interim consolidated balance sheet included in these condensed interim consolidated financial statements.

13. Earnings per share

Basic earnings per share are calculated as follows:

	30 June 2019		30 June 2018	
	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)	**41,886**	**1.23**	**44,826**	**1.32**
Weighted average shares	34,066,705		34,066,705	

14. Guarantee commitments to third parties and contingencies

At 30 June 2019, a number of Group companies had provided guarantees for an overall amount of approximately €31.8 million (31 December 2018: €34.1 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 recognized.

15. 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 2019 and 31 December 2018 is as follows:

	30 June 2019			30 June 2018		
	Sales and other income	Purchases and other expenses	Financial income	Sales and other income	Purchases and other expenses	Financial income
Recytech S.A.	862	(6,103)	-	838	(5,544)	-
Other	-	-	-	-	-	5
Total	**862**	**(6,103)**	**-**	**838**	**(5,544)**	**5**

	30 June 2019			31 December 2018		
	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.	226	-	352	282	-	1,432
Befesa Zinc (Thailand) Ltd.	416	-	-	642	-	-
Other	-	47	-	-	47	-
Total	**642**	**47**	**352**	**924**	**47**	**1,432**

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.

The Parent Company's Directors do not consider, taking into account that transactions with related parties are carried out on an arm's length basis, that they could give rise to significant liabilities in the future.

16. Subsequent events

On 9 July 2019, the Group successfully completed the refinancing of the €636 million Facilities Agreement (Note 9).

The new Facilities Agreement comprises:

- Term Loan B Facility Commitment in an amount of €526 million, which is a bullet with a maturity of 7 years (9 July 2026)
- Revolving Credit Facility (RCF) in an amount of €75 million with a maturity of 6 years
- A Guarantee Facility Commitment in an amount of €35 million with a maturity of 6 years

Interest for the first nine months in Term Loan B Facility is Euribor plus a margin of 2.50% and 2.25% in the case of RCF, these margins can be adjusted downwards up to 1.75% in the case of Term Loan B and up to 1.25% in the case of RCF depending on the ratio of net financial debt / EBITDA.

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 2019 interim consolidated financial statements of Befesa S.A. presented in this Half-Year 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, 24 July 2019

Javier Molina Montes Wolf Uwe Lehmann

ADDITIONAL INFORMATION

SEGMENTATION OVERVIEW – KEY METRICS

STEEL DUST RECYCLING SERVICES

	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
Key operational data (tonnes, unless specified otherwise)						
Steel dust throughput (i)	317,744	360,843	(11.9) %	148,777	173,021	(14.0) %
Waelz oxide sold	104,685	118,781	(11.9) %	51,528	55,818	(7.7) %
Blended zinc price (€ / tonne)	2,326	2,240	3.8 %	2,277	2,214	2.9 %
Total installed capacity (ii)	780,300	780,300	0.0 %	780,300	780,300	0.0 %
Utilisation (%) (iii)	82.1 %	93.3 %	(11.1) p.p.	76.5 %	88.9 %	(12.5) p.p.
Key financial data (€ million, unless specified otherwise)						
Revenue	187.1	195.1	(4.1) %	92.0	93.5	(1.7) %
EBITDA	61.5	69.7	(11.7) %	27.7	33.7	(17.8) %
EBITDA margin %	32.9 %	35.7 %	(2.8) p.p.	30.1 %	36.0 %	(5.9) p.p.
EBIT	53.3	62.7	(15.0) %	23.7	30.1	(21.3) %
EBIT margin %	28.5 %	32.1 %	(3.6) p.p.	25.7 %	32.1 %	(6.4) p.p.

ALUMINIUM SALT SLAGS RECYCLING SERVICES

Salt Slags subsegment

	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
Key operational data (tonnes, unless specified otherwise)						
Salt slags and SPL recycled	253,152	264,842	(4.4) %	124,057	133,857	(7.3) %
Total installed capacity	630,000	630,000	0.0 %	630,000	630,000	0.0 %
Utilisation (%) (iv)	96.3 %	100.8%	(4.4) p.p.	93.9 %	101.3%	(7.4) p.p.
Key financial data (€ million, unless specified otherwise)						
Revenue	42.4	44.7	(5.2) %	20.1	22.8	(12.0) %
EBITDA	12.0	13.8	(13.2) %	5.6	7.3	(23.0) %
EBITDA margin %	28.4 %	31.0 %	(2.6) p.p.	28.0 %	32.0 %	(4.0) p.p.
EBIT	7.8	10.2	(23.2) %	3.6	5.5	(34.9) %
EBIT margin %	18.5 %	22.8 %	(4.3) p.p.	17.8 %	24.1 %	(6.3) p.p.

Secondary Aluminium subsegment

	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
Key operational data (tonnes, unless specified otherwise)						
Secondary aluminium alloys produced	93,995	95,182	(1.2) %	46,030	45,573	1.0 %
Aluminium alloy average market price (€ / tonne) (v)	1,459	1,829	(20.2) %	1,390	1,826	(23.9) %
Total installed capacity	205,000	205,000	0.0 %	205,000	205,000	0.0 %
Utilisation (%) (vi)	92.5 %	93.6 %	(1.2) p.p.	90.1 %	89.2 %	0.9 p.p.
Key financial data (€ million, unless specified otherwise)						
Revenue	139.6	166.3	(16.0) %	68.1	83.0	(18.0) %
EBITDA	6.7	4.8	40.0 %	4.1	3.2	31.2 %
EBITDA margin (% over revenue)	4.8 %	2.9 %	1.9 p.p.	6.1 %	3.8 %	2.3 p.p.
EBIT	3.1	1.6	95.2 %	2.3	1.5	57.5 %
EBIT margin (% over revenue)	2.2 %	1.0 %	1.3 p.p.	3.4 %	1.8 %	1.6 p.p.

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

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

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

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

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

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

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

FINANCIAL CALENDAR

Thursday, 31 October 2019 Publication of Q3 2019 statement & analyst call

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

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BEFESA

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