Half-Year Financial Report
H1/Q2 2020

BEFESA

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BEFESA AT A GLANCE

KEY FIGURES – H1/Q2 2020

	H1 2020	H1 2019	Change	Q2 2020	Q2 2019	Change
Key operational data						
Electric arc furnace (EAF) dust throughput (tonnes)	341,238	317,744	7.4 %	155,581	148,777	4.6 %
Waelz oxide (WOX) sold (tonnes)	126,462	104,685	20.8 %	58,753	51,528	14.0 %
Salt slags and Spent Pot Linings (SPL) recycled (tonnes)	230,438	253,152	(9.0) %	105,741	124,057	(14.8) %
Secondary aluminium alloys produced (tonnes)	79,255	93,995	(15.7) %	31,336	46,030	(31.9) %
LME zinc average price (€ / tonne)	1,855	2,420	(23.4) %	1,780	2,459	(27.6) %
Blended zinc price (€ / tonne)	2,064	2,326	(11.3) %	1,991	2,277	(12.6) %
Aluminium alloy average market price (€ / tonne)	1,357	1,459	(7.0) %	1,282	1,390	(7.8) %
Key financial data						
Revenue	301.2	349.0	(13.7) %	122.2	169.9	(28.1) %
EBITDA	55.3	80.1	(31.0) %	21.7	37.1	(41.4) %
EBITDA margin (% of revenue)	18.3 %	22.9 %	(4.6) p.p.	17.8 %	21.8 %	(4.0) p.p.
EBIT	20.5	63.5	(67.7) %	(3.6)	28.9	> (100) %
EBIT margin (% of revenue)	6.8 %	18.2 %	(11.4) p.p.	(2.9) %	17.0 %	(19.9) p.p.
Adjusted EBIT[1]	36.1	63.5	(43.2) %	12.0	28.9	(58.6) %
Adjusted EBIT margin (% of revenue)[1]	12.0 %	18.2 %	(6.2) p.p.	9.8 %	17.0 %	(7.2) p.p.
Financial result	6.2	(8.3)	-	10.5	(4.1)	-
Profit before taxes and minority interests	26.7	55.2	(51.6) %	6.9	24.8	(72.2) %
Net profit attributable to shareholders of Befesa S.A.	20.6	41.9	(50.9) %	5.9	19.8	(70.3) %
EPS (in €) based on 34,066,705 shares	0.60	1.23	(50.9) %	0.17	0.58	(70.3) %
Total assets[2]	1,089.4	1,115.8	(2.4) %	1,089.4	1,115.8	(2.4) %
Capital expenditures	24.3	29.4	(17.1) %	12.6	16.5	(23.4) %
Cash flow from operating activities	11.2	48.8	(77.0) %	2.8	31.1	(90.9) %
Cash and cash equivalents at the end of the period	106.6	170.3	(37.4) %	106.6	170.3	(37.4) %
Net debt[3]	423.5	373.1	13.5 %	423.5	373.1	13.5 %
Leverage[4]	x 3.1	x 2.2		x 3.1	x 2.2	
Number of employees (as of end of the period)	1,156	1,155	0.1 %	1,156	1,155	0.1 %

[1] Adjusted for the extraordinary impairment of the UK salt slags plant (Notes 5 and 17 of the interim consolidated financial statements)

[2] 2019 figure as of 31 December

[3] Net debt computed as non-current loans and borrowings + non-current lease liabilities + current loans and borrowings + current lease liabilities - cash and cash equivalents - other current financial assets (adjusted by hedging valuation)

[4] Leverage ratio computed as net debt divided by last twelve months (LTM) EBITDA

KEY HIGHLIGHTS

- **Operational performance** driven by **resilient plant utilisation in core** businesses;
  Managing impact from COVID-19 pandemic
  - Electric arc furnace (EAF) dust throughput at 156 thousand tonnes (+5% yoy) driven by Turkey expansion; Average plant utilisation at 76%
  - Salt slags & SPL at 106 thousand tonnes (-15% yoy) due to COVID-19 pandemic decreasing demand; Average plant utilisation at a resilient 80%

- **Q2 EBITDA, in line with market expectations, at €22 million** (-41% or €-15 million yoy);
  COVID-19 related depressed metal prices main driver of Q2 yoy earnings decrease:
  (-) Unfavourable metal prices:
  - Zinc LME prices averaged €1,780 per tonne in Q2 (-28% yoy)
  - Zinc treatment charges (TC) settled at $300 per tonne (vs. $245 per tonne in 2019)
  - Aluminium alloy FMB prices averaged €1,282 per tonne in Q2 (-8% yoy)

  (-) Lower zinc hedging prices: €2,225 per tonne in Q2 (vs. €2,315 per tonne in Q2 2019)
  (-) Lower aluminium salt slags volumes (combined -19% yoy)
  Negative effects were partially offset by a positive volume effect in Steel Dust business:
  (+) EAF dust throughput up 5% yoy driven by Turkey expansion

- **H1 EBITDA at €55 million** (-31% or €-25 million yoy);
  FY EBITDA guidance confirmed: €100-€135 million

- **Continued strong liquidity** with around **€185 million** at Q2 closing: cash on hand at a solid **€107 million** plus an **undrawn €75 million Revolving** Credit Facility (RCF)

- **Managing cash and cost rigorously**;
  Total **capex** H1 at €31 million, in line with FY €70 million total capex guidance (FY’19: €80 million)

- **Construction** of both **China plants progressing**; Completion expected **on schedule**

- On 18 June 2020, Befesa held its Annual General Meeting (AGM) in Luxembourg and approved an **ordinary dividend of €15 million (€0.44 per share)** which was **distributed in July**.
  Post Q3 earnings release reviewing for potential additional dividend to balance dividend stability, cash flow and visibility on COVID-19 pandemic.

BUSINESS OVERVIEW

RESULTS OF OPERATIONS, FINANCIAL POSITION & LIQUIDITY

Revenue

Consolidated revenue decreased by 13.7% yoy to €301.2 million in H1 2020 (H1 2019: €349.0 million) and by 28.1% to €122.2 million in Q2 (Q2 2019: €169.9 million). The development was mainly driven by the reduced prices of zinc and aluminium alloys related to COVID-19 in Q2, the lower zinc hedging prices and the unfavourable zinc TC. The reduced volumes in Aluminium Salt Slags Recycling Services were partially offset with the improved EAF dust throughput in Steel Dust Recycling Services driven by the expanded operations in Turkey.

EBITDA & EBIT

H1 EBITDA decreased by 31.0% yoy to €55.3 million (H1 2019: €80.1 million) and by 41.4% to €21.7 million in Q2 (Q2 2019: €37.1 million). The main drivers of the €15 million Q2 EBITDA decrease yoy were:

- Lower metal prices (zinc LME €-8 million; Aluminium alloy FMB €-1 million);
- Unfavourable zinc TC (€-2.5 million);
- Lower zinc hedging prices (€-2 million);
- Reduced volumes in Aluminium Salt Slags Recycling Services (€-3 million).

