

Q1 2024 Statement

BEFESA

Befesa at a glance

Key figures

	Q1 2024	Q1 2023	Change
Key operational data (tonnes, unless specified otherwise)			
Electric arc furnace (EAF) steel dust throughput	303,114	287,069	5.6 %
Waelz oxide (WOX) sold	99,998	99,833	0.2 %
Salt slags and Spent Pot Linings (SPL) recycled	111,261	82,293	35.2 %
Secondary aluminium alloys produced	44,347	43,680	1.5 %
Zinc LME average price (€ / tonne)	2,256	2,916	(22.6) %
Zinc blended price (€ / tonne)	2,400	2,633	(8.8) %
Aluminium alloy FMB average price (€ / tonne)	2,277	2,301	(1.0) %
Key financial data (€ million, unless specified otherwise)			
Revenue	298.3	322.0	(7.3) %
EBITDA	45.3	49.3	(8.1) %
EBITDA margin	15.2 %	15.3 %	(13) bps
Adjusted EBITDA	48.6	50.1	(3.1) %
Adjusted EBITDA margin	16.3 %	15.6 %	72 bps
EBIT	24.6	29.1	(15.5) %
EBIT margin	8.2 %	9.0 %	(80) bps
Adjusted EBIT	27.9	29.9	(6.7) %
Adjusted EBIT margin	9.3 %	9.3 %	6 bps
Financial result	(7.6)	(6.6)	13.9 %
Profit before taxes and minority interests	17.0	22.5	(24.2) %
Net profit attributable to shareholders of Befesa S.A.	9.4	15.2	(37.7) %
EPS (in €)	0.24	0.38	(37.7) %
Total assets	2,011.9	1,977.0	1.8 %
Capital expenditures	17.3	30.9	(44.0) %
Cash flow from operating activities	14.5	19.8	(26.5) %
Cash and cash equivalents at the end of the period	90.3	143.0	(36.8) %
Net debt	621.7	571.6	8.8 %
Net leverage	x3.45	x2.81	x 0.64
Number of employees (as of end of the period)	1,819	1,865	(2.5) %

Highlights

- **Revenue** in Q1 2024 decreased by 7% yoy to €298 million (Q1 2023: €322 million), +8% vs previous quarter (Q4 2023: €276 million)
- **Adjusted EBITDA** in Q1 2024 decreased by 3% yoy to €49 million (Q1 2023: €50 million), +7% vs previous quarter (Q4 2023: €45 million); Improved volumes, favourable decrease in zinc treatment charges (TC), better zinc hedges, lower energy prices and synergies were offset by lower zinc LME prices
- **Growth:**
 - **US:** Refurbishment of steel dust plant in Palmerton, Pennsylvania, on track to capture growth in 2025
 - **China:** Monitoring market development; Cautiously progressing in the third province, Guangdong
 - **Europe:** Moving forward with permits and commercial contracts for the Bernburg expansion project
- **Outlook:** 2024 guidance of €195 million to €235 million EBITDA, +7% to +29% yoy (2023: €182 million)

Business review

Results of operations, financial position & liquidity

Revenue

Total revenue decreased by 7.3% to €298.3 million in Q1 2024 (Q1 2023: €322.0 million). The decrease was primarily attributable to the lower zinc LME prices, partially offset by the improved volumes, the favourable zinc TC and better zinc hedges.

EBITDA & EBIT

Total adjusted EBITDA decreased by 3.1% to €48.6 million in Q1 2024 (Q1 2023: €50.1 million). Overall, this development was primarily driven by lower zinc LME prices and aluminium metal margin, partially compensated by improved volumes, favourable decrease in zinc TC, better zinc hedges, and lower energy prices.

Detailed by volume, price, and cost components, the €1.5 million decrease in Q1 2024 is explained by:

- Volumes (c. €5 million): Steel dust treated volumes in Europe, Turkey and the US continued at solid levels, partially offset by lower performance in China (€3 million); Aluminium Salt Slags with yoy higher volumes driven by Hanover back in operation (€2 million).
- Metal prices (c. -€12 million): 23% lower zinc LME prices (-€17 million), partially offset by higher zinc hedging prices (€4 million); 40% lower zinc TC at \$165 per tonne for the full year 2024 (€6 million); lower aluminium metal margins (-€5 million).
- Cost / other (c. €5 million): Lower costs, mainly through lower coke, gas and electricity prices.

Total adjusted EBIT decreased by 6.7% to €27.9 million in Q1 2024 (Q1 2023: €29.9 million).

