

Q1 2022 Statement

BEFESA

Befesa at a glance

Key figures - Q1 2022

	Q1 2022	Q1 2021	Change
Key operational data (tonnes, unless specified otherwise)			
Electric arc furnace steel dust (EAFD) throughput	337,366	181,095	86.3 %
Waelz oxide (WOX) sold	103,423	66,727	55.0 %
Salt slags and Spent Pot Linings (SPL) recycled	87,452	104,430	(16.3) %
Secondary aluminium alloys produced	42,244	51,283	(17.6) %
Zinc LME average price (€ / tonne)	3,337	2,279	46.4 %
Zinc blended price (€ / tonne)	2,533	2,237	13.2 %
Aluminium alloy FMB average price (€ / tonne)	2,627	1,982	32.6 %
Key financial data (€ million, unless specified otherwise)			
Revenue	261.4	192.6	35.7 %
EBITDA	59.9	48.8	22.7 %
EBITDA margin	22.9 %	25.4 %	(243) bps
Adjusted EBITDA ¹	61.1	48.8	25.1 %
Adjusted EBITDA margin ¹	23.4 %	25.4 %	(199) bps
EBIT	42.9	39.4	8.8 %
EBIT margin	16.4 %	20.5 %	(405) bps
Adjusted EBIT ¹	44.0	39.4	11.7 %
Adjusted EBIT margin ¹	16.8 %	20.5 %	(362) bps
Financial result	(6.9)	(4.7)	46.1 %
Profit before taxes and minority interests	36.0	34.7	3.8 %
Net profit attributable to shareholders of Befesa S.A.	27.0	24.8	8.9 %
EPS (in €) ²	0.67	0.73	(7.2) %
Total assets	1,894.7	1,159.7	63.4 %
Capital expenditures	21.0	27.7	(24.4) %
Cash flow from operating activities	25.7	26.5	(3.0) %
Cash and cash equivalents at the end of the period	237.1	164.0	44.6 %
Net debt	473.5	394.7	20.0 %
Net leverage	x 2.13	x 2.77	(x 0.64)
Number of employees (as of end of the period)	1,570	1,159	35.5 %

¹ Q1 2022 EBITDA and EBIT adjusted for AZR acquisition-related costs (€1.1m)

² Q1 2021 EPS is based on 34,066,705 shares; Q1 2022 is based on 39,999,998 outstanding shares after the 5,933,293 shares emitted to partly fund the AZR acquisition in June 2021

Highlights

- **Q1'22 adjusted EBITDA at record €61.1 million, +25% yoy (Q1 2021: €48.8m);**
Overall, Befesa's **growth initiatives are delivering** results and, even in the current volatile environment, were able to **offset inflationary pressures**, mainly energy, **through higher prices**
- Overall **plant utilisation in Q1'22 at high pre-pandemic levels**, with Steel Dust at 88% and Aluminium Salt Slags & SPL at around 80%
- **Operating cash flows at €25.7 million** in Q1'22, approximately stable yoy (Q1 2021: €26.5m)
- **Net leverage improved further to x2.13**, down from x2.16 at YE'21;
Continued strong liquidity of more than €300 million including record €237 million cash on hand
- **China expansion progressing and managing COVID restrictions:**
 - Jiangsu: In commercial production and selling Waelz oxide (WOX) at high-capacity loading
 - Henan: Commissioning; Ramp up scheduled in Q2'22 with commercial output in H2'22
- **Zinc US operations:**
 - **Delivering** as planned
 - **Driving progress** on the **integration and related synergies**
- **Zinc hedge book extended further**, up to and including **January 2025**, thus c. **3 years** out
- **Outlook: FY'22 EBITDA** expected to be **between €220m and €270m**, +11% to +37% yoy

Business review

Results of operations, financial position & liquidity

Revenue

Total revenue increased by 35.7% yoy to €261.4 million in Q1'22 (Q1'21: €192.6 million). The increase was primarily driven by volume growth in Steel Dust Recycling Services including the contribution from the US zinc and China operations, the stronger zinc and aluminium alloy market prices as well as the higher zinc hedging prices. These positive effects were partially offset by the unfavourable higher zinc treatment charge (TC), referenced at \$230 per tonne in 2022 (2021: \$159 per tonne), and the lower volumes treated in Aluminium Salt Slags.