These effects were partially offset by the higher EAF dust throughput in Steel Dust Recycling Services (€2 million).

Similarly, H1 EBIT declined by 67.7% yoy to €20.5 million (H1 2019: €63.5 million) and by €32.5 million to €-3.6 million in Q2 (Q2 2019: €28.9 million), following the drivers that explain the EBITDA development. In addition, the COVID-19 extraordinary impairment review process, resulted in an impairment write-down of the salt slags plant in the UK of €15.6 million (one-time impact to Q2 EBIT). The EBIT adjusted for this extraordinary one-time item amounted to €36.1 million in H1 (€-27.4 million yoy) and to €12.0 million in Q2 (€-16.9 million yoy). Further details on the impairment are shown in notes 5 and 17 of the interim consolidated financial statements.

Financial result & net profit

Consolidated **financial result** in H1 improved by €14.5 million yoy to €6.2 million (H1 2019: €-8.3 million). This improvement is primarily driven by the one-time impact from the term loan B (TLB) repricing in February and related accounting for financial instruments per IFRS 9 (€14.7 million impact to Q2 finance income).

H1 2020 consolidated **net profit** attributable to the shareholders decreased by 50.9% to €20.6 million (H1 2019: €41.9 million), primarily due to the negative drivers impacting EBITDA and EBIT. Furthermore, the commented impairment write-down of the salt slags plant in UK (€-11.8 million impact at net profit level) was mostly offset by the positive effect from the TLB repricing (€11.2 million impact at net profit level). These one-time effects together resulted in a minor net €-0.7 million impact at the consolidated net profit level.

Financial position & liquidity

Financial indebtedness as of 30 June 2020 amounted to €530.2 million, down €12.2 million compared to year-end 2019. **Net debt** continued stable with €423.5 million at Q2 closing (year-end 2019: €416.9 million; Q1 2020 closing: €422.6 million).

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

Net debt
(€ million)

	30 June 2020	31 December 2019
Non-current financial indebtedness	516.4	530.2
+ Current financial indebtedness	13.8	12.2
Financial indebtedness	**530.2**	**542.4**
- Cash and cash equivalents	(106.6)	(125.5)
- Other current financial assets[1]	(0.1)	(0.1)
Net debt	**423.5**	**416.9**
EBITDA LTM	134.8	159.6
Leverage ratio	**x 3.1**	**x 2.6**

[1] Other current financial assets adjusted by hedging valuation

Q2 2020 operating **cash flow** amounted to €2.8 million, down €28.3 million yoy (Q2 2019: €31.1 million), driven by the commented earnings reduction. Working capital was temporarily impacted by €13 million in Q2 primarily due to lower receivable and payable balances driven by

COVID-19 related decreased operations. After investing €14.7 million to fund regular maintenance capex and growth investments (China), Befesa closed Q2 with solid €106.6 million cash on hand. Considering the €75 million RCF entirely undrawn to date, Befesa continued with a strong liquidity of €181.6 million available at Q2 closing.

Q2 closed at a leverage of x3.1 EBITDA. Befesa continues to be compliant with all debt covenants.

SEGMENT INFORMATION

Steel Dust Recycling Services

Volumes of **EAF dust recycled** in H1 2020 amounted to 341,238 tonnes, a 7.4% increase yoy (H1 2019: 317,744 tonnes). In Q2 2020, 155,581 tonnes of EAF dust were recycled, up 4.6% yoy (Q2 2019: 148,777 tonnes). These increases are primarily driven by the incremental volumes from the plant in Turkey after the capacity expansion in 2019. With these volumes, Befesa's steel dust recycling plants have been running at resilient average load factors of 82.9% and 75.6% of the expanded latest installed annual recycling capacity of 825 thousand tonnes, respectively in H1 and Q2 (H1 2019: 82.1%; Q2 2019: 76.5%). As a result, the volume of WOX sold increased by 20.8% yoy to 126,462 tonnes in H1 (H1 2019: 104,685 tonnes) and by 14.0% to 58,753 tonnes in Q2 (Q2 2019: 51,528 tonnes).

Revenue in H1 2020 decreased by 6.2% yoy to €175.5 million. Q2 revenue came in 19.3% lower at €74.3 million. This development was primarily driven by the lower average zinc spot prices (H1: -23%; Q2: -28%, yoy) and lower hedging prices (H1: €2,235 per tonne; Q2: €2,225 per tonne). These resulted in lower zinc effective average prices (blended rate between hedged volume and non-hedged volume), which declined by 11.3% yoy to €2,064 per tonne in H1 and by 12.6% yoy to €1,991 per tonne in Q2. The revenue was further pressured due to the unfavourable zinc TC settled at $300 per tonne in 2020 ($245 per tonne in 2019). Combined, the price effect (zinc LME and TC) was -32% and -37% yoy, in H1 and Q2 respectively, which was only partially offset by the aforementioned increase in EAF dust throughput.

EBITDA decreased by 27.3% yoy to €44.7 million in H1 (H1 2019: €61.5 million) and by 32.1% yoy to €18.8 million in Q2 (Q2 2019: €27.7 million). Similarly, **EBIT** decreased by 35.2% to €34.5 million in H1 (H1 2019: €53.3 million) and by 42.3% to €13.7 million in Q2 (Q2 2019: €23.7 million). Earnings were impacted by lower zinc spot and hedging prices as well as by the unfavourable zinc TC, partially offset by the commented improvement in EAF dust throughput.

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

Salt slags and SPL recycled volumes decreased by 9.0% yoy to 230,438 tonnes in H1 (H1 2019: 253,152 tonnes) and by 14.8% to 105,741 tonnes in Q2 (Q2 2019: 124,057 tonnes). Q2 operations were mainly affected by the COVID-19 pandemic lowering demand, especially in the automotive sector. Capacity utilisation levels remained resilient at or above 80% on average.

Revenue in the Salt Slags subsegment decreased in H1 2020 by 10.6% yoy to €37.9 million. In Q2, revenue came in 21.4% lower at €15.8 million. This development was primarily driven by volume decreases as well as by the depressed prices for aluminium alloys (-7.0% yoy to €1,357 per tonne average in H1; -7.8% yoy to €1,282 per tonne average in Q2). Aluminium alloy FMB prices troughed in June to the lowest level over the last decade.

EBITDA in the Salt Slags subsegment decreased by 26.6% yoy to €8.8 million in H1 (H1 2019: €12.0 million) and by 47.5% to €3.0 million in Q2 (Q2 2019: €5.6 million). **EBIT** decreased by €19.2 million yoy to €-11.4 million in H1 (H1 2019: €7.8 million) and by €18.5 million yoy to €-14.9 million in Q2 (Q2 2019: €3.6 million). Earnings in the Salt Slags subsegment were impacted by the same drivers that explain the revenue development. Q2 EBIT was additionally one-time impacted by the €15.6 million impairment write-down of the UK plant (notes 5 and 17). The EBIT adjusted for this extraordinary one-time item amounted to €4.2 million in H1 (€-3.6 million yoy) and to €0.6 million in Q2 (€-3.0 million yoy).

