Statement for the

Third Quarter 2019

BEFESA

BEFESA AT A GLANCE

KEY FIGURES – 9M/Q3 2019

(€ million, unless specified otherwise)

	9M 2019	9M 2018	Change	Q3 2019	Q3 2018	Change
Key operational data						
Steel dust throughput (tonnes)	488,758	536,804	(9.0) %	171,014	175,961	(2.8) %
Waelz oxide (WOX) sold (tonnes)	163,166	178,688	(8.7) %	58,481	59,907	(2.4) %
Salt slags and Spent Pot Linings (SPL) recycled (tonnes)	366,297	378,816	(3.3) %	113,145	113,974	(0.7) %
Secondary aluminium alloys produced (tonnes)	133,004	126,682	5.0 %	39,009	31,500	23.8 %
LME zinc average price (€ / tonne)	2,313	2,523	(8.3) %	2,112	2,182	(3.2) %
Blended zinc price (€ / tonne)	2,282	2,168	5.3 %	2,203	2,006	9.8 %
Aluminium alloy average market price (€ / tonne)	1,426	1,783	(20.0) %	1,356	1,689	(19.7) %
Key financial data						
Revenue	496.6	539.1	(7.9) %	147.6	156.7	(5.8) %
EBITDA	117.1	128.9	(9.2) %	37.0	40.0	(7.5) %
EBITDA margin (% over revenue)	23.6 %	23.9 %	(0.3) p.p.	25.1 %	25.5 %	(0.5) p.p.
EBIT	92.1	107.3	(14.2) %	28.6	33.0	(13.4) %
EBIT margin (% over revenue)	18.5 %	19.9 %	(1.4) p.p.	19.4 %	21.1 %	(1.7) p.p.
Financial result	(12.5)	(11.8)	5.4 %	(4.2)	(4.4)	(5.2) %
Profit before taxes and minority interests	79.6	95.5	(16.6) %	24.4	28.6	(14.7) %
Net profit attributable to shareholders of Befesa S.A.	60.7	62.9	(3.4) %	18.8	18.0	4.5 %
EPS (in €) based on 34,066,705 shares	1.78	1.85	(3.4) %	0.55	0.53	4.5 %
Total assets (i)	1,068.2	1,086.1	(1.7) %	1,068.2	1,086.1	(1.7) %
Capital expenditures	52.0	29.1	78.4 %	22.6	11.2	>100 %
Cash flow from operating activities	47.7	46.0	3.8 %	(1.0)	9.3	(111.0) %
Cash and cash equivalents at the end of the period	100.7	105.6	(4.7) %	100.7	105.6	(4.7) %
Net debt (ii)	438.9	417.5	5.1 %	438.9	417.5	5.1 %
Leverage (ii)	x 2.7	x 2.4		x 2.7	x 2.4	
Number of employees (as of end of the period)	1,163	1,122	3.7 %	1,163	1,122	3.7 %

(i) 2018 figure is as of 31 December

(ii) From 1 January 2019 onwards, implemented IFRS 16 amendment affecting accounting for renting & leasing results in €15.3 million higher debt or ~0.1 higher leverage compared to year-end 2018

KEY HIGHLIGHTS

- **Operational performance as expected at high utilisation rates, Turkey back in production in August**: Steel Dust throughput was 489 thousand tonnes in 9M 2019 (-9% year-on-year) due to the scheduled downtime in Turkey to expand the plant capacity as well as more scheduled plant maintenance shutdowns performed during the first nine months of 2019 vs. 2018. Salt Slags volumes reached 366 thousand tonnes in 9M 2019 at similar high utilisation levels compared to last year (-3% year-on-year); Aluminium alloys volumes also at very high utilisation levels at 133 thousand tonnes in 9M 2019 (+5% year-on-year) due to 2018 high efficiency furnace upgrade in Secondary Aluminium delivering results. Normalised for Turkey capacity upgrade, plants in both core businesses run at high utilisation rates above 90%.