Adjusted EBITDA & EBIT

Total adjusted EBITDA in Q1'22 increased by 25.1% yoy to €61.1 million (Q1'21: €48.8 million). Total adjusted EBIT increased by 11.7% yoy to €44.0 million in Q1'22 (Q1'21: €39.4 million).

Overall, Befesa's expansion initiatives are delivering earnings growth and even in this volatile environment Befesa was able to offset inflationary pressures, mainly energy, through higher prices.

The €12.2 million adjusted EBITDA improvement yoy in Q1 was mainly driven by the following components:

- Volumes (c. €13 million): higher in Steel Dust, including the positive contribution from the US and China operations (€14 million); lower in Aluminium Salt Slags driven by the current challenging European aluminium industry environment (-€1 million)
- Base metal prices (c. €16 million): higher zinc LME prices (€12 million); higher zinc hedging prices (€4 million); unfavourable higher zinc TC (-€4 million); higher aluminium FMB prices and aluminium metal margins (€4 million)
- Higher inflation, mainly energy cost, (c. -€16 million)

Total EBITDA and Total EBIT in Q1'22 were adjusted for €1.1 million for AZR acquisition-related costs. Total reported EBITDA amounted to €59.9 million in Q1'22, up 22.7% yoy. Total reported EBIT amounted to €42.9 million in Q1'22, up 8.8% yoy.

Financial result & net profit

Total net financial result in Q1'22 came in at -€6.9 million (Q1'21: -€4.7 million). The yoy trend is mainly due to the €100 million TLB add-on to partly fund the AZR acquisition, and China local loans.

Total net profit attributable to the shareholders in Q1'22 increased by 8.9% yoy to €27.0 million (Q1'21: €24.8 million).

Earnings per share (EPS) in Q1'22 was down 7.2% yoy to €0.67 (Q1'21: €0.73) due to the 5,933,293 shares emitted to partly fund the AZR acquisition in June 2021, which increased the total outstanding number of shares to the current 39,999,998.

Financial position & liquidity

Gross debt increased €15.9 million to €710.6 million at Q1'22 closing (year-end 2021: €694.7 million), explained primarily by China local loans to fund the Henan plant.

Net debt of €473.5 million at Q1'22 closing, approximately flat (year-end 2021: €470.6 million).

The last-twelve-months (LTM) adjusted EBITDA of €222.6 million at Q1'22 incorporates full-twelve-rolling months of the US operations.

Q1'22 closed at x2.13 net leverage, improved further from x2.16 at year-end 2021.

Net debt (€ million)

	31 March 2022	31 December 2021
Non-current financial indebtedness	683.1	669.3
+ Current financial indebtedness	27.5	25.4
Financial indebtedness	710.6	694.7
- Cash and cash equivalents	(237.1)	(224.1)
- Other current financial assets ¹	(0.1)	(0.1)
Net debt	473.5	470.6
LTM adjusted EBITDA ²	222.6	217.8
Net leverage ratio	x 2.13	x 2.16

¹ Other current financial assets adjusted by hedging valuation

² LTM adjusted EBITDA incorporates full-twelve-rolling months of the US operations

Operating cash flow in Q1'22 amounted to €25.7 million, approximately flat yoy (Q1'21: €26.5 million). Working capital was up by €23.5 million yoy, which was mainly driven by the usual first quarter seasonality and timing impact. Interests paid in Q1'22 increased by 15.1% yoy to

€7.3 million (Q1'21: €6.3 million) mainly as a result of the higher gross debt (€100 million TLB add-on to partly fund the AZR acquisition, and China local loans).

In Q1'22, Befesa invested €25.8 million (Q1'21: €28.0 million) to fund growth investments - mainly related to the second China plant in Henan partly funded through local loans - as well as to fund regular maintenance capex.

