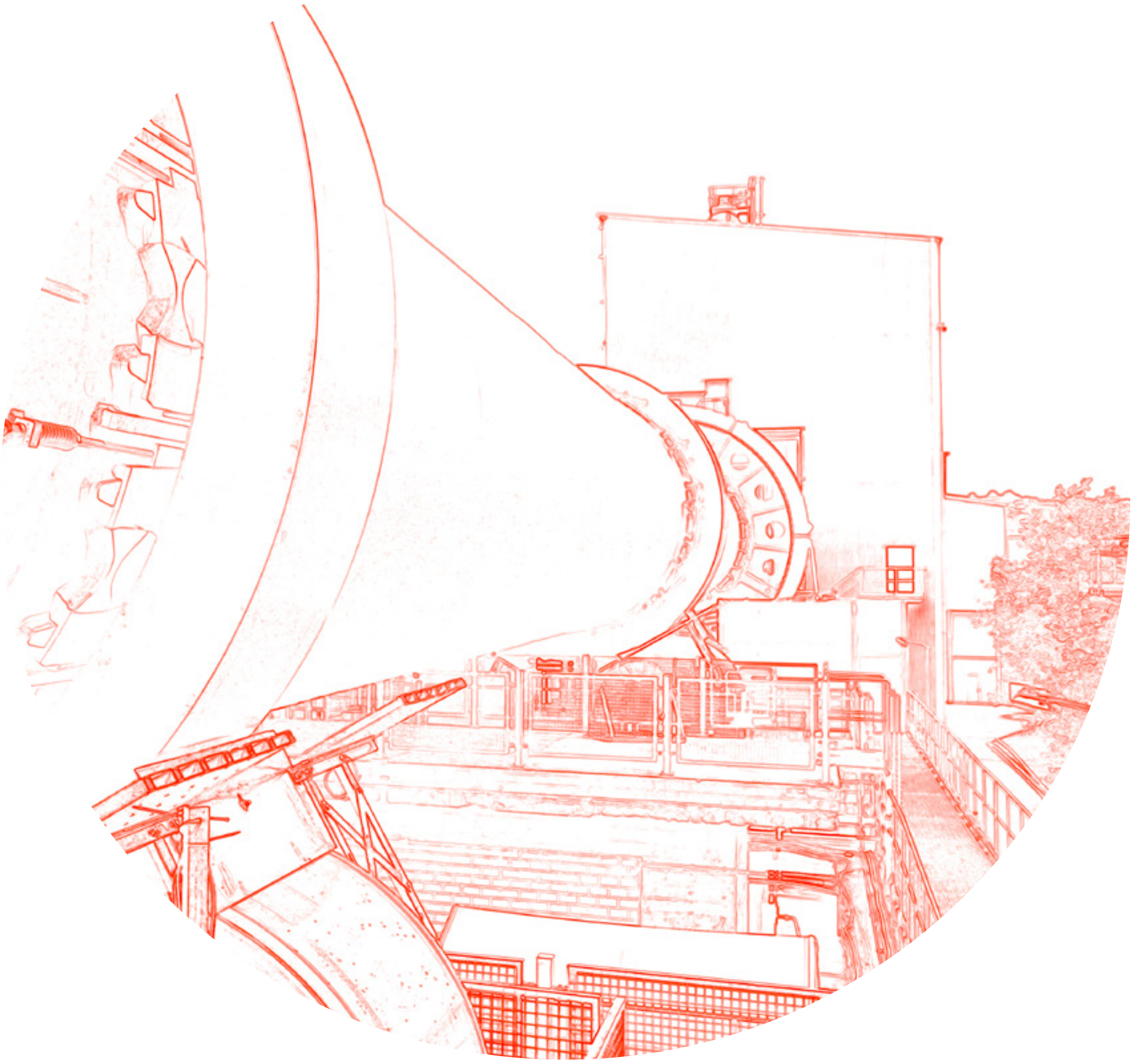
Annual Report 2023

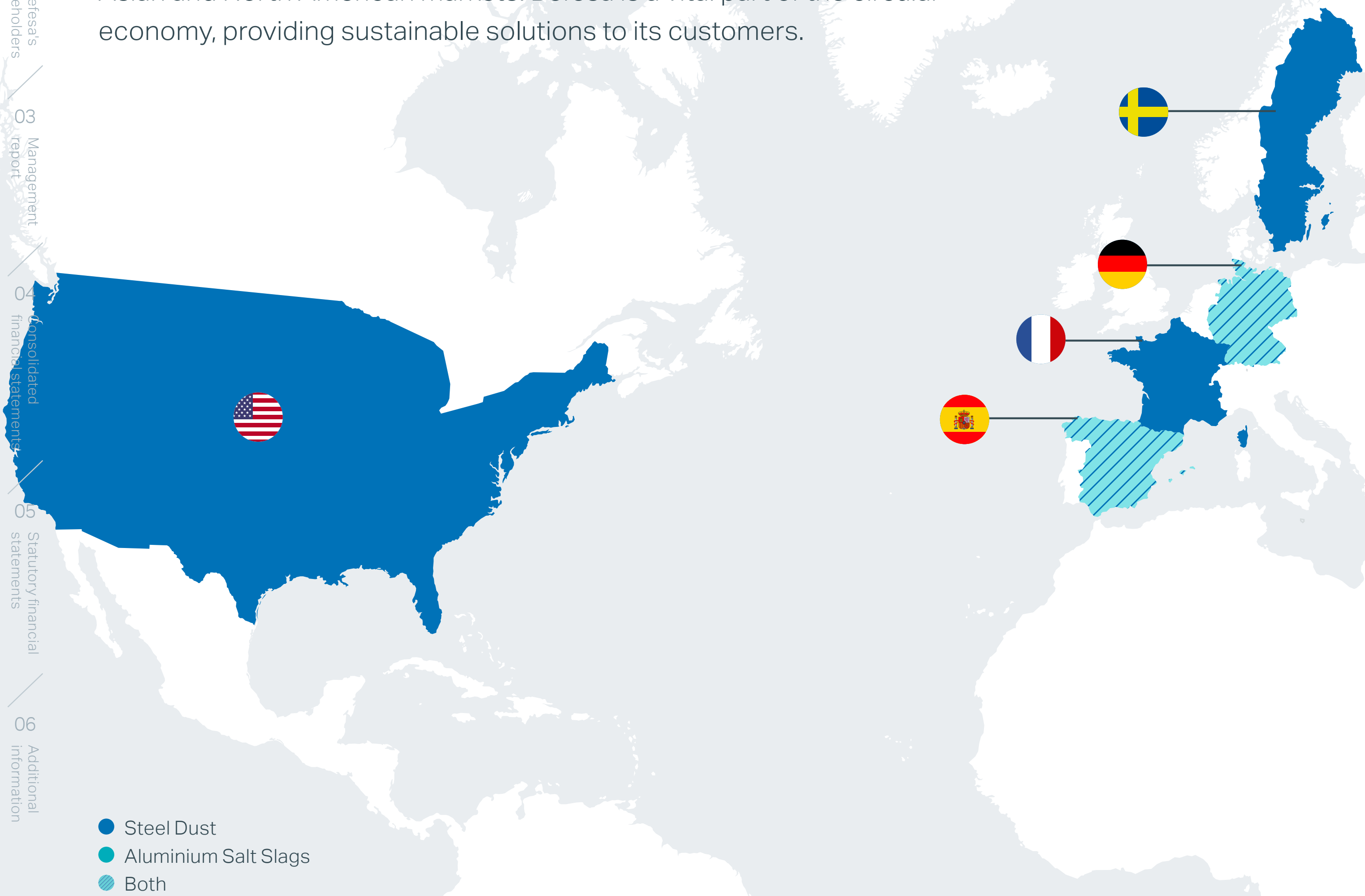


REDUCE ⁄ RECYCLE ⁄ RECOVER ⁄ REINTRODUCE

Befesa has been a vital player in the circular economy for more than three decades through its role in reducing the environmental impact of industrial waste, recovering valuable materials and reintroducing them into the production process, and reducing the cost of primary production.

Befesa at a glance

Befesa is the global leader in providing regulated critical environmental recycling services to the steel and aluminium industries in key European, Asian and North American markets. Befesa is a vital part of the circular economy, providing sustainable solutions to its customers.



For more than three decades, Befesa has been part of the circular economy and has continuously demonstrated a strong commitment to recycling.

1.9m
TONNES OF RESIDUES RECYCLED

1.7m
TONNES OF RECOVERED NEW MATERIALS REINTRODUCED INTO THE MARKET

Close proximity to major customers

Befesa's recycling plants are positioned in attractive markets that are strategically located across Europe, Asia and the US.

24
RECYCLING PLANTS
18 | 6

8
COUNTRIES
5 Europe | 3 Asia

1,790
EMPLOYEES
1,574 Men | 216 Women

€1,181m
REVENUE
€786M | €399M

€182m
ADJUSTED EBITDA
€134M | €48M

€58m
NET PROFIT

€117m
OPERATING CASH FLOW


BEFESA

02
To Befesa's shareholders

Letter from the Executive Chair and the CEO

DEAR SHAREHOLDERS,

After the year 2022 in which we achieved record results, 2023 has been a very challenging year for Befesa as we faced a combination of several adverse external factors on the commodity side of the business as well as a difficult situation in China.

Nevertheless, despite these challenges, Befesa has been able to deliver solid results with resilient earnings and strong cashflow which has enabled us to fulfil all our commitments, pay a dividend to our shareholders and fund the growth plan during the year. Once again, this demonstrates the strength of our business model based on the circular economy.

From the macroeconomic point of view, 2023 has been characterised by persistently high inflation levels across the world, which has had an impact on the economic growth, as well as a very weak economy in China, especially in the real estate and construction industries. This has significantly affected commodity prices and, in the particular case of Befesa, zinc prices.

The global production of crude steel stayed flat compared to 2022. In Europe, however, steel production decreased by the second year by 7%, driven by a weak economy, especially in Germany. In the other main markets of Befesa, China and the US, steel production stayed flat at similar levels compared to 2022. China continued to be the largest producer of steel worldwide, with more than 50% of the total global production in 2023, despite zero increase in 2023.

However, in 2023, the passenger car market grew at double digits compared to 2022, which marked the lowest level since 1993.

During 2023 we have dedicated a lot of focus to the integration of the US operations to capture the operational synergies in the steel dust recycling business as well as the stabilisation of the zinc-refining plant in North Carolina, which is improving its performance gradually with higher utilisation rates. The focus now is on reducing the cost base, which will drive profitability further.

Also in the US, we have continued with the refurbishment works of the plant in Palmerton, Pennsylvania, which will enable us to capture the growth in the steel dust recycling market that we are seeing in the US over the next two years.

In China, 2023 has been characterised by a serious real estate crisis, which has had an impact on the construction industry in the country, with a negative effect on the level of steel production from our customers which continues to be weak. This had affected the utilisation of our plants in Jiangsu and Henan in 2023.

In this environment, we are adapting our approach to the construction of the third plant in the province of Guangdong. The focus right now is on getting the steel dust supply agreements with local producers to have certainty of supply before starting the construction of the plant.

With regards to the outlook for 2024, overall, we expect to return to the growth path as the external pressures that we faced in 2023 revert in 2024. As such, we expect solid earnings growth driven by a normalisation of some commodity prices as well as operational improvements.

We are very optimistic about the mid-term outlook. Our well-defined growth plan, is based on strong market fundamentals like the decarbonisation megatrend, which represents a great market opportunity in our steel dust and aluminium recycling businesses.

Decarbonisation is one of the most important matters of our time and clearly brings great opportunities for Befesa. Most of the companies around the world are making strong commitments to reducing their CO_2 footprint. As the steel industry looks to decarbonise its operations, it needs to move to production technologies that are less CO_2-intensive. Electric arc furnaces (EAF) produces seven times less CO_2 per tonne of steel compared to the basic oxygen furnace (BOF).

Similarly, the decarbonisation trend is driving the transition to electric vehicles (EVs), which requires higher aluminium content per car to achieve lightweight targets. This will drive higher aluminium demand in Europe and increase the need for salt slags recycling capacity.

We have a strong growth plan to invest between €400 million and €450 million over the next years to achieve high-rate earnings growth. This is a similar scale to our investment over the past five years.

With this capex plan, we are targeting earnings growth in the range of €125–€155 million of incremental Adjusted EBITDA from the 2022 baseline: €215 million.

The plan is globally well-balanced, with investment split in approximately equal thirds between Asia/China the US and Europe.

Our target is to organically fund 100% of the plan with our own resources, with no capital increase required. At the same time, we expect to keep the leverage targeting at around 2.5x, and to maintain our dividend policy of distributing 40%–50% of net profit per year. The growth plan is fully modular and is 100% in our control.

As of today, we see a strong US steel market which will grow over the next two years, and we are moving fast to capture that growth opportunity by focusing on increasing the capacity of our plant in Pennsylvania.

Moreover, as explained earlier, in China, we are monitoring the development of the real estate industry while we work on securing the steel dust volume in the third plant.

As we explained in the past, we can module the speed of the investments depending on the different dynamics that we see in the various markets. As a result, we are adapting the execution of our growth strategy to the current situation in China.

€1,181m

REVENUE IN 2023
(€1,136M IN 2022)

€182m

ADJUSTED EBITDA IN 2023
(€215M IN 2022)

Letter from the Executive Chair and the CEO continued

> "The 2023 year has been a very challenging one for Befesa as we faced a combination of several adverse external factors on the commodity side of the business as well as a difficult situation in China. Going into 2024, we expect to return to the growth path as the external pressures that we faced in 2023 revert in 2024. As a result, we expect solid earnings growth driven by a normalisation of some commodity prices as well as operational improvements.

As a vital part of the circular economy, we are very committed to making a strong contribution to creating a more sustainable world.

Our business strategy is fully aligned with our ESG strategy and is rooted in an increased contribution to the circular economy as we deploy our business model in new markets and geographies.

The secondary materials created by Befesa's recycling processes are a substitute for more carbon-intensive processes used to mine and process virgin raw materials.

We are working towards our commitment to reduce 20% GHG emissions intensity by 2030, supported by a realistic roadmap to achieve this target. Notably, this plan revolves around green energy sourcing, electricity efficiency, process optimisation and raw material substitution.

On dividend, we are proposing a dividend payment of €0.73 per share, which represents a 50% payout over the net income of 2023, consistent with our dividend policy.

Finally, we would like to give a special thanks to all the team of Befesa, for their efforts, commitment and contribution, which continues to be a key asset in the Company.

If we step back and look at Befesa with perspective, considering normalised average commodity prices, at the time of the IPO back in 2017, Befesa was a company that generated around €150 million mid-cycle EBITDA, being present then in Europe mainly and with some operations in Turkey and Korea.

Today, Befesa has a strong presence in Europe, North America and China, which are three strong growth markets in the core business that we operate, steel dust recycling and aluminium salt slags recycling services, and we generate an average Adjusted EBITDA of around €200–€210 million per year.

Our ambition is to grow Befesa over the coming years to generate between €300 million and €350 million mid-cycle EBITDA.