Secondary Aluminium subsegment

Aluminium alloy production volumes declined by 15.7% yoy to 79,255 tonnes in H1 (H1 2019: 93,995 tonnes) and by 31.9% to 31,336 tonnes in Q2 (Q2 2019: 46,030 tonnes).

Revenue in the Secondary Aluminium subsegment decreased by 24.7% yoy to €105.2 million in H1 2020. In Q2, revenue dropped by 41.6% to €39.8 million. This development was driven by the COVID-19 pandemic which further pressured aluminium alloy prices and reduced demand from end-use sectors, such as the automotive.

EBITDA in the Secondary Aluminium subsegment decreased by 48.8% yoy to €3.4 million in H1 (H1 2019: €6.7 million) and 83.7% yoy to €0.7 million in Q2 (Q2 2019: €4.1 million). Similarly, **EBIT** dropped in H1 by €3.8 million yoy to €-0.7 million (H1 2019: €3.1 million) and by €3.8 million yoy to €-1.5 million in Q2 (Q2 2019: €2.3 million). The earnings decrease was primarily driven by the revenue development and by pressured aluminium metal margins.

RISKS & OPPORTUNITIES

No material risks or opportunities for the prospective development of the Company have emerged against the comprehensive disclosures, including the ones related to the COVID-19 pandemic, made in the note 17 of the interim consolidated financial statements.

STRATEGY

Hedging strategy

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 2019 (page 32).

During Q2, zinc hedges have not been further extended amid the current zinc market volatile environment, but opportunities are constantly being monitored. The hedging currently in place provides Befesa with improved pricing visibility through 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 (€ per 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
October YTD 2021	€2,200	57,300

Greenfield projects in China

The expansion of the Steel Dust Recycling Services operations into China is progressing on schedule in both provinces – Jiangsu and Henan.
Jiangsu: Construction works at the Changzhou site progress on track and its completion is expected by the beginning of 2021. The long-term financing for this plant was secured on 30 July 2020.
Henan: Construction works at the Xuchang site started in May and are expected to be finalised by the middle of 2021.

The two plants in development are designed to recycle 110,000 tonnes of EAF steel dust per year each and will be Befesa's seventh and eighth global EAF steel dust recycling sites globally, alongside the existing sites in Europe, Turkey and South Korea.

SUBSEQUENT EVENTS

Between the balance sheet date (30 June 2020) and the date of publication of this Half-Year Financial Report (31 July 2020), there have been no events of material importance to an assessment of the asset, financial and earnings position of Befesa.

OUTLOOK 2020

Full year guidance confirmed

Befesa expects **EBITDA to range between €100 and €135 million**. The position within the range depends mainly on how the COVID-19 pandemic impacts the European crude steel and automotive markets and the base metal prices in the remaining quarters of the year, as announced in the Q1 earnings release.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as at 30 June 2020 (€ thousand)

The accompanying Notes 1 to 17 are an integral part of these condensed interim consolidated financial statements.

BALANCE SHEET

Assets

	Note(s)	30 June 2020	31 December 2019
Non-current assets:			
Intangible assets			
Goodwill		335,564	335,564
Other intangible assets	4	86,342	86,912
		421,906	**422,476**
Right-of-use asset	1.2 - 9	**22,141**	**17,409**
Property, plant and equipment	5		
Property, plant and equipment in use		250,796	263,357
Property, plant and equipment under construction		41,856	45,235
		292,652	**308,592**
Non-current financial assets	6		
Investments in Group companies and associates		118	118
Other non-current financial assets		6,802	18,507
		6,920	**18,625**
Deferred tax assets		**73,921**	**70,913**
Total non-current assets		**817,540**	**838,015**
Current assets:			
Inventories	7	**40,041**	**54,739**
Trade and other receivables		**54,349**	**42,786**
Trade receivables from related companies	15	**938**	**751**
Accounts receivables from public authorities		**13,111**	**10,771**
Other receivables		**19,932**	**18,557**
Other current financial assets		**36,870**	**24,737**
Cash and cash equivalents		**106,625**	**125,460**
Total current assets		**271,866**	**277,801**
Total assets		**1,089,406**	**1,115,816**

BALANCE SHEET

Equity and liabilities

	Note(s)	30 June 2020	31 December 2019
Equity:			
Parent Company			
Share capital	**8**	94,576	94,576
Share premium		263,875	263,875
Hedging and revaluation reserves		27,531	26,951
Other reserves		(53,746)	(117,286)
Translation differences		(12,102)	(4,396)
Net profit/(loss) for the period		20,574	82,713
Equity attributable to the owners of the Company		**340,708**	**346,433**
Non-controlling interests		**11,242**	**13,785**
Total equity		**351,950**	**360,218**
Non-current liabilities:			
Long-term provisions	**11**	**6,292**	**8,759**
Loans and borrowings	**9**	**504,808**	**519,210**
Lease liabilities	**9**	**11,596**	**11,013**
Deferred tax liabilities		**72,578**	**68,053**
Other non-current liabilities		**8,465**	**9,265**
Total non-current liabilities		**603,739**	**616,300**
Current liabilities:			
Loans and borrowings	**9**	**9,874**	**8,621**
Trade payables to related companies	**15**	**267**	**835**
Trade and other payables		**71,851**	**90,916**
Lease liabilities	**9**	**3,887**	**3,572**
Short-term provisions	**11**	**118**	**124**
Other payables			
Accounts payable to public administrations	**12**	15,616	17,033
Other current liabilities		32,104	18,197
		47,720	**35,230**
Total current liabilities		**133,717**	**139,298**
Total equity and liabilities		**1,089,406**	**1,115,816**

INCOME STATEMENT

	Note(s)	H1 2020	H1 2019	Change	Q2 2020	Q2 2019	Change
Revenue	3	301,195	349,027	(13.7) %	122,167	169,892	(28.1) %
Changes in inventories of finished goods and work in progress		(10,234)	3,860	-	(3,034)	1,957	-
Procurements		(115,122)	(150,996)	(23.8) %	(41,347)	(73,236)	(43.5) %
Other operating income		2,274	2,398	(5.2) %	1,636	1,371	19.3 %
Personnel expenses		(41,097)	(39,330)	4.5 %	(20,031)	(19,030)	5.3 %
Other operating expenses		(81,761)	(84,899)	(3.7) %	(37,690)	(43,904)	(14.2) %
Amortisation/depreciation, impairment and provisions		(34,713)	(16,557)	> 100 %	(25,264)	(8,121)	> 100 %
Operating profit (EBIT)		**20,542**	**63,503**	**(67.7) %**	**(3,563)**	**28,929**	**-**
Finance income	9	15,588	143	> 100 %	15,545	54	> 100 %
Finance expenses		(9,016)	(8,768)	2.8 %	(4,725)	(4,262)	10.9 %
Net exchange differences		(387)	346	-	(368)	67	-
Net finance income/(loss)		**6,185**	**(8,279)**	**-**	**10,452**	**(4,141)**	**-**
Profit/(loss) before tax		**26,727**	**55,224**	**(51.6) %**	**6,889**	**24,788**	**(72.2) %**
Corporate income tax		(7,442)	(10,204)	(27.1) %	(1,460)	(2,732)	(46.6) %
Profit/(loss) for the period		**19,285**	**45,020**	**(57.2) %**	**5,429**	**22,056**	**(75.4) %**
Attributable to:							
Parent Company owners		20,574	41,886	(50.9) %	5,884	19,786	(70.3) %
Non-controlling interests		(1,289)	3,134	-	(455)	2,270	-
Earnings/(losses) per share attributable to owners of the Parent (expressed in euros per share)							
Basic earnings per share	13	0.60	1.23	(50.9) %	0.17	0.58	(70.3) %