Total EBITDA and EBIT were adjusted for €3.3 million in Q1 2024. This adjustment was mainly driven by impacts from the ramp up of some facilities. Total reported EBITDA amounted to €45.3 million in Q1 2024 (-8.1% yoy). Total reported EBIT amounted to €24.6 million in Q1 2024 (-15.5% yoy).

Financial result & net profit

Total net financial result decreased by 13.9% to -€7.6 million in Q1 2024 (Q1 2023: -€6.6 million).

Total net profit attributable to shareholders decreased by 37.7% to €9.4 million in Q1 2024 (Q1 2023: €15.2 million). This development was primarily due to the aforementioned negative drivers impacting EBITDA and EBIT. As a result, earnings per share (EPS) in Q1 2024 decreased accordingly by 37.7% to €0.24 (Q1 2023: €0.38).

Financial position & liquidity

Gross debt at 31 March 2024 remained stable at €712.1 million (31 December 2023: €710.8 million).

Net debt at 31 March 2024 increased by 2.9% to €621.7 million (31 December 2023: €604.0 million). This is mainly explained by the decrease in cash balance.

Net leverage of x3.45 at Q1 2024 closing (year-end 2023: x3.32) based on the underlying net debt of €621.7 million and the LTM adjusted EBITDA of €180.4 million.

Befesa continues to be fully compliant with all debt covenants.

	31 March 2024	31 December 2023
Non-current financial indebtedness	674.9	672.7
+ Current financial indebtedness	37.2	38.1
Financial indebtedness	712.1	710.8
- Cash and cash equivalents	(90.3)	(106.7)
- Other current financial assets ¹	(0.1)	(0.1)
Net debt	621.7	604.0
LTM Adjusted EBITDA	180.4	182.0
Net leverage ratio	x3.45	x3.32

¹ Other current financial assets adjusted by hedging valuation and restricted deposits

Operating cash flow in Q1 2024 decreased by 26.5% to €14.5 million (Q1 2023: €19.8 million).

The change in working capital impacted operating cash flow by €33.9 million in Q1 2024, primarily driven by the usual first quarter seasonality and timing impact. Taxes paid in Q1 2024 decreased by 96.3 % to €0.1 million (Q1 2023: €2.4 million).

In Q1 2024, Befesa's cash capex was €18.9 million (Q1 2023: €31.7 million) to fund regular maintenance capex, the US operational excellence / synergies, as well as growth investments. The latter are mainly related to the Palmerton plant refurbishment.

After funding working capital, interests, taxes and capex, total cash flow in Q1 2024 amounted to -€16.4 million. Cash on hand stood at €90.3 million, which together with

the €75.0 million RCF, entirely undrawn, provides Befesa with more than €150 million liquidity.

Segment information

Steel Dust Recycling Services

Volumes of **EAF steel dust recycled** increased by 5.6% to 303,114 tonnes in Q1 2024 (Q1 2023: 287,069 tonnes), primarily driven by the solid performance in Europe, Turkey and the US. In China, volumes continued to be affected by the weak real estate industry. With these volumes, Befesa's EAF steel dust recycling plants ran at an average load factor of 71% in Q1 2024 (Q1 2023: 69%).

The volume of Waelz oxide (WOX) sold stayed flat at 99,998 tonnes in Q1 2024 (Q1 2023: 99,833 tonnes). The zinc refining plant in North Carolina ran at high utilisation levels with a focus on gradually improving profitability.

Revenue in the Steel Dust business decreased by 13.1% to €188.0 million in Q1 2024 (Q1 2023: €216.3 million). This development was primarily attributed to the lower zinc LME prices, partially offset by the improved volumes, the favourable zinc TC and the better zinc hedging prices.

Adjusted **EBITDA** in the Steel Dust business decreased by 2.7% to €36.0 million in Q1 2024 (Q1 2023: €37.0 million). This development was due to the lower zinc LME prices partially compensated by the favourable zinc TC, better zinc hedging prices, improved volumes, and the lower coke price. Adjusted EBITDA as a percent of revenue improved to 19% in Q1 2024, compared 17% in Q1 2023.

Adjusted **EBIT** in the Steel Dust business decreased by 3.6% to €20.5 million in Q1 2024 (Q1 2023: €21.3 million), following similar drivers explained referring to the EBITDA development.

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

Salt slags and SPL recycled volumes increased by 35.2% to 111,261 tonnes in Q1 2024 (Q1 2023: 82,293 tonnes), primarily driven by the Hanover plant back in operation since Q2 2023. On average, Befesa's salt slags recycling plants operated in Q1 2024 at 95% of the latest installed annual recycling capacity of 470,000 tonnes (Q1 2023: 71%).