Yours sincerely,

Javier Molina
Executive Chair

Asier Zarraonandia
Chief Executive Officer

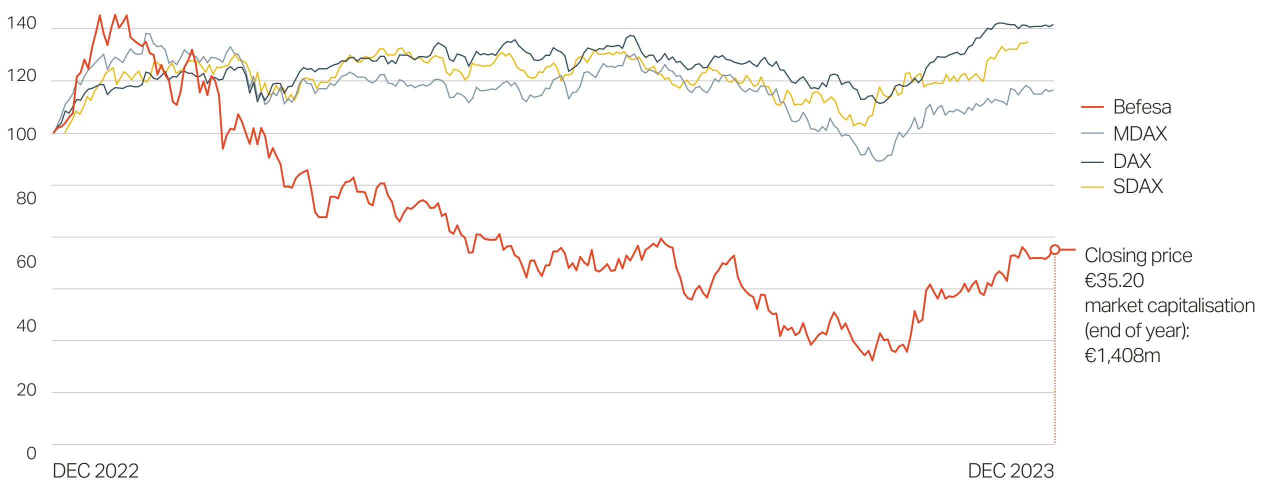
Befesa in the capital markets

Share data

Ticker symbol	BFSA
ISIN	LU1704650164
German securities code (WKN)	A2H5Z1
Bloomberg code	BFSA:GR
Reuters code	BFSA.DE
Stock exchange	Frankfurt Stock Exchange, XETRA
Market segment	Prime Standard
Index	SDAX[1]
Number of shares	39,999,998

In €	2023	2022	2021
Free-float (end of year)[2]	89.48%	89.48%	89.48%
Closing price	35.20	45.06	67.40
Highest price	55.05	72.60	72.50
Lowest price	25.76	30.18	49.75
Dividends	0.73[3]	1.25	1.25
Dividend yield (based on closing price)	2.1%[3]	2.8%	1.9%
Market capitalisation (end of year)	1,407,999,930	1,802,399,910	2,695,999,865

[1] Befesa had to leave MDAX on 15 December 2023, but returned on 25 January 2024
[2] Index-relevant free-float for Befesa according to definitions of Deutsche Börse
[3] Proposal – subject to AGM resolution
Data source: Bloomberg XETRA closing prices



Share performance in 2023

	Befesa	DAX	MDAX	SDAX
30 December 2022	45.06	13,923.59	25,117.57	11,925.70
29 December 2023	35.20	16,751.64	27,137.30	13,960.36
Change	**-21.9%**	**20.3%**	**8.0%**	**17.1%**

After a historically weak year in 2022, the capital markets in 2023 showed an outstanding recovery despite economic and political turbulences around the world.

The Befesa share started the 2023 year at a price of €45.06, still driven by the positive momentum of the Capital Markets Day held on 8 November 2022 in London. The capital market started strongly into the year and Befesa even outperformed the positive development of the main indices. The powerful performance of the Befesa share resulted in a share price of €55.05 on 23 January 2023; this was already the highest level of the year.

Befesa started a long negative trend at the end of January, which continued until the end of October 2023. The lowest share price was reached on 25 October at only €25.76 (YTD: -42.8%). The long negative trend was interrupted only occasionally by small recoveries, but this did not change the downward trend for the main part of the year. The cause was developments that were out of Befesa's control and which resulted in strong headwinds. Starting with a high zinc treatment charge and followed by a weak zinc price, Befesa's earnings were negatively affected. In fact, the prices for almost all base metals increased in 2023, but the zinc price was down. In addition, energy costs (and here the most important component for Befesa, coke) remained on a very high level. In contrast to gas and electricity, the coke price kept its high level until October 2023.

The turning point for the Befesa share was the Q3 reporting on 26 October 2023. Despite adjusting the EBITDA guidance for the financial year, the market realised that the headwind in 2023 will be the tailwind in 2024. The Befesa share recovered in November and December 2023, but the gap to the overall market was still large.

In total, over the course of the 2023 year, Befesa's share price decreased by 21.9%, this after the Befesa share already lost 33.1% in 2022. As a result, Befesa underperformed significantly compared to the DAX (+20.3%), MDAX (+8.0%) and SDAX (+17.1%). Befesa's shareholders received a dividend of €1.25 per share, which was distributed in July 2023. Befesa's daily average volume traded on XETRA came in slightly below the level in 2022, with 74,543 shares (2022: 75,502 and 2021: 62,124 shares were traded daily).

Based on additional figures, Befesa estimates that the XETRA trading volumes represent about 55% of the total daily trades of Befesa shares. Alternative trading platforms were again important trading places for Befesa shares. According to the figures from XETRA, as well as other trading places and platforms, the average daily volume of Befesa shares traded amounted to 138,315 shares.

The market capitalisation of Befesa decreased in 2023 by 21.9% to €1,408 million (end of 2022: €1,802 million).

SHAREHOLDER STRUCTURE

Befesa's shares are owned by international investors and many retail shareholders. As of 6 June 2019, 100% of shares in Befesa, S.A. have been free-floating.

According to the voting rights notifications received, as of 31 December 2023, the following shareholders held (or were attributed to) five per cent (5%) or more of the total voting rights attached to Befesa shares (see table below).

Based on voting rights notifications, other publicly available data sources (especially public filings) and our own research, institutional shareholders in five countries own in total 77.9% of Befesa. The biggest country is Germany, with a stake of 21.3% in Befesa, followed by the UK (18.5%), Spain (17.4%), the US (10.6%) and France (10.0%). The 10 largest investors own 47.6% and the 25 largest investors hold a stake of 62.8% in Befesa. Retail investors are also investing in Befesa. According to a survey, around 4,000 retail shareholders own on average 218 Befesa shares each.

Name of shareholder (direct or indirect)	% of voting rights in the share capital of Befesa	Date on which the threshold was crossed or reached
Alba Europe S.à.r.l., Luxembourg, Grand Duchy of Luxembourg	5.10% attached to shares	21 June 2021
Allianz Global Investors GmbH, Frankfurt, Germany	9.99% attached to shares	4 January 2023
Global Portfolio Investments, S.L., Madrid, Spain	5.41% attached to shares	17 June 2021

Befesa in the capital markets continued

DIVIDEND

Befesa's dividend policy, which has been unchanged since the IPO in 2017, is a payout ratio of 40% to 50% of net profit.

The Board of Directors of Befesa will propose to the Annual General Meeting (AGM) of 2024 to distribute a total dividend of €29 million, or €0.73 per share (2023: €1.25 per share).

The proposed dividend payment would result in a dividend payout ratio of 50% of the 2023 reported net profit (2022: 47.1%). Based on the 2023 closing price, the proposed dividend payment would result in a dividend yield of 2.1% (2022: 2.8%). On 20 June 2024, the Befesa shareholders will decide on the dividend proposal as part of the AGM agenda.

INDICES

Since Befesa is listed in the Prime Standard of the Frankfurt Stock Exchange, the indices of Deutsche Börse are very relevant for Befesa. Starting in September 2018, Befesa was listed in the SDAX. In September 2021, Befesa joined the MDAX, one of Germany's leading and most closely watched stock indices. Based on the index rules, especially the free-float market capitalisation (according to the definition of Deutsche Börse), Befesa had to leave the MDAX and become an SDAX member as of 18 December 2023.

Deutsche Börse decided on 22 January 2024 about an unscheduled change in the composition of the second largest index in Germany, the MDAX. One member had to leave with short notice due to fact that the free float dropped below 10%. As a result, Befesa rejoined the MDAX on 25 January 2024. Befesa's abstinence from the MDAX was therefore only 40 days.

The SDAX index comprises of 70 companies in the small cap sector. The MDAX includes the 50 largest companies below Germany's DAX, which contains the 40 largest stocks.

The composition of the indices of Deutsche Börse is based on the free-float market capitalisation and some additional conditions Befesa has fully met (e.g. free-float at least 10% and the existence of an audit committee). According to the definitions of Deutsche Börse, the index-relevant free-float for Befesa is only 89.48%. In the Deutsche Börse ranking list, with all corporations listed in Frankfurt in Prime and General Standard fulfilling the rules, Befesa declined from rank #79 as of the end of December 2022 to #88 at the end of December 2023 in terms of market capitalisation. Within SDAX, as of the end of December 2023, Befesa was the #1 among the 70 index members. Since May 2019, Befesa has been included in the MSCI Europe Small Cap Index and in the MSCI Germany Small Cap Index. These inclusions affect the demand for the Befesa share because index trackers (ETFs) must include the index members. As a result, a high number of shares were sold in December just before Befesa left the MDAX. Volumes in MDAX ETFs are much higher compared to ETFs in the SDAX.

Befesa has been a member of the Global Challenges Index (GCX) since September 2020. The GCX comprises shares of 50 international companies in total, selected according to very strict criteria from a total number of around 6,000 corporations. In 2023, the inclusion of Befesa was again confirmed.

The GCX was initiated by Böersen AG (the parent company of the Hamburg and Hanover stock exchanges) and was developed in 2007 in cooperation with today's ISS environmental, social and governance (ESG). The GCX only includes shares of companies that make pioneering contributions to the seven global challenges of climate change: the supply of clean drinking water; deforestation; biodiversity; population development; poverty; and global governance.

The decision to include Befesa was based on the Company's current performance in the ISS ESG Sustainability Rating (Prime Status) and on its contribution to achieving the sustainable development objectives, as reflected in the Sustainable Development Goals Assessment (SDGA). The GCX advisory board includes representatives from the Federal Association of German Foundations, the Protestant and Catholic Churches, and the World Wide Fund for Nature (WWF). In the factbook about the GCX, Befesa was explicitly mentioned, in particular for providing positive support in response to the major challenge of biodiversity.

Befesa was honoured for the contribution it has made to increasing the overall efficiency of raw material use in the metals industry and for the development of recycling solutions that promote the transition to a more sustainable recycling economy. At the same time, the safety measures taken to adequately manage social and environmental risks were also recognised.

In September 2021, the Zero Plastic Index was created and includes eight European companies. Befesa continues to be a part of this index, with a weight of 13.6% at the end of 2023.

ANALYSTS' COVERAGE

In 2023, a total of 11 equity analysts published regular reports and recommendations on Befesa. The number is unchanged compared to 2022. However, two brokers paused their coverage due to a handover to a new analyst.

Against it, two brokers started to cover Befesa in autumn 2023: Deutsche Bank and Jefferies. This underlines the increasing interest in Befesa.

As of the end of 2023, 55% of the analysts recommended buying the Befesa share (2022: 73%; 2021: 67%), 45% to hold (2022: 18%; 2021: 33%) and nobody selling (2022: 9%; 2021: 0%). The median of the share price targets was €38.00 (2022: €54.00; 2021: €74.00) and followed the share price development of Befesa in 2023.

CREDIT RATINGS

During 2023, Standard & Poor's and Moody's reviewed their corporate credit ratings assigned to Befesa. In May 2023, Standard & Poor's reaffirmed its "BB+" rating and changed its outlook on Befesa to negative from stable. In November 2023, Moody's reaffirmed its "Ba2" rating and changed its outlook on Befesa to stable from positive.

Analysts' recommendations

Institution	Analyst	Recommendation	Target price (€)
Bank of America	Cameron Needham	Buy	47.00
Berenberg	Lasse Stueben	Buy	42.00
Citi	Amit Lahoti	Neutral	37.00
Deutsche Bank	Niklas Becker	Neutral	32.00
Jefferies	Alexander Thiel	Buy	36.00
JP Morgan	Sylvia P. Barker	Neutral	37.00
Keplar Cheuvreux	Juan Rodriguez	Buy	41.00
Morgan Stanley	Sandeep Peety	Neutral	32.00
Oddo BHF	Anis Zgaya	Buy	44.00
Santander	Jaime Escribano	Neutral	43.50
Stifel	Michael E. Hoffman	Buy	38.00

Min. €32.00 Median €38.00 Max. €47.00

As of 31 December 2023

Credit ratings for Befesa, S.A.

	Year-end 2023	Year-end 2022
Moody's	Ba2 (outlook stable)	Ba2 (outlook positive)
Standard & Poor's	BB+ (outlook negative)	BB+ (outlook stable)

Befesa in the capital markets continued

As of 31 December 2023, six ESG rating agencies following Befesa and their respective ESG ratings assigned to Befesa were:

ISS ESG Top 3 of 69 Metals processing & production	SUSTAINALYTICS #13 of 74 / Low risk Commercial services: Subindustry facilities management	V.E #7 of 103 Business services
MSCI BBB Commercial services & supplies	arabesque s-ray Top 5% Industrial services	S&P Global Top 9% of 184 Commercial & professional services

ESG RATINGS

Since 2019, several important international ESG rating agencies have published research on Befesa. As of 31 December 2023, six ESG rating agencies are following Befesa (same as of year-end 2022).

In 2023, Befesa participated for the very first time in the Carbon Disclosure Project (CDP). This highlights the importance of ESG, for which Befesa is well suited. This is in particular because of its vital position in the circular economy value chain and its core business that focuses on the management and recycling of hazardous waste.

ESG topics are now mainstream, driven especially by discussions about climate action and the introduction of the EU taxonomy. Befesa, as part of the circular economy, can fulfil the needs of investors, and also qualifies for impact investing.

ESG ratings are very important, but their approach differs greatly, and investors must decide how to deal with the data they receive from the providers. Befesa answered to the high information needs of rating agencies and investors with the ESG Report 2021 and the ESG Progress Update 2022.

The dialogue with the ESG rating agencies continued and helped to explain the business model and Befesa's role in protecting the environment.

In total, the ESG view on Befesa is very positive and the ESG rating results are encouraging, even resulting in Befesa being placed in the top 3, top 5 or top 10 of the industry sectors globally.

More information on ESG at Befesa will be provided in the Befesa ESG Report 2023, which will be issued in June 2024.

EU TAXONOMY

The EU Taxonomy Report 2022 is available on Befesa's website under the Sustainability / Reports, Policies & Certifications section: https://www.befesa.com/sustainability/reports-policies-certifications/#taxonomy_report

Befesa will disclose the eligibility and alignment reporting requirements for its activities in 2023, in accordance with the EU Taxonomy Regulation, in the Befesa ESG Report 2023, which will be issued in June 2024.

INVESTOR RELATIONS ACTIVITIES

Befesa's investor relations provides comprehensive information for the capital markets. Fixed dates in the financial calendar with regular reporting forms the basis for capital market communication, with Befesa's quarterly and annual results. This includes conference calls for analysts and investors (which can be followed on the Befesa website) and investor news with all the relevant information about Befesa.

A calendar with upcoming reporting dates, investor conferences and current presentations is available on Befesa's website under the Investors / Investors Agenda section: https://www.befesa.com/investors/investors-agenda

Befesa has continued direct and intensive dialogue with existing shareholders, potential investors and analysts.

The circumstances in 2022, and especially in 2023, were less challenging owing to the COVID-19 pandemic. Nevertheless, some roadshows and conferences still took place virtually, some in a hybrid format and some in person, like in pre-COVID times. Investors and corporations have become used to virtual meetings and see the advantages of this format, such as the possibility of holding more meetings at the same time since travel time, costs and the negative carbon footprint can be avoided.

During 2023, Befesa attended 22 investor conferences and roadshows (2022: 29). In total, Befesa met almost 400 institutional investors from the relevant financial markets in Europe and North America (2022: 415).

The interest in the Befesa share continued, also driven by the fact that Befesa fits into ESG and impact fund portfolios as a pioneer of the circular economy.

All shareholders and potential shareholders are welcome to obtain the relevant information on request by being added to the distribution list, or from Befesa's website. Retail investors are also important for Befesa and are one pillar of Befesa's shareholder base. The number of Befesa retail shareholders continued to increase. Also, in 2023, financial magazines for retail investors continued to follow the Befesa share and recommended to buy Befesa shares.

Befesa is committed to the principles of open and continuous communication, which is also expressed by the support and membership of the German Investor Relations Association (DIRK – Deutscher Investor Relations Verband e.V., Frankfurt).