- **Financial performance impacted by unfavourable metal prices;** Treatment charges, LME zinc and aluminium alloy FMB prices:
    - **9M 2019 EBITDA at €117 million** (-9% year-on-year) as anticipated per sensitivities provided in April, mainly driven by lower volume in Steel Dust Recycling Services due to Turkey upgrade (back into operation in August after seven months down), unfavourable zinc treatment charges, low zinc and aluminium alloy market prices, partially offset by better zinc hedges and recovered Stainless operations
    - **9M profitability continues at solid 24%** EBITDA margin, stable year-on-year
    - **Cash on hand** amounted to **€101 million at Q3**; **Operating cash flow LTM** (Last Twelve Months) at **€106 million**; **Leverage of x2.7**

- **Full year earnings guidance updated to reflect latest metal prices environment: FY 2019 expected at around €160 million EBITDA** (vs. initial guidance provided in April: €182 to €185 million). The variance is mainly impacted by the latest unfavourable metal prices:
    - ~€-14 million from LME zinc prices, at ~€2,230-2,260 per tonne (vs. initial ~€2,522 per tonne)
    - ~€-5 million from alu alloy FMB prices, at ~€1,410 per tonne (vs. initial ~€1,650 per tonne)

- Execution of organic **growth projects on track**:
    - Plant capacity expansion in **Turkey completed** in August
    - Final phase to **upgrade** the **Secondary Aluminium furnaces** in **Barcelona** (Spain) is scheduled for **ramp-up** in **November**
    - New **Waelz Oxide** (WOX) **washing plant** in **South Korea** scheduled for **ramp-up** in **December**
    - **China: Driving progress as planned at both sites** – Plant #1 (Jiangsu province): Broke ground in April 2019, construction progressing and ramp-up planned by end of 2020; Plant #2 (Henan province): Ground breaking scheduled for mid-November 2019 and ramp-up during H1 2021

BUSINESS OVERVIEW

RESULTS OF OPERATIONS, FINANCIAL POSITION & LIQUIDITY

Revenue

Consolidated revenue decreased by 7.9% to €496.6 million in 9M 2019 (9M 2018: €539.1 million) and by 5.8% to €147.6 million in Q3 2019 (Q3 2018: €156.7 million). The development was mainly driven by reduced volumes in Steel Dust Recycling Services due to the scheduled plant downtime in Turkey to expand its capacity, unfavourable zinc treatment charges and LME zinc prices, as well as lower aluminium alloys prices. The revenue decrease was partially offset by the recovery of Stainless operations and the improved blended zinc prices thanks to better hedges in place.

EBITDA & EBIT

In 9M 2019, EBITDA decreased by €11.8 million to €117.1 million. Similarly, EBIT declined by €15.2 million to €92.1 million. In Q3 2019, EBITDA decreased by €3.0 million to €37.0 million and EBIT declined by €4.4 million €28.6 million.

Financial result & net profit

In 9M 2019, the consolidated **financial result** amounted to €-12.5 million compared with €-11.8 million in 9M 2018. Main factor driving this development was an unfavourable decrease of €2.2 million in net exchange differences partly offset by a favourable reduction in financial expenses driven by lower interest rates (Euribor+250 bps in Q3 2019 vs. Euribor+275 bps in Q3 2018) due to the improved leverage ratio (2019: Below x2.25 ratchet, at x2.20 in Q1 and at x2.23 in H1; 2018: Above x2.25 ratchet, at x2.32 in Q1 and at x2.38 in H1).

9M 2019 consolidated **net profit** attributable to the shareholders decreased by €2.1 million to €60.7 million (9M 2018: €62.9 million). Q3 2019 consolidated net profit attributable to the shareholders increased by €0.8 million to €18.8 million (Q3 2018: €18.5 million). **EPS** increased from €0.53 in Q3 2018 to €0.55 in Q3 2019.

Financial position & liquidity

Financial indebtedness compared to year-end 2018 increased by €12.1 million, to €539.6 million as of 30 September 2019 mainly due to a €15.3 million increase in non-current financial indebtedness after implementing the IFRS 16 amendment affecting accounting for renting and leasing from 1 January 2019 onwards.

Compared to year-end 2018, **net debt** has increased in 2019 by €62.1 million to €438.9 million at the end of Q3.

