



PRESS AND INVESTOR ANNOUNCEMENT

Q3 2023 results

Befesa achieved €137m adjusted EBITDA in the first 9 months of 2023 amid a persistently challenging market environment

- **Revenue** increased by 8% to €289m in Q3 and by 8% to €904m in 9M, mainly driven by the zinc refining operations
- **Adjusted EBITDA** decreased by 8% to €42m in Q3 and by 17% to €137m in 9M, mainly driven by lower zinc LME prices, higher zinc treatment charges (TC) and higher coke prices
- **US:** Zinc refining plant at high utilisation level and focused on improving profitability; Refurbishment of steel dust plant in Palmerton, Pennsylvania, on track to capture growth in 2025
- **China:** Real estate crisis impacting volume. Plants running at lower than expected utilisation. Expansion into third province, Guangdong, adjusted to macro situation.
- **Outlook:** FY 2023 adjusted EBITDA guidance revised to around €180m; Strong growth expected in 2024 and positive mid-term outlook intact
- Appointment of Mrs Soledad Luca de Tena to the Board as Independent Director

Luxembourg, 26 October 2023 - Befesa S.A. ("*Befesa*"), the leading provider of hazardous waste recycling services enabling the circular economy within the steel and aluminium industries, delivered total revenue of €904 million and adjusted EBITDA of €137 million in 9M 2023. **Total revenue** increased by 8% to €904.2 million in 9M (9M 2022: €840.6 million) and by 8% to €288.7 million in Q3 (Q3 2022: €268.0 million). The increase in revenue was primarily attributable to the contribution from the US zinc refining operation. However, adjusted **EBITDA** decreased by 17% to €136.7 million in 9M (9M 2022: €163.9 million) and by 8% to €42.0 million in Q3 (Q3 2022: €45.9 million). The EBITDA decrease was primarily driven by lower zinc LME prices, the unfavourable increase in zinc TC (19% yoy) and higher coke prices, partially offset by better zinc hedges, lower energy prices and synergies.

Regarding **volumes**, the throughput of electric arc furnace (EAF) steel dust remained roughly flat at 890 kt in 9M 2023 (-1% yoy) and increased to 297 kt in Q3 2023 (+11% yoy), with an average capacity utilisation of around 70%, and a mixed performance across Befesa's markets: In Europe, EAF steel dust treated volumes stayed at solid levels, despite challenging steel production levels. In China, volumes remained impacted by the real estate crisis. The zinc refining plant in North Carolina ran at high utilisation levels with a focus on gradually improving profitability. The recycled volumes of aluminium salt slags increased by 7% to 258 kt in 9M 2023 and by 30% to 87 kt in Q3 2023, with an average capacity utilisation of around 73%. Secondary aluminium alloys volumes increased by 3% to 126 kt in 9M 2023 and by 4% to 39 kt in Q3 2023, with an average capacity utilisation of around 80%. The yoy volume increase in Aluminium Salt Slags was primarily driven by the resumption of operations of the Hannover plant in 2023.

On **base metal prices**, zinc LME prices were persistently low compared to prior year and averaged €2,493 per tonne in 9M 2023 (-27% yoy) and €2,232 per tonne in Q3 2023 (-31% yoy). Higher zinc hedging prices partially compensated the lower zinc LME prices. Zinc **TC** was set at \$274 per tonne for the full year 2023 (2022: \$230 per tonne). Aluminium alloy prices averaged €2,186 per tonne in 9M 2023 (-12% yoy) and €2,074 per tonne in Q3 2023 (-11% yoy).

Energy prices had a mixed impact on Befesa in 9M 2023. After reaching all-time-high levels in the first half of 2023, Befesa's coke price started to reduce in Q3 2023 (-4% vs Q2 2023). However, the average coke price in 9M 2023 was still around 15% above that of in 9M 2022 and around 85% above the average level of 2019–2021. This had an adverse effect on the Steel Dust operations. Conversely, gas and electricity prices in Q3 2023 continued at around 2021 average levels, which had a positive impact on the Aluminium Salt Slags operations.

In 9M 2023, Befesa's operating **cash flow** amounted to €63.7 million (9M 2022: €78.3 million). Liquidity remained at more than €150m, with cash on hand of €81 million at Q3 closing (€162 million at year-end 2022). Net **leverage** amounted to x3.38 (x2.56 at year-end 2022).