BEFESA

03 Management report

About the Company

GENERAL INFORMATION

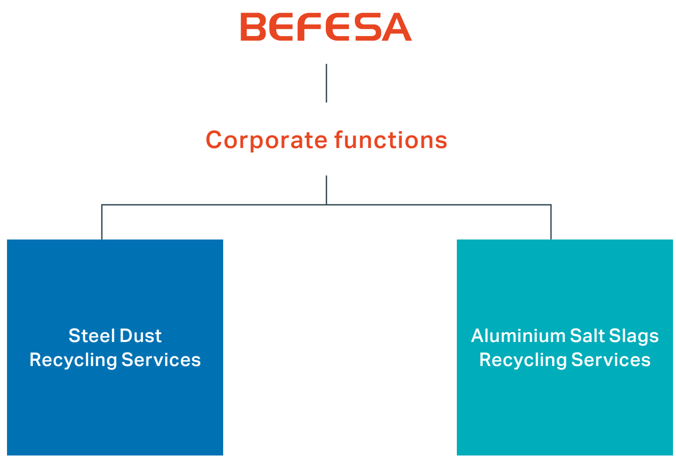
Befesa, S.A. is a public limited company *(société anonyme)* incorporated in Luxembourg and governed by Luxembourg law. The registered office is located at 68-70, Boulevard de la Pétrusse, L-2320, Luxembourg, Grand Duchy of Luxembourg. Befesa, S.A. is the Parent Company of the Befesa Group. Befesa's financial year starts on 1 January and ends on 31 December.

ORGANISATION OF BEFESA

Befesa organises its activities into two business segments: Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services.

Befesa has a corporate structure, with selected functions to coordinate and support both business segments while promoting a common management philosophy and mission.

In 2023, the Steel Dust Recycling Services segment represented 74% of Befesa's total Adjusted EBITDA. The remaining 26% was contributed by the Aluminium Salt Slags Recycling Services segment.



BEFESA'S VISION

Befesa aims to be the global leader in the management and recycling of hazardous residues for the steel and aluminium industries by continuing to play a growing role in a more sustainable world and the circular economy.

BEFESA'S STRATEGY

Befesa focuses on serving its customers and achieving its goals by developing improvements in existing technologies, optimising operations and product quality, and increasing efficiency. At the same time, Befesa invests in organic growth and scales up its proven business model into new and emerging markets.

BEFESA'S BUSINESS

Befesa's business is to provide sustainable solutions to the steel and aluminium industries through servicing and recycling hazardous residues generated in the value chains of secondary steel and aluminium producers. Befesa focuses its core efforts on recycling hazardous residues: crude steel dust, salt slags and spent pot linings (SPL). Befesa has been a vital part of the circular economy for more than three decades.

BEFESA'S PRINCIPLES

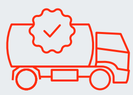
Befesa places a strong emphasis on its social responsibility and helps to create a sustainable world.

Befesa focuses on the following principles:


Health & safety


Environmental protection


Customer focus


Operational excellence


Compliance


Integrity & transparency


Highly qualified employees

Business model

Befesa's business model is based on a full-service approach to offering residue management solutions to its customers in the steel and aluminium industries.

The services cover the timely and efficient collection and treatment of hazardous residues – mainly steel dust and salt slags – from customers' facilities. This enables the management of the environmental and regulatory obligations that Befesa's customers have: to recycle the hazardous residues generated in their operations. The introduction of more stringent environmental regulations, along with an increasing focus on sustainability and circularity, have been the main growth drivers for Befesa since 1987. Befesa has been able to capture the opportunities these market/operational conditions create with a business model that has proven beneficial for the protection of the environment, at the same time delivering profitable growth. These factors will continue to support Befesa's growth as new geographies adopt tighter environmental regulations and Befesa's services become ever-more critical to operators in the steel and aluminium industries.

In the **Steel Dust Recycling Services** segment, Befesa collects and recycles steel dust and other steel residues generated in the production of crude, stainless and galvanised steel in electric arc furnaces (EAF) . The majority of the revenue generated in the Steel Dust Recycling Services segment comes from selling Waelz oxide (WOX) to zinc smelters. Furthermore, a portion of the revenue generated comes from the service fees charged for the collection and especially the treatment of crude steel dust.

In the US, Befesa operates its zinc refining business, which creates a vertically zinc operation for the Company in this market, helping to address the shortage of zinc smelting capacity in the North American market. Befesa's zinc refining plant is the only one of its kind in the world producing green zinc - special high-grade (SHG) zinc - from 100% recycled raw materials (WOX). Befesa generates revenues from the sale of SHG zinc produced from the recycling of WOX sourced from Befesa's EAF steel dust recycling plants in the US.

In addition, a small portion of revenue is generated by tolling fees. These fees consist of a service fee charged for collecting and treating stainless steel residues and a fee for returning the metals – mainly nickel, chromium and molybdenum recovered in the recycling process – to stainless-steel dust customers.

In the **Salt Slags** operations of the Aluminium Salt Slags Recycling Services segment, Befesa recycles salt slags that are collected from customers for a service fee. Further salt slags are generated during the production of secondary aluminium at Befesa's plants. In addition, Befesa recycles SPL, a hazardous residue generated by primary aluminium producers. During the recycling process, melting salt, aluminium concentrates and aluminium oxides are recovered. Revenues from the Salt Slags operations are mainly derived from the sale of aluminium concentrates and melting salt obtained from recycling salt slags and SPL, in addition to fees charged for recycling these materials. A large amount of the recovered aluminium concentrates is sold and used within Befesa to produce aluminium alloys.

In the **Secondary Aluminium** operations of the Aluminium Salt Slags Recycling Services segment, Befesa collects and recycles aluminium scrap and other aluminium residues such as aluminium drosses, shavings and cuttings, and aluminium concentrates from, among others, aluminium foundries, scrap dealers and collectors, and primary aluminium producers. Befesa also generates aluminium concentrates itself during the salt slags recycling operations, producing secondary aluminium alloys from these aluminium residues. These are mainly sold to customers in the automotive and construction industries. Revenues from the Secondary Aluminium operations are mainly derived from the sale of secondary aluminium alloys.

INPUTS

Financial rigour: Befesa's focus is on securing volumes in its plants and maintaining resilient and solid margin levels while focusing on strong cash-flow generation. This is achieved by managing capital expenditures, working capital and operating earnings to continue funding its growth initiatives and to distribute dividends to its shareholders.

Macro trends: Befesa continues to execute its organic growth project pipeline, with a focus on growing its core environmental service activities, which are benefiting from the positive underlying macro trends, such as decarbonisation and the transition to electric vehicles (EVs).

Leading technology & innovation: Befesa's R&D strategy is designed to create value by developing sustainable improvements in the existing technologies, optimising operations and product quality, and developing new processes. This achieves greater recycling efficiency, reduced costs and an improved environmental footprint.

Highly qualified employees: In striving to be the leading global recycling service provider, Befesa relies on a large team of highly qualified employees worldwide.

ACTIVITIES

Befesa has been a part of the circular economy for more than three decades and contributes by reintroducing valuable materials back into the production process.

OUTPUTS

Shareholder value: Befesa aims to create value for shareholders owing to management's ability to increase revenues, earnings and free cash flows, which leads to an increase in dividends and capital gains for shareholders.

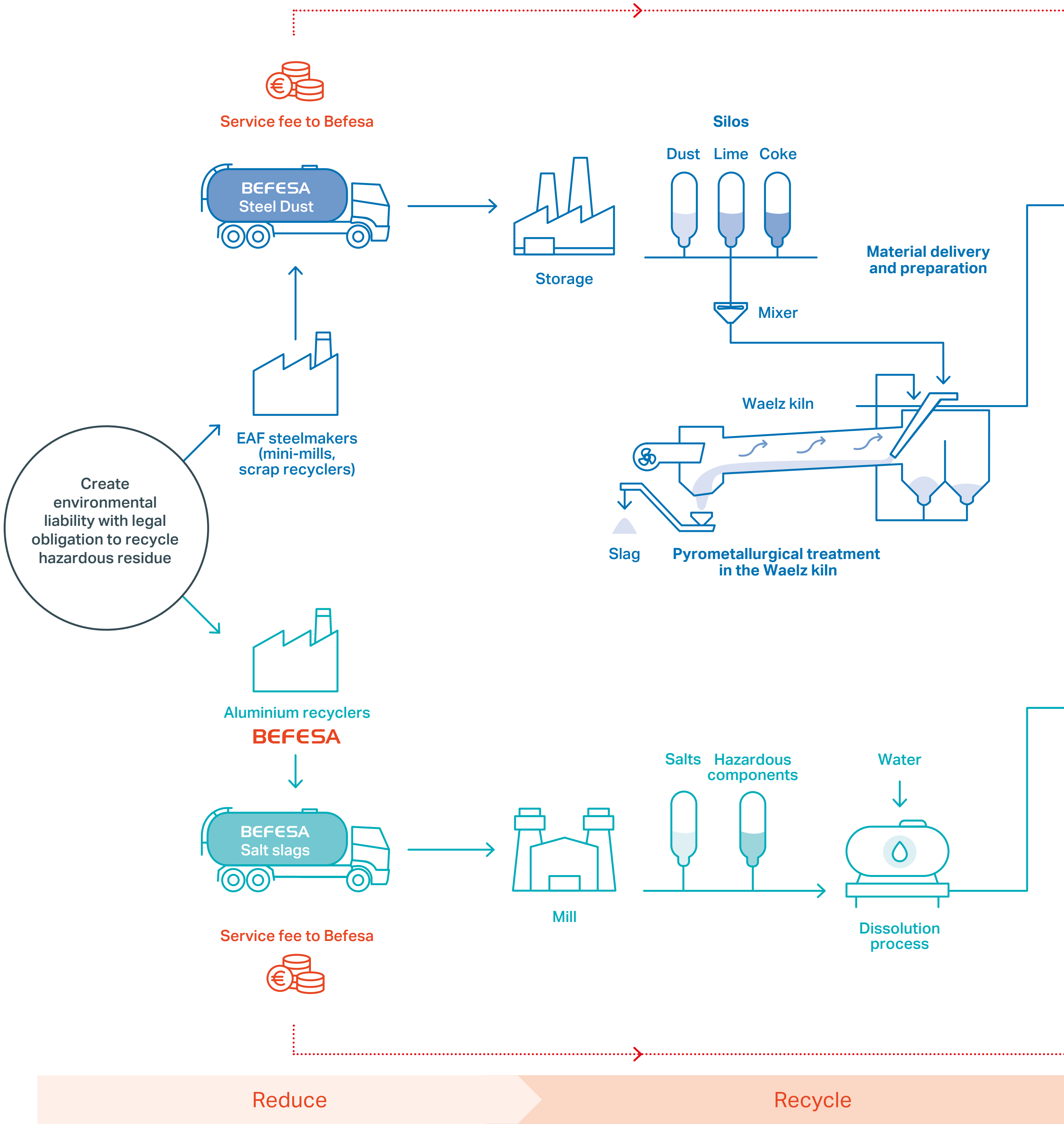
Benefits to the environment: Befesa is continuously looking for new processes and services to help its customers to make their businesses more sustainable. Befesa prevents the landfilling of around 1.9 million tonnes of residue each year, reducing the extraction of natural resources from the earth.

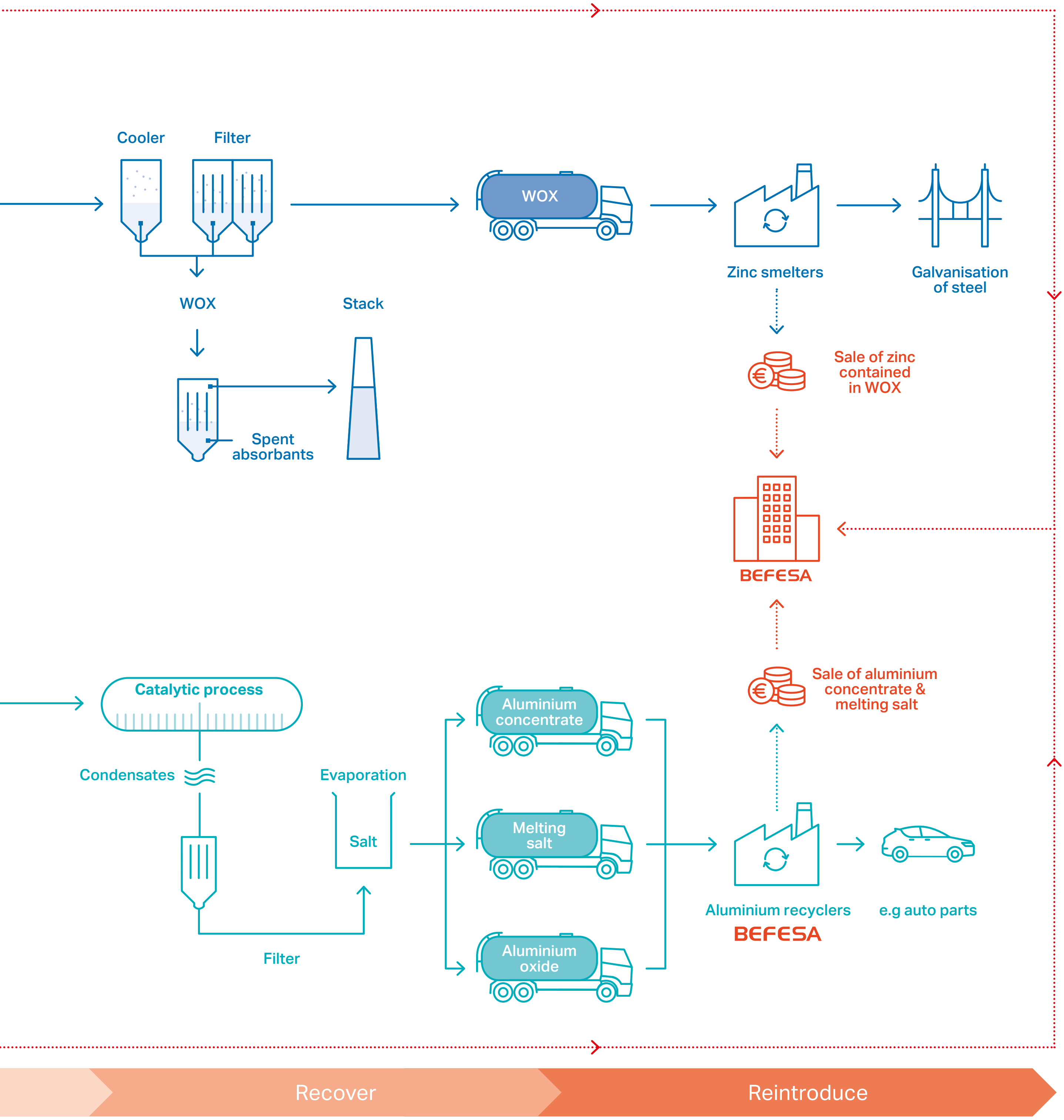
Customer satisfaction: Improvements in technology optimise operations and product quality, contributing to sustainable development and enhanced customer service.

Employee satisfaction: Although the Company faces a competitive labour market, Befesa manages to maintain a low turnover of staff.