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

Net debt
(€ million)

	30 September 2019	31 December 2018
Non-current financial indebtedness	530.5	520.2
+ Current financial indebtedness	9.1	7.3
Financial indebtedness	**539.6**	**527.5**
- Cash and cash equivalents	(100.7)	(150.6)
- Other current financial assets (i)	(0.1)	(0.1)
Net debt (ii)	**438.9**	**376.8**
EBITDA LTM	164.2	176.0
Leverage ratio (ii)	**x 2.7**	**x 2.1**

(i) Other current financial assets adjusted by hedging valuation
(ii) From 1 January 2019, implemented IFRS 16 amendment affecting accounting for renting & leasing results in €15.3 million higher net debt or ~0.1 higher leverage compared to year-end 2018

9M 2019 **operating cash flow** amounted to €47.7 million, 3.8% up year-on-year (9M 2018: €46.0 million). Operating cash flow LTM at €105.6 million (FY 2018: €103.8 million). 9M 2019 operating cash flow was mainly impacted by the working capital trend: Receivables and payables were impacted from seasonality and scheduled plant upgrades.

Cash position at Q3 2019 closed at €100.7 million, after paying during 9M 2019 interests of €17.7 million (which includes the two bi-annual interest payments in January and July), taxes of €17.2 million, capital expenditures of €51.2 million (to fund Turkey expansion, China plants, WOX washing plant in Korea, secondary aluminium furnace upgrade in Barcelona, as well as recurrent maintenance capex) and €45.0 million dividend paid in July.

Q3 2019 closed at a **leverage of x2.7 EBITDA** (30 September 2018: x2.4) and Befesa continues to be compliant with all debt covenants.

SEGMENT INFORMATION

Steel Dust Recycling Services

Steel dust recycling volumes processed in 9M 2019 amounted to 488,758 tonnes, representing a decrease of 9.0% year-on-year (9M 2018: 536,804 tonnes). In Q3 2019, 171,014 tonnes of crude steel dust were recycled, down 2.8% year-on-year (Q3 2018: 175,961 tonnes). These decreases are driven mainly by the seven-month scheduled downtime of the plant in Turkey (from the end of January to mid-August 2019), to expand the plant capacity from previous 65,000 tonnes to current 110,000 tonnes. The project was successfully completed on time and on budget, with the plant managing high throughput volumes already in September.

The European plants as well as the plant in South Korea operated at high utilisation levels. Overall, with these volumes and normalising the installed capacity for the Turkish shutdown, steel dust recycling plants have been running at an average load factors of 89.5% and 93.7% in 9M and Q3 2019, respectively (9M 2018: 92.0%; Q3 2018: 89.5%). As a result, the volume of Waelz oxide (WOX) sold decreased by 8.7% to 163,166 tonnes in 9M 2019 (9M 2018: 178,688 tonnes) and by 2.4% to 58,481 tonnes in Q3 2019 (Q3 2018: 59,907 tonnes).

The **revenue** development (-3.2% year-on-year to €275.0 million in 9M 2019, and -1.1% year-on-year to €87.9 million in Q3 2019) was primarily due to the decrease in WOX volume sold as explained, as well as unfavourable zinc treatment charges referenced at around $245 per tonne in 2019 (compared to $147 per tonne in 2018). The revenue decrease was partially offset by a) better zinc hedges in place improving the average effective zinc prices (blended rate between hedged volume and non-hedged volume), which improved during 9M by 5.3% year-on-year to €2,282 per tonne (9M 2018: €2,168 per tonne) and by 9.8% year-on-year to €2,203 per tonne in Q3 2019 (Q3 2018: €2,006 per tonne), and b) higher sales from the recovered Stainless operations.

EBITDA decreased by 9.4%, to €91.8 million in 9M 2019 (9M 2018: €101.3 million) and by 4.3%, to €30.2 million in Q3 2019 (Q3 2018: €31.6 million). EBITDA margins decreased from 35.7% in 9M 2018 to 33.4% in 9M 2019, and from 35.5% in Q3 2018 to 34.4% in Q3 2019. Similarly, **EBIT** declined by 12.5% to €79.3 million in 9M 2019 (9M 2018: €90.7 million) and by 7.0% to €26.0 million in Q3 2019 (Q3 2018: €28.0 million). EBIT margins also declined from 31.9% in 9M 2018 to 28.8% in 9M 2019, and from 31.5% in Q3 2018 to 29.6% in Q3 2019.