STATEMENT OF COMPREHENSIVE INCOME

	Note(s)	H1 2020	H1 2019
Consolidated profit/(loss) for the period		**19,285**	**45,020**
Other comprehensive income:			
Items that may subsequently be reclassified to income statement:			
Income and expense recognised directly in equity		**5,131**	**(38,428)**
- Cash-flow hedges	**10**	20,130	(48,086)
- Translation differences		(8,960)	(4,287)
- Tax effect		(6,039)	13,945
Transfers to the income statement		**(13,511)**	**3,929**
- Cash-flow hedges	**10**	(18,724)	5,505
- Tax effect		5,213	(1,576)
Other comprehensive income/(loss) for the period, net of tax		**(8,380)**	**(34,499)**
Total comprehensive income/(loss) for the period		**10,905**	**10,521**
Attributable to:			
- Parent Company owners		13,448	7,959
- Non-controlling interests		(2,543)	2,562

STATEMENT OF CHANGES IN EQUITY

	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 at 31 December 2019	**94,576**	**263,875**	**26,951**	**(117,286)**	**(4,396)**	**82,713**	**13,785**	**360,218**
Net profit / (loss) for the period ended 30 June 2020	-	-	-	-	-	20,574	-	20,574
Profit for the period attributable to non-controlling interests	-	-	-	-	-	-	(1,289)	(1,289)
Transfer of hedges to profit or loss (Note 10)	-	-	(13,511)	-	-	-	-	(13,511)
Changes in valuation of hedges (Note 10)	-	-	14,091	-	-	-	-	14,091
Translation differences	-	-	-	-	(7,706)	-	(1,254)	(8,960)
Total comprehensive income/(loss) for the period	**-**	**-**	**580**	**-**	**(7,706)**	**20,574**	**(2,543)**	**10,905**
Distribution of profit for the period								
Reserves	-	-	-	82,713	-	(82,713)	-	-
Dividends (Note 8)	-	-	-	(14,989)	-	-	-	(14,989)
Other movements	-	-	-	(4,184)	-	-	-	(4,184)
Balance at 30 June 2020	**94,576**	**263,875**	**27,531**	**(53,746)**	**(12,102)**	**20,574**	**11,242**	**351,950**
Balance at 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	-	-	3,929	-	-	-	-	3,929
Changes in valuation of hedges	-	-	(34,141)	-	-	-	-	(34,141)
Translation differences	-	-	-	-	(3,715)	-	(572)	(4,287)
Total comprehensive income/(loss) for the period	**-**	**-**	**(30,212)**	**-**	**(3,715)**	**41,886**	**2,562**	**10,521**
Distribution of profit for the period								
Reserves	-	-	-	90,189	-	(90,189)	-	-
Dividends (Note 8)	-	-	-	(44,968)	-	-	-	(44,968)
Other movements	-	-	-	241	-	-	-	241
Balance at 30 June 2019	**94,576**	**263,875**	**16,028**	**(113,456)**	**(6,474)**	**41,886**	**11,988**	**308,423**

CASH FLOW STATEMENT

	H1 2020	H1 2019	Q2 2020	Q2 2019
Cash flow from operating activities:				
Profit / (loss) for the period before tax	**26,727**	**55,224**	**6,889**	**24,788**
Adjustments due to:	**25,540**	**25,318**	**10,862**	**12,101**
Depreciation and amortisation	34,713	16,557	25,264	8,121
Changes in long-term provisions	(2,467)	961	(3,689)	120
Interest income	(15,588)	(143)	(15,545)	(54)
Finance costs	9,016	8,768	4,725	4,262
Other profit/(loss)	(521)	(479)	(261)	(281)
Exchange differences	387	(346)	368	(67)
Changes in working capital:	**(20,530)**	**(9,519)**	**(9,433)**	**3,413**
Trade receivables and other current assets	(14,816)	(1,362)	2,652	13,621
Inventories	12,832	1,017	9,000	979
Trade payables	(18,546)	(9,174)	(21,085)	(11,187)
Other cash flows from operating activities	**(20,537)**	**(22,271)**	**(5,495)**	**(9,170)**
Interest paid	(10,279)	(8,932)	(797)	(869)
Taxes paid	(10,258)	(13,339)	(4,698)	(8,301)
Net cash flows from/(used in) operating activities (I)	**11,200**	**48,752**	**2,823**	**31,132**
Cash flows from investing activities:				
Investments in intangible assets	(125)	(1,819)	(29)	(1,502)
Investments in property, plant and equipment	(30,800)	(23,589)	(14,696)	(10,789)
Collections from disposal of Group and associated companies, net of cash	-	81	-	67
Payments for right-of-use assets	-	(3,164)	-	(3,164)
Collections from sale of property, plant and equipment	17	-	17	-
Investments in other current financial assets	(50)	(87)	(50)	-
Net cash flows from/(used in) investing activities (II)	**(30,958)**	**(28,578)**	**(14,758)**	**(15,388)**
Cash flows from financing activities:				
Cash inflows from bank borrowings and other liabilities	3,628	1,753	(20)	1,753
Cash outflows from bank borrowings and other liabilities	(2,259)	(1,409)	(1,225)	(1,394)
Net cash flows from/(used in) financing activities (III)	**1,369**	**344**	**(1,245)**	**359**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)	**(446)**	**(820)**	**(118)**	**(531)**
Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	**(18,835)**	**19,699**	**(13,298)**	**15,572**
Cash and cash equivalents at the beginning of the period	125,460	150,648	119,923	154,774
Cash and cash equivalents at the end of period	**106,625**	**170,346**	**106,625**	**170,346**

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 2019. These Condensed Interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2019, 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 utilised in the consolidation process of the financial statements for the year ended 31 December 2019.

1.2 Adoption of new standards

Mandatory standards, amendments and interpretations for all years starting from 1 January 2020

The Group applies the following new accounting rules that are mandatory for the six-months period ended 30 June 2020:

Standards, amendments and interpretations adopted by the European Union		Mandatory application for periods beginning on or after:
IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of material" (published in October 2018)	Amendments to IAS 1 and IAS 8 to clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards themselves	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (published in September 2019)	Amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform	1 January 2020
IFRS 3 (Amendment) "Definition of a business" (published in October 2018)	Amendments to IFRS 3 to improve the definition of a business	1 January 2020

Standards, amendments and interpretations to existing standards that have not been adopted by the European Union		
IFRS 16 Leases (Amendment): COVID-19-related rent concessions	Amendment provides relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19	1 June 2020

The effect on the consolidated financial statements at 30 June 2020 is negligible.