Business model continued

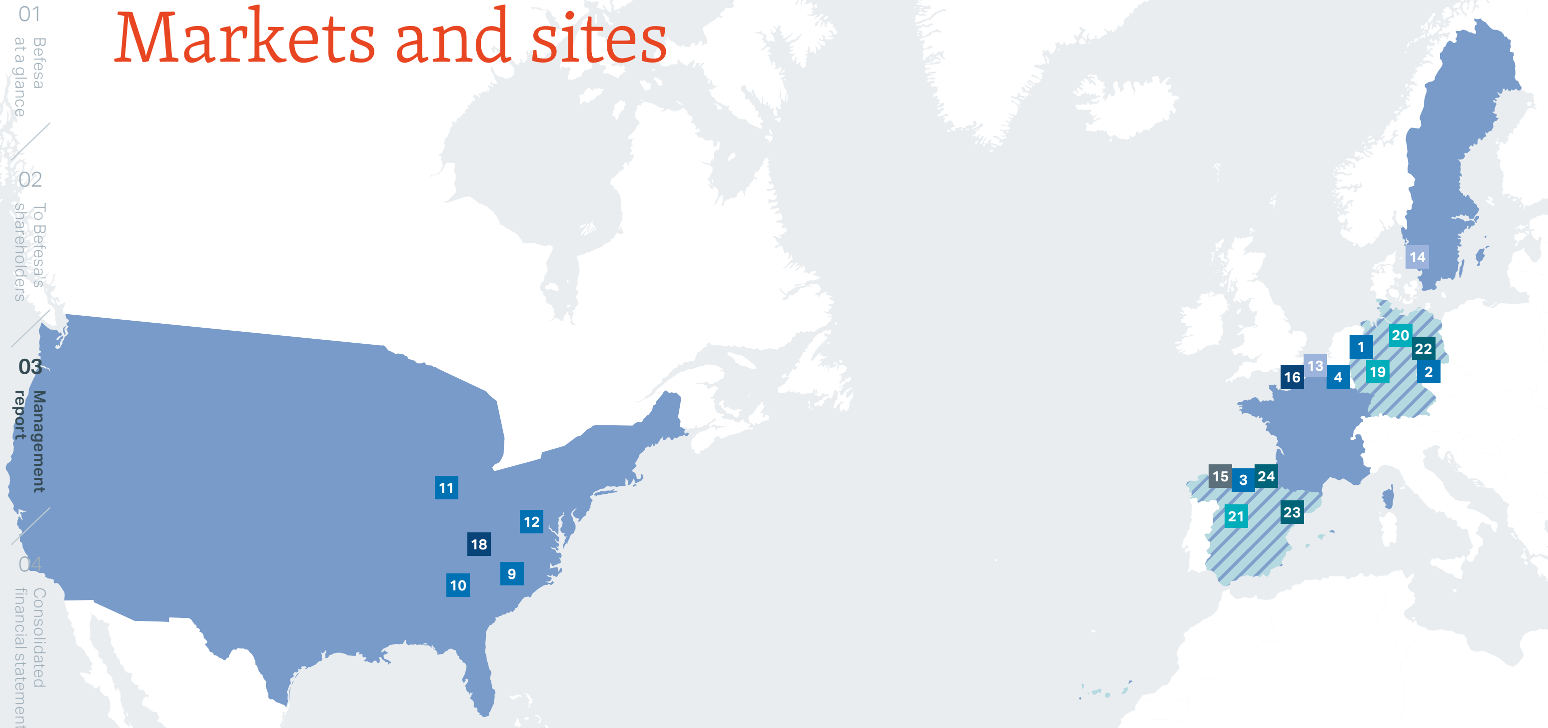
Critical services for steel and aluminium producers





Cooler
Filter
WOX
WOX
Stack
Spent absorbants
Zinc smelters
Galvanisation of steel
Sale of zinc contained in WOX
BEFESA
Sale of aluminium concentrate & melting salt
Catalytic process
Condensates
Evaporation
Salt
Filter
Aluminium concentrate
Melting salt
Aluminium oxide
Aluminium recyclers
BEFESA
e.g auto parts
Recover
Reintroduce

Markets and sites



Steel dust recycling services

1,894 kt

ANNUALLY INSTALLED CAPACITY TO RECYCLE STEEL DUST (CRUDE AND STAINLESS)[1]

Installed capacity by plant

1	Duisburg	Germany	Crude steel dust	87 kt
2	Freiberg	Germany	Crude steel dust	194 kt
3	Asúa – Erandio	Spain	Crude steel dust	160 kt
4	Fouquières-lès-Lens	France	Crude steel dust	110 kt
5	İskenderun	Turkey	Crude steel dust	110 kt
6	Gyeongju	South Korea	Crude steel dust	220 kt
7	Changzhou	China	Crude steel dust	110 kt
8	Xuchang	China	Crude steel dust	110 kt
9	Barnwell, SC	US	Crude steel dust	163 kt
10	Rockwood, TN	US	Crude steel dust	145 kt
11	Calumet, IL	US	Crude steel dust	135 kt
12	Palmerton, PA	US	Crude steel dust	177 kt
13	Gravelines	France	Stainless steel dust	110 kt
14	Landskrona	Sweden	Stainless steel dust	64 kt
15	Sondika/Amorebieta	Spain	Oxide	16 kt
16	Gravelines	France	WOX washing	100 kt
17	Pohang	South Korea	WOX washing	60 kt
18	Rutherford County, NC	US	Zinc refining	141 kt

[1] Total annually installed capacity does not include the capacity of the oxide, WOX washing and zinc-refining plants

Aluminium salt slags recycling services

470 kt

ANNUALLY INSTALLED CAPACITY TO RECYCLE SALT SLAGS AND SPL

205 kt

ANNUALLY INSTALLED CAPACITY TO PRODUCE SECONDARY ALUMINIUM

Installed capacity by plant

19	Lünen	Germany	Salt slags & SPL	170 kt
20	Hanover	Germany	Salt slags & SPL	130 kt
21	Valladolid	Spain	Salt slags & SPL	170 kt
22	Bernburg	Germany	Secondary aluminium	75 kt
23	Les Franqueses del Vallès	Spain	Secondary aluminium	66 kt
24	Erandio	Spain	Secondary aluminium	64 kt

- Salt slags & SPL recycling
- Secondary aluminium production

Market environment

The recycling markets for steel dust, salt slags and SPL are particularly influenced by the industrial markets for steel and aluminium production.

FAVOURABLE MEGATRENDS

Decarbonisation

Greenhouse gas (GHG) emission controls are becoming stricter, and challenging carbon dioxide (CO_2) reduction targets are motivating steel and aluminium producers to further innovate their processes with low-carbon technology deployment and resource efficiency.

Steelmakers are committing to transition towards production technologies that are less CO_2 intensive. EAF – or the secondary steel production route – consume seven times less CO_2 per tonne of steel compared to blast oxygen furnaces (BOF) – or the primary steel production route.

The decarbonisation trend is favouring and driving EAF steel growth globally. Lower carbon-intensive EAF steel production currently accounts for 28% of global steel output and is expected to rise to about 37% by 2030. This will represent growth opportunities for Befesa in the US, Europe and Asia.

In the US, about 70% of steel is produced through EAF. The approved $1.2 trillion infrastructure plan, together with the "Made in America" ambition, are, on the one hand, driving more steel demand in the US and therefore requiring additional steel-making capacity. On the other hand, the majority of the additional steel-making capacity will be through new EAF projects, expected to start operations in 2025/2026 to meet the decarbonisation commitments made by US steelmakers.

In Europe, the major steelmakers have announced investments to put in place new EAF steel-making capacity –

mainly replacing existing BOF capacity – to meet their respective decarbonisation targets.

In China – the largest steel-producing country globally – the government is executing its masterplan to reduce CO_2 emissions and ensure that the increasing steel scrap volumes are recycled. The ratio of EAF steel output is targeted to increase to 15%–20% of total crude steel output by 2030. China's government is encouraging steelmakers that are currently using BOF to increase their use of EAF, and is supporting them in establishing large-scale scrap recycling, processing and distribution centres.

In the aluminium business, the decarbonisation trend is driving the transition to EVs, which requires higher aluminium content per car to achieve lightweight targets. This will drive higher aluminium demand in Europe and requires higher salt slags recycling capacity.

The decarbonisation megatrend is clearly benefiting Befesa since more EAF steel and secondary aluminium will be produced as the steelmakers and aluminium producers decarbonise their operations.

Electric vehicles (EVs)

In Europe, newly registered cars will be required to have zero emissions from 2035 onwards. This will drive the transition from traditional combustion-engine cars to EVs. The sale of EVs in Europe is expected to increase by five times by 2030, from the current two million units to around 11 million units in 2030.

Combustion-engine cars and EVs need lightweight solutions in order to lower emissions and to increase the reach of one battery charge, respectively. To achieve this lightweight goal, aluminium is a key element. Aluminium weight is around one-third compared to steel.

Consequently, the average aluminium content per car increased from about 120 kg per vehicle in 2006 to the current approximately 190 kg per vehicle. This is expected to accelerate even more to around 250 kg per vehicle by 2030.

The EV megatrend will significantly drive aluminium demand in Europe, which is expected to increase by approximately 60% from the current levels of three million tonnes to five million tonnes by 2030. This will require more recycled aluminium as well as more salt slags recycling capacity in Europe, where the market is expected to grow from about one million tonnes of salt slags today to approximately 1.6 million tonnes by 2030.

Befesa's Sustainable Global Growth Plan (SGGP) reflects the decarbonisation and EV megatrends, which are expected to drive the need for further recycling and, therefore, Befesa's services.

CRUDE STEEL PRODUCTION AND DEMAND

Compared to 2022, global crude steel production remained stable at 1.9 billion tonnes in 2023.

China's crude steel production in 2023 was flat compared to the previous year, steadying after two years of decline as resilient demand and the lack of a government cap on output allowed mills to boost operating rates. China continued to lead the crude steel production globally with over 50% share of the global steel output, consolidating its level of one billion tonnes of annual output.

All the remaining steel markets currently served by Befesa – the EU, Turkey, South Korea and the US – also showed a muted or declining production trend in 2023 driven by a deceleration of economic activity.

Looking into the year 2024, from a global perspective, crude steel production is expected to maintain the growth momentum of 2023. Regarding demand, the contraction in housing will likely slow down – after considerable decreases in 2021 and 2022 – whereas infrastructure should pick up further.

In China, the world's largest steel consumer and producer, steel output cuts were imposed by the government in 2021 and 2022 as part of efforts to meet broader decarbonisation goals. However, these output-cut orders remained absent in 2023 - given the pressure from slower economic growth – and are unlikely to be strict in 2024, which would imply increasing annual steel output. Steel demand in China is shifting away from the struggling property sector towards manufacturing and renewables.

Overall, the positive trend of crude steel production globally favours the steel dust recycling operations of Befesa. The increased galvanisation of steel to protect against corrosion is expected to lead to a higher zinc demand and higher zinc content in scrap material. This will result in a higher zinc content in the steel dust collected in the future and allow Befesa to continue to utilise its plants more efficiently in the medium term.

The growing trend in global steel production, particularly through EAF-favoured and driven by the decarbonisation trend, is likely to lead to an increase in the generation of EAF steel dust, and therefore to a higher demand for Befesa's recycling services.

SECONDARY ALUMINIUM PRODUCTION AND DEMAND

In 2023, the recovery of secondary aluminium production in Western Europe was slow, despite energy prices easing during the year. Several output cuts had taken place in Europe since the end of 2021, driven by increasing energy costs and following Russia's invasion of Ukraine, squeezing producers' margins. Despite this, energy prices have eased during 2023, and restarts of European production are taking longer overall, with weak demand for aluminium being a key obstacle.

In the midterm, a reversal in the automotive trend and the related aluminium demand is expected, on the back of accelerating EV demand.

Market environment continued

This is also favoured by the decarbonisation megatrend, inventory restocking and normalised semiconductor production. Particularly in the EU, a new law was enacted in 2022 to effectively ban the sale of new combustion-engine cars by 2035. The latter embraces the shift to zero-emission mobility, which will speed up the switch to EVs and therefore drive the growth of the demand and production of secondary aluminium in the EU.

The estimated growth trend in secondary aluminium production in Europe is likely to lead to an increase in the generation of salt slags, and therefore to a higher demand for Befesa's recycling services.

TREND TOWARDS RECYCLING AND REGULATION TO PROTECT THE ENVIRONMENT

In the EU and North America, crude steel dust is categorised as a hazardous residue by the regulatory bodies. In addition, in the EU, so too are salt slags. As a result, these regions have strict rules and procedures for the handling, transportation and treatment of these residues. This level of regulation and its enforcement across geographical locations supports the need for Befesa's recycling services.

Driven by these regulations, landfilled residues in OECD countries have decreased over the past decade. These countries have also seen increases in recycled residues, especially hazardous residues containing valuable metals, supported mainly by favourable and strictly enforced environmental regulations.

In contrast to regions like the EU or North America, the regulation of steel dust is currently less pronounced in emerging markets. Nonetheless, regulation in these markets is expected to converge towards a regulatory framework similar to the ones seen in the EU and North America, as those markets become more industrialised and environmentally conscious.

Examples of these favourable environmental regulation developments are Turkey, South Korea and China. In Turkey, the environmental regulation for hazardous residues was changed in 2010; in South Korea in 2012; and more recently in China during 2016 and 2017. In Turkey and South Korea, Befesa has been offering its EAF steel dust recycling services since 2010 and 2013, respectively. In China, supported by the regulations, Befesa started offering its EAF steel dust recycling services at the end of 2021.

Further information on Befesa's projects in China is available in the "Strategy" section of this Annual Report (pages 32 to 37).

In summary, in the mid- to long term, favourable megatrends, and positive sustainability and recycling trends, combined with favourable and strictly enforced environmental regulations, are expected to further enhance the global demand for especially secondary steel and aluminium production, and subsequent residue recycling.

Establishing a circular economy is a relevant and increasing trend across the world, with metal recycling being one of the most established processes where the circular economy has already been present for many years.

For more than three decades, Befesa has continuously demonstrated its strong commitment to this circular economy and has based its sustainable business model on this. By extracting metals from residues and other sources, and reintroducing the recovered materials into the market, Befesa prevents the extraction of finite virgin resources and positively contributes to the protection of the environment.

DEVELOPMENT OF ZINC TREATMENT CHARGES

The benchmark zinc treatment charge (TC) is negotiated annually between major zinc concentrate producers and smelters, with the agreed benchmark TC usually published around March/April.

The benchmark TC is linked to the LME price for zinc through escalators/de-escalators. As a result, the higher the zinc LME price is over the base reference price, the larger the TC deducted will be, and vice versa. Befesa's customers, the zinc smelters, deduct the TC from the amount of zinc contained in WOX (typically 85% of the zinc LME price), which is payable to Befesa.

For 2023, the benchmark TC was settled at $274 per tonne - the second-highest level over the last 15 years – $44 per tonne higher YOY (2022: $230 per tonne). This resulted in about €10 million YOY lower EBITDA in 2023.

As of the date of publication of this Annual Report, the benchmark TC for 2024 has not yet been published. Once available, Befesa will provide detailed earnings guidance for the full 2024 year with the Q1 2024 earnings release on 25 April 2024.

DEVELOPMENT OF BASE METAL PRICES

The profitability of Befesa's steel dust recycling and aluminium salt slags recycling operations are partially influenced by the development of the supply and demand dynamics of certain base metals.

Zinc market prices in 2023 decreased as the global zinc market entered surplus territory. On the one hand, zinc demand was affected by flagging post-COVID-19 recovery in the Chinese economy, which accounts for about 60% of global zinc demand. On the other hand, the supply of zinc increased, particularly in Europe, as energy prices dropped and allowed many of the European smelters to return to production.

In H1 2023, zinc market prices decreased by approximately 37% from the $3,500 per tonne peak in January to the $2,200 per tonne trough in May/June. In H2 2023, zinc market prices stabilised and trailed between $2,250 and $2,650 per tonne. Zinc market prices ended the year at US$2,641 per tonne as of 31 December 2023, US$384 per tonne or 13% below the price of US$3,025 per tonne of zinc as of 31 December 2022. Applying the US dollar/euro exchange rates for the respective dates, zinc market prices closed at €2,389 per tonne as of 31 December 2023, €445 per tonne or 16% below the price of €2,834 per tonne of zinc as of 31 December 2022.

The average cash seller daily price per tonne quoted on the LME for 2023 was US$2,649 per tonne of zinc, representing a 24% or $836 per tonne decrease YOY (2022 average: US$3,485 per tonne). Applying the US dollar/euro exchange rates for the respective periods, the average daily price in 2023 was €2,450 per tonne of zinc, representing a 26% or €852 per tonne decrease YOY (2022 average: €3,302 per tonne).

Befesa's hedging strategy is aimed at managing and reducing the variability of the financial results arising from changes in the zinc price. Further information on the hedging strategy is available in the "Strategy" section of this Annual Report (pages 32 to 37).

The aluminium alloy prices referenced by the Free Metal Bulletin (FMB) – an average independent quotation based on prices provided by the major secondary aluminium players in the European market – traded downwards from the beginning of the year. This was a result of China being slow to recover from the COVID-19 pandemic, with economic growth in Europe and the US remaining sluggish with persisting weak demand for aluminium from the building and construction sectors.

Prices closed at €2,315 per tonne of aluminium alloy FMB as of 31 December 2023, €55 per tonne or 2% below the price of €2,370 per tonne as of 31 December 2022.

The aluminium alloy FMB prices decreased in 2023 by 10% or €251 per tonne YOY to €2,188 per tonne (2022 average: €2,438 per tonne).