After funding working capital, interests, taxes and capex, total cash flow generated in Q1'22 amounted to €13.0 million, improving Befesa's cash on hand to a record €237.1 million from €224.1 million at year-end 2021. The €237.1 million cash balance together with the €75.0 million RCF, entirely undrawn, provides Befesa with more than €300 million liquidity.

Segment information

Steel Dust Recycling Services

Volumes of **EAFD recycled** in Q1'22 increased 86.3% yoy to 337,366 tonnes (Q1'21: 181,095 tonnes). The positive volume developments include the contribution from the acquired US recycling plants as well as operations in China. With these volumes, Befesa's EAFD recycling plants ran at average load factors of 88% of the installed annual recycling capacity of c. 1,555,300 tonnes, including c. 620,000 tonnes from the acquired US recycling plants and 110,000 tonnes from the state-of-the-art plant at Jiangsu, China.

The volume of Waelz oxide (WOX) sold increased by 55.0% yoy to 103,423 tonnes in Q1'22 (Q1'21: 66,727 tonnes).

Revenue in the Steel Dust business increased by 54.6% yoy to €155.9 million in Q1'22 (Q1'21: €100.9 million).

EBITDA increased by 50.1% yoy to €54.8 million in Q1'22 (Q1'21: €36.5 million).

The €18.3 million EBITDA improvement yoy in Q1 was mainly driven by the following components:

- Higher volumes (c. €14 million): including the positive contribution from the US operations, the acquired ex AZR business, and the operations in China
- Base metal prices (c. €12 million): higher zinc LME prices (€12 million); higher zinc hedging prices (€4 million); unfavourable higher zinc TC (-€4 million)
- Higher inflation, mainly energy cost, (c. -€8 million)

Overall, the Steel Dust growth initiatives are delivering earnings and even in this volatile environment were able to more than offset inflationary pressures, mainly energy, through higher prices.

In Q1'22, zinc LME prices continued to reach all-time-high levels and averaged at €3,337 per tonne, up 46.4% yoy. Zinc TC were considered at \$230 per tonne with escalators retroactively from 1 January 2022 and for the full year 2022 (2021: \$159 per tonne). Combined, the net price effect (zinc LME and TC) was up around 45% yoy in Q1. Zinc hedging average prices in Q1 were higher yoy but lower compared to strong spot average prices. Combined, the zinc effective average prices (blended rate between hedged volume and non-hedged volume) amounted to €2,533 per tonne in Q1'22, up 13.2% yoy (Q1'21: €2,237 per tonne).

EBIT came in at €42.3 million in Q1'22, up 33.7% yoy (Q1'21: €31.6 million), following similar drivers explained referring to the EBITDA development.

Consequently, earnings margins in Q1'22 continued at strong levels: EBITDA margin at 35.1% (Q1'21: 36.2%); EBIT margin at 27.1% (Q1'21: 31.3%).

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

Salt slags and SPL recycled volumes in Q1'22 amounted to 87,452 tonnes, down 16.3% yoy (Q1'21: 104,430 tonnes), mainly driven by the current challenging European aluminium industry environment.

On average, Salt Slags recycling plants operated in Q1'22 at 78.8% utilisation rates (Q1'21: 94.1%) of the latest installed annual recycling capacity of 450,000 tonnes. This includes the impact of the Hannover plant not in operations while the recovery efforts are underway after the fire at the plant late last year.

Revenue in the Salt Slags subsegment came in at €19.2 million in Q1'22, down 3.2% yoy (Q1'21: €19.8 million).

EBITDA increased by 8.7% yoy to €6.4 million in Q1'22 (Q1'21: €5.9 million). The yoy earnings increase was primarily driven by the higher aluminium alloy FMB prices, which averaged €2,627 per tonne in Q1'22, up 32.6% yoy (Q1'21: €1,982 per tonne). The positive price development was mostly offset with the volume decrease and higher inflation, mainly energy cost.

EBIT increased by 13.1% yoy to €4.0 million in Q1'22 (Q1'21: €3.6 million), following similar drivers explained referring to the EBITDA development.

Therefore, earnings margins in the Salt Slags subsegment were higher yoy: EBITDA margin improved to 33.4% in Q1'22 (Q1'21: 29.7%); EBIT margin increased to 21.1% in Q1'22 (Q1'21: 18.1%).