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

Salt slags and SPL recycled volumes in 9M 2019 amounted to 366,297 tonnes, down by 3.3% compared to the same period in the previous year. In Q3 2019, the Salt Slags subsegment recycled 113,145 tonnes of salt slags and SPL, which represents a slight decrease of 0.7% year-on-year. On average, capacity utilisation levels remained above 90% during the first nine months of the year.

The **revenue** development in the Salt Slags subsegment (-2.2% year-on-year to €60.7 million in 9M 2019, and +5.6% year-on-year to €18.4 million in Q3 2019) was primarily impacted by the slight reduction in volumes.

EBITDA in the Salt Slags subsegment decreased by 16.4%, to €16.1 million in 9M 2019 (9M 2018: €19.3 million), and by 24.6% to €4.1 million in Q3 2019 (Q3 2018: €5.4 million). EBITDA margins decreased to 26.5% (9M 2018: 31.1%), and to 22.3% (Q3 2018: 31.2%). Similarly, **EBIT** in 9M 2019 declined to €9.7 million (9M 2018: €14.0 million), and to €1.9 million in Q3 2019 (Q3 2018: €3.8 million). EBIT margins reached 16.0% in 9M 2019 (9M 2018: 22.6%), and 10.2% in Q3 2019 (Q3 2018: 22.1%). The decline of earnings in the Salt Slags subsegment was mainly driven by the lower aluminium alloy market prices.

Secondary Aluminium subsegment

Aluminium alloy production volumes in 9M 2019 improved by 5.0% to 133,004 tonnes. In Q3 2019, 39,009 tonnes of aluminium alloys were produced, which represented a 23.8% increase year-on-year. These increases are mainly driven by the more efficient furnace upgraded last year at the Bilbao plant (Spain) as well as the solid operations at the Bernburg plant (Germany), offsetting the expected reduced volumes at the Barcelona plant (Spain) to upgrade the furnace during Q3 2019.

The **revenue** decrease in the Secondary Aluminium subsegment (16.1% year-on-year to €189.7 million in 9M 2019, and 16.5% year-on-year to €50.1 million in Q3 2019) was primarily driven by lower aluminium alloy average prices (-20.0% in 9M, from €1,783 per tonne in 2018 to €1,426 per tonne in 2019; -19.7% in Q3, from €1,689 per tonne in 2018 to €1,356 per tonne in 2019) partially offset by higher aluminium alloys produced in 2019 compared to 2018.

EBITDA in the Secondary Aluminium subsegment grew by 18.9% to €8.6 million in 9M 2019 (9M 2018: €7.3 million). In Q3 2019, EBITDA slightly decreased by €0.5 million year-on-year to €2.0 million (Q3 2018: €2.5 million). EBITDA margins improved to 4.5% in 9M 2019 from 3.2% in 9M 2018. Q3 EBITDA margin remained flat at prior year level of 4%. Similarly, **EBIT** in 9M 2019 improved by €0.8 million to €3.4 million (9M 2018: €2.6 million) and decreased by €0.7 million to €0.3 million in Q3 2019 (Q3 2018: €1.0 million). The increase in 9M earnings was primarily driven by higher margins due to the more efficient furnaces upgraded in H2 2018 which are delivering results. These improvements offset the lower prices for aluminium alloys. The decrease in Q3 earnings was mainly due to the scheduled downtime to upgrade secondary aluminium furnace in Barcelona.

STRATEGY

Hedging

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

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

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

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

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

With regards to the blended zinc average price estimated for the year 2019: Assuming LME zinc average prices in Q4 are similar to Q3 average prices (~€2,100 to €2,200 per tonne), the 2019 full year LME zinc average price would amount to ~€2,230-€2,260 per tonne for the unhedged portion (~30% of the total zinc equivalent payable output).

The resulting 2019 blended zinc average price would amount to ~€2,285-€2,300 per tonne, or ~€117-€132 per tonne higher than last year (2018: €2,168 per tonne) thanks to the higher hedges in place during 2019 (~€2,310 per tonne in 2019 vs. €2,051 per tonne in 2018).

Organic growth projects

Befesa continues to execute its organic growth project roadmap to maintain its leadership position in Europe and to expand operations in Turkey, South Korea as well as entering China.

