Half-Year Financial Report
H1/Q2 2018

BEFESA AT A GLANCE

KEY FIGURES – H1/Q2 2018

(€ million, unless specified otherwise)

	H1 2017	H1 2018	Change	Q2 2017	Q2 2018	Change
Key Operational Data:						
Steel dust throughput (tons)	315,549	360,843	14.4 %	159,012	173,021	8.8 %
Waelz oxide sold (tons)	107,770	118,781	10.2 %	53,247	55,818	4.8 %
Salt slags and SPL recycled (tons)	265,222	264,842	(0.1) %	139,030	133,857	(3.7) %
Secondary aluminium alloys produced (tons)	98,835	95,182	(3.7) %	48,280	45,573	(5.6) %
LME zinc average price (€ / ton)	2,487	2,698	8.5 %	2,358	2,611	10.7 %
Blended zinc price (€ / ton)	2,113	2,240	6.0 %	2,054	2,214	7.8 %
Aluminium alloy average market price (€ / ton)	1,775	1,831	3.2 %	1,785	1,828	2.4 %
Key Financial Data:						
Revenue	374.4	382.4	2.1 %	201.6	187.0	(7.3) %
EBITDA	70.7	88.9	25.6 %	35.3	44.3	25.7 %
Adjusted EBITDA	83.1	88.9	6.9 %	41.5	44.3	6.8 %
Adjusted EBITDA margin (%)	22.2 %	23.2 %	1.0 p.p.	20.6 %	23.7 %	3.1 p.p.
EBIT	55.6	74.3	33.6 %	27.7	37.0	33.7 %
Adjusted EBIT	69.1	74.3	7.5 %	34.3	37.0	7.9 %
Adjusted EBIT margin (%)	18.5 %	19.4 %	1.0 p.p.	17.0 %	19.8 %	2.8 p.p.
Financial result	(23.2)	(7.4)	(68.0) %	(12.6)	(3.0)	(76.2) %
Profit before taxes and minority interests	32.4	66.9	>100 %	15.1	34.0	>100 %
Net profit from continuing operations attributable to parent company	20.1	44.8	>100 %	10.0	23.1	>100 %
EPS (in €) based on 34,066,705 shares (1)	(0.01)	1.32		(0.01)	0.68	
Total assets (2)	1,010.1	1,015.9	0.6 %	1,010.1	1,015.9	0.6 %
Capital expenditures	11.2	17.9	60.5 %	7.8	11.3	44.8 %
Cash flow from operating activities	32.4	36.7	13.2 %	3.9	26.8	>100 %
Cash and cash equivalents at the end of the period	84.6	104.4	23.4 %	84.6	104.4	23.4 %
Net debt	406.4	424.1	4.4 %	406.4	424.1	4.4 %
Leverage	2.4 x	2.4 x		2.4 x	2.4 x	
Number of employees (as of end of the period)	1,125	1,131	0.5 %	1,125	1,131	0.5 %

(1) EPS calculation is explained in detail in note 29 of the Befesa Annual Report 2017

(2) 2017 figures are as of December 31

KEY HIGHLIGHTS

- Strong steel dust volumes at record levels up 14%
- Adjusted EBITDA up 7% to €44.3 million
- Adjusted EBIT up 8% to €37.0 million
- Profitability improved to 24% / 20% EBITDA / EBIT margins, respectively
- Net profit of €44.8 million in H1 2018, a €24.8 million increase year-on-year

Continuing earnings growth in Q2 2018

Another quarter delivering earnings growth driven by strong volume increase on steel dust and favorable zinc and aluminium alloys prices during Q2.

Consecutive Last Twelve Month run rate growth to €733 million revenue, €178 million adjusted EBITDA, and €149 million adjusted EBIT.

Extended hedges until mid-2021

During May 2018, Befesa extended its zinc hedges by another six months covering H1 2021. Following the same hedging strategy as in the period from 2017 to 2020, Befesa has fixed the price at ~€2,230 per ton of zinc in H1 2021 for 46,200 tons of zinc contained in Waelz oxide (approx. 70% of zinc equivalent payable output) by entering into financial swap agreements with several financial institutions. The extended hedging program further improves earnings and cash flow visibility.

Befesa's 1st Annual General Meeting after IPO

On April 26, 2018, Befesa held its first Annual General Meeting (AGM) in Luxembourg.

The AGM approved a dividend of €0.73 per share, representing a payout ratio of 50% of the reported net profit as of December 31, 2017. This dividend pay-out ratio represents the upper end of the 40 to 50% target range of audited reported net profit and was distributed to Befesa's shareholders on May 3, 2018.

Befesa's organic growth initiatives on track

During Q2 2018, Befesa continued to focus on implementing its growth projects plan to ensure its double-digit mid-term earnings growth target. In Steel Dust Recycling Services, Befesa is investing in the expansion of its operations in Turkey by 45 thousand tons of capacity, as well as a new Waelz oxide washing plant in South Korea. On the Aluminium Salt Slags Recycling Services side, Befesa is implementing the upgrade of its secondary aluminium production plants in Spain (located near Bilbao and Barcelona) with the latest furnace technology, as well as the expansion of the salt slags recycling plant at Hannover by 40 thousand tons of capacity. The execution of these top five initiatives is on track.

BUSINESS OVERVIEW

RESULTS OF OPERATIONS, FINANCIAL POSITION & LIQUIDITY

Revenue

In H1 2018, consolidated revenue increased by 2.1% year-on-year, to €382.4 million. This growth is principally attributed to the increased volume in Steel Dust Recycling Services to record levels, as well as higher prices for both zinc and aluminium alloys.

In Q2 2018, consolidated revenue slightly decreased by 7.3% year-on-year to €187.0 million, primarily driven by an amendment to IFRS 15 – see 2017 Annual Report (page 84) – affecting the revenue recognition of non-operating sales in the Secondary Aluminium sub-segment (€0.1 million in Q2 2018, compared to €29.4 million in Q2 2017). To a lesser extent, the decrease in consolidated revenue was also driven by lower volumes in Aluminium Salt Slags Recycling Services partially offset by increased volumes in Steel Dust Recycling Services and higher prices for both zinc and aluminium alloys.