Standards, amendments and interpretations not yet in force

At the date of these interim consolidated financial statements, the IASB had published rules, modifications and interpretations that will be detailed below, though the Group has not adopted them beforehand.

Standards, amendments and interpretations pending for approval by the European Union		Mandatory application for periods beginning on or after:
IFRS 17 (Amendment) Insurance contracts (published in May 2017)	IFRS 17 supersedes IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial statements of an entity.	1 January 2021
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current (published in January 2020)	To clarify the classification of liabilities as Current or Non-current	1 January 2023 (*)

(*) IASB proposes deferring the effective date by one year to annual reporting periods beginning on or after 1 January 2023

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 €15.4 million as at June 2020 and €14.5 million as at June 2019 (Note 9).

1.3 Changes in the scope of consolidation

June 2020

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

June 2019

Following the organic growth plan for the Group, two new Chinese companies were added to the scope of consolidation: Befesa (China) Investments Co., Ltd. and Befesa Zinc Environmental Protection Technology (Jiangsu) Co., Ltd.

1.4 Alternative Performance Measures

The Company regularly reports alternative performance measures (APM) not defined by IFRS that Management believes are relevant indicators of the performance of the Group.

Alternative performance measures are used to provide readers with additional financial information that is regularly reviewed by management and used to make decisions about operating matters. These measures are also used for defining senior management's variable remuneration. They are useful in terms of relating to discussions with the investment analysts' community.

However, these APM are not uniformly disclosed by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

Definitions, use and reconciliations to the closest IFRS measures are presented below.

1.4.1. Net debt

Net debt is defined as current and non-current financial debt plus current and non-current liabilities less cash and cash equivalents and less other current financial assets net from derivative financial instruments. The Group believes that net debt is relevant to investors, since it gives an indication of the absolute level of non-equity funding of the business.

This can be compared to the income and cash flows generated by the business, and available undrawn facilities.

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

	30 June 2020	**31 December 2019**
Non-current financial debt (Note 9)	504,808	519,210
Non-current lease liability (Note 9)	11,596	11,013
Current financial debt (Note 9)	9,874	8,621
Current lease liability (Note 9)	3,887	3,572
Cash and cash equivalents	(106,625)	(125,460)
Other current financial assets net from derivative financial instruments	(65)	(61)
Net debt	**423,475**	**416,895**

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. Befesa uses EBITDA and EBITDA margin as best indicators for the Group’s operating performance.

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

	30 June 2020	30 June 2019
Revenue	301,195	349,027
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(245,940)	(268,967)
Amortisation/depreciation, impairment and provisions (a)	(34,713)	(16,557)
EBIT (Operating profit/(loss)) (b)	**20,542**	**63,503**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions) (a+b)	**55,255**	**80,060**
One-time projects	-	-
Non-recurrent charges / income	-	-
Adjusted EBITDA	**55,255**	**80,060**

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

	30 June 2020	30 June 2019
Revenue (a)	**301,195**	**349,027**
EBITDA (b)	**55,255**	**80,060**
One-time projects	-	-
Non-recurrent charges / income	-	-
Adjusted EBITDA (c)	**55,255**	**80,060**
EBITDA margin (%) (b/a)	**18%**	**23%**
Adjusted EBITDA margin (%) (c/a)	**18%**	**23%**

1.4.3. EBIT, adjusted EBIT and EBIT margin

EBIT is defined as operating profit for the year. Befesa uses EBIT to monitor its financial return after both operating expenses and a charge representing the cost of usage of both its property, plant and equipment and definite-life intangible assets.

Adjusted EBIT is defined as EBIT adjusted by any one-time projects/non-recurrent charges or incomes.

EBIT margin and Adjusted EBIT margin is defined as EBIT and adjusted EBIT as a percentage of revenue. Befesa believes that these ratios are useful measures to demonstrate the proportion of revenue that has been realised as EBIT and adjusted EBIT, and therefore indicators of profitability.

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

	30 June 2020	30 June 2019
Revenue	301,195	349,027
Income/expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(245,940)	(268,967)
Amortisation/depreciation, impairment and provisions	(34,713)	(16,557)
EBIT (Operating profit/(loss))	**20,542**	**63,503**
Extraordinary impairments/provisions (Notes 5 and 17)	15,553	-
EBITDA adjustments	-	-
Adjusted EBIT	**36,095**	**63,503**

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

	30 June 2020	30 June 2019
Revenue (a)	**301,195**	**349,027**
EBIT (b)	**20,542**	**63,503**
Extraordinary impairments/provisions (Notes 5 and 17)	15,553	-
EBITDA adjustments	-	-
Adjusted EBIT (c)	**36,095**	**63,503**
EBIT margin (%) (b/a)	**7%**	**18%**
Adjusted EBIT margin (%) (c/a)	**12%**	**18%**

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

Net debt / EBITDA ratio is defined as net debt divided by EBITDA. Befesa believes that this ratio is a useful measure to show its ability to generate the income needed to be able to settle its loans and borrowings as they fall due.

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

	30 June 2020	30 June 2019
Net debt	423,475	373,102
EBITDA LTM (Last Twelve Months)	134,754	167,168
Net debt / EBITDA	**x 3.1**	**x 2.2**

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.

Befesa believes that this measure is useful to understand the effort made by the Company each year to acquire, upgrade and maintain physical assets such as property, industrial buildings or equipment.

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

	30 June 2020	30 June 2019
Cash flows from investing activities:		
Investments in intangible assets	125	1,819
Investments in property, plant and equipment	30,800	23,589
Payments for right-of-use assets	-	3,164
Capex expenditure	**30,925**	**28,572**

2. Financial risk management policies

The activities carried on by Befesa through its business segments are exposed to several financial risks: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and capital risk. The Group Risk Management Model focuses on the uncertainty in financial markets and attempts to minimise the potential adverse effects on Group's earnings.

There were no changes in the risk management policies since 31 December 2019.

Fair value estimation

On the basis of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports the estimation of fair value by level according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g. reference prices) or indirectly (e.g. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The tables below show the Group's assets and liabilities that were measured at fair value at 30 June 2020 and at 31 December 2019:

	Level 2	Total
30 June 2020		
Assets		
- Derivatives (Note 10)	40,554	40,554
Total assets at fair value	**40,554**	**40,554**
Liabilities		
- Derivatives (Note 10)	3,015	3,015
Total liabilities at fair value	**3,015**	**3,015**

	Level 2	Total
31 December 2019		
Assets		
- Derivatives (Note 10)	40,180	40,180
Total assets at fair value	**40,180**	**40,180**
Liabilities		
- Derivatives (Note 10)	3,174	3,174
Total liabilities at fair value	**3,174**	**3,174**

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 instruments included in Level 2 relate to derivative financial instruments (Note 10).