Revenue in the Salt Slags subsegment increased by 30.6% to €27.2 million in Q1 2024 (Q1 2023: €20.8 million) primarily driven by the improved volumes of salt slags and SPL treated.

EBITDA in the Salt Slags subsegment increased by 49.6% to €9.9 million in Q1 2024 (Q1 2023: €6.6 million), primarily driven by the improved volumes and the lower energy prices.

EBIT in the Salt Slags subsegment increased by 64.9% to €6.9 million in Q1 2024 (Q1 2023: €4.2 million), following similar drivers explained referring to the EBITDA development.

Secondary Aluminium subsegment

Aluminium alloy production volumes increased by 1.5% to 44,347 tonnes (Q1 2023: 43,680 tonnes). Befesa's secondary aluminium production plants overall operated in Q1 2024 at 87% utilisation rate on average (Q1 2023: 86%).

Revenue in the Secondary Aluminium subsegment increased by 2.6% to €98.3 million in Q1 2024 (Q1 2023: €95.9 million). Higher volumes were partially offset with the lower aluminium alloy FMB prices.

EBITDA in the Secondary Aluminium subsegment decreased by 60.4% to €2.9 million in Q1 2024 (Q1 2023: €7.2 million). The EBITDA development was mainly explained by the lower aluminium metal margin partially compensated by the improved volumes and lower energy prices.

EBIT in the Secondary Aluminium subsegment decreased by 85.0% to €0.8 million in Q1 2024 (Q1 2023: €5.3 million), following similar drivers which impacted the EBITDA development.

Strategy

Hedging

Befesa's hedging strategy is unchanged and continues to be a key element of Befesa's business model, providing zinc price visibility, lowering the impact from zinc price volatility and therefore improving the stability and visibility of earnings and cash flow across the economic cycle. Further details are available in the Befesa Annual Report 2023 (pages 36–37).

Befesa's current hedging volume run rate is to hedge around 38,000 tonnes of zinc per quarter or around 152,000 tonnes per year.

The combined global hedge book in place as of the date of this Q1 2024 Statement provides Befesa with improved

zinc price visibility up to July 2025, therefore for the following 14 months, at increasing hedging average prices: around €2,500 per tonne in 2024 and around €2,650 per tonne for the first half of 2025.

Growth

Befesa's Sustainable Global Growth Plan (SGGP) is progressing as planned despite the challenging macroeconomic environment.

In the **US**, the refurbishment of the plant in Palmerton, Pennsylvania, is on track. Progress continues during 2024, enabling Befesa to improve profitability levels and to capture the anticipated increase in EAF steel dust volumes in the US market for 2025.

In **China**, with regards to the third plant in the province of Guangdong, Befesa continues its negotiations with major steelmakers in the region to secure EAF dust supply. Despite the current market challenges, Befesa recognises a significant growth opportunity in China and maintains a positive midterm outlook.

In **Europe**, with regards to the expansion of the secondary aluminium production capacity in the existing plant of Bernburg, Germany, Befesa is moving forward with the permits and commercial contracts. This project is in line with the expected growth of the demand for aluminium in Europe in the coming years driven by the EV penetration. Light-weight solutions are required to reduce emissions and, as a result, the aluminium content in cars will increase.

ESG

As of 31 March 2024, **ESG ratings** from six renowned international ESG rating agencies following Befesa are available:

	31 March 2024
 ISS ESG	B / Prime
 SUSTAINALYTICS	#13 / 74
 V.E	#7 / 103
 MSCI	BBB
 arabesque s-ray	Top 5%
 S&P Global	Top 9%

Outlook

2024: Befesa expects the full year 2024 EBITDA at between €195 million and €235 million, +7% to +29% yoy (2023: €182 million). Earnings in 2024 will be positively impacted by the significantly lower zinc TC, set at \$165 per tonne for 2024 (2023: \$274 per tonne), coupled with improved zinc hedging prices. Moreover, 2024 should see also a normalisation of coke price, and the improvement in operational efficiency in the US recycling operations as well as China. The guidance range is mainly driven by the metal price volatility, the recovery pace of coke price and the contribution from the US and Chinese operations.