Secondary Aluminium subsegment

Aluminium alloy production volumes in Q1'22 amounted to 42,244 tonnes, down 17.6% yoy (Q1'21: 51,283 tonnes), driven by the current challenging European aluminium industry environment. Nevertheless, even under the current volatile market environment, Secondary Aluminium production plants overall operated in Q1'22 at 83.6% utilisation rates on average (Q1'21: 101.5%).

Revenue in the Secondary Aluminium subsegment amounted to €97.9 million in Q1'22, up 18.8% yoy (Q1'21: €82.4 million). The positive revenue development follows favourable aluminium alloy FMB prices partially offset with the lower volumes.

EBITDA amounted to €1.2 million in Q1'22, down 81.5% yoy (Q1'21: €6.4 million). The YoY EBITDA development was mainly impacted by the higher inflation / energy cost trends, with particularly high gas prices in Europe. As a result, in Q1'22 the inflation was higher than the increases in aluminium market prices.

EBIT came in at -€0.9 million, down €5.2 million yoy (Q1'21: €4.3 million), following similar drivers which impacted the EBITDA development.

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 2021 (page 33).

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

The combined global hedge book in place as of the date of this Q1 Statement Report provides Befesa with improved pricing visibility up to January 2025, therefore for the following c. three years. The average hedged prices and volumes for each of the periods are:

Period	Average hedged price (€ per tonne)	Zinc content in WOX hedged (tonnes)
2021	€2,151	120,013
2022	c. €2,275 ¹	155,818
2023	c. €2,375 ¹	150,955
2024	c. €2,425 ¹	134,550

¹ FX US dollar/euro forward rates assumed are 1.15 for 2022 and 2023, and 1.16 for 2024

China expansion

During Q1 2022, the expansion of the Steel Dust Recycling Services operations into China continued progressing in both provinces - Jiangsu and Henan - while managing the COVID restrictions.

- **Jiangsu:** In commercial production since Dec'21 and selling WOX at high-capacity loading
- **Henan:** Plant commissioning started in Jan'22; ramp up is expected in Q2'22 with the first commercial output scheduled for H2'22.

The two plants in Jiangsu and Henan are designed to each recycle 110,000 tonnes of EAFD per year and represent Befesa's 11th and 12th EAFD recycling sites globally, along with existing sites in Europe, Turkey, South Korea and the US.

US operations

The US operations are delivering as planned and positively contributed to Befesa's Q1 earnings. The positive impact demonstrates the benefits of the

acquisition of one of the US market leaders in EAFD recycling services and the success of Befesa's strategy of accelerating the expansion of its global footprint.

Befesa continues to drive progress on the integration and the related synergies of its US operations.

Outlook 2022

Befesa expects to deliver double-digit earnings growth again in 2022, driven by the execution of its expansion projects and supported by the resilience of its business, diversified global footprint and robust cash management.

More specifically:

- FY'22 EBITDA is expected to be between €220 million and €270 million (+11 to +37%); The midpoint of €245 million is aligned with the annualised Q1'22 €61.1 million quarterly run rate
- The wider guidance range is mainly driven by market (volume), energy and base metal price volatility
- Total capex of €55-€65 million, of which:
€15-20 million growth (China Henan), majority funded through China local loans; and €40-45 million regular maintenance, IT, compliance, operational excellence (US)
- Total cash flow is expected to be within €40-€80 million, further decreasing net leverage to or below x2 and below x1.75 by YE'22.