DEVELOPMENT OF ENERGY PRICES

Zinc and aluminium market prices have been strongly correlated with electricity and gas prices over the last two decades. This strong correlation discontinued as of Q4 2021, which continued and was emphasised during 2022 in the wake of the European energy crisis.

In 2022, the volatility and high gas and electricity prices escalated with the start of the war in Ukraine in February 2022, and reached peak levels in Q3 2022. In Q4 2022, gas and electricity prices in Europe significantly reduced from the record-high levels in August 2022.

In 2023, energy prices had a mixed impact on Befesa. The first half of the year saw Befesa's coke prices reach unprecedented highs, subsequently moderating in the latter half of the year (around -15% vs H1 2023). Despite this moderation, the average coke price in 2023 remained roughly 5% higher yoy and approximately 75% above the average level of 2019—2021. This had an adverse effect on the Steel Dust operations. In contrast, gas and electricity prices in 2023 continued at levels comparable to 2021, registering respective reductions of about 60% and 25% lower yoy, thereby benefiting the Aluminium Salt Slags operations.

Market environment continued

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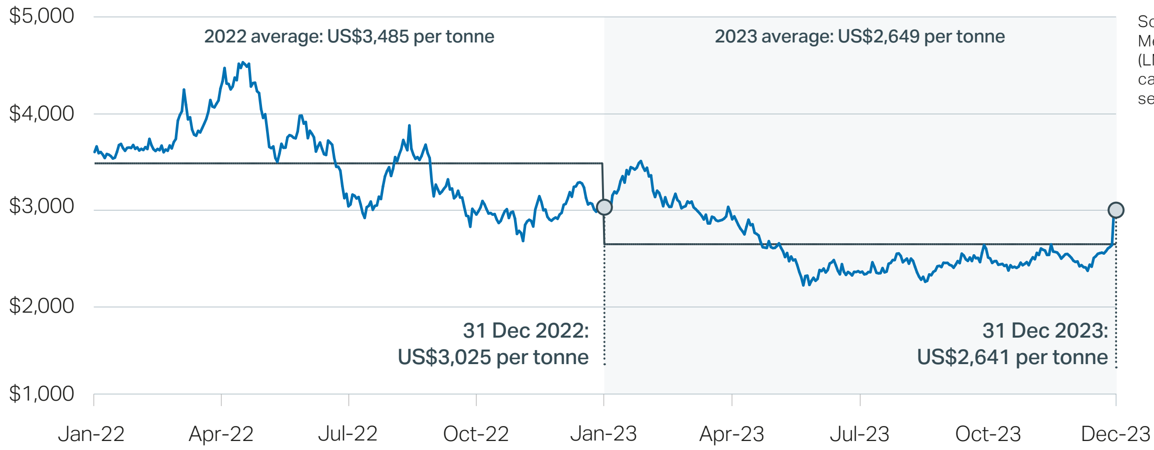
02 To Befesa's shareholders
03 Management report
04 Consolidated financial statements
05 Statutory financial statements
06 Additional information

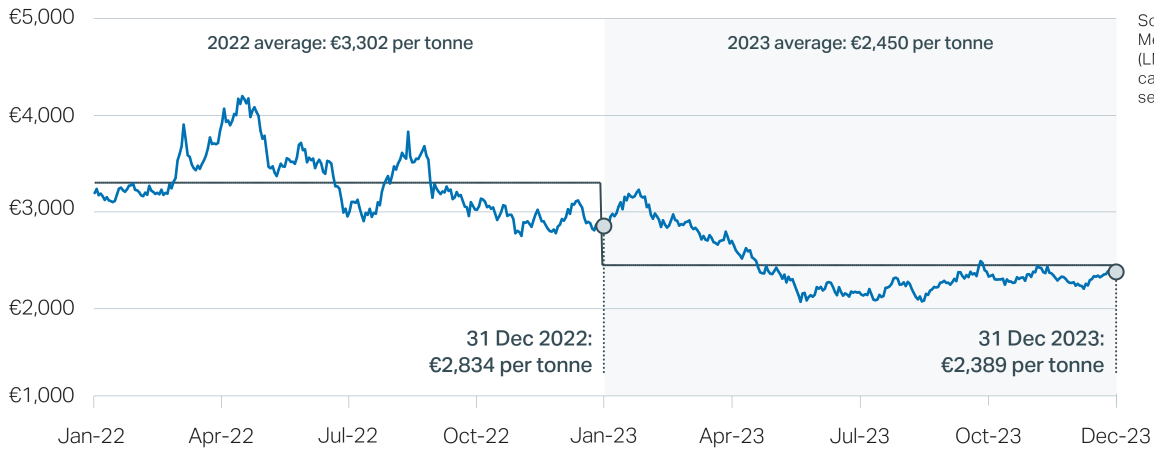
	Zinc LME average prices							
	US$ per tonne				€ per tonne			
	2023	2022	Change		2023	2022	Change	
Q1	**$3,130**	$3,743	-$613	-16%	**€2,916**	€3,337	-€421	-13%
Q2	**$2,540**	$3,925	-$1,385	-35%	**€2,331**	€3,683	-€1,352	-37%
Q3	**$2,429**	$3,269	-$840	-26%	**€2,232**	€3,245	-€1,013	-31%
Q4	**$2,498**	$3,004	-$506	-17%	**€2,322**	€2,944	-€622	-21%
Full year	**$2,649**	$3,485	-$836	-24%	**€2,450**	€3,302	-€852	-26%

Zinc LME prices
(US$ per tonne)



Source: London Metal Exchange (LME), daily cash seller and settlement prices

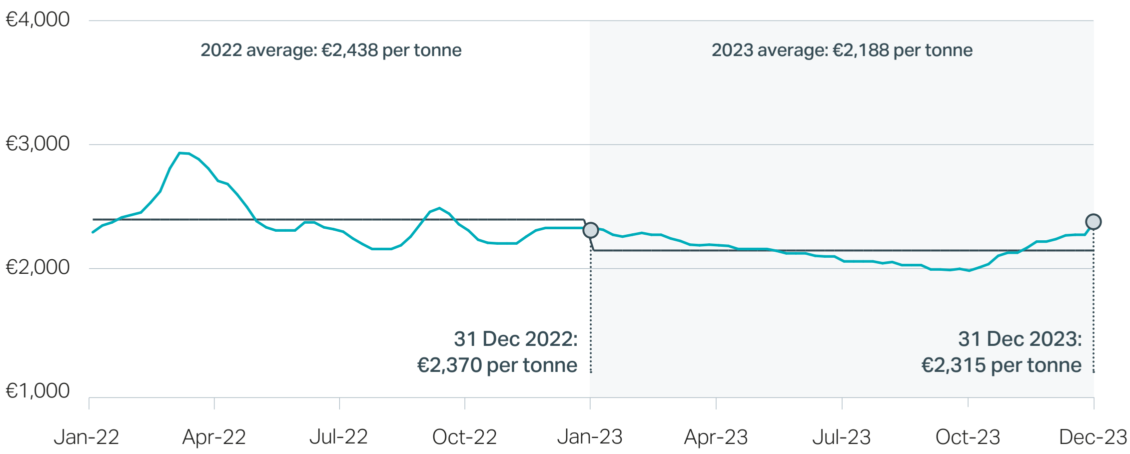
Zinc LME prices
(€ per tonne)



Source: London Metal Exchange (LME), daily cash seller and settlement prices

Aluminium alloy FMB average prices € per tonne				
	2023	2022	Change	Change
Q1	**€2,301**	€2,627	-€326	-12%
Q2	**€2,184**	€2,488	-€304	-12%
Q3	**€2,074**	€2,327	-€253	-11%
Q4	**€2,191**	€2,312	-€121	-5%
Full year	**€2,188**	€2,438	-€251	-10%

Aluminium alloy FMB prices
(€ per tonne)



Source: Free Metal Bulletin (FMB), weekly average prices

Strategy

Befesa has a very clear strategy to achieve the ambition of being the global leader in the circular economy, providing steel dust and aluminium salt slags recycling services to steel and aluminium recyclers. Befesa is the recycler of the steel and aluminium recyclers.

To achieve this goal, Befesa's strategy focuses on growing in the core business of the company – steel dust and salt slags recycling and secondary aluminium – in markets that present attractive growth opportunities combined with an increased environmental regulation.

Befesa has two main objectives:

1. Maintain the leadership position in the markets where Befesa currently operates.

2. Expand Befesa's position in Steel Dust and Salt Slags Recycling Services by replicating its business model in new markets that present attractive dynamics, with a combination of environmental regulation and hazardous residue generation (crude steel dust, aluminium salt slags and SPL).

To achieve this, Befesa bases its business strategy on two main pillars:

- Sustainable Global Growth Plan (SGGP)
- Hedging strategy

In 2022, Befesa made significant progress in the definition of its business strategy across all the dimensions, setting a solid foundation for future growth. Over the last years, Befesa has transformed from a purely European leader to the global leader in the steel dust recycling business, with a strong presence in the three main markets in the world: Europe, North America and Asia. This global transformation will provide Befesa with market diversification and exposure to different market trends, accelerated volume and earnings growth over the coming years.

SUSTAINABLE GLOBAL GROWTH PLAN (SGGP)

The first pillar of Befesa's strategy is the Sustainable Global Growth Plan, which was established in 2022 and is a roadmap for the next five years.

The entire plan is based on the opportunities that decarbonisation is creating. Most of the companies around the world are making strong commitments to reduce their carbon footprint and this decarbonisation megatrend clearly brings great opportunities for Befesa.

As the steel industry looks to decarbonise its operations, it needs to move to production technologies that are less CO_2-intensive.

Primary steel coming from blast furnaces (BOF) use iron ore as a raw material and coking coal as a reducing agent. This compares with electric arc furnaces (EAF), which use steel scrap as a raw material and electricity as an energy source. EAF steel-making produces seven times less CO_2 per tonne of steel compared to BOF, based on today's electricity energy mix. If the EAF is fed with renewable electricity, this CO_2 advantage becomes significantly greater.

Befesa recycles steel dust coming from EAF steel producers. This contains zinc, as most of today's steel scrap is galvanised with zinc to prevent corrosion and extend the life of the steel products. Befesa operates recycling plants with a technology that enables the recovery of the zinc from the waste. Decarbonisation will drive EAF steel growth globally and over the next 10 years EAF penetration is expected to increase from 29% to 37% globally.

This will represent large tangible and sizeable growth opportunities for Befesa in Europe, the US and Asia.

Similarly, the decarbonisation trend drives a transition in the automotive industry from combustion engines to electric vehicles (EVs) to decarbonise the industry and move away from the use of fossil fuels. EVs will require a higher amount of aluminium content per car to achieve light weight targets which at the same time will increase the efficiency of the electric motors. This megatrend will drive higher aluminium demand in Europe and increase the need for salt slags recycling capacity.

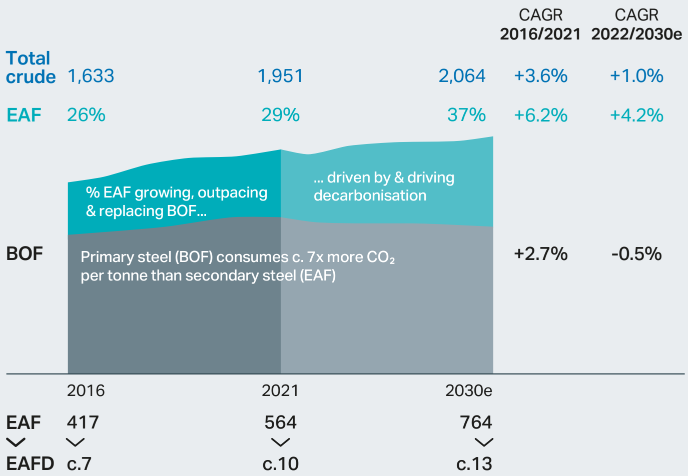
In Europe, the decarbonisation investments that all the steel producers are making will support the EAF share, growing to more than 50% by 2030. This represents an increase in the market where Befesa operates of more than 350 thousand tonnes (approximately).

In China – the largest producer of steel in the world with around 50% of the total global production – the rapid transition from BOF to EAF represents a strong growth opportunity for Befesa. More than 60 million tonnes of new EAF capacity have been announced and are under construction, which will represent approximately one million tonnes of incremental steel dust generation.

A similar trend drives the steel dust market in north America, where the penetration of EAF steel production is already near 70% and is expected to grow over the coming years.

Global crude steel production 2016–2030e

(million tonnes)



Strategy continued

Based on this decarbonisation megatrend, Befesa has an ambitious growth plan that considers the investment of €410-€450 million to grow earnings at a high rate.

With this capex plan, Befesa is targeting €125–€155 million of incremental Adjusted EBITDA from the 2022 baseline: €215 million.

The plan is globally well-balanced across the three main markets of Befesa, with around one-third in the US, Europe and Asia/China.

Befesa aims to organically fund the growth plan organically with Befesa's own resources, aiming to keep the leverage at around x2.5, as well as maintaining the dividend policy of distributing 40%–50% of net profit per year. The growth plan is modular, and the execution is in control of Befesa, continuing a prudent approach and adjusting timing as required as per the market environment.

North America

Befesa entered the North American market in August 2021 with the acquisition of American Zinc Recycling (AZR).

The US is a very attractive market for steel dust recycling. Although it already has a high EAF share penetration of around 70%, this is expected to increase even further, driven by two main trends.

First, the US Government has agreed to spend $1.2 trillion on infrastructure projects, which will drive higher steel demand. This will require additional steel production, and some of the largest steelmakers have already announced investments to increase steel production capacity.

The second trend is the decarbonisation, as most of this new steel will be produced using EAF technology. Based on these trends, the steel production from EAF is estimated to increase by 20% by 2030, generating around 300 thousand tonnes of new steel dust to be recycled in the US annually.

In this market environment – in which Befesa already has c. 40%–50% of the market share – the SGGP includes two investments.

The first one has already materialised during 2022 when Befesa acquired the remaining 93% stake in the US zinc-refining asset. The zinc-refining business provides Befesa with a strategic vertical integration opportunity in the US, addressing the shortage of smelting capacity in the North American market. Furthermore, the zinc refining facility is the only one of its kind in the world, producing green zinc from 100% recycled raw materials. The size of the refining plant is sufficient to process all the WOX coming from Befesa's four recycling plants in the US at full capacity, to produce pure zinc.

The second project in the US is the debottlenecking of the capacity that Befesa acquired in August 2021, by which Befesa expects to increase the volume by around 200 thousand tonnes of EAF steel dust throughput. The US is a growing market, and for Befesa to capture that growth, investment is required to refurbish and debottleneck the plant in Palmerton, Pennsylvania.

The existing installed capacity in Palmerton is underutilised and, in order to prepare the asset for further growth, Befesa planned to invest during the years 2023 and 2024. The investment will free up capacity and improve the efficiency of the plant significantly.

The total investment in the US will be €110–€120 million and is expected to drive incremental EBITDA of €35–€45 million per year. The timing of the debottlenecking and refurbishment of the Palmerton site will occur between 2023 and the first half of 2025, and Befesa will be ready to capture the new market volume from 2025 onwards.

Europe

In Europe, the situation is different to that in the US. In Europe today, the penetration of EAF is around 45%. The steel industry is under pressure to decarbonise its operations in order to meet the CO_2 reduction targets it has committed to. The reliable and fast way to decarbonise the steel industry is by transitioning from BOF to EAF, which produces seven times less CO_2 per tonne of steel.

More than 16 projects have been announced by steelmakers in Europe to increase the EAF steel production capacity over the coming years by more than 30 million tonnes. Consequently, there will be more than 450 thousand tonnes of EAF steel dust annually available in Europe to be recycled.

It is the first time in the last 20 years that Befesa sees a sizeable growth opportunity in Europe and Befesa is ready to capture it. The share of EAF steel production in Europe is expected to grow from around 44% today to over 50% by 2030, which represents an increase of more than 20%. Befesa expects to carry out a capacity increase of 140–160 thousand tonnes of EAF steel dust recycling capacity and the corresponding expansion of the WOX washing capacity, by investing between €105 and €115 million. These investments are expected to deliver €30–€35 million of incremental EBITDA per year.

These represent a high return with limited risk investments, given the fact that Europe is a market that Befesa knows very well and where Befesa has been operating for over 30 years. Befesa can accommodate the speed of the capex to the speed of the growth of the market at any time, having full flexibility in the investment programme.