Javier Molina, Executive Chair of Befesa, commented: "2023 has been a challenging year, affected by a convergence of temporary external factors, from high zinc treatment charges and low zinc prices to all-time-high coke prices and some operational delays in the US and China. The improvement in the macroeconomic environment that we expected for H2 2023 has not occurred and now, we expect the current challenging conditions to continue throughout the rest of the year. However, going into 2024, we see tailwinds driven by the reversal of many of the 2023 headwinds, such as coke price normalisation, more favourable zinc TC and LME price combination, better zinc hedges, growth in our US business, and a positive contribution from China. We are committed to rigorously execute our growth projects, which will position the company strongly for the years ahead."

Outlook

2023: The current macroeconomic and market-specific challenges have caused a combination of temporary pressures in 2023, including unfavourable high zinc TC, lower zinc prices, all-time-high coke prices, and lower than expected steel dust volumes in China. These headwinds are expected to continue throughout the remainder of the year. Therefore, Befesa expects full-year adjusted EBITDA for 2023 around €180m (previously: €200m to €230m).

2024: Strong growth is expected, as many of the headwinds that Befesa is facing in 2023 should subside in 2024 due to the temporary nature of the external pressures. 2024 should see, in particular, a more favourable combination of zinc treatment charges and prices, a normalisation of coke price, coupled with improved zinc hedging prices and the contribution from the US zinc refining and Chinese operations.

Positive mid-term outlook intact

Befesa's diversified growth plan is supported by the favourable macro trends in decarbonisation and EV over the next few years, across the core businesses and markets in which Befesa holds a leading position. Befesa is rigorously executing and cautiously managing the timing of its growth projects, aligned with macroeconomic and market-specific developments.

In the **US**, the refurbishment of the plant in Palmerton, Pennsylvania, is on track. This will continue for the remainder of 2023 and 2024, enabling Befesa to improve profitability levels and to capture the incremental EAF steel dust volumes expected in the US market for 2025.

In **China**, with regards to the third plant in the province of Guangdong, Befesa continues its negotiations with major steelmakers in the region to secure EAF dust supply. Despite the current market challenges, Befesa sees a strong growth opportunity in China and is optimistic in the midterm.

Board of Directors

In October 2023, the Board of Directors of Befesa appointed Mrs Soledad Luca de Tena as Independent Director by co-optation to fill the position on the Board of Directors following the resignation of Mr Romeo Kreinberg earlier this year, subject to ratification by the next General Meeting of Befesa S.A. in June 2024. Mrs Luca de Tena brings extensive executive and governance experience to Befesa and currently serves as Board member in Vocento, one of the largest media groups in Spain. Additionally, Mrs Luca de Tena is the Vice Chair of the mutual insurance company Asepeyo and serves on the board of several non-profit organisations. Based on the appointment, the proportion of women on the Befesa Board of Directors has increased up to 38%.

Key figures

in €m	9M 2022	9M 2023	Change	Q3 2022	Q3 2023	Change
Revenue	840.6	904.2	8%	268.0	288.7	8%
Adj. EBITDA ¹	163.9	136.7	-17%	45.9	42.0	-8%
Net profit	87.2	27.6	-68%	37.2	7.3	-80%
EPS (€)	2.18	0.69	-68%	0.93	0.18	-80%
Operating cash flow	78.3	63.7	-19%	14.4	21.7	51%
Net debt	574.2	633.4	10%	574.2	633.4	10%
Net leverage ²	x2.56	x3.38		x2.56	x3.38	

1 9M 2023 and Q3 2023 EBITDA were adjusted for €11.2m and €7.3m, respectively.

2 Net leverage calculated as net debt over adjusted EBITDA.

Webcast

Befesa will host a webcast on its Q3 2023 results at 9.00 CEST on 26 October 2023. Further details, a replay and other events are available on Befesa's website: www.befesa.com

Financial calendar

The financial calendar is available in the Investor Relations / Investor's Agenda section of Befesa's website. For more information, please visit www.befesa.com

About Befesa

Befesa is a leading player in the circular economy, providing environmental, regulated services to the steel and aluminium industries with facilities located in Germany, Spain, Sweden, France, as well as in Turkey, South Korea, China and the US. Through its two business units, Steel Dust and Aluminium Salt Slags recycling services, which are a critical part of the circular economy, Befesa manages and recycles around 1.8 million tonnes of residues annually, with a production of above 1.5 million tonnes of new materials, which Befesa reintroduces in the market, reducing the consumption of natural resources. Further information is available on the Company's website: www.befesa.com

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