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

Consolidated financial statements as of 31 March 2024 (thousands of euros)

Statement of financial position

Assets

	31 March 2024	31 December 2023
Non-current assets:		
Intangible assets		
Goodwill	635,026	629,643
Other intangible assets	107,491	108,030
	742,517	737,673
Right-of-use assets	32,667	31,945
Property, plant and equipment	708,963	702,660
Non-current financial assets		
Investments in Group companies and associates	26	26
Other non-current financial assets	33,993	35,112
	34,019	35,138
Deferred tax assets	98,337	96,708
Total non-current assets	1,616,503	1,604,124
Current assets:		
Inventories	107,668	101,089
Trade and other receivables	114,932	75,818
Trade receivables from related companies	561	409
Accounts receivables from public authorities	20,595	20,726
Other receivables	25,752	22,201
Other current financial assets	35,550	14,626
Cash and cash equivalents	90,325	106,692
Total current assets	395,383	341,561
Total assets	2,011,886	1,945,685

Statement of financial position (continued)

Equity and liabilities

	31 March 2024	31 December 2023
Equity:		
Parent Company		
Share capital	111,048	111,048
Share premium	532,867	532,867
Hedging reserves	53,971	36,888
Other reserves	155,010	96,490
Translation differences	(65)	(11,738)
Net profit/(loss) for the period	9,446	57,972
Equity attributable to the owners of the Company	862,277	823,527
Non-controlling interests	55,623	53,829
Total equity	917,900	877,356
Non-current liabilities:		
Long-term provisions	15,628	18,053
Loans and borrowings	656,809	655,610
Lease liabilities	18,114	17,080
Other non-current financial liabilities	-	-
Other non-current liabilities	6,637	6,707
Deferred tax liabilities	119,839	113,845
Total non-current liabilities	817,027	811,295
Current liabilities:		
Loans and borrowings	28,297	28,798
Lease liabilities	8,921	9,283
Other current financial liabilities	39	2,229
Trade payables to related companies	-	-
Trade and other payables	187,098	171,084
Other payables		
Accounts payable to public administrations	19,960	14,103
Other current liabilities	32,644	31,537
Total current liabilities	52,604	45,640
Total equity and liabilities	2,011,886	1,945,685

Income statement

	Q1 2024	Q1 2023	Change
Revenue	298,347	322,002	(7.3) %
Changes in inventories of finished goods and work-in-progress	60	(1,201)	-
Procurements	(140,809)	(159,240)	(11.6) %
Other operating income	2,451	3,147	(22.1) %
Personnel expenses	(37,006)	(38,476)	(3.8) %
Other operating expenses	(77,754)	(76,939)	1.1 %
Amortisation/depreciation, impairment and provisions	(20,723)	(20,205)	2.6 %
Operating profit/(loss)	24,566	29,088	(15.5) %
Finance income	352	1,304	(73.0) %
Finance expenses	(10,177)	(8,345)	22.0 %
Net exchange differences	2,272	410	-
Net finance income/(loss)	(7,553)	(6,631)	13.9 %
Profit/(loss) before tax	17,013	22,457	(24.2) %
Corporate income tax	(5,914)	(8,456)	(30.1) %
Profit/(loss) for the period	11,099	14,001	(20.7) %
Attributable to:			
Parent Company's owners	9,446	15,159	(37.7) %
Non-controlling interests	1,653	(1,158)	-
Earnings/(losses) per share attributable to Parent Company's owners (in euros per share)	0.24	0.38	(37.7) %

Statement of cash flows

	Q1 2024	Q1 2023
Profit/(loss) for the period before tax	17,013	22,457
Adjustments for:	25,687	23,209
Depreciation and amortisation	20,723	20,205
Changes in provisions	(2,425)	(3,445)
Interest income	(352)	(1,304)
Finance costs	10,177	8,345
Other profit/(loss)	(164)	(182)
Exchange differences	(2,272)	(410)
Changes in working capital:	(28,067)	(23,494)
Trade receivables and other current assets	(42,494)	(15,582)
Inventories	(6,579)	(3,630)
Trade payables	21,006	(4,282)
Other cash flows from operating activities:	(87)	(2,378)
Taxes paid	(87)	(2,378)
Net cash flows from/(used in) operating activities (I)	14,546	19,794
Cash flows from investing activities:		
Investments in intangible assets	(627)	(224)
Investments in property, plant and equipment	(18,298)	(31,497)
Collections from disposal of Group and associated companies, net of cash	-	113
Net cash flows from/(used in) investing activities (II)	(18,925)	(31,608)
Cash flows from financing activities:		
Cash inflows from bank borrowings and other liabilities	398	3,948
Cash outflows from bank borrowings and other liabilities	(2,891)	(3,217)
Interest paid	(9,417)	(6,840)
Net cash flows from/(used in) financing activities (III)	(11,910)	(6,109)
Effect of foreign exchange rate changes on cash & cash equivalents (IV)	(78)	(838)
Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	(16,367)	(18,761)
Cash and cash equivalents at the beginning of the period	106,692	161,751
Cash and cash equivalents at the end of the period	90,325	142,990