3. Segment reporting

The Board of Directors is ultimately responsible for making the Group's operational decisions as the Chief Operating Decision Maker (CODM). The Board of Directors reviews the Group's internal financial information in order to assess its performance and allocate resources to the segments.

The Board of Directors analyses the business based on the two segments indicated below:

- Steel Dust Recycling Services (Steel Dust)
- Aluminium Salt Slags Recycling Services, which contains the following two subsegments:
  - Salt Slags Recycling (Salt Slags)
  - Secondary Aluminium Production (Secondary Aluminium)

These segments correspond to the Group's principal activities (products and services), the sales of which (fee for the services and/or sale of the recycled residues) determine the Group's revenue.

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

The financial information received by the Board of Directors also includes financial income and expenses and tax aspects, as well as cash flow and net debt.

Detailed definition of EBIT and EBITDA is shown in note 1.4.

The accounting policies and measurement bases applied to the information furnished to the Board of Directors are consistent with those applied in the consolidated financial statements.

Disaggregation of revenue from contracts with customers

In relation with revenue recognition, the Group considers that under IFRS 15 there is only one kind of contract with customers, the assessment is supported by the fact that main sales of the Company's products do not have more than one performance obligation: delivery of steel and delivery of aluminium. Furthermore, the products are not dependent on or connected to other products or services. Consequently, as there are no delayed performance obligations, the revenue is recognised fully after the passing of control to the customer.

Based on this, the Group discloses revenue by reporting segment and geographical area.

Set out below is the distribution by segment of EBITDA and EBIT for the six-month period ended 30 June 2020, and for the six-month period ended 30 June 2019 (thousand euro):

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

	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**

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

	30 June 2020	**30 June 2019**
EBITDA	**55,255**	**80,060**
– One-time projects	-	-
– Non-recurrent costs / incomes	-	-
Amortisation/depreciation, impairment and provisions	(34,713)	(16,557)
EBIT - Operating profit/(loss)	**20,542**	**63,503**
Net finance income/(loss)	6,185	(8,279)
Corporate income tax	(7,442)	(10,204)
Profit/(loss) attributable to continuing operations	19,285	45,020
Profit/(loss) attributable to discontinued operations	-	-
Non-controlling interests	1,289	(3,134)
Profit/(loss) attributed to the parent company	**20,574**	**41,886**

The detail of sales by geographical segment for the six-month period ended 30 June 2020, and for the six-month period ended 30 June 2019 is as follows:

Geographical area	30 June 2020	%	30 June 2019	%
Spain	76,310	25%	96,482	28%
Germany	40,497	13%	52,995	15%
France	9,721	3%	14,840	4%
United Kingdom	5,550	2%	11,120	3%
Rest of Europe	90,621	30%	90,829	26%
South Korea	8,712	3%	16,724	5%
Rest of the world	69,784	23%	66,037	19%
	301,195	**100%**	**349,027**	**100%**

The detail of the segment assets and liabilities for the six-month period ended 30 June 2020, and for the full-year period ended 31 December 2019 is as follows:

	30 June 2020				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Assets:					
Intangible assets	357,761	50,868	12,984	293	421,906
Property, plant and equipment	173,536	48,395	70,127	594	292,652
Right-of-use assets	14,131	6,158	1,016	836	22,141
Investments in associates and other non-current assets	47,420	16	53,035	(19,630)	80,841
Current assets	168,683	12,244	47,275	43,664	271,866
Total assets	**761,531**	**117,681**	**184,437**	**25,757**	**1,089,406**
Equity and liabilities:					
Equity	266,575	37,118	24,312	23,945	351,950
Non-current liabilities	418,214	71,416	114,651	(542)	603,739
Current liabilities	76,742	9,147	45,474	2,354	133,717
Total equity and liabilities	**761,531**	**117,681**	**184,437**	**25,757**	**1,089,406**

	31 December 2019				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor & eliminations	Total
Assets:					
Intangible assets	357,638	51,201	13,315	322	422,476
Property, plant and equipment	173,816	61,830	72,323	623	308,592
Right-of-use assets	10,232	5,353	1,430	394	17409
Investments in associates and other non-current assets	59,852	1,505	42,271	(14,090)	89,538
Current assets	174,822	19,816	35,136	48,027	277,801
Total assets	**776,360**	**139,705**	**164,475**	**35,276**	**1,115,816**
Equity and liabilities:					
Equity	255,243	61,380	14,305	29,290	360,218
Non-current liabilities	427,457	63,327	95,796	29,720	616,300
Current liabilities	93,660	14,998	54,374	(23,734)	139,298
Total equity and liabilities	**776,360**	**139,705**	**164,475**	**35,276**	**1,115,816**

4. Other intangible assets, net

During the six-month period ended 30 June 2020 and during 2019, there are no significant additions, nor disposals within “Other intangible assets, net”.

Investment commitments

At 30 June 2020 and 31 December 2019, the Group had no significant investment commitments.

5. Property, plant and equipment

June 2020

The movement of the “Property, plant and equipment” balance in the six-month period ended 30 June 2020 includes additions amounting to €24.2 million, mainly related to the organic projects in China (plants in Jiangsu and Henan), and South Korea (washing plant).

There were no significant disposals in the period.

The amortisation for the period amounted to €15.6 million.

December 2019

At 31 December 2019, the additions amounted to €76.4 million, the main additions for the year are related to fund the capacity expansion in Turkey (€19.6 million), the starting of the construction of the two plants in China (€11.7 million), the new WOX washing plant in Korea (€14.6 million), the secondary aluminium furnace upgrade in Barcelona (€10.8 million) and environmental projects and maintenance investments made at each plant.

The disposals amounted to €10.9 million.

The amortisation amounted to €27.3 million.

Impairment losses

During the six-month periods ended 30 June 2020, an impairment amounting to €11.6 million has been recognised in Befesa Salt Slags, Ltd., after estimated the future cash flows generated by the subsidiary would be insufficient to recover the carrying amount of the plan (Note 17).

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

Investment commitments

At 30 June 2020, the investment commitments amounted to €67.4 million mainly due to the organic projects in China.

At 31 December 2019, the Group had investment commitments amounting to €36.9 million mainly due to the expansion project in China.

6. Financial assets

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

	30 June 2020	31 December 2019
Investments in subsidiaries and associates		
Investments in Group Companies	2,518	2,518
Value adjustments	(2,400)	(2,400)
	118	**118**

	30 June 2020	31 December 2019
Long-term loans		
Other long-term loans	11,604	11,621
Value adjustments	(8,975)	(8,975)
Derivative financial instruments (Note 10)	3,749	15,504
Other non-current financial assets	424	357
	6,802	**18,507**
Total	**6,920**	**18,625**

7. Inventories

The detail of "Inventories" in the accompanying condensed interim consolidated balance sheet at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020	31 December 2019
Finished goods	11,039	17,860
Goods in progress and semi-finished goods	2,160	10,683
Work in progress	-	-
Raw materials	10,289	9,029
Other	14,509	14,181
Advances to suppliers	2,044	2,986
	40,041	**54,739**

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 2020 and at 31 December 2019 was as follows:

	Percentage of ownership	
	30 June 2020	31 December 2019
Freefloat	100.0%	100.0%

The number of shares as at 30 June 2020 is 34,066,705, with a par value of €2.78 each.