China

Befesa has been present in China since 2008. However, it was only in 2018 that Befesa started the investment process in this country after the Chinese Government launched strict environmental rules and regulations.

China is very rapidly transitioning from BOF to EAF steelmaking in order to reduce its carbon emissions. This, together with the fact that there is a proper environmental regulation in place, makes it a very attractive growth opportunity for Befesa. Befesa is already present in two Chinese provinces: Jiangsu and Henan.

China produces over 50% of the crude steel in the world. Today, less than 10% of the crude steel produced in China is through EAF technology.

However, the EAF share is expected to increase to around 20% by 2030, driven by decarbonisation, CO_2 reduction and the targets that the Ministry of Environment has set. Today, there are over 40 projects announced to increase the EAF steelmaking capacity by over 60 million tonnes in China.

This will translate into over 200 million tonnes of EAF steel generation in China by 2030. Over the next years, the market of EAF steel dust will grow significantly, which will need to be recycled.

Despite the current short-term challenges in China, characterised by a weak economy and in particular a very weak real estate industry, Befesa expects to capture part of that market growth to have a market share of 15%–20% of the total addressable market. Befesa expects to do so by a combination of scaling up of existing plants and going into a new province.

Befesa aims to add around 330 thousand tonnes of new EAF steel dust recycling capacity in China during the investment period. This will require a total investment of €115–€125 million, which is expected to deliver incremental EBITDA of €30–€35 million per year. As in the US and Europe, Befesa can accelerate or slow down the speed of the investment depending on how the situation is evolving in China.

Befesa's existing plants in the provinces of Jiangsu and Henan are very well-located, close to local steelmakers.

Beyond the two existing plants, in February 2023 Befesa signed an investment agreement with local authorities to build a third plant in the city of Yunfu, in the province of Guangdong (located in the southern part of the country). With more than 120 million people living in the province, Guangdong is one of the richest in the nation and the largest car manufacturing location in China.

The current situation in China is characterised by a weak economic environment, and weak steel production makes Befesa more cautious and adapt to the situation in the country.

Befesa is monitoring the evolution of the market and does not expect to invest in the Guangdong plant a significant amount of capital in 2023. The focus for 2024 will be on securing the steel dust volume from EAF steel customers before starting to deploy capital in Guangdong.

Strategy continued

Aluminium

In the aluminium business, the decarbonisation and EV megatrends will significantly drive aluminium demand in Europe. In the automotive industry, the decarbonisation and the restrictions to manufacture combustion engines by 2030 will drive the transition from traditional combustion engine cars to EVs. The sale of EVs in Europe is expected to increase by five times by 2030 to around 11 million units from the current two million units.

Electric vehicles need light weight solutions in order to increase the efficiency of the car to prolong the life of the batteries, which is a key element in the new EV cars. To achieve this light-weight goal, aluminium is the solution as aluminium weight is around one-third less compared to that of steel.

The average aluminium content per car has been increasing, from 121 kg per car in 2006 to 193 kg per car today; this is expected to accelerate even more to around 250 kg per car by 2030.

Consequently, aluminium demand in Europe is expected to increase by 60% to around five million tonnes by 2030, from around three million tonnes today. This will require more recycled aluminium and more salt slags recycling capacity in Europe, where the market is expected to grow from around one million tonnes of salt slags today to 1.6 million tonnes by 2030.

Befesa is today the market leader in aluminium salt slags recycling in Europe, with around 50% of the market. In this market environment, Befesa plans to carry out two major investments.

First, Befesa aims to expand its secondary aluminium production capacity by around 90 thousand tonnes in the existing plant of Bernburg, Germany. This is in line with the expected volume growth in the European market.

Second, Befesa plans to invest in a new state-of-the-art salt slags recycling plant of 120 thousand tonnes annual capacity, in line with the incremental secondary aluminium capacity and corresponding salt slags generation.

Altogether, Befesa plans to spend a total of €80–€90 million capex, which is expected to deliver €15–€20 million of total incremental EBITDA per year.

HEDGING STRATEGY

Befesa's hedging strategy has proven to be a key element of its business model in managing zinc price volatility and increasing the visibility of its earnings and the stability of cash flows going forward. Hedging has been part of Befesa's business model for the last 20 years.

The main goal of hedging is not to grow Befesa's earnings but to stabilise them over time versus zinc price fluctuations. This improves Befesa's visibility on earnings and cash flows, enabling the Company to fund its organic growth.

Befesa's strategy is to hedge 60% to 75% of the expected volume of zinc contained in the WOX and paid for by zinc smelters for a period of one to three years going forward.

The majority of the zinc hedges are denominated in euro terms, which also provides a hedging on the FX fluctuation, as the zinc price on the LME is quoted in US dollars.

In 2023, Befesa's hedges were locked in at €2,417 per tonne on average, which helped to partially offset the steep decrease of the zinc LME price, which averaged at €2,450 per tonne in the year.

Befesa's hedging prices were €38 per tonne or 2% higher YOY (2022: 2,379 per tonne on average). Combined, the effective zinc average price (monthly blended rate between hedged volume and non-hedged volume) resulted in €2,425 per tonne in 2023, down €202 per tonne or 7.7% YOY (2022: €2,627 per tonne).

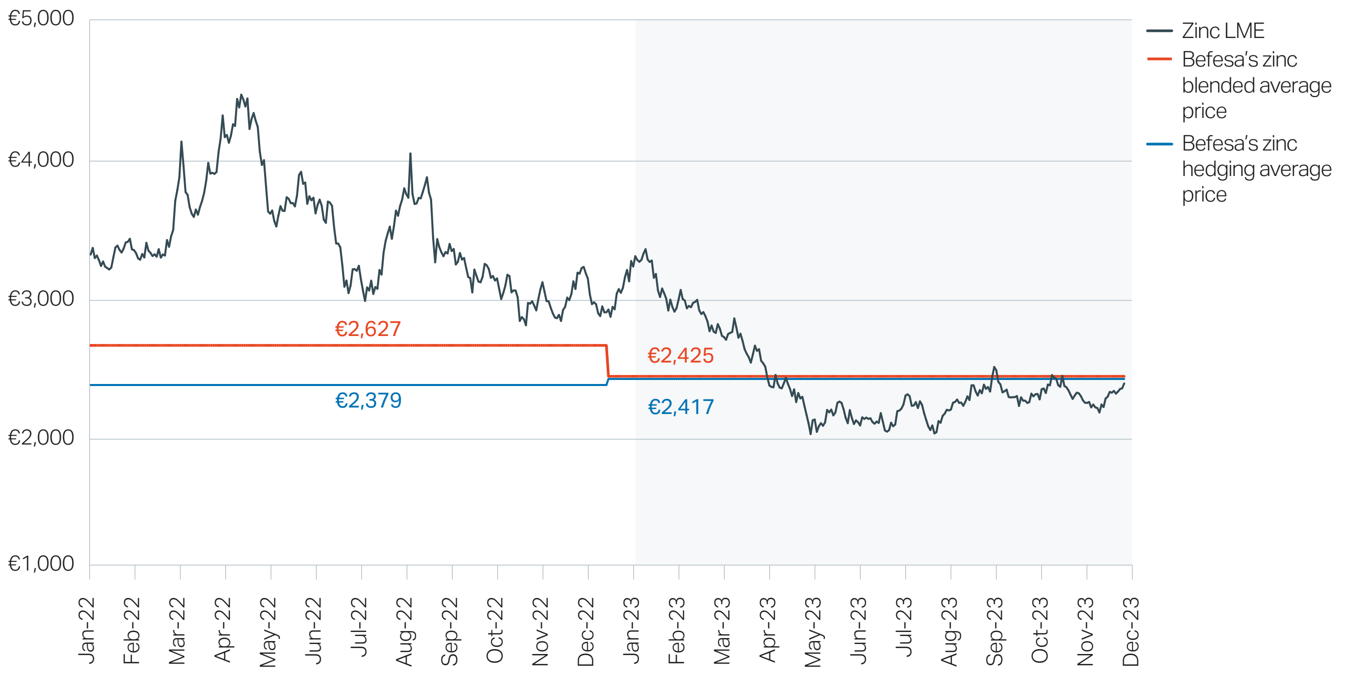
The combined global hedge book in place, as of the date of publication of this Annual Report, provides Befesa with improved pricing visibility up to July 2025, therefore for the following 15 months.

Period	Average hedged price (€ per tonne)
2022	€2,379
2023	€2,417
2024	c. €2,500[1]
2025	c. €2,650[1]

[1] FX US dollar/euro forward rate assumed of 1.10 for 2024 and 2025

Zinc LME prices vs Befesa's hedging & blended average prices

(€ per tonne)



Results of operations

This section includes the consolidated financial information of Befesa, S.A. from its existing operations, Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services.

More detailed information on the consolidated financial statements is available on pages 95 to 181 of this Annual Report.

REVENUE

In 2023, total revenue increased by 3.9% YOY to €1,180.6 million (2022: €1,136.0 million). The increase was primarily attributable to the contribution from the zinc-refining operation in the US.

Revenue
(€ million):

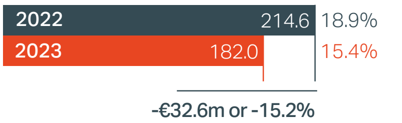
EBITDA & EBIT

In 2023, total Adjusted EBITDA decreased by 15.2% YOY to €182.0 million (2022: €214.6 million). Overall, this development was primarily driven by lower zinc LME prices (-26% YOY), the unfavourable increase in zinc TC (19% YOY) and higher coke prices. This was partially offset by improved volumes, better zinc hedges, lower energy prices and synergies.

Detailed by volume, price and cost components, the €33 million decrease in 2023 is explained by the following:

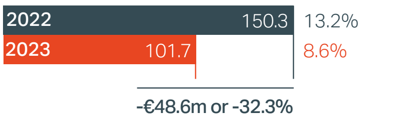
- Volumes (€13 million): Solid steel dust volumes in Europe plus the contribution from China, partially offset by lower performance in the remaining geographies of Steel Dust (€9 million); Aluminium Salt Slags with YOY higher volumes driven by Hanover back in operation (€4 million);
- Metal prices (-€69 million): 26% lower zinc LME prices (-€56 million), partially offset by higher zinc hedging prices (€12 million); 19% higher zinc TC at $274 per tonne for the full 2023 year (-€10 million); 10% lower aluminium FMB prices and lower metal margins (-€15 million); and
- Cost/Other (€23 million): Lower costs, mainly through lower gas and electricity prices, and the positive impact from productivity and synergies were partially offset by a higher coke price.

Adjusted EBITDA & margin
(€ million, % margin of revenue):



Total adjusted EBIT decreased by 32.3% to €101.7 million in 2023 (2022: €150.3 million).

Adjusted EBIT & margin
(€ million, % margin of revenue):



Total EBITDA and EBIT in 2023 were adjusted for -€6.8 million and -€4.9 million, respectively. Total reported EBITDA amounted to €188.8 million in 2023 (-19.6% YOY). Total reported EBIT amounted to €106.6 million in 2023 (-35.3% YOY).

Further information regarding these adjustments is available in Note 2.6 of the "Consolidated financial statements" section of this Annual Report.

The reconciliation of EBITDA to IFRS operating results (EBIT) is available in the "Consolidated financial statements" section on pages 133 and 135.

FINANCIAL RESULT & NET PROFIT

Total net financial result decreased by 12.1% to -€38.6 million in 2023 (2022: -€34.4 million). This decrease was primarily driven by two factors: on the one hand, the higher margin applicable to the Term Loan B (TLB), which increased in December 2022 by 25 bps to Euribor plus 200 bps due to the increase on the leverage ratio. On the other hand, the YOY higher Euribor, increasing from 0% in 2022 to 1%–4% (depending on run time) applicable in 2023. These negative effects were partially offset by the positive effect from the liquidation of the variable to fix interest rate swap in place for 50% of the €636 million extended TLB notional.

Total net profit attributable to shareholders decreased by 45.4% in 2023 to €58.0 million (2022: €106.2 million). This development was primarily due to the aforementioned negative drivers affecting EBITDA and EBIT, and due to the extraordinary result in 2022 mainly driven by the gain on bargain purchase related to the US zinc refining asset acquisition. As a result, earnings per share (EPS) in 2023 decreased by 45.4% to €1.45 (2022: €2.66).

€182m

ADJUSTED EBITDA IN 2023
(€215M IN 2022)

€58m

NET PROFIT IN 2023
(€106M IN 2022)

€1.45

EARNINGS PER SHARE IN 2023
(€2.66 IN 2022)

Financial position & liquidity

NET DEBT & LEVERAGE

Gross debt at year-end 2023 remained stable at €710.8 million (year-end 2022: €710.8 million).

Net debt at year-end 2023 increased by 10.0% to €604.0 million (year-end 2022: €549.0 million). The €604.0 million net debt with the €182.0 million Adjusted EBITDA resulted in a x3.32 net leverage at year-end closing (year-end 2022: x2.56). Befesa continues to be compliant with all debt covenants.

CREDIT RATINGS

During 2023, Standard & Poor's and Moody's reviewed their corporate credit ratings assigned to Befesa. In May 2023, Standard & Poor's reaffirmed its "BB+" rating and changed its outlook on Befesa to negative from stable. In November 2023, Moody's reaffirmed its "Ba2" rating and changed its outlook on Befesa to stable from positive.

OPERATING CASH FLOW

Operating cash flow in 2023 decreased by 14.6% to €117.3 million (2022: €137.3 million). This development was driven mainly by the earnings decrease explained.

The change in working capital affected operating cash flow by €18 million in 2023, a lower working capital consumption (2022: €34 million). Interests paid in 2023 increased by 41.7% to €30.1 million (2022: €21.2 million) and taxes paid in 2023 decreased by 24.2% to €16.6 million (2022: €21.9 million).

In 2023, Befesa's cash capex was €104.8 million (2022: €106.4 million) to fund regular maintenance capex, the recovery of the Hanover plant and US operational excellence/synergies, as well as growth investments. The latter are mainly related to the Palmerton plant refurbishment and the remaining expenditures at the Henan plant.

Dividends of €50.0 million or €1.25 per share were distributed in July 2023.

After funding working capital, interests, taxes, capex and dividends, total cash flow in 2023 amounted to -€55.1 million. Cash on hand stood at €106.7 million. This, together with the €75.0 million RCF – entirely undrawn – provides Befesa with more than €180 million liquidity.

Net debt

(€ million)

	31 December 2023	31 December 2022
Non-current financial indebtedness	672.7	677.4
+ Current financial indebtedness	38.1	33.3
Financial indebtedness	**710.8**	**710.8**
– Cash and cash equivalents	(106.7)	(161.8)
– Other current financial assets[1]	(0.1)	(0.1)
Net debt	**604.0**	**549.0**
Adjusted EBITDA	182.0	214.6
Net leverage ratio	**x3.32**	**x2.56**

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

€604m

NET DEBT IN 2023
(€549M IN 2022)

x3.32

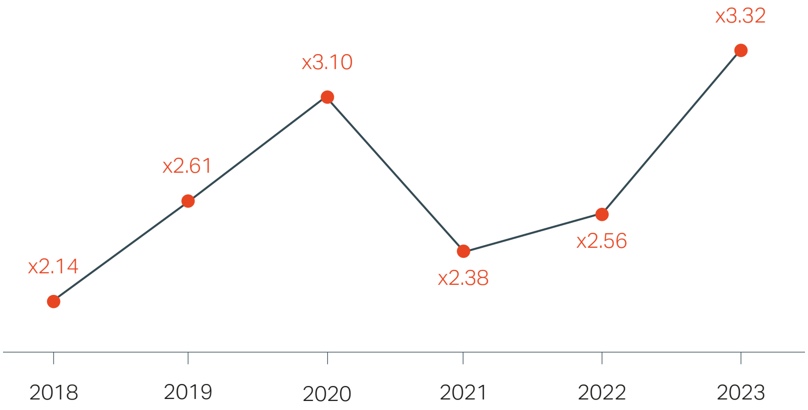
NET LEVERAGE IN 2023
(X2.56 IN 2022)

Credit ratings for Befesa, S.A.