EBITDA and EBIT

In H1 2018, adjusted EBITDA increased to €88.9 million (+6.9% or up €5.8 million year-on-year). Similarly, adjusted EBIT grew to €74.3 million (+7.5% or up €5.2 million year-on-year). In Q2 2018, adjusted EBITDA rose by 6.8% year-on-year to €44.3 million. Similarly, adjusted EBIT increased by 7.9% year-on-year to €37.0 million. This positive year-on-year trend was achieved mainly through higher volumes in Steel Dust Recycling Services, and the increased zinc and aluminium alloy market prices.

In H1 2018, margins increased by 1.0 p.p. year-on-year to 23.2% adjusted EBITDA margin and to 19.4% adjusted EBIT margin. In Q2 2018, margins increased by 3.1 p.p. year-on-year to 23.7% and EBIT margin by 2.8 p.p. to 19.8%. These margin increases were driven by the strong volumes in Steel Dust Recycling Services, favorable zinc and aluminium prices, as well as recovering aluminium metal margins.

For a reconciliation of EBITDA, adjusted EBITDA, and adjusted EBIT to the IFRS operating result (EBIT) please refer to note 3 to the consolidated financial statements.

Financial Result and Net Profit

In H1 2018, the consolidated **financial result** amounted to €(7.4) million compared with €(23.2) million for the comparable period in 2017. This represents an improvement of 68.0% (or +€15.8 million). The main factors driving this development were the €14.6 million decrease in financial expenses based on the new capital structure during the first six months of 2018 when compared to the same period in 2017, partially offset by a €1.7 million reduction in financial income due to the divestiture of entities of the Industrial Environmental Solutions (IES).

The financial result in H1 2018 reflects the capital structure, which has been in place since December 7, 2017, and reduces the financial expenses by around 60%.

Consolidated **net profit** from continuing operations attributable to the company owners totalled €44.8 million in H1 2018 compared with €20.1 million for the same period in 2017, representing an increase of €24.8 million.

Financial Position and Liquidity

Financial indebtedness compared to year-end 2017 remained stable with a slight increase by €4.6 million, to €528.9 million as of June 30, 2018 mainly due to current financial indebtedness.

Non-current financial indebtedness during the first six months of 2018 stayed flat at around €519 million compared to the same period in 2017. Compared to year end 2017, **net debt** slightly increased by €17.7 million, to €424.1 million as of June 30, 2018.

Net Debt
(€ million)

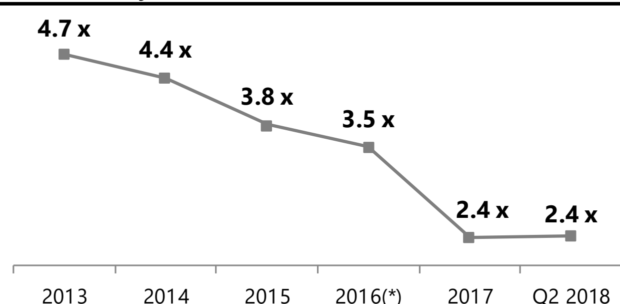
	December 31, 2017	June 30, 2018
Non-current financial indebtedness	519.2	519.4
+ Current financial indebtedness	5.1	9.4
Financial indebtedness	**524.2**	**528.9**
- Cash and cash equivalents	(117.6)	(104.4)
- Other current financial assets	(0.3)	(0.4)
Net debt	**406.4**	**424.1**
Adjusted EBITDA (*)	172.4	178.2
Leverage ratio	**2.4 x**	**2.4 x**

(*) Adjusted EBITDA for June 30, 2018 is LTM (Last Twelve Months) as of Q2 2018

In terms of **cash flow**, after paying €11.0 million in taxes, €4.4 million in interest, and €13.9 million in funding maintenance, productivity and compliance capital expenditures (Capex), as well as distributing dividends of €29.4 million, Befesa showed a negative cash generation of €13.2 million in H1 2018 largely explained by the €29.5 million increase in working capital – in particular, accounts receivables due to higher revenue. The group ended June 30, 2018 with €104.4 million of cash on hand.

Befesa continued to show strong earnings to cash conversion in H1 2018. Over the last five years, the leverage was reduced from more than 5x in the second half of 2013, down to 3.5x at the end of 2016, further down to the current leverage of **2.4x adjusted EBITDA** in the Last Twelve Months (LTM) as of June 30, 2018. Befesa continues to be compliant with all debt covenants.

Leverage ratio evolution
(Net debt / Adjusted EBITDA)



(*) Assumes proforma net debt adjusted for IES divesture proceeds

Befesa's **ratings** have remained unchanged since the publication of the Annual Report 2017: Rated "Ba3 (outlook positive) corporate family rating (CFR)" by Moody's Investor Service (Moody's) and "BB- long-term corporate credit rating (outlook stable)" by Standard & Poor's Global Rating (S&P).

Credit Ratings for Befesa S.A.

	Latest (YE'17)	Oct'17 (Pre-IPO)
Moody's	**Ba3 (outlook positive)**	B2
S&P	**BB- (outlook stable)**	B

SEGMENT INFORMATION

Steel Dust Recycling Services

Crude steel dust volumes processed in H1 2018 amounted to 360,843 tons, representing a new high throughput and an increase of more than 45,000 tons when compared to the same period in 2017 (+14.4%). This was primarily driven by an increase in volumes of steel dust recycled in the plant in South Korea, as well as in the plants in Europe. In Q2 2018, 173,021 tons of crude steel dust were recycled, which represents an increase of 8.8% year-on-year, mainly supported by the throughput increase in the plant in Turkey, as well as in the plants in Europe. With these volumes, crude steel dust recycling plants have been running on average at a load factor of 93.3% in H1 2018, compared to 81.5% in H1 2017, and 88.9% in Q2 2018 compared to 81.7% in Q2 2017. As a result, the volume of Waelz oxide (WOX) sold increased from 107,770 tons in H1 2017 to 118,781 tons sold during the same period in 2018, representing an increase of +10.2%, of WOX volumes. Similarly, WOX volumes sold increased in Q2 2018 by 4.8% year-on-year to 55,818 tons.

The **revenue** increase in Steel Dust Recycling Services (+24.3% year-on-year to €195.1 million in H1 2018, and +18.9% year-on-year to €93.5 million in Q2 2018) was primarily due to the increase in WOX volumes sold (H1 2018: +11,011 tons or +10.2% year-on-year; Q2 2018: +2,571 tons or +4.8% year-on-year) and higher average effective zinc prices (blended rate between hedged volume and non-hedged volume) of €2,240 /ton during H1 2018 compared to €2,113/ton during H1 2017, and

€2,214/ton during Q2 2018 compared to €2,054/ton during Q2 2017.