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

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 2020		31 December 2019	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans and credit facilities	5,355	504,808	1,777	519,210
Unmatured accrued interest	4,519	-	6,844	-
Finance lease payables	3,887	11,596	3,572	11,013
Total	**13,761**	**516,404**	**12,193**	**530,223**

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)	Maturity date	30 June 2020		31 December 2019	
		Current maturity	Non-current maturity	Current maturity	Non-current maturity
EUR 636,000	2026	4,519	504,808	6,844	519,210
Other		9,242	11,596	5,349	11,013
		13,761	**516,404**	**12,193**	**530,223**

On 19 October 2017, in order to standardise 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.

The Facilities Agreement took effect on 7 December 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.

On 17 February 2020, Befesa repriced its Term Loan B reducing its interest rate by 50 bps to Euribor + 200 bps with a floor of 0%. The facility's long-term July 2026 maturity date and all other documentation terms remain without further amendment.

According to IFRS 9 "Financial Instrument", this repricing has been analysed in order to determine whether it represents a substantial change in the terms of the loan, concluding that it is not the case. Then:

1. The amortised cost of the financial liability has been recalculated as the present value of the future contractual cash flows discounted at the original effective interest rate of the instrument.
2. The amortised cost of the original debt has been derecognised, and the value of the debt resulting from (1) has been recognised. The difference between both has been recognised as Financial Income (€15.5 million) due to the reduction in the interest rate achieved with the repricing.

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

At 30 June 2020 and at December 2019 "Other" mainly includes short-term payables for leases and a credit line with Isbank related to the revamping project of the plant in Iskenderun.

At 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2018 is as follows:

	30 June 2020	31 December 2019
Cash flow hedges non-current assets:		
Swap contracts for zinc	3,749	15,504
	3,749	**15,504**
Cash flow hedges current assets:		
Foreign currency swap	-	108
Swap contracts for zinc	36,805	24,568
	36,805	**24,676**
Total assets	**40,554**	**40,180**
Cash flow hedges non-current liabilities:		
Swap interest rate	3,015	3,174
	3,015	**3,174**
Cash flow hedges current liabilities:		
Foreign currency swap	-	-
	-	**-**
Total liabilities	**3,015**	**3,174**

11. Long-term provisions

	30 June 2020	31 December 2019
Provisions for litigation, pensions and similar obligations	4,249	6,585
Other provisions for contingencies and expenses	2,043	2,174
Total long-term provisions	**6,292**	**8,759**
Total short-term provisions	**118**	**124**
Total provisions	**6,410**	**8,883**

As at 30 June 2020, the Group recognises a provision of €6.7 million (€4.0 million at 31 December 2019) related to the compensation plans, described in Note 23 of the 2019 consolidated financial statements. During 2020, the Company charged to the income statement €2.6 million (€1.6 million at 30 June 2019) and reclassified to other current liabilities €5.1 million related to this provision.

"Other provisions for contingencies and expenses" mainly includes provisions recognised by the Group company Befesa Valera, S.A.S. amounting to €1.9 million at 30 June 2020 as well as at 31 December 2019 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 2020, the accounts arising as a result of the Income Tax estimation for the six-month period ended 30 June 2020, 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 2020		30 June 2019	
	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)	**20,574**	**0.60**	**41,886**	**1.23**
Weighted average shares	34,066,705		34,066,705	

14. Guarantee commitments to third parties and contingencies

At 30 June 2020, a number of Group companies had provided guarantees for an overall amount of approximately €33.9 million (31 December 2019: €30.6 million) to guarantee their operations vis-à-vis customers, banks, government agencies and other third parties.

The Group has contingent liabilities for litigation arising in the ordinary course of business from which no significant liabilities are expected to arise other than those for which provisions have already been recognised.

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 2020 and 31 December 2019 is as follows:

	30 June 2020		30 June 2019	
	Sales and other income	Purchases and other expenses	Sales and other income	Purchases and other expenses
Recytech S.A.	758	(2,819)	862	(6,103)
Other	-	-	-	-
Total	**758**	**(2,819)**	**862**	**(6,103)**

	30 June 2020			31 December 2019		
	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.	311	-	267	238	-	835
Befesa Zinc (Thailand) Ltd.	627	-	-	513	-	-
Other	-	58	-	-	59	-
Total	**938**	**58**	**267**	**751**	**59**	**835**

The balances and transactions of Group companies relate to sale and purchase transactions and other commercial operations on an arm's length basis.

All transactions are commercial and do not accrue interest, except for loans and the above credit facilities with the Group, carried out on an arm's length basis, the maturity of which are ordinary for these types of transactions.

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

16. Subsequent events

Between the balance sheet date (30 June 2020) and the date of presentation of the Half-Year Financial Report (31 July 2020), not event of material importance to an assessment of the asset, financial and earnings position of Befesa occurred.

17. Other information

On 11 March 2020, the World Health Organisation declared the coronavirus COVID-19 outbreak a pandemic, due to its fast spread around the world, after impacting more than 150 countries. Most governments are taking restrictive measures to contain the spread, which include isolation, confinement, quarantine and restrictions to free movement of people, closure of public and private facilities, except for health and essential goods, border closures and substantial reduction of air, sea, and land traffic.

This situation is affecting significantly the global economy, due to disruption or slowdown of supply chains and a significant increase in economic uncertainty, as shown by an increase of volatility in the price of assets, exchange rates and a decrease in long term interest rates.

The Company's Management evaluated during the six-month period ended June 2020 the impact of COVID-19 in the Interim Consolidated Financial Statements. The Company´s Management evaluated the following items:

- Going concern basis of the Company.
- Non-current assets (Goodwill, Other intangible assets and Property plant and equipment) to determine whether there is any new indication that they might have undergone and including impairment loss reviews. The Company reviewed its business plan and the discount rates used to perform the impairment tests.
- Financial derivatives valuation (Note 10).
- Deferred tax assets to determine whether there is any new indication that they might have undergone and impairment loss reviews.
- Contracts with customers to identify any expected credit losses according to IFRS 9, any cancellations, any price changes or any other negative impact.
- Measurement of inventories.
- Provisions, to identify if the Group must recognise a provision related to COVID-19.

Applying the COVID-19 extraordinary impairment review process, the UK aluminium salt slags operations highlighted an impairment, due as well to the lower customer demand in light of BREXIT and automotive slowdown as well as other industry trends. Consequently, a €13.5 million write-off has been recorded regarding to the plant located in UK (Befesa Salt Slags, Ltd.), €11.6 million related to the property, plant and equipment and €1.9 million related to the inventories. In addition, a provision of €2.1 million was recorded regarding to the UK plant operations. The impairment has been recognised after the detailed review of estimated future cash flows generated by the subsidiary were assessed as insufficient to recover the carrying amount of the plant. The provision has been recognised to cover present obligations that could result in a loss for the Company.