	Year-end 2023	Year-end 2022
Moody's	Ba2 (outlook stable)	Ba2 (outlook positive)
Standard & Poor's	BB+ (outlook negative)	BB+ (outlook stable)

Net leverage ratio evolution

(Net debt/Adjusted EBITDA)



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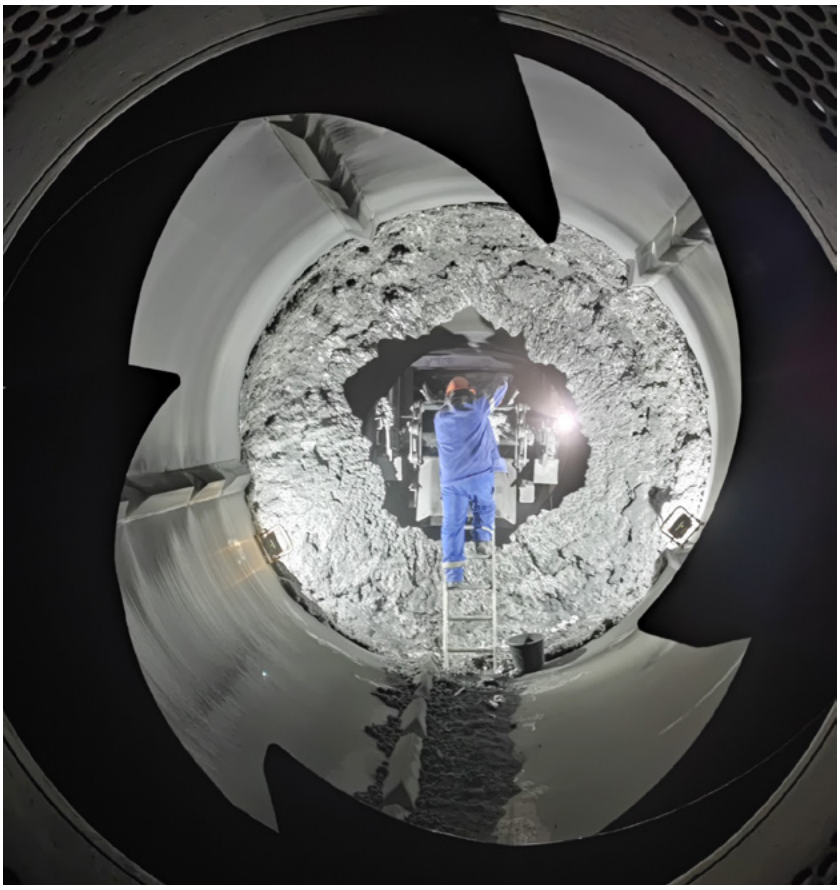
Segment information

Befesa organises its activities into two business segments: Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services.

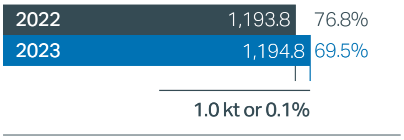


STEEL DUST RECYCLING SERVICES

In 2023, volumes of **EAF steel dust** recycled remained stable at 1,194,771 tonnes (2022: 1,193,793 tonnes). The performance across Befesa's markets was mixed. In Europe, EAF steel dust treated volumes grew at solid levels despite the challenging steel production levels. In China, meanwhile, volumes increased but were lower than expected, affected by the real estate crisis. With these volumes, Befesa's EAF steel dust recycling plants ran at an average utilisation rate of about 70% in 2023 (2022: 77%).

The volume of WOX sold decreased by 2.0% to 399,109 tonnes in 2023 (2022: 407,445 tonnes), primarily driven by the US operations and the earthquake in Turkey. The zinc-refining plant in North Carolina ran at high utilisation levels, with a focus on gradually improving profitability.

EAF steel dust throughput & load factor
(Thousand tonnes, % of annual capacity)

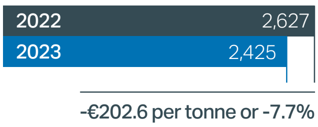


Waelz oxide (WOX) sold
(Thousand tonnes)

Revenue in the Steel Dust business increased by 7.6% to €785.6 million in 2023 (2022: €730.3 million). This development was primarily attributed to the contribution from the zinc-refining operation in the US.

Revenue – Steel Dust Recycling Services
(€ million)

Blended zinc average price
(€/tonne)



Adjusted EBITDA in the Steel Dust business decreased by 20.5% to €134.1 million in 2023 (2022: €168.6 million). The YOY decrease in Adjusted EBITDA was primarily explained by the lower zinc LME prices (-26% YOY). This was partially offset by higher zinc hedging prices, the unfavourable zinc TC at $274 per tonne (+19% YOY) and the higher coke prices (+5% YOY), partly by the positive impact of productivity and synergies, the solid steel dust volumes in Europe and the contribution from China.

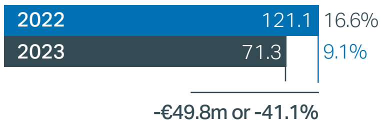
Consequently, Adjusted EBITDA as a per cent of revenue stands at 17% in 2023 (2022: 23%). The YOY profitability decrease was due to two effects: first, the impact of the items affecting EBITDA, as explained; and, second, a change in the business mix with the incorporation of the zinc-refining operation which brought about a high volume of revenue and a lower EBITDA margin.

Adjusted EBITDA & margin – Steel Dust Recycling Services
(€ million, % margin of revenue)

Adjusted EBIT in the Steel Dust business decreased by 41.1% to €71.3 million in 2023 (2022: €121.1 million), following drivers similar to the EBITDA development, as indicated above.

In 2023, EBITDA and EBIT in Steel Dust Recycling Services were adjusted for -€8.1 million and €1.9 million, respectively. Reported EBITDA amounted to €142.2 million (-20.5% YOY), and reported EBIT came to €77.5 million (-38.4% YOY). Information regarding these adjustments is available in Note 2.6 of the "Consolidated financial statements" section of this Annual Report.

Adjusted EBIT & margin – Steel Dust Recycling Services
(€ million, % margin of revenue)



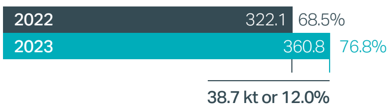
Segment information continued

ALUMINIUM SALT SLAGS RECYCLING SERVICES

Salt Slags subsegment

Salt slags and SPL recycled volumes increased in 2023 by 12.0% to 360,770 tonnes (2022: 322,088 tonnes). This improvement was primarily driven by the Hanover plant being operational again in 2023. On average, during 2023, Salt Slags recycling plants operated at 77% (2022: 69%) of the latest installed annual recycling capacity of 470,000 tonnes.

Salt slags & SPL volumes & load factor
(Thousand tonnes recycled, % of annual capacity)



Revenue in the Salt Slags subsegment increased by 11.6% to €86.3 million in 2023 (2022: €77.3 million).

Revenue – Salt Slags subsegment
(€ million)

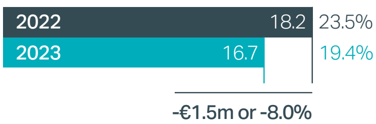
Adjusted EBITDA in the Salt Slags subsegment decreased by 3.6% to €26.0 million in 2023 (2022: €27.0 million). The positive impact from improved volumes and lower energy prices was offset by lower aluminium alloy FMB prices.

Adjusted EBITDA & margin – Salt Slags subsegment
(€ million, % margin of revenue)

Adjusted EBIT in the Salt Slags subsegment decreased by 8.0% to €16.7 million in 2023 (2022: €18.2 million), following drivers similar to the EBITDA development.

In 2023, EBITDA and EBIT in the Salt Slags subsegment were adjusted for €1.3 million, as a result of the impacts related to the ramp-up of the Hanover plant. Reported EBITDA amounted to €24.7 million (-36.0% YOY), and reported EBIT totalled €15.5 million (-47.4% YOY). Further information regarding these adjustments is available in Note 2.6 of the "Consolidated financial statements" section of this Annual Report.

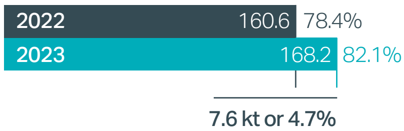
Adjusted EBIT & margin – Salt Slags subsegment
(€ million, % margin of revenue)



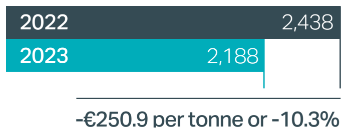
Secondary Aluminium subsegment

Aluminium alloy production volumes increased by 4.7% in 2023 to 168,216 tonnes (2022: 160,637 tonnes). Overall, in 2023, Secondary Aluminium production plants operated at about 82% utilisation rate on average (2022: 78%).

Secondary aluminium alloy volumes & load factor
(Thousand tonnes produced, % of annual capacity)

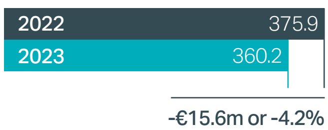


Aluminium alloy average market price
(€/tonne)



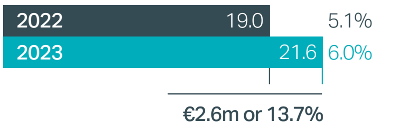
Revenue in the Secondary Aluminium subsegment decreased in 2023 by 4.2% to €360.2 million (2022: €375.9 million). Higher volumes were offset with the lower aluminium alloy FMB prices.

Revenue – Secondary Aluminium subsegment
(€ million)



EBITDA in the Secondary Aluminium subsegment increased by 13.7% to €21.6 million in 2023 (2022: €19.0 million). The EBITDA improvement was mainly explained by the higher volumes and the lower costs – primarily through the lower gas and electricity prices and partially offset by the lower aluminium metal margins.

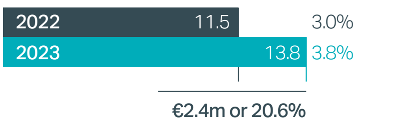
EBITDA & margin – Secondary Aluminium subsegment
(€ million, % margin of revenue)



EBIT in the Secondary Aluminium subsegment increased by 20.6% in 2023 to €13.8 million (2022: €11.5 million), following similar drivers that influenced the EBITDA development.

EBIT & margin – Secondary Aluminium subsegment

(€ million, % margin of revenue)



Environmental

In most cases, today's waste is not waste but a resource that, with the right technology and business model, can be reprocessed to generate new products that can be used many times.

For this reason, at Befesa, the word "residue" is used instead of "waste", meaning that Befesa believes in and strives to give second and multiple lives to products and materials that have been used.

Sustainability is about acting today and thinking in terms of years and decades by building a business model that reduces one's carbon footprint and does not compromise the biosphere and the future of generations to come. Sustainability is at the heart of Befesa's business model. Economic, environmental and social standards are considered in all business decisions. This is key to being successful in the long term. Befesa's business model is predicated on sustainability and a circular economy approach. Befesa uses sophisticated recycling technology to manage hazardous residues, helping customers to comply with environmental regulations. The core of Befesa's business is contributing to the creation of a more sustainable world.

In 2023, Befesa managed and recycled around 1.9 million tonnes of residues and produced around 1.7 million tonnes of new materials. As a vital player in the circular economy for more than three decades, Befesa reintroduces these new materials into the market, reducing the consumption of natural resources. The circular economy looks beyond the traditional "take-make-dispose" extractive industrial model and aims to redefine growth, focusing on positive, society-wide benefits. This entails gradually decoupling economic activity from the consumption of finite resources and reusing waste out of the system.

Metal recycling is one of the most significant processes in the circular economy. It enables multiple lives for materials and reduces the consumption of natural resources. Through the recycling of materials and its reintroduction into the market, the long-term value added to residue material is high and sustainable.

In the Steel Dust Recycling Services segment, Befesa takes residues containing zinc from EAF steel-manufacturing plants and recovers from them zinc oxides that can be reused to manufacture pure zinc. This zinc is then reintroduced into the market for galvanisation and other processes and can be reused almost endlessly. Similar processes allow the recovery of nickel, chromium and other metals from the recycling of stainless steel dust.

In addition, in the Aluminium Salt Slags Recycling Services segment, Befesa contributes by recycling and reintroducing close to 100% of the aluminium smelting residues (salt slags), bringing it back into the production chain in the form of aluminium concentrates, aluminium oxides and melting salt.

Without the actions undertaken by Befesa, a much higher amount of energy, CO_2 emissions and negative environmental impacts would have to be incurred to produce the same amount of zinc, aluminium and melting salts. And, what is worse, the alternative would be limited since the resources on earth are finite.

As in the Steel Dust Recycling Services segment, through the processes and services provided by Befesa, the Aluminium Salt Slags Recycling Services segment also makes a significant contribution to the circular economy for society.

For Befesa, environmental protection is not new; in fact, it has been the backbone of the business since Befesa began its operations. This philosophy has been the main driver of growth for more than three decades.

Befesa's contribution to the environment includes the following:

- Reducing the consumption of natural resources and preventing around 1.9 million tonnes of residue from reaching landfills each year;
- Recycling hazardous residues from secondary steel and aluminium producers;
- Recovering zinc oxides, metal alloys, steel slags, aluminium concentrates and oxides (secondary minerals commercially marketed as Paval® or Serox®, which have a high content of alumina) and melting salts; and
- Reintroducing the recovered materials into the market, using Best Available Technology (BAT) to minimise the environmental impacts.

Befesa's research, development and innovation is continuously focused on looking for new processes and services that can help customers to make their businesses more sustainable. Detailed information on R&D and innovation is available in the "R&D and innovation" section (pages 62 to 64) of this Annual Report.

Further information about environmental topics and figures will be available in the Befesa ESG Report 2023, which will be published in June 2024.

Befesa will disclose the eligibility and alignment reporting requirements for its activities, in accordance with the EU Taxonomy Regulation in the Befesa ESG Report 2023.

CARBON DIOXIDE EMISSION REDUCTION

In 2022, Befesa defined a plan to reduce by 20% its CO_2 emission intensity rate by 2030, with the ambition of achieving net zero by 2050. This plan was part of the Befesa ESG Report 2021. Befesa is executing this plan and will provide the latest progress as part of the Befesa ESG Report 2023, scheduled for June 2024.

KEY PERFORMANCE INDICATORS

Over the last seven years, Befesa has developed key performance indicators (KPIs) that measure environmental performance. These KPIs are collected on a quarterly basis and reported internally.

These indicators cover various aspects of environmental management, sustainability, health and safety, and social aspects.

The most relevant indicators and their evolution are analysed at the environmental, health and safety (EHS) managers' monthly conferences and by the corporate EHS Committee. These indicators are also reviewed at the plant and business unit level where the analysis includes the necessary actions to improve these parameters and achieve Befesa's goals.

INVESTMENTS

Befesa analyses the need for the improvement of its plants to fulfil incoming legislation or to attain efficiency improvements and includes these investments in its capex budget. A list of capex projects is developed, prioritised and approved by the Board of Directors of Befesa, according to approval procedures.

In 2023, Befesa spent €10 million on environment-related investments (2022: €8 million).

The most relevant investments carried out during 2023 were the following:

- Improvements in reducing and capturing fugitive emissions such as:
  - Building insulations;
  - Equipment enclosure;
  - Baghouse replacement;
  - New conveyors belts with closed chain conveyors; and
  - Fixed equipment for dust suction.
- Continuous improvements in plants' energy efficiency such as:
  - Replacing lighting with LED technology and presence detectors;
  - Introducing heat exchanger and variable frequency drives; and
  - Ultrasonic leak detection cameras to save energy.
- Material recovery optimisation to reduce the consumption of resources;
- Improvements in emission monitoring systems to enhance the existing controls;
- Improvements at gas treatment plants;
- Installation of regenerative thermal oxidiser plants to eliminate gaseous contaminants from air emissions;
- Repair of roads to prevent soil and groundwater contamination; and
- Tree planting for CO_2 emissions compensation.

Environmental continued

AIR PROTECTION

Air emissions generated from metal recycling could have an impact on human health and the environment and may be subject to regulations and permissions.

Befesa regularly engages with industry bodies to remain aware of forthcoming regulations and environmental legislation. During the past few years, detailed work has been done to ensure compliance with the regulations of the Industrial Emissions Directive (IED). In addition, the implementation of ISO 14001 and the EU Eco-Management Auditing Scheme (EMAS) ensure that Befesa proactively reviews regulations that may be applicable to each site.