Adjusted EBITDA in Steel Dust Recycling Services was €69.7 million in H1 2018 compared with €61.3 million for the same period in 2017, representing an increase of +13.8%. In Q2 2018, adjusted EBITDA rose by 14.5% year-on-year to €33.7 million. Adjusted EBITDA margins were 35.7% in H1 2018 and 36.0% in Q2 2018 compared to 39.0% and 37.4% in the respective periods in 2017. Similarly, **Adjusted EBIT** increased by 17.4% year-on-year to €62.7 million in H1 2018. In Q2 2018, adjusted EBIT amounted to €30.1 million, representing an increase of 18.3% year-on-year. Adjusted EBIT margins amounted to 32.1% in both H1 and Q2 of 2018 respectively, compared to 34.0% in H1 2017 and 32.3% in Q2 2017.

Aluminium Salt Slags Recycling Services

Salt Slags Sub-Segment

Salt slags and SPL recycled volumes in H1 2018 amounted to 264,842 tons, staying flat compared to the same period in the previous year. In Q2 2018, the Salt Slags sub-segment recycled 133,857 tons of salt slags and SPL, which represents a slight decrease of 3.7% year-on-year.

The **revenue** increase in the Salt Slags sub-segment (+3.3% year-on-year to €44.7 million in H1 2018, and +1.1% year-on-year to €22.8 million in Q2 2018) was primarily supported by higher aluminium market prices.

Adjusted EBITDA in the Salt Slags sub-segment amounted to €13.8 million in H1 2018, staying flat compared with the same period in 2017 (€13.9 million). In Q2 2018, adjusted EBITDA declined by 9.8% year-on-year to €7.3 million. Adjusted EBITDA margins decreased slightly from 32.1% in H1 2017 to 31.0% in H1 2018, and from 35.9% in Q2 2017 to 32.0% in Q2 2018. Similarly, **Adjusted EBIT** in H1 2018 amounted to €10.2 million, flat when compared to the same period in the previous year (€10.3 million in H1 2017). In Q2 2018, adjusted EBIT amounted to €5.5 million, representing a decrease of 12.5% year-on-year. Adjusted EBIT margins also declined from 23.7% in H1 2017 to 22.8% in H1 2018, and from 27.8% in Q2 2017 to 24.1% in Q2 2018.

The decline of Q2 earnings in the Salt Slags sub-segment was mainly driven by the aforementioned volume decrease.

Secondary Aluminium Sub-Segment

Aluminium alloy production volumes in H1 2018 amounted to 95,182 tons, representing a decrease of 3.7% year-on-year. In Q2 2018, 45,573 tons of aluminium alloys were produced, which represented a decrease of 5.6% year-on-year. The volume decrease was due to the planned stoppage in Bilbao plant to upgrade the furnace to apply the best-in-class furnace technology proven at Befesa's Bernburg plant.

The **revenue** decrease in the Secondary Aluminium sub-segment (13.3 % year-on-year to €166.3 million in H1 2018, and 24.1% year-on-year to €83.0 million in Q2 2018) was primarily due to the aforementioned amendment to IFRS 15 – see 2017 Annual Report (page 84) – affecting the revenue recognition in the Secondary Aluminium sub-segment of non-operating sales (Q2 / H1 2018: €0.1 / €0.3 million, compared to €29.4 / €33.2 million in Q2 / H1 2017). These non-operating sales have limited margin contribution. To a lesser extent, the revenue decrease in Secondary Aluminium sub-segment was driven by the planned stoppage in the plant in Spain to upgrade the furnace, partially offset by higher average market prices for aluminium alloy (aluminium alloy free market Metal Bulletin average prices were €1,831 per ton in H1 2018 compared with €1,775 per ton in H1 2017, and €1,828 per ton in Q2 2018 compared with €1,785 per ton in Q2 2017).

Adjusted EBITDA in the Secondary Aluminium sub-segment was €4.8 million in H1 2018 compared with €5.4 million for the same period in 2017, representing a decrease of 12.3% year-on-year. Adjusted EBITDA margins slightly increased from 2.8% in H1 2017 to 2.9% in H1 2018, and from 2.8% in Q2 2017 to 3.8% in Q2 2018. Similarly, **Adjusted EBIT** decreased by 38.8% year-on-year to €1.6 million in H1 2018. In Q2 2018, adjusted EBIT amounted to €1.5 million, representing a decrease of 9.0% year-on-year. Adjusted EBIT margins decreased from 1.4% in H1 2017 to 1.0% in H1 2018, and slightly increased from 1.5% in Q2 2017 to 1.8% in Q2 2018. The slight increase in earnings margins was primarily driven by recovering aluminium

metal margins partially offset by lower volume, as explained above.

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 2017 (pages 57-59).

STRATEGY

Organic Growth Projects

Befesa continues to execute its organic growth plan project pipeline and focuses on growing its core environmental service activities that are benefiting from the positive underlying macro trends.

In the **Steel Dust Recycling Services business**, Befesa is investing in two organic growth projects, in Turkey and South Korea, during 2018 and 2019. Firstly, Befesa plans to increase the capacity of its Turkish plant from 65,000 tons per year at present to 110,000 tons per year, building on the increased demand for steel dust recycling services in the region. Secondly, Befesa plans to build a washing plant in South Korea to be able to offer washed Waelz oxide to its customers, similar to its European operations. The construction phase of both projects is expected to start by the end of 2018, with operations expected to commence during H2 2019.

In the **Secondary Aluminium** sub-segment of the Aluminium Salt Slags Services business, Befesa is investing in two operational excellence projects 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 capacity debottlenecking to meet additional demand for secondary aluminium alloys. Both projects started during 2017 and will be completed during 2018 and 2019 respectively.

In the **Salt Slags** sub-segment of the Aluminium Salt Slags Services business, Befesa is investing in the capacity increase of its existing salt slag recycling plant in Hannover, Germany, by 40,000 tons in 2018 and 2019. The increased capacity will help to meet the growth in existing and new customer demand. The construction phase of this project is expected to start in 2019, with operations expected to commence in 2020.

Hedging Strategy

Our hedging strategy is a key pillar of Befesa's business model to manage the zinc price volatility. During May 2018, Befesa further extended its hedging program by another six months to cover H1 2021, securing the price for 46,200 tons or 7,700 tons per month of our zinc equivalent payable output at an average hedge price of ~€2,230 per ton.