In the **Steel Dust Recycling Services** business, Befesa is investing in two organic growth projects in Turkey and South Korea during 2019. Firstly, Befesa has completed the capacity expansion of its Turkish plant from 65,000 tonnes to 110,000 tonnes per year, building on the increased demand for steel dust recycling services. After a seven-month construction period, the Turkish plant successfully came back into operations in August 2019 – on budget and within the envisioned timeline –, running in September already at solid throughput levels. Secondly, Befesa is building a washing plant in South Korea to offer washed WOX to its customers, similar to its European operations. The construction of the new WOX washing plant in South Korea –which started at the end of 2018– is progressing on time and budget and is scheduled for ramp-up in December 2019.

In the **Secondary Aluminium** subsegment of the Aluminium Salt Slags Services business, Befesa is finalising the execution of an operational excellence project to apply the best-in-class furnace technology proven at Befesa's Bernburg plant to its other secondary aluminium production plants in Spain (Bilbao and Barcelona). These projects are resulting in higher efficiencies and unlock capacity to meet additional demand for external salt slags

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

services. The project in Bilbao was successfully completed in H2 2018 and is delivering positive results in 2019. Regarding the furnace upgrade at the plant in Barcelona, the first phase of this project concluded in 2018, whereas the second and final phase is scheduled to ramp-up in mid-November 2019 as planned.

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

China update

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

In April 2019, Befesa broke ground at the first EAF steel dust recycling plant in China, in the province of Jiangsu. The construction of the plant is progressing as planned with the ramp-up of operations expected by end of 2020.

Additionally, Befesa signed an agreement with the Changge Dazhou Industrial Cluster in XuChang City in April 2019 to develop the first EAF steel dust recycling plant in the Chinese province of Henan. This facility will represent Befesa's second EAF steel dust recycling plant in the country.

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

OUTLOOK 2019

From an operating point of view Befesa continues to experience solid demand for its recycling services. During the last quarter of the year, Befesa expects to increase its volume of steel dust treated driven by the Turkish plant with its expanded capacity. Higher volumes of aluminium alloys are also expected to be produced during Q4 as the upgraded furnace in Barcelona is scheduled to ramp up in mid-November. Thus, the volume of its core businesses, steel dust and aluminium salt slags recycled, and expected utilisation levels continue to be approximately in line with guidance assumptions.

Concerning commodity market prices, the situation during Q3 and beginning of Q4 is still unfavourable to the one experienced in Q1, when Befesa provided the initial guidance for the full year 2019. The sensitivities to metal price variances remain unchanged. With ~70% of zinc volume hedged, the remaining sensitivity after hedging, to a +/- €100 per tonne zinc price deviation from the initially assumed price level of ~€2,520 per tonne is equivalent to approximately €4.5 million EBITDA full-year impact. Similarly, the sensitivity to a +/- €100 per tonne aluminium alloy FMB price deviation from the initially assumed price level of ~€1,650 per tonne is equivalent to approximately €2 million EBITDA full-year impact.

The volatile and low environment of market prices witnessed since the end of Q2 leads to the adjustment of the full year earnings guidance: Assuming Q4 market prices in line with Q3 average prices, the full year 2019 EBITDA is expected to be around €160 million (vs. initial guidance of €182 to €185 million provided in April).

From a strategic and growth roadmap point of view, the projects, including the expansion in China, have progressed satisfactorily during 9M 2019 and for the remainder of the year are expected on time and on budget, in line with guidance. In mid-November, the upgraded secondary aluminium furnace in Barcelona will be back in production and Befesa will break ground at the second EAF steel dust recycling plant in China (Henan province). In December, Befesa will ramp up its first WOX washing plant in Asia (South Korea). Befesa's growth roadmap is well supported by its recently refinanced capital structure.