Consolidated financial statements as of 31 March 2022 (thousand of euros)

Statement of financial position

	31 March 2022	31 December 2021
Non-current assets:		
Intangible assets		
Goodwill	577,967	573,151
Other intangible assets	104,567	104,418
	682,534	677,569
Right-of-use assets	31,306	30,335
Property, plant and equipment	520,305	509,075
Non-current financial assets		
Investments in Group companies and associates	46	46
Other non-current financial assets	26,592	15,953
	26,638	15,999
Deferred tax assets	153,935	125,462
Total non-current assets	1,414,718	1,358,440
Current assets:		
Inventories	79,783	67,477
Trade and other receivables	131,428	113,229
Trade receivables from related companies	1,129	917
Accounts receivables from public authorities	12,491	10,671
Other receivables	17,011	20,561
Other current financial assets	1,028	825
Cash and cash equivalents	237,102	224,089
Total current assets	479,972	437,769
Total assets	1,894,690	1,796,209

Statement of financial position (continued)

	31 March 2022	31 December 2021
Equity:		
Parent Company		
Share capital	111,048	111,048
Share premium	532,867	532,867
Hedging reserves	(185,491)	(96,830)
Other reserves	82,004	(19,915)
Translation differences	4,776	(4,080)
Net profit/(loss) for the period	26,993	99,745
Interim dividend	-	-
Equity attributable to the owners of the Company	572,197	622,835
Non-controlling interests	9,800	8,712
Total equity	581,997	631,547
Non-current liabilities:		
Long-term provisions	19,709	22,267
Loans and borrowings	666,787	653,571
Lease liabilities	16,327	15,756
Other non-current financial liabilities	129,110	56,700
Other non-current liabilities	4,454	4,621
Deferred tax liabilities	95,040	91,946
Total non-current liabilities	931,427	844,861
Current liabilities:		
Loans and borrowings	19,609	17,791
Lease liabilities	7,904	7,612
Other current financial liabilities	124,642	75,650
Trade payables to related companies	2,961	1,436
Trade and other payables	147,690	151,414
Other payables		
Accounts payable to public administrations	27,871	17,855
Other current liabilities	50,589	48,043
	78,460	65,898
Total current liabilities	381,266	319,801
Total equity and liabilities	1,894,690	1,796,209

Income statement

	Q1 2022	Q1 2021	Change
Revenue	261,407	192,640	35.7 %
Changes in inventories of finished goods and work-in-progress	14,774	(4,002)	-
Procurements	(129,760)	(83,193)	56.0 %
Other operating income	10,914	1,478	> 100 %
Personnel expenses	(31,691)	(21,066)	50.4 %
Other operating expenses	(65,700)	(37,011)	77.5 %
Amortisation/depreciation, impairment and provisions	(17,038)	(9,419)	80.9 %
Operating profit/(loss)	42,906	39,427	8.8 %
Finance income	152	24	> 100 %
Finance expenses	(7,271)	(5,289)	37.5 %
Net exchange differences	243	560	(56.6) %
Net finance income/(loss)	(6,876)	(4,705)	46.1 %
Profit/(loss) before tax	36,030	34,722	3.8 %
Corporate income tax	(7,457)	(9,197)	(18.9) %
Profit/(loss) for the period	28,573	25,525	11.9 %
Attributable to:			
Parent Company's owners	26,993	24,780	8.9 %
Non-controlling interests	1,580	745	> 100 %
Earnings/(losses) per share attributable to owners of the Parent Company¹ (expressed in euros per share)	0.67	0.73	(7.2) %

¹ EPS in Q1 2021 is based on 34,066,705 shares; Q1 2022 is based on 39,999,998 outstanding shares after the capital increase of 5,933,293 new shares

Statement of cash flows

	Q1 2022	Q1 2021
Profit/(loss) for the period before tax	36,030	34,722
Adjustments for:	21,139	13,202
Depreciation and amortisation	17,038	9,419
Changes in provisions	(2,558)	(740)
Interest income	(152)	(24)
Finance costs	7,271	5,289
Other profit/(loss)	(217)	(182)
Exchange differences	(243)	(560)
Changes in working capital:	(19,568)	(11,719)
Trade receivables and other current assets	(16,338)	(23,881)
Inventories	(12,312)	1,060
Trade payables	9,082	11,102
Other cash flows from operating activities:	(11,902)	(9,702)
Interest paid	(7,308)	(6,347)
Taxes paid	(4,594)	(3,355)
Net cash flows from/(used in) operating activities (I)	25,699	26,503
Cash flows from investing activities:		
Investments in intangible assets	(258)	-
Investments in property, plant and equipment	(25,531)	(28,016)
Collections from sale of property, plant and equipment	35	-
Investments/(Divestments) in other current financial assets	-	3
Net cash flows from/(used in) investing activities (II)	(25,754)	(28,013)
Cash flows from financing activities:		
Cash inflows from bank borrowings and other liabilities	15,319	11,613
Cash outflows from bank borrowings and other liabilities	(2,208)	(1,025)
Net cash flows from/(used in) financing activities (III)	13,111	10,588
Effect of foreign exchange rate changes on cash and cash equivalents (IV)	(43)	353
Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	13,013	9,431
Cash and cash equivalents at the beginning of the period	224,089	154,558
Cash and cash equivalents at the end of the period	237,102	163,989