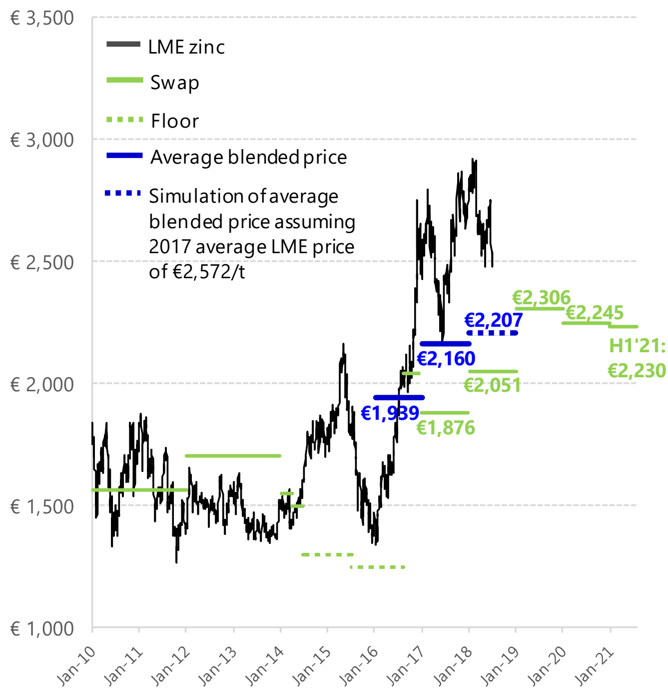
The current hedging in place provides Befesa with improved pricing visibility through mid-2021. The average hedged prices and volumes for each of the periods are as follows:

Period	Average hedged price (€ / ton)	Zinc content hedged (tons)
2017	1,876	73,200
2018	2,051	92,400
2019	2,306	92,400
2020	2,245	92,400
H1 2021	2,230	46,200

Befesa will continue with its prudent hedging policy. Targeting mid-term visibility on its output prices, and earnings and cash flow stability even if foregoing short-term upside from higher zinc prices. Opportunities are constantly monitored and re-evaluated when closing hedges in light of the current zinc market environment. Our target is to hedge 60 to 75% of the expected volume of zinc to be extracted from Waelz oxide for a period of 2-4 years going forward. Befesa does not provide any collateral for these hedges.

Market Zinc Price vs. Zinc Hedge

(€ per ton)



SUBSEQUENT EVENTS

No reporting events occurred after the quarterly closing.

OUTLOOK

Befesa completed the H1 2018 in line with the guidance provided at the beginning of the year of single digit growth and is monitoring the recent decline and volatility of the LME zinc prices. Befesa is focusing on implementing its organic growth initiatives that will enable the company to continue with its development in 2019 and beyond.

In the **Steel Dust Recycling Services** segment, the company expects to continue the volume growth seen in H1, driven by the increase of the utilization of its South Korean plant from volume of steel dust collected both domestically and from imports. The company expects the European steel industry to maintain at the same levels of activity in H2 that it has shown in H1 2018. Therefore, Befesa expects similar or slightly higher volumes in Europe, compared to 2017.

From a pricing perspective, the hedging program provides the company with a high level of visibility up to and including mid 2021. For 2018, the company has hedged around 70% of the zinc volume at an average price of €2,051 per ton.

Earnings in the Steel Dust Recycling Services segment are expected to increase gradually in the medium-term, driven by higher utilization rates and higher volume from the capacity expansions, as well as higher prices in the hedging program.

In the **Aluminium Salt Slags Recycling Services** segment, the company focuses on upgrading the furnaces at the plants located close to Barcelona and Bilbao during 2018.

Small growth rates are expected in the recycled volumes of residues during 2018. This will come on the back of a continued need for light-weight solutions in the transportation industry and due to the solid state of the European economy.

Earnings in the Aluminium Salt Slags Recycling Services business are also expected to benefit from higher volumes and utilization rates as well as capacity expansion – which should translate into improved margins in the medium term.

Finally, given the new capital structure of Befesa – which has reduced significantly the financial expense by 60% – and the high cash-generative business, the company expects net profit for 2018 to be significantly higher than in 2017, which will translate in a significant increase of the earnings per share (EPS) in 2018.

CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2018

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

BALANCE SHEET

Assets

(€ thousand)

	December 31, 2017	June 30, 2018
Goodwill and intangible assets	423,726	422,714
Property, plant and equipment, net	248,191	250,148
Other non-current assets	5,238	12,606
Deferred tax assets	94,975	75,621
Inventories	45,192	46,893
Trade receivables and other current financial assets	75,204	103,491
Cash and cash equivalents	117,582	104,422
Total Assets	**1,010,108**	**1,015,895**

Equity and liabilities

(€ thousand)

	December 31, 2017	June 30, 2018
Non-controlling interests	10,567	8,314
Total Equity	**179,727**	**246,279**
Provisions	5,598	5,726
Borrowings	524,237	528,851
Trade and other accounts payable	129,831	132,828
Deferred tax liabilities	55,596	55,726
Other liabilities	115,119	46,485
Total Liabilities	**830,381**	**769,616**
Total Equity and Liabilities	**1,010,108**	**1,015,895**

INCOME STATEMENT

(€ thousand)