CONSOLIDATED FINANCIAL STATEMENTS

as at 30 September 2019

BALANCE SHEET

Assets

(€ thousand)	30 September 2019	31 December 2018
Non-current assets:		
Intangible assets		
Goodwill	335,564	335,564
Other intangible assets, net	86,948	87,104
	422,512	**422,668**
Property, plant and equipment, net		
Property, plant and equipment in use	222,082	236,366
Property, plant and equipment under construction	65,164	25,148
	287,246	**261,514**
Right of use asset	**18,311**	**-**
Non-current financial assets		
Investments in subsidiaries and associates	118	558
Other non-current financial assets	13,647	45,960
	13,765	**46,518**
Deferred tax assets	**70,355**	**57,399**
Total non-current assets	**812,189**	**788,099**
Current assets:		
Inventories	**45,816**	**46,049**
Trade and other receivables	**68,998**	**59,695**
Trade receivables from related companies	**742**	**924**
Accounts receivables from public authorities	**13,032**	**9,231**
Other receivables	**15,121**	**10,807**
Other current financial assets	**11,584**	**20,668**
Cash and cash equivalents	**100,717**	**150,648**
Total current assets	**256,010**	**298,022**
Total assets	**1,068,199**	**1,086,121**

BALANCE SHEET

Equity and liabilities

(€ thousand)	**30 September 2019**	**31 December 2018**
Equity:		
Parent Company		
Share capital	94,576	94,576
Share premium	263,875	263,875
Hedging and revaluation reserves	13,524	46,240
Other reserves	(113,756)	(158,918)
Translation differences	(5,013)	(2,759)
Net profit / (loss) for the period	60,725	90,189
	313,931	**333,203**
Non-controlling interests	**14,196**	**9,426**
Total equity	**328,127**	**342,629**
Non-current liabilities:		
Long-term provisions	**7,348**	**6,422**
Financial debt	**518,940**	**520,091**
Lease payables	**11,592**	**78**
Deferred tax liabilities	**55,907**	**65,991**
Other non-current liabilities	**10,039**	**9,084**
Total non-current liabilities	**603,826**	**601,666**
Current liabilities:		
Financial debt	**5,279**	**7,269**
Lease payables	**3,823**	**60**
Trade payables to related companies	**1,073**	**1,432**
Trade and other payables	**82,536**	**100,191**
Short-term provisions	**233**	**231**
Other payables		
Accounts payable to public administrations	26,427	15,067
Other current liabilities	16,875	17,576
	43,302	**32,643**
Total current liabilities	**136,246**	**141,826**
Total equity and liabilities	**1,068,199**	**1,086,121**

INCOME STATEMENT

(€ thousand)	9M 2019	9M 2018	Change	Q3 2019	Q3 2018	Change
Revenue	496,605	539,098	(7.9) %	147,578	156,709	(5.8) %
+/- Changes in stocks of finished products and work in progress	5,838	1,869	>100 %	1,978	(3,544)	>(100) %
Procurements	(220,753)	(259,159)	(14.8) %	(60,971)	(64,718)	(5.8) %
Other operating income	4,093	3,215	27.3 %	1,695	1,296	30.8 %
Staff costs	(56,998)	(55,553)	2.6 %	(17,668)	(17,737)	(0.4) %
Other operating expenses	(111,728)	(100,600)	11.1 %	(35,615)	(31,993)	11.3 %
Amortisation/depreciation, impairment and provisions	(24,978)	(21,592)	15.7 %	(8,421)	(7,010)	20.1 %
Operating profit (EBIT)	**92,079**	**107,278**	**(14.2) %**	**28,576**	**33,003**	**(13.4) %**
Financial income	217	141	53.9 %	74	80	(7.5) %
Financial expenses	(13,592)	(15,154)	(10.3) %	(4,824)	(5,063)	(4.7) %
Net exchange differences	906	3,187	(71.6) %	560	562	(0.4) %
Finance income/(loss)	**(12,469)**	**(11,826)**	**5.4 %**	**(4,190)**	**(4,421)**	**(5.2) %**
Profit/(loss) before tax	**79,610**	**95,452**	**(16.6) %**	**24,386**	**28,582**	**(14.7) %**
Corporate income tax	(14,165)	(28,984)	(51.1) %	(3,961)	(10,038)	(60.5) %
Profit/(loss) for the period	**65,445**	**66,468**	**(1.5) %**	**20,425**	**18,544**	**10.1 %**
Attributable to:						
Shareholders of Befesa S.A.	60,725	62,860	(3.4) %	18,839	18,034	4.5 %
Non-controlling interests	4,720	3,608	30.8 %	1,586	510	>100 %
Earnings/(losses) per share attributable to shareholders of Befesa S.A. (in €)						
Basic earnings per share	1.78	1.85	(3.4) %	0.55	0.53	4.5 %