Furthermore, the largest impact on the six-month period ended 30 June 2020 financial results related to COVID-19 are the significantly reduced base metal prices experienced in the wake of the pandemic. Q2 2020 EBITDA was €21.7 million, down 41% yoy (€37.0 million in Q2 2019). The main drivers were lower zinc LME prices, lower aluminium alloy prices, the unfavourable zinc treatment charges as well as lower zinc hedging prices. The average prices were:

- Zinc LME price -28% yoy (Q2 2020: €1,780 per tonne; Q2 2019: €2,459 per tonne)
- Unfavourable zinc treatment charges for 2020 at approximately $300 per tonne (2019: $245 per tonne)
- Aluminium alloy Free Metal Bulletin price -8% yoy (Q2 2020: €1,282 per tonne; Q2 2019: €1,390 per tonne), and
- Zinc hedging prices down €90 per tonne yoy (Q2 2020: €2,225 per tonne; Q2 2019: €2,315 per tonne)

From a balance sheet and liquidity point of view, the Company finished June 2020 with strong liquidity, a long-term efficient covenant lite capital structure and a solid zinc hedge book. With €107 million of cash on hand at the end of June 2020 and a €75 million entirely undrawn revolving credit facility (RCF) Befesa shows strong liquidity. Befesa's long-term covenant lite capital structure matures in July 2026 and has been successfully repriced in February 2020 to an efficient E+200 bps for leverage at or above x2.25. In addition, Befesa sold 104 thousand tonnes of zinc forward between July 2020 and up to and including October 2021 at approximately €2,250 per tonne in 2020 and approximately €2,200 per tonne in 2021 representing against Q2 average zinc LME price of €1,780 per tonne a value of about €46 million.

The Company's Management will continue evaluating the impact of the COVID-19 pandemic during 2020. Considering the impact in the interim financial statements as of 30 June 2020, the business plan and estimations remain unchanged.

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 2020 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, 30 July 2020

Javier Molina Montes

Wolf Uwe Lehmann

ADDITIONAL INFORMATION

SEGMENTATION OVERVIEW – KEY METRICS

STEEL DUST RECYCLING SERVICES

	H1 2020	H1 2019	Change	Q2 2020	Q2 2019	Change
Key operational data (tonnes, unless specified otherwise)						
EAF dust throughput[1]	341,238	317,744	7.4 %	155,581	148,777	4.6 %
WOX sold	126,462	104,685	20.8 %	58,753	51,528	14.0 %
Blended zinc price (€ / tonne)	2,064	2,326	(11.3) %	1,991	2,277	(12.6) %
Total installed capacity[2]	825,300	780,300	5.8 %	825,300	780,300	5.8 %
Utilisation (%)[2]	82.9 %	82.1 %	0.8 p.p.	75.6 %	76.5 %	(0.9) p.p.
Total installed capacity normalised[3]	825,300	720,717	14.5 %	825,300	715,300	15.4 %
Normalised utilisation (%)[3]	82.9 %	88.9 %	(6.0) p.p.	75.6 %	83.4 %	(7.8) p.p.
Key financial data (€ million, unless specified otherwise)						
Revenue	175.5	187.1	(6.2) %	74.3	92.0	(19.3) %
EBITDA	44.7	61.5	(27.3) %	18.8	27.7	(32.1) %
EBITDA margin %	25.5 %	32.9 %	(7.4) p.p.	25.3 %	30.1 %	(4.8) p.p.
EBIT	34.5	53.3	(35.2) %	13.7	23.7	(42.3) %
EBIT margin %	19.7 %	28.5 %	(8.8) p.p.	18.4 %	25.7 %	(7.4) p.p.

ALUMINIUM SALT SLAGS RECYCLING SERVICES

Salt Slags subsegment

	H1 2020	H1 2019	Change	Q2 2020	Q2 2019	Change
Key operational data (tonnes, unless specified otherwise)						
Salt slags and SPL recycled	230,438	253,152	(9.0) %	105,741	124,057	(14.8) %
Total installed capacity	630,000	630,000	0.0 %	630,000	630,000	0.0 %
Utilisation (%)[4]	87.2 %	96.3%	(9.1) p.p.	80.0 %	93.9%	(13.9) p.p.
Key financial data (€ million, unless specified otherwise)						
Revenue	37.9	42.4	(10.6) %	15.8	20.1	(21.4) %
EBITDA	8.8	12.0	(26.6) %	3.0	5.6	(47.5) %
EBITDA margin %	23.3 %	28.4 %	(5.1) p.p.	18.7 %	28.0 %	(9.3) p.p.
EBIT	(11.4)	7.8	-	(14.9)	3.6	-
EBIT margin %	(30.0) %	18.5 %	(48.5) p.p.	(94.8) %	17.8 %	-
Adjusted EBIT[5]	4.2	7.8	(46.4) %	0.6	3.6	(82.9) %
Adjusted EBIT margin %[5]	11.1 %	18.5 %	(7.4) p.p.	3.9 %	17.8 %	(13.9) p.p.

Secondary Aluminium subsegment

	H1 2020	H1 2019	Change	Q2 2020	Q2 2019	Change
Key operational data (tonnes, unless specified otherwise)						
Secondary aluminium alloys produced	79,255	93,995	(15.7) %	31,336	46,030	(31.9) %
Aluminium alloy average market price (€ / tonne)[6]	1,357	1,459	(7.0) %	1,282	1,390	(7.8) %
Total installed capacity[7]	205,000	205,000	0.0 %	205,000	205,000	0.0 %
Utilisation (%)[7]	77.5 %	92.5 %	(14.9) p.p.	61.3 %	90.1 %	(28.7) p.p.
Key financial data (€ million, unless specified otherwise)						
Revenue	105.2	139.6	(24.7) %	39.8	68.1	(41.6) %
EBITDA	3.4	6.7	(48.8) %	0.7	4.1	(83.7) %
EBITDA margin (% over revenue)	3.2 %	4.8 %	(1.5) p.p.	1.7 %	6.1 %	(4.4) p.p.
EBIT	(0.7)	3.1	-	(1.5)	2.3	-
EBIT margin (% over revenue)	(0.7) %	2.2 %	(2.9) p.p.	(3.7) %	3.4 %	(7.1) p.p.

Note: Segment splits, revenue and earnings contributions do not take into account corporate nor the 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 tonnes per year of stainless steel dust recycling capacity; Utilisation represents crude steel dust processed against annual installed capacity

[3] Installed capacity and corresponding utilisation rates in 2019 are normalised for the capacity upgrade in Turkey, from 65kt to 110kt (Turkish plant was shutdown from end of January to mid of August 2019)

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

[5] Adjusted for the extraordinary impairment of the UK salt slags plant (Notes 5 and 17 of the interim consolidated financial statements)

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

[7] Utilisation represents the volume of secondary aluminium produced against annual installed capacity

FINANCIAL CALENDAR

Thursday, 29 October 2020 Publication of Q3 2020 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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