	H1 2017	H1 2018	Change in %	Q2 2017	Q2 2018	Change in %
Continuing operations:						
Revenue	374,383	382,389	2.1 %	201,593	186,971	(7.3) %
+/- Changes in stocks of finished products and work in progress	712	5,413	>100 %	(29)	6,021	-
Procurements	(203,601)	(194,441)	(4.5) %	(115,699)	(96,756)	(16.4) %
Other operating income	5,799	1,919	(66.9) %	4,020	801	(80.1) %
Staff costs	(38,272)	(37,816)	(1.2) %	(19,698)	(19,275)	(2.1) %
Other operating expenses	(68,298)	(68,607)	0.5 %	(34,925)	(33,447)	(4.2) %
Amortization/depreciation, impairment and provisions	(15,111)	(14,582)	(3.5) %	(7,571)	(7,280)	(3.8) %
Operating profit (EBIT)	**55,612**	**74,275**	**33.6 %**	**27,691**	**37,035**	**33.7 %**
Financial income	1,722	61	(96.5) %	686	42	(93.9) %
Financial expenses	(24,658)	(10,091)	(59.1) %	(12,363)	(5,086)	(58.9) %
Net exchange differences	(236)	2,625	-	(925)	2,047	-
Finance income/(loss)	**(23,172)**	**(7,405)**	**(68.0) %**	**(12,602)**	**(2,997)**	**(76.2) %**
Profit/(loss) before tax	**32,440**	**66,870**	**>100 %**	**15,089**	**34,038**	**>100 %**
Corporate income tax	(10,053)	(18,946)	88.5 %	(4,453)	(9,244)	>100 %
Profit/(loss) for the period from continuing operations	**22,387**	**47,924**	**>100 %**	**10,636**	**24,794**	**>100 %**
Profit/(loss) for the period from discontinued operations	12,773	-	-	1,684	-	-
Profit/(loss) for the period	**35,160**	**47,924**	**36.3 %**	**12,320**	**24,794**	**>100 %**
Attributable to:						
Parent company owners (1)	32,830	44,826	36.5 %	11,674	23,131	98.1 %
Non-controlling interests	2,330	3,098	33.0 %	646	1,663	>100 %
Earnings/(losses) per share from continuing and discontinued operations attributable to owners of the parent (expressed in € per share)						
Basic earnings per share						
From continuing operations (2)	(0.01)	1.32		(0.01)	0.68	
From discontinued operations	0.00	-		0.00	-	
	(0.01)	**1.32**		**(0.01)**	**0.68**	

(1) 2017 figures of Profit/(loss) attributable to Parent company owners include Profit/(loss) from continuing and discontinued operations, e.g. for H1 2017, the €32,830 thousand minus €2,330 thousand equals €20,057 thousand which represents the Net profit from continuing operations attributable to the Parent company owners

(2) EPS calculation is explained in detail in note 29 of the 2017 Annual Report

STATEMENT OF COMPREHENSIVE INCOME

(€ thousand)

	H1 2017	H1 2018	Q2 2017	Q2 2018
Consolidated profit/(loss) for the period	**35,160**	**47,924**	**12,320**	**24,794**
Other comprehensive income from continuing operations:				
Items that may subsequently be reclassified to income statement:				
Income and expense recognised directly in equity	**(6,307)**	**28,542**	**9,554**	**32,479**
- Cash-flow hedges	(4,249)	46,907	22,947	48,174
- Translation differences	(3,333)	(4,293)	(6,509)	(1,243)
- Tax effect	1,275	(14,072)	(6,884)	(14,452)
Transfers to the income statement	**15,519**	**20,976**	**5,499**	**8,955**
- Cash-flow hedges	22,170	29,856	7,856	12,798
- Tax effect	(6,651)	(8,880)	(2,357)	(3,843)
Other comprehensive income/(loss) for the period, net of tax from continuing operations	**9,212**	**49,518**	**15,053**	**41,434**
Other comprehensive income/(loss) from discontinued operations:				
Items that may subsequently be reclassified to results:				
Income and expense taken directly to equity	**-**	**-**	**-**	**-**
- Translation differences	-	-	-	-
Transfers to the income statement	**641**	**-**	**-**	**-**
- Translation differences	641	-	-	-
Other comprehensive income/(loss) for the period, net of tax from discontinued operations	**641**	**-**	**-**	**-**
Other comprehensive income/(loss) for the period, net of tax	**9,853**	**49,518**	**15,053**	**41,434**
Total comprehensive income/(loss) for the period	**45,013**	**97,442**	**27,373**	**66,228**
Attributable to:				
- Parent company owners	42,930	95,472	26,844	65,138
- Non-controlling interests	2,083	1,970	529	1,090
Total comprehensive income attributable to the parent company's owners resulting from:				
- Continuing operations	29,516	95,472	25,160	65,138
- Discontinued operations	13,414	-	1,684	-

STATEMENT OF CHANGES IN EQUITY

(€ thousand)

	Attributable to owners of the Parent								
	Share capital	Share premium	Hedging and revaluation reserves	Other shareholder contributions	Other reserves	Translation differences	Net profit (loss) for the period	Non-controlling interests	Total equity
Balance at December 31, 2017	**94,576**	**288,744**	**(57,013)**	**-**	**(205,836)**	**(562)**	**49,251**	**10,567**	**179,727**
Net profit / (loss) for the six-month period ended June 30, 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			20,976						20,976
Changes in valuation of hedges			32,835						32,835
Translation differences						(3,165)		(1,128)	(4,293)
Total comprehensive income / (loss) for the six-month period ended June 30, 2018	**-**	**-**	**53,811**	**-**	**-**	**(3,165)**	**44,826**	**1,970**	**97,442**
Distribution profit / (loss) of 2017					49,251		(49,251)		-
Interim dividend		(24,869)						(4,223)	(29,092)
Capital increase									-
Other changes					(1,798)				(1,798)
Balance at June 30, 2018	**94,576**	**263,875**	**(3,202)**	**-**	**(158,383)**	**(3,727)**	**44,826**	**8,314**	**246,279**
Balance at December 31, 2016	**64,093**	**233,087**	**(47,163)**	**200**	**(45,649)**	**(2,400)**	**(52,914)**	**8,931**	**158,185**
Net profit / (loss) for the six-month period ended June 30, 2017	-	-	-	-	-	-	32,830	-	32,830
Profit for the period attributable to non-controlling interests	-	-	-	-	-	-	-	2,230	2,230
Transfer of hedges to profit or loss	-	-	15,519	-	-	-	-	-	15,519
Changes in valuation of hedges	-	-	(2,974)	-	-	-	-	-	(2,974)
Translation differences	-	-	-	-	-	(2,445)	-	(247)	(2,692)
Total comprehensive income / (loss) for the six-month period ended June 30, 2017	**-**	**-**	**12,545**	**-**	**-**	**(2,445)**	**32,830**	**1,983**	**44,913**
Distribution profit / (loss) of 2016	-	-	-	-	(52,914)	-	52,914	-	-
Interim dividend	-	-	-	-	-	-	-	(2,430)	(2,430)
Other changes	-	-	-	-	(1,771)	-	-	-	(1,771)
Changes in the scope of consolidation	-	-	-	-	-	-	-	(357)	(357)
Balance at June 30, 2017	**64,093**	**233,087**	**(34,618)**	**200**	**(100,334)**	**(4,845)**	**32,830**	**8,127**	**198,540**

CASH FLOW STATEMENT

(€ thousand)