CASH FLOW STATEMENT

(€ thousand)	9M 2019	9M 2018	Q3 2019	Q3 2018
Cash flow from operating activities				
Profit / (loss) for the period before tax	**79,610**	**95,452**	**24,386**	**28,582**
Adjustments due to:	**37,601**	**33,998**	**12,283**	**12,566**
Depreciation and amortisation charge	24,978	21,592	8,421	7,010
Changes in long-term provisions	926	1,374	(35)	1,374
Interest income	(217)	(141)	(74)	(80)
Finance costs	13,592	15,154	4,824	5,063
Other profit / (loss)	(772)	(794)	(293)	(239)
Exchange differences	(906)	(3,187)	(560)	(562)
Change in working capital	**(34,569)**	**(47,988)**	**(25,049)**	**(18,443)**
Trade receivables and other current assets	(14,768)	(20,874)	(13,406)	3,063
Inventories	233	(1,238)	(784)	463
Trade payables	(20,034)	(25,876)	(10,859)	(21,969)
Other cash flows from operating activities	**(34,915)**	**(35,468)**	**(12,644)**	**(13,431)**
Interest paid	(17,689)	(12,577)	(8,757)	(8,224)
Other payments	-	(6,705)	-	-
Taxes paid	(17,226)	(16,186)	(3,887)	(5,208)
Net cash flows from operating activities (I)	**47,727**	**45,994**	**(1,024)**	**9,273**
Cash flows from investing activities				
Investments in intangible assets	(1,957)	(960)	(138)	(191)
Investments in property, plant and equipment	(46,065)	(26,240)	(22,476)	(7,702)
Payments for Right of use assets	(3,180)	-	(16)	-
Collections from disposal of Group and associated companies, net of cash	81	-	-	-
Investments in other current financial assets	(87)	(57)	-	(8)
Interests received	-	-	-	-
Net cash flows from investing activities (II)	**(51,208)**	**(27,257)**	**(22,630)**	**(7,901)**
Cash flows from financing activities				
Cash bank inflows from bank borrowings and other liabilities	1,841	-	88	-
Cash bank outflows from bank borrowings and other liabilities	(2,674)	(658)	(1,265)	(134)
Dividends paid	(44,968)	(29,387)	(44,968)	0
Net cash flows from financing activities (III)	**(45,801)**	**(30,045)**	**(46,145)**	**(134)**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)	**(649)**	**(631)**	**171**	**(17)**
Net increase in cash and cash equivalents (I+II+III+IV)	**(49,931)**	**(11,939)**	**(69,629)**	**1,221**
Cash and cash equivalents at the beginning of the period	150,648	117,582	170,346	104,422
Cash and cash equivalents at the end of period	100,717	105,643	100,717	105,643

ADDITIONAL INFORMATION

SEGMENTATION OVERVIEW – KEY METRICS

STEEL DUST RECYCLING SERVICES

	9M 2019	9M 2018	Change	Q3 2019	Q3 2018	Change
Key operational data (tonnes, unless specified otherwise)						
Steel dust throughput (i)	488,758	536,804	(9.0) %	171,014	175,961	(2.8) %
Waelz oxide sold	163,166	178,688	(8.7) %	58,481	59,907	(2.4) %
Blended zinc price (€ / tonne)	2,282	2,168	5.3 %	2,203	2,006	9.8 %
Total installed capacity (ii)	825,300	780,300	5.8 %	825,300	780,300	5.8 %
Utilisation (%) (ii)	79.2 %	92.0 %	(12.8) p.p.	82.2 %	89.5 %	(7.3) p.p.
Total installed capacity normalised (iii)	729,883	780,300	(6.5) %	724,467	780,300	(7.2) %
Normalised utilisation (%) (iii)	89.5 %	92.0 %	(2.4) p.p.	93.7 %	89.5 %	
Key financial data (€ million, unless specified otherwise)						
Revenue	275.0	284.0	(3.2) %	87.9	88.9	(1.1) %
EBITDA	91.8	101.3	(9.4) %	30.2	31.6	(4.3) %
EBITDA margin %	33.4 %	35.7 %	(2.3) p.p.	34.4 %	35.5 %	(1.1) p.p.
EBIT	79.3	90.7	(12.5) %	26.0	28.0	(7.0) %
EBIT margin %	28.8 %	31.9 %	(3.1) p.p.	29.6 %	31.5 %	(1.9) p.p.