Additional information

Segmentation overview - key metrics

Steel Dust Recycling Services

	Q1 2022	Q1 2021	Change
Key operational data (tonnes, unless specified otherwise)			
EAFD throughput ¹	337,366	181,095	86.3 %
WOX sold	103,423	66,727	55.0 %
Zinc blended price (€ / tonne)	2,533	2,237	13.2 %
Total installed capacity ²	1,555,300	825,300	88.5 %
Utilisation (%) ²	88.0 %	89.0 %	(102) bps
Key financial data (€ million, unless specified otherwise)			
Revenue	155.9	100.9	54.6 %
EBITDA	54.8	36.5	50.1 %
EBITDA margin	35.1 %	36.2 %	(106) bps
EBIT	42.3	31.6	33.7 %
EBIT margin	27.1 %	31.3 %	(423) bps

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

	Q1 2022	Q1 2021	Change
Key operational data (tonnes, unless specified otherwise)			
Salt slags and SPL recycled	87,452	104,430	(16.3) %
Total installed capacity	450,000	450,000	0.0 %
Utilisation (%) ³	78.8 %	94.1 %	(1,530) bps
Key financial data (€ million, unless specified otherwise)			
Revenue	19.2	19.8	(3.2) %
EBITDA	6.4	5.9	8.7 %
EBITDA margin	33.4 %	29.7 %	365 bps
EBIT	4.0	3.6	13.1 %
EBIT margin	21.1 %	18.1 %	304 bps

Secondary Aluminium subsegment

	Q1 2022	Q1 2021	Change
Key operational data (tonnes, unless specified otherwise)			
Secondary aluminium alloys produced	42,244	51,283	(17.6) %
Aluminium alloy FMB price (€ / tonne) ⁴	2,627	1,982	32.6 %
Total installed capacity	205,000	205,000	0.0 %
Utilisation (%) ⁵	83.6 %	101.5 %	(1,788) bps
Key financial data (€ million, unless specified otherwise)			
Revenue	97.9	82.4	18.8 %
EBITDA	1.2	6.4	(81.5) %
EBITDA margin	1.2 %	7.8 %	(655) bps
EBIT	(0.9)	4.3	(120.2) %
EBIT margin	(0.9) %	5.3 %	(615) bps

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; The increase in annual installed capacity to 1,555,300 tonnes reflects c.620,000 tonnes contributed by the acquired US recycling plants and 110,000 tonnes from Jiangsu (China); Utilisation represents EAFD processed against annual installed recycling capacity

³ Utilisation represents the volume of salt slags & SPL recycled against annual installed capacity; Total annual installed capacity figures do not include the 100,000 tonnes idled capacity at Töging, Germany

⁴ Aluminium Scrap and Foundry Ingots Aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin Free Market Duty paid delivered works

⁵ Utilisation represents the volume of secondary aluminium alloys produced against annual installed production capacity

Financial calendar

Thursday, 16 June 2022	Annual General Meeting
Thursday, 28 July 2022	H1 2022 Interim Report & Conference Call
Thursday, 27 October 2022	Q3 2022 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

IR contact

Rafael Pérez
Director of Investor Relations & Strategy
Phone: +49 (0) 2102 1001 0
email: irbefesa@befesa.com

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BEFESA

Befesa S.A.

68-70, Boulevard de la Pétrusse

L-2320 Luxembourg

Grand Duchy of Luxembourg

www.befesa.com