	H1 2017	H1 2018	Q2 2017	Q2 2018
Cash flow from operating activities:				
Profit (loss) for the period before tax including discontinued operations	**44,723**	**66,870**	**15,089**	**34,038**
From continuing operations	32,440	66,870	15,089	34,038
From discontinuing operations	12,283	-	-	-
Adjustments due to:	**24,887**	**21,432**	**19,533**	**9,996**
Depreciation and amortization charge	15,111	14,582	7,571	7,280
(Profit) / loss from disposals	(13,006)	-	-	-
Interest income	(1,722)	(61)	(1,240)	(42)
Finance costs	24,883	10,091	12,588	5,086
Other profit/(loss)	(615)	(555)	(311)	(281)
Exchange differences	236	(2,625)	925	(2,047)
Change in working capital	**1,169**	**(29,544)**	**(1,592)**	**(8,746)**
Trade receivables and other current assets	(8,330)	(23,937)	5,549	563
Inventories	(73)	(1,701)	829	(5,243)
Trade payables	9,572	(3,906)	(7,970)	(4,066)
Other cash flows from operating activities:	**(38,345)**	**(22,037)**	**(29,162)**	**(8,478)**
Interest paid	(24,709)	(4,354)	(23,462)	(986)
Other payments	(1,824)	(6,705)	(761)	(1,305)
Taxes paid	(11,812)	(10,978)	(4,939)	(6,187)
Net cash flows from operating activities (I)	**32,434**	**36,721**	**3,868**	**26,810**
Cash flows from investing activities:				
Investments in Group and associated companies	(1,868)	-	-	-
Investments in intangible assets	-	(769)	-	(72)
Investments in property, plant and equipment	(8,923)	(18,538)	(5,431)	(11,400)
Collections from disposal of Group and associated companies, net of cash	52,445	-	-	-
Investments in other current financial assets	(515)	(49)	(254)	(24)
Net cash flows from investing activities (II)	**41,139**	**(19,356)**	**(5,685)**	**(11,496)**
Cash flows from financing activities:				
Cash bank outflows from bank borrowings and other liabilities	(47,699)	(524)	(5,699)	(13)
Dividends paid	(2,430)	(29,387)	(711)	(29,387)
Net cash flows from financing activities (III)	**(50,129)**	**(29,911)**	**(6,410)**	**(29,400)**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)	**(806)**	**(614)**	**(806)**	**283**
Net increase in cash and cash equivalents (I+II+III+IV)	**22,638**	**(13,160)**	**(9,033)**	**(13,803)**
Cash and cash equivalents at the beginning of the period	62,009	117,582	93,680	118,225
Cash and cash equivalents at the end of period	84,647	104,422	84,647	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 December 31, 2017. These Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2017, 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 December 31, 2017.

1.2 Changes in the scope of consolidation

Following is a description of the main changes in the scope of consolidation in June 2018 and 2017:

2018

There are no changes in the scope of consolidation.

2017

Exclusion from the scope of consolidation:

On March 29, 2017 the sale of certain subsidiaries, which were part of former Industrial Environmental Solutions (IES) segment – Befesa Perú, S.A., Soluciones Ambientales del Norte, S.A. and Solarca, S.L. and its subsidiaries – was completed.

The results from the operations of these companies in 2017, as well as the income from the sales have been classified as discontinued operations.

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 December 31, 2017.

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
June 30, 2018		
Assets		
- Derivatives (Note 10)	10,751	10,751
Total assets at fair value	**10,751**	**10,751**
Liabilities		
- Derivatives (Note 10)	18,076	18,076
Total liabilities at fair value	**18,076**	**18,076**

	Level 2	Total
December 31, 2017		
Assets		
- Derivatives (Note 10)	908	908
Total assets at fair value	**908**	**908**
Liabilities		
- Derivatives (Note 10)	81,413	81,413
Total liabilities at fair value	**81,413**	**81,413**

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 analyzes 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.

Set out below is the distribution by segment of EBIT and adjusted EBIT for the six-month period ended June 30, 2018, and for the six-month period ended June 30, 2017 (thousand euro):

	June 30, 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**

	June 30, 2017				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Revenue	156,997	43,221	191,688	(17,523)	374,383
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(102,565)	(29,534)	(186,268)	14,707	(303,660)
Amortisation/Depreciation, impairment and provisions (a)	(7,894)	(3,616)	(2,822)	(779)	(15,111)
EBIT (Operating profit/(loss)) (b)	**46,538**	**10,071**	**2,598**	**(3,595)**	**55,612**
EBITDA (Operating profit/(loss) before amortisation) (a) + (b)	**54,432**	**13,687**	**5,420**	**(2,816)**	**70,723**
EBIT adjustments	-	-	-	1,106	1,106
EBITDA adjustments (*)	6,835	185	-	5,356	12,376
Adjusted EBIT	**53,373**	**10,256**	**2,598**	**2,867**	**69,094**
Adjusted EBITDA	**61,267**	**13,872**	**5,420**	**2,540**	**83,099**

(*) Related, mainly, to the temporary stopagge at the ScanDust plant (Sweden).

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

	June 30, 2017	June 30, 2018
Adjusted EBIT	**69,094**	**74,275**
– Extraordinary impairments/provisions	(1,106)	-
– EBITDA adjustments	(12,376)	-
Operating profit/(loss)	**55,612**	**74,275**
Financial income (expense)	(23,172)	(7,405)
Corporate income tax	(10,053)	(18,946)
Profit/(loss) attributable to continuing operations	22,387	47,924
Profit/(loss) attributable to discontinued operations	12,773	-
Non-controlling interests	(2,330)	(3,098)
Profit/(loss) attributed to the parent company	**32,830**	**44,826**

The detail of sales by geographical segment for the six-month period ended June 30, 2018, and for the six-month period ended June 30, 2017 is as follows:

Geographical area	June 30, 2017	%	June 30, 2018	%
Spain	95,253	25%	115,057	30%
Germany	49,731	13%	57,305	15%
France	23,384	6%	23,366	6%
United Kingdom	29,550	8%	9,042	2%
Rest of Europe	87,446	23%	100,095	26%
South Korea	12,402	3%	19,612	5%
Rest of the world	76,617	20%	57,912	15%
	374,383	**100%**	**382,389**	**100%**

4. Other intangible assets, net

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

Investment commitments

At June 30, 2018, the Group had no significant investment commitments.

5. Property, plant and equipment

The movement of the "Property, plant and equipment" balance in the six-month period ended June 30, 2018 includes additions amounting to €17.9 million, mainly related to additions in constructions, machinery and technical installations.