ALUMINIUM SALT SLAGS RECYCLING SERVICES

Salt Slags subsegment

	9M 2019	9M 2018	Change	Q3 2019	Q3 2018	Change
Key operational data (tonnes, unless specified otherwise)						
Salt slags and SPL recycled	366,297	378,816	(3.3) %	113,145	113,974	(0.7) %
Total installed capacity	630,000	630,000	0.0 %	630,000	630,000	0.0 %
Utilisation (%) (iv)	92.4 %	95.6%	(3.2) p.p.	84.7 %	85.3%	(0.6) p.p.
Key financial data (€ million, unless specified otherwise)						
Revenue	60.7	62.0	(2.2) %	18.4	17.4	5.6 %
EBITDA	16.1	19.3	(16.4) %	4.1	5.4	(24.6) %
EBITDA margin %	26.5 %	31.1 %	(4.5) p.p.	22.3 %	31.2 %	(8.9) p.p.
EBIT	9.7	14.0	(30.9) %	1.9	3.8	(51.4) %
EBIT margin %	16.0 %	22.6 %	(6.6) p.p.	10.2 %	22.1 %	(12.0) p.p.

Secondary Aluminium subsegment

	9M 2019	9M 2018	Change	Q3 2019	Q3 2018	Change
Key operational data (tonnes, unless specified otherwise)						
Secondary aluminium alloys produced	133,004	126,682	5.0 %	39,009	31,500	23.8 %
Aluminium alloy average market price (€ / tonne) (v)	1,426	1,783	(20.0) %	1,356	1,689	(19.7) %
Total installed capacity (vi)	205,000	205,000	0.0 %	205,000	205,000	0.0 %
Utilisation (%) (vi)	86.7 %	82.6 %	4.1 p.p.	75.5 %	61.0 %	14.5 p.p.
Total installed capacity normalised (vii)	177,500	173,000	2.6 %	144,500	141,000	
Normalised utilisation (%) (vii)	100.2 %	97.9 %	2.3 p.p.	107.1 %	88.6 %	
Key financial data (€ million, unless specified otherwise)						
Revenue	189.7	226.3	(16.1) %	50.1	60.0	(16.5) %
EBITDA	8.6	7.3	18.9 %	2.0	2.5	(21.1) %
EBITDA margin (% over revenue)	4.5 %	3.2 %	1.3 p.p.	3.9 %	4.2 %	(0.2) p.p.
EBIT	3.4	2.6	28.9 %	0.3	1.0	(74.8) %
EBIT margin (% over revenue)	1.8 %	1.2 %	0.6 p.p.	0.5 %	1.7 %	(1.2) p.p.

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

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

(ii) Total installed capacity in Steel does not include 174,000 tonnes per year of stainless steel dust recycling capacity;
Utilisation represents crude steel dust processed against annual installed capacity

(iii) Installed capacity and corresponding utilisation rates in 2019 are normalised for the capacity upgrade in Turkey, from 65kt to 110kt
(Plant in Turkey was shutdown seven months, from end of January to mid of August)

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

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

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

(vii) Installed capacity and corresponding utilisation rates in 2019 are normalised for the furnace upgrade in Barcelona (plant was shutdown three months, from 2nd week of Aug to 2nd week of Nov)
Installed capacity and corresponding utilisation rates in 2018 are normalised for the furnace upgrade in Bilbao (plant was shutdown three months, from 2nd week of Jun to 3rd week of Sep)

FINANCIAL CALENDAR

Thursday, 26 March 2020	Annual Report 2019 & Analyst Call
Thursday, 30 April 2020	Q1 2020 Statement & Analyst Call
Thursday, 18 June 2020	Annual General Meeting in Luxembourg
Wednesday, 29 July 2020	H1 2020 Interim Report & Analyst Call
Thursday, 29 October 2020	Q3 2020 Statement & Analyst Call

Notes: Befesa's financial reports and statements are published at 7:30 am CET
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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