Additional information

Segmentation overview - key metrics

Steel Dust Recycling Services

	Q1 2024	Q1 2023	Change
Key operational data (tonnes, unless specified otherwise)			
EAF steel dust throughput	303,114	287,069	5.6 %
WOX sold	99,998	99,833	0.2 %
Zinc blended price (€ / tonne)	2,400	2,633	(8.8) %
Total installed capacity	1,720,300	1,693,026	1.6 %
Utilisation (%)	70.9 %	68.8 %	210 bps
Key financial data (€ million, unless specified otherwise)			
Revenue	188.0	216.3	(13.1) %
EBITDA	32.8	37.0	(11.5) %
EBITDA margin	17.4 %	17.1 %	32 bps
Adjusted EBITDA	36.0	37.0	(2.7) %
Adjusted EBITDA margin	19.2 %	17.1 %	206 bps
EBIT	17.2	21.3	(19.2) %
EBIT margin	9.2 %	9.8 %	(69) bps
Adjusted EBIT	20.5	21.3	(3.6) %
Adjusted EBIT margin	10.9 %	9.8 %	108 bps

Aluminium Salt Slags Recycling Services

Salt Slags subsegment

	Q1 2024	Q1 2023	Change
Key operational data (tonnes, unless specified otherwise)			
Salt slags and SPL recycled	111,261	82,293	35.2 %
Total installed capacity	470,000	470,000	-
Utilisation (%)	95.2 %	71.0%	2,420 bps
Key financial data (€ million, unless specified otherwise)			
Revenue	27.2	20.8	30.6 %
EBITDA	9.9	6.6	49.6 %
EBITDA margin	36.2 %	31.6 %	460 bps
EBIT	6.9	4.2	64.9 %
EBIT margin	25.3 %	20.0 %	525 bps

Secondary Aluminium subsegment

	Q1 2024	Q1 2023	Change
Key operational data (tonnes, unless specified otherwise)			
Secondary aluminium alloys produced	44,347	43,680	1.5 %
Aluminium alloy FMB price (€ / tonne)	2,277	2,301	(1.0) %
Total installed capacity	205,000	205,000	-
Utilisation (%)	87.0 %	86.4 %	59 bps
Key financial data (€ million, unless specified otherwise)			
Revenue	98.3	95.9	2.6 %
EBITDA	2.9	7.2	(60.4) %
EBITDA margin	2.9 %	7.5 %	(463) bps
EBIT	0.8	5.3	(85.0) %
EBIT margin	0.8 %	5.5 %	(470) bps

Note: Segment splits, revenue and earnings contributions do not take into account corporate nor the inter-segment eliminations.

Financial calendar

20 June 2024	Annual General Meeting in Luxembourg
25 July 2024	H1 2024 Interim Report & Conference Call
31 October 2024	Q3 2024 Statement & Conference Call

Notes: Befesa's financial reports and statements are published at 7:30 am CEST
Befesa cannot rule out changes of dates and recommends checking them at the Investor Relations / Investor's Agenda section of Befesa's website www.befesa.com

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First quarter 2024 figures are unaudited.

This quarterly statement includes Alternative Performance Measures (APM), including EBITDA, EBITDA margin, EBIT, EBIT margin, Adjusted EBIT, Adjusted EBIT margin, net debt and capital expenditures which are not measures of liquidity or financial performance under International Financial Reporting Standards (IFRS). EBITDA is defined as operating profit for the period (i.e. EBIT) before the impact of amortisation, depreciation, impairment and provisions. EBITDA margin is defined as EBITDA divided by revenue. EBIT is defined as Operating profit for the year. The Company 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. EBIT margin is defined as EBIT as a percentage of revenue. These non-IFRS measures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating, investing or financing activities, or other financial measures of Befesa's results of operations or liquidity derived in accordance with IFRS. Befesa believes that the APM included in this quarterly statement are useful measures of its performance and liquidity. Other companies, including those in the industry in which Befesa operates, may calculate similarly titled financial measures differently than Befesa does. Because all companies do not calculate these financial measures in the same manner, Befesa's presentation of such financial measures may not be comparable to other similarly titled measures of other companies. These APM are not audited.

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