There were no significant disposals in the period.

The amortization for the period amounted to €12.9 million.

Impairment losses

During the six-month periods ended June 30, 2018 and June 30, 2017 no significant impairments were recognized in Property, plant and equipment.

Investment commitments

At June 30, 2018, the investment commitments amounted to €31.0 million.

6. Financial assets

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

	December 31, 2017	June 30, 2018
Investments in subsidiaries and associates		
Investments in Group Companies	3,616	3,610
Value adjustments	(3,466)	(3,465)
	150	**145**

	December 31, 2017	June 30, 2018
Long-term loans		
Other long-term loans	12,936	12,956
Value adjustments	(8,975)	(8,975)
Derivative financial instruments (Note 10)	908	8,229
Other non-current financial assets	219	251
	5,088	**12,461**
Total	**5,238**	**12,606**

7. Inventories

The detail of "Inventories" in the accompanying condensed interim consolidated balance sheet at June 30, 2018 and December 31, 2017 is as follows:

	December 31, 2017	June 30, 2018
Finished goods	19,160	17,276
Goods in progress and semi-finished goods	821	792
Work in progress	84	126
Raw materials	12,202	12,204
Other	12,529	15,015
Advances to suppliers	396	1,480
	45,192	**46,893**

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 June 30, 2018 and at December 31, 2017 was as follows:

	Percentage of ownership	
	December 31, 2017	June 30, 2018
Triton	49.3%	40.6%
Management	3.2%	3.2%
Freefloat	47.5%	56.2%
Total	**100.0%**	**100.0%**

The number of shares as at June 30, 2018 is 34,066,705, with a par value of €2.78 each.

9. Financial debt

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

	December 31, 2017		June 30, 2018	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans and credit facilities	3,973	519,017	2,129	519,335
Unmatured accrued interest	1,040	-	7,220	-
Accounts payable for finance leases	70	137	59	108
Total	**5,083**	**519,154**	**9,408**	**519,443**

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	December 31, 2017		June 30, 2018	
			Current maturity	Non-current maturity	Current maturity	Non-current maturity
EUR 636,000	Euribor + 2.75%	2022	1,040	518,636	7,220	519,335
Other			4,043	518	2,188	108
			5,083	**519,154**	**9,408**	**519,443**

On October 19, 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 to 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.

At June 30, 2018 and December 31, 2017, "Other" mainly includes short-term payables with banks on the factoring of accounts receivable and amounts payable for leases.

At June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017 is as follows:

	December 31, 2017	June 30, 2018
Cash flow hedges non-current assets:		
Swap interest rate	908	-
Swap contracts for zinc	-	8,229
	908	**8,229**
Cash flow hedges current assets:		
Swap contracts for zinc	-	2,519
Swap foreign currency	-	3
	-	**2,522**
Total assets	**908**	**10,751**
Cash flow hedges non-current liabilities:		
Swap contracts for zinc	24,240	-
Swap interest rate	-	533
	24,240	**533**
Cash flow hedges current liabilities:		
Swap contracts for zinc	57,152	17,543
Swap foreign currency	21	-
	57,173	**17,543**
Total liabilities	**81,413**	**18,076**

11. Long-term provisions

	December 31, 2017	June 30, 2018
Provisions for litigation, pensions and similar obligations	2,195	2,681
Other provisions for contingencies and expenses	2,713	2,700
Total long-term provisions	**4,908**	**5,381**
Total short-term provisions	**690**	**345**
Total provisions	**5,598**	**5,726**

There are no significant movements in the "Long-term provisions" during the six-month period ended June 30, 2018.

"Other provisions for contingencies and expenses" mainly includes provisions recognized by the Group companies Befesa Valera, S.A.S. and Befesa Zinc Gravelines, S.A.S. amounting to €2.2 million both at June 30, 2018 as well as at December 31, 2017 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 June 30, 2018, the accounts arising as a result of the Income Tax estimation for the six-month period ended June 30, 2018, is recorded under "Trade and other accounts payables" and "Trade receivables and other current financial assets" 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:

	June 30, 2017		June 30, 2018	
	Total amount in € thousand	Earnings per share in €	Total amount in € thousand	Earnings per share in €
Income/(loss) from continuing operations (net of tax) (attributable to Befesa S.A.'s shareholders) (*)	(61,935)	(0.01)	44,825.00	1.32
Income/(loss) from discontinued operations (net of tax) (attributable to Befesa S.A.'s shareholders)	12,773	0.00	0.00	0.00
Net income (attributable to Befesa S.A.'s shareholders)	**(49,162)**	**(0.01)**	**44,825.00**	**1.32**
Weighted average shares	6,403,591		34,066,705	

(*) Earnings per share during the six-month period ended June 30, 2017 are not comparable with the same period ended June 30, 2018 as they included cumulative preference share return, which are not included in the six-month period ended June 30, 2018.

14. Guarantee commitments to third parties and contingencies

At June 30, 2018, a number of Group companies had provided guarantees for an overall amount of approximately €35.7 million (December 31, 2017: €34.8 million) to guarantee their operations vis-à-vis customers, banks, government agencies and other third parties.

The Group has contingent liabilities for litigation arising in the ordinary course of business from which no significant liabilities are expected to arise other than those for which provisions have already been 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 transactions with shareholders and Group and related companies for the six-month periods ended June 30, 2018 and June 30, 2017 is as follows:

	June 30, 2017				June 30, 2018			
	Sales and other income	Purchases and other expenses	Financial income	Financial cost	Sales and other income	Purchases and other expenses	Financial income	Financial cost
Bilbao LuxCo S.A.	-	-	892	(12)	-	-	-	-
Recytech S.A.	942	(5,886)	-	-	838	(5,544)	-	-
Other	-	-	179	(5)	-	-	5	-
Total	**942**	**(5,886)**	**1,071**	**(17)**	**838**	**(5,544)**	**5**	**-**

The detail of the balances with shareholders and Group and related companies at June 30, 2018 and December 31, 2017 is as follows:

	December 31, 2017			June 30, 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
Bilbao LuxCo S.A.	-	-	-	-	-	-
Recytech S.A.	301	-	1,481	331	-	554
Befesa Zinc (Thailand) Ltd.	494	-	-	457		-
Other	-	39	16	-	39	-
Total	**795**	**39**	**1,497**	**788**	**39**	**554**

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.

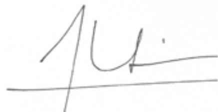
MANAGEMENT'S RESPONSIBILITY STATEMENT

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 2018 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, August 28, 2018



Javier Molina Montes   Wolf Uwe Lehmann

ADDITIONAL INFORMATION

SEGMENTATION OVERVIEW – KEY METRICS

STEEL DUST RECYCLING SERVICES

	H1 2017	H1 2018	Change in %	Q2 2017	Q2 2018	Change in %
Key Operational Data (tons, unless specified otherwise)						
Steel dust throughput (1)	315,549	360,843	14.4 %	159,012	173,021	8.8 %
Waelz oxide sold	107,770	118,781	10.2 %	53,247	55,818	4.8 %
Blended zinc price (€ / ton)	2,113	2,240	6.0 %	2,054	2,214	7.8 %
Total installed capacity (2)	780,300	780,300	0.0 %	780,300	780,300	0.0 %
Utilization (%) (3)	81.5 %	93.3 %	11.7 p.p.	81.7 %	88.9 %	7.2 p.p.
Key Financial Data (€ million, unless specified otherwise)						
Revenue	157.0	195.1	24.3 %	78.7	93.5	18.9 %
EBITDA	54.4	69.7	28.1 %	27.8	33.7	21.0 %
Adjusted EBITDA	61.3	69.7	13.8 %	29.4	33.7	14.5 %
Adjusted EBITDA margin %	39.0 %	35.7 %	(3.3) p.p.	37.4 %	36.0 %	(1.4) p.p.
EBIT	46.5	62.7	34.6 %	23.8	30.1	26.1 %
Adjusted EBIT	53.4	62.7	17.4 %	25.4	30.1	18.3 %
Adjusted EBIT margin %	34.0 %	32.1 %	(1.9) p.p.	32.3 %	32.1 %	(0.2) p.p.

ALUMINIUM SALT SLAGS RECYCLING SERVICES

Salt Slags Sub-Segment

	H1 2017	H1 2018	Change in %	Q2 2017	Q2 2018	Change in %
Key Operational Data (tons, unless specified otherwise)						
Salt slags and SPL recycled	265,222	264,842	(0.1) %	139,030	133,857	(3.7) %
Total installed capacity	630,000	630,000	0.0 %	630,000	630,000	0.0 %
Utilization (%) (4)	100.9%	100.8 %	(0.1) p.p.	105.2%	101.3 %	(3.9) p.p.
Key Financial Data (€ million, unless specified otherwise)						
Revenue	43.2	44.7	3.3 %	22.5	22.8	1.1 %
EBITDA	13.7	13.8	1.1 %	7.9	7.3	(7.7) %
Adjusted EBITDA	13.9	13.8	(0.2) %	8.1	7.3	(9.8) %
Adjusted EBITDA margin %	32.1 %	31.0 %	(1.1) p.p.	35.9 %	32.0 %	(3.9) p.p.
EBIT	10.1	10.2	1.2 %	6.1	5.5	(9.9) %
Adjusted EBIT	10.3	10.2	(0.6) %	6.3	5.5	(12.5) %
Adjusted EBIT margin %	23.7 %	22.8 %	(0.9) p.p.	27.8 %	24.1 %	(3.8) p.p.

Secondary Aluminium Sub-Segment

	H1 2017	H1 2018	Change in %	Q2 2017	Q2 2018	Change in %
Key Operational Data (tons, unless specified otherwise)						
Secondary aluminium alloys produced	98,835	95,182	(3.7) %	48,280	45,573	(5.6) %
Aluminium alloy average market price (€ / ton) (5)	1,775	1,831	3.2 %	1,785	1,828	2.4 %
Total installed capacity	205,000	205,000	0.0 %	205,000	205,000	0.0 %
Utilization (%) (6)	97.2 %	93.6 %	(3.6) p.p.	94.5 %	89.2 %	(5.3) p.p.
Key Financial Data (€ million, unless specified otherwise)						
Revenue	191.7	166.3	(13.3) %	109.4	83.0	(24.1) %
EBITDA	5.4	4.8	(12.3) %	3.0	3.2	4.8 %
Adjusted EBITDA	5.4	4.8	(12.3) %	3.0	3.2	4.8 %
Adjusted EBITDA margin %	2.8 %	2.9 %	0.0 p.p.	2.8 %	3.8 %	1.1 p.p.
EBIT	2.6	1.6	(38.8) %	1.6	1.5	(9.0) %
Adjusted EBIT	2.6	1.6	(38.8) %	1.6	1.5	(9.0) %
Adjusted EBIT margin %	1.4 %	1.0 %	(0.4) p.p.	1.5 %	1.8 %	0.3 p.p.

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

(1) Steel dust throughput does not include Stainless steel dust volumes

(2) Total installed capacity in Steel does not include 174,000 tons per year of Stainless steel dust recycling capacity

(3) Utilization represents crude steel dust processed against annual installed capacity

(4) Utilization represents the volume of salt slag and SPLs recycled by our plants against annual installed capacity (not including the 100,000 tons of capacity at Töging, Germany, currently idle)

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

(6) Utilization represents the volume of secondary aluminium produced against annual installed capacity

FINANCIAL CALENDAR

Thursday, November 22, 2018 Publication of Statement for the Q3 2018 & Analyst Call

Notes: Befesa's financial reports and statements are published at 7:30 am CEST
We cannot rule out changes of dates. We recommend checking them in the Investor Relations / Financial Calendar section of our website (www.befesa.com)

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H1/Q2 2018 figures contained in this report have not been audited or reviewed by external auditors.

This report includes Alternative Performance Measures (APMs), including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, EBIT, Adjusted EBIT, Adjusted EBIT margin, net debt and capital expenditures which are not measures of liquidity or financial performance under International Financial Reporting Standards (IFRS). These non-IFRS measures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating, investing or financing activities, or other financial measures of our results of operations or liquidity derived in accordance with IFRS. We include APMs in this report because we believe that they are useful measures of our performance and liquidity. Other companies, including those in our industry, may calculate similarly titled financial measures differently than we do. Because all companies do not calculate these financial measures in the same manner, our presentation of such financial measures may not be comparable to other similarly titled measures of other companies. These APMs are not audited. A reconciliation of EBITDA, Adjusted EBITDA, and Adjusted EBIT to our IFRS operating result (EBIT) is presented on page 4 of this report.

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