Befesa has updated its plants with equipment according to BAT for operations and emissions control. This is in order to minimise the negative effects on the air and to ensure compliance with current and forthcoming legislation.

SOIL PROTECTION

The processing of metal residues has the potential to cause soil damage and contamination if not managed with the right installations and procedures.

Befesa's installations are designed and maintained with solid protections through concrete and paved operating surfaces, rainwater collection systems and other engineering solutions to protect the soil. Adequate soil- and underground water monitoring is provided where required and according to local legislation.

ENERGY SAVING

As mentioned already, many environmental investments were carried out in 2023 across the Befesa sites to reduce energy consumption and to increase energy efficiency.

WATER CONSUMPTION & EFFLUENTS

The processing of metal residues can require substantial quantities of water, which can represent a potential risk to production and to the local environment, particularly in regions of water scarcity. Befesa monitors its water consumption as a KPI. Each site submits reports that are consolidated at a Group level. Trends are analysed and good practices shared to promote individual projects in an effort to reduce water consumption.

WASTE-REDUCTION EFFORTS

Befesa's inherent business of recycling and reusing hazardous residues from metal processing prevents those residues from reaching landfills. Befesa's process for treating aluminium foundry salt slags offers an example of leading technology in recovering all components of the slags and converting them into reusable materials. The high recovery level results in minimal potential risk of contamination and environmental degradation through the disposal or landfilling of these slags.

The KPIs related to residue generation, including both hazardous and non-hazardous residues (disposed of or recycled), are reported by site periodically (at least on a quarterly basis) and consolidated at a Group level.

GREENHOUSE GAS EMISSIONS

Steel production and metal recycling generates emissions of direct greenhouse gases (GHGs), primarily CO_2 and methane from the production processes, smelting activities and on-site fuel combustion. These emissions contribute to climate change and create risks for companies as regulations are developed and implemented on a regional and global scale.

Befesa's primary business is to recycle hazardous residues from the metals industry and to extract or recycle the valuable content of those hazardous residues. Befesa contributes to the overall reduction of GHG emissions by applying BAT on industry practices for operations and emission controls to minimise these emissions in the recycling process.

Through EHS management systems and other internal protocols, Befesa monitors carbon emissions and reports annually on a Company-wide basis. In addition, Befesa reports the Kyoto Protocol Scope 1 and Scope 2 emissions and, since 2022, also the Scope 3 emissions. The actual nomenclature for Scope 1, 2 and 3 is direct emissions (previously Scope 1) and indirect emissions (previously Scope 2 and Scope 3).

EHS CERTIFICATIONS

As of 31 December 2023, all the Befesa sites except for the US zinc-refining and Chinese plants are ISO 14001 certified. A total of 65% of the Befesa sites are ISO 50001 certified, 70% are ISO 14064 certified and 70% are also certified according to ISO 45001.

Almost 50% of Befesa's plants located in the EU are registered according to EMAS, one of the most demanding environmental management systems. This includes the need for public communication, transparency and recognition by environmental authorities.

Befesa is working at its new facilities towards their pending certifications.

EHS AUDITING

Internal and third-party external auditing processes are conducted as part of the ISO 14001, 50001, 14064 and 45001 certification processes, ensuring they comply with ISO requirements. During 2023, all certifications were maintained, and audits did not result in any major nonconformity. In the case of minor nonconformism and observations, these were analysed to identify the root causes and to define the necessary improvements.

Further information will be disclosed in the Befesa ESG Report 2023, which will be published in June 2024.

ENVIRONMENTAL INITIATIVE CONTEST

In 2023, Befesa launched its third Environmental Initiative Contest to promote the engagement and commitment of the Company's employees towards environmental improvement opportunities. Excellent environmental initiatives were presented in the contest.

Two equally deserving winners shared the award of €15,000:

- "Basondo: Refuge for endangered wildlife" was presented by an employee from Befesa's steel dust recycling plant in Aser, Spain. Basondo is located in Urdaibai, Spain, a biosphere reserve designated by UNESCO. It is a refuge that consists of 60,000 m² of meadows and forests dedicated to wildlife. Basondo's fundamental mission is to leave a footprint for animal conservation, biodiversity and environmental education.
- "We create forests" was presented by an employee from Befesa's corporate office in Ratingen, Germany. The awarded NGO is based in Germany, and the project works on protecting biodiversity, offering a permanent habitat for local plants and animals by creating forests. The project has already planted more than 1.8 million trees.

BEFESA'S CONTRIBUTION TO THE ENVIRONMENT

Reduce
the consumption of natural resources and prevent around 1.9 million tonnes of residue from reaching landfills each year.

Recycle
hazardous residues from secondary steel and aluminium producers.

Recover
zinc oxides, metal alloys, steel slags, aluminium concentrates and oxides (secondary minerals commercially marketed as Paval® or Serox®, which have a high content of alumina) and melting salts.

Reintroduce
the recovered materials into the market, using Best Available Technology (BAT) to minimise the environmental impacts.

Social, health & safety

People

The 2023 year has been a challenging one. On 6 February, a 7.8 magnitude earthquake, with subsequent aftershocks, struck the east of Turkey

One of the cities affected by the earthquake was Iskenderun, where the Befesa Iskenderun steel dust recycling plant is located. Fortunately, none of Befesa's employees suffered injuries; however, they lost friends and relatives. Nevertheless, almost all the houses of the Befesa employees in Iskenderun were seriously damaged by the shock. Despite all these circumstances, and thanks to the extraordinary commitment of Befesa staff in Iskenderun, the plant restarted its operations one month later, in March.

The slowdown in the Chinese economy and the cost-efficiency initiatives being carried out at the zinc-refining site focused on improving profitability. Both of these factors had an impact, not only from an operational perspective but also on Befesa's headcount, closing the year with 1,790 people (1,847 as of 31 December 2022). This decrease was driven mainly by the US.

Out of the 1,790 employees, 74% work in operations and maintenance, which demonstrates Befesa's productive nature. In 2023, Befesa maintained its commitment to stable employment, with over 88% of employees holding open-ended contracts (2022: 86%).

Befesa's employee turnover rate is driven by voluntary resignations, which amounted to 3.83% of the global average headcount in 2023 (2.17% in 2022). This increase is largely attributed to the higher representation of the US in Befesa's headcount, following the acquisition of the zinc-refining asset in September 2022, with the US now representing more than 26% of the global headcount. The US job market is known for its dynamism and competitive landscape. The turnover rate excluding the US remains at 2.88%.

Particularly in challenging years like 2023, training plays a crucial role as an engine for the professional development of Befesa's employees.

The success in running operations more productively, efficiently and effectively – despite the year's difficulties – demonstrates the high level of professionalism among Befesa's employees. This success is largely attributed to the training received throughout their professional careers at Befesa. To make this possible, Befesa collaborates with different training entities, including universities and business schools.

In an effort to continuously improve talent development and professional growth, Befesa is proud to have successfully implemented the Young Professionals Programme 1.0 (YPP) in 2021 and 2022. This programme, aimed at individuals aged 35 or younger, has proven successful with 80 participants who have at least one year of experience at Befesa and have a background in higher education or a related field.

Building on the resounding success of YPP 1.0, Befesa introduced the Young Professionals Programme 2.0 (YPP 2.0) in 2023. Like its predecessor, this initiative is based on three central pillars: leadership development training, business challenge and virtual meeting with CEO regions, and is set to continue the success story.

Befesa remains committed to fostering talent, actively contributing to the development of the next generation. During 2023, 36 apprentices and students participated in traineeships or internships with Befesa (2022: 37).

Moreover, as in every year, Befesa has continued to prioritise investment in training its employees. In 2023, training hours once again demonstrated significant growth, totalling 53,356 hours (2022: 49,751 hours), reflecting an average of 29 hours per employee (2022: 27 hours per employee). This remarkable increase underscores the Company's unwavering commitment to employee development and safety.

Notably, health and safety training remained a fundamental aspect of Befesa's training initiatives, comprising 56% of the total training hours: a total of 29,934 were hours dedicated to this critical area. This reflects Befesa's committed dedication to upholding high safety standards across its operations, prioritising the well-being of its employees above all else.

In addition, Befesa experienced substantial growth in language training, with hours increasing by 28% to 9,093 hours in 2023 (2022: 7,098 hours). Similarly, general training initiatives saw significant growth, with hours increasing by 10% to 14,329 hours in 2023 (2022: 12,995 hours). These efforts are aimed at enhancing employee performance, productivity and overall satisfaction, in line with Befesa's commitment to continuous improvement and development.

Further information on employees is available on page 165 of this Annual Report and in the Befesa ESG Report 2023, which will be published in June 2024.

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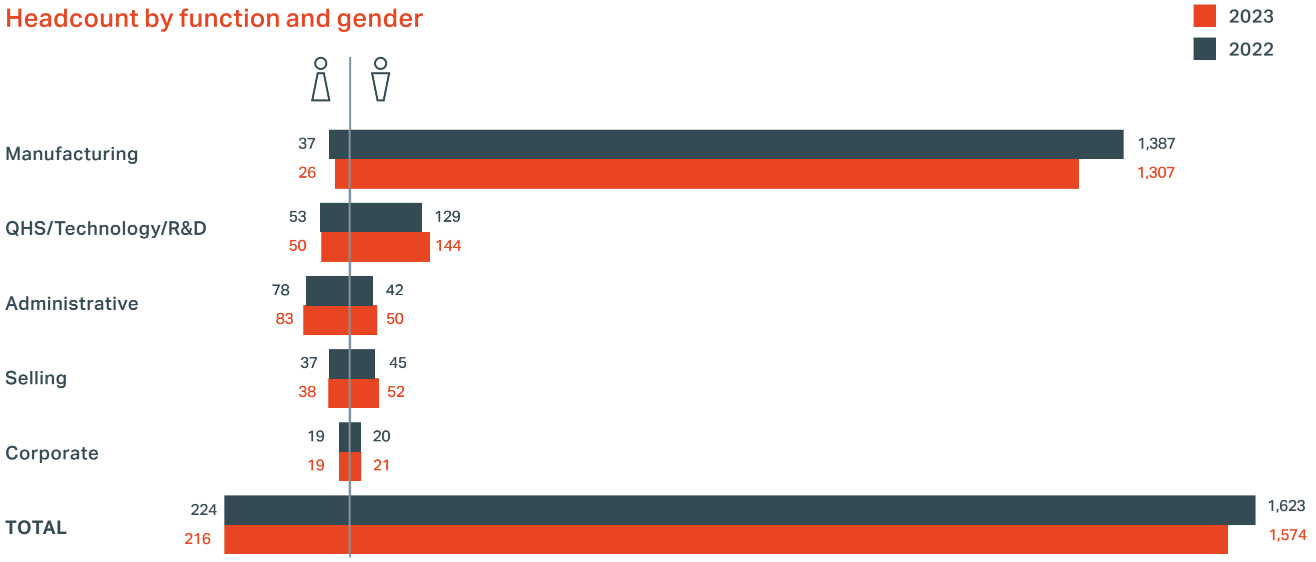
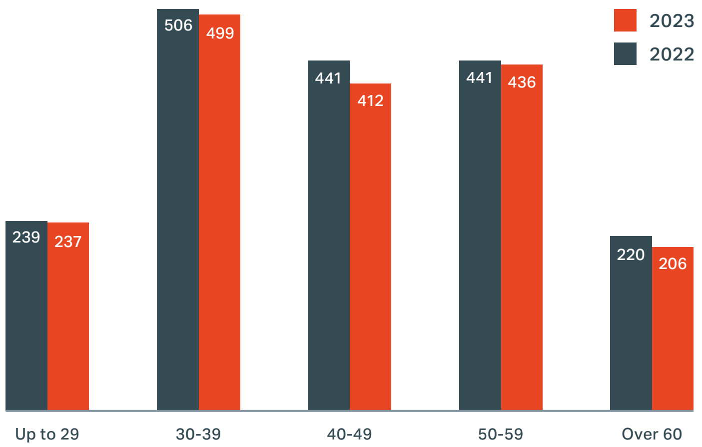
Social, health & safety continued

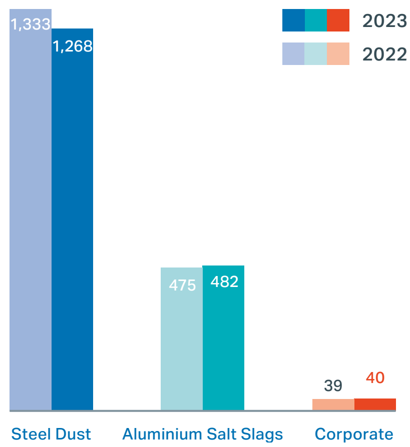
Headcount by function and gender



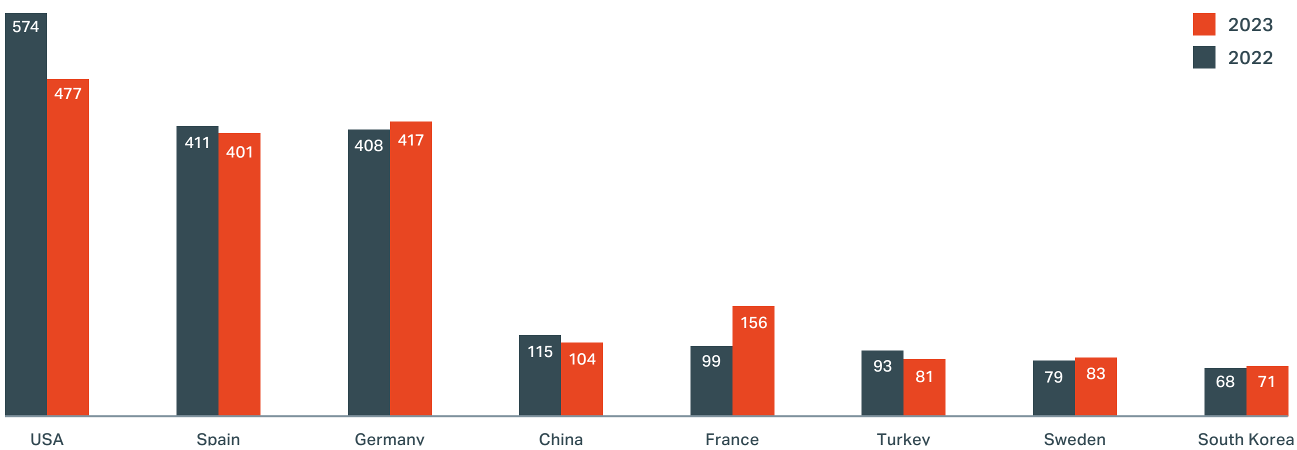
Headcount by age group



Headcount by segment



Headcount by country



DIVERSITY & INCLUSION

Befesa consistently prioritises Diversity, Equity and Inclusion (DEI) initiatives and regularly launches awareness campaigns through emails, lock screens or related activities. Specifically focusing on the inclusion of individuals with disabilities, 2023 marked the organisation's opening global online event where all employees were invited to an online talk by a person with vision impairment. All employees had the chance to join the online talk "Navigating darkness: A talk about adapting to sudden blindness and coping in the workplace".

Regarding DEI, the global Human Resources Department, comprising the local and corporate HR communities throughout Befesa, has committed to serving as DEI ambassadors.

Their role encompasses ongoing awareness efforts, the dissemination of information and the overall creation of an inclusive atmosphere in all workplaces. The goal is to foster an environment that is welcoming to all individuals, regardless of their circumstances, characteristics or choices. For example, awareness-raising campaigns have been launched on special days, like the World Autism Awareness Day, World Day for Cultural Diversity for Dialogue and Development, and Zero Discrimination Day, among others.

Befesa continues to assess and ensure a diverse workforce by tracking different KPIs, one of which is headcount by age. The age chart (page 52) gives a picture of how the generational handover follows a natural rhythm. Befesa's human capital is experienced – as of 31 December 2023, the average age of employees was 44.2 years, with 10.74 years of experience at Befesa.

Regarding the gender diversity of Befesa's top management, the Board of Directors in 2023 had one new female member compared to 2022. In total, it has eight directors, consisting of three women and five men. Board women representation amounted to 37.5%.

HUMAN RIGHTS

Befesa respects the rights of all employees and those associated with Befesa, including customers, suppliers and their employees. Befesa complies with universal principles on human rights and labour practices, including the United Nations Universal Declaration of Human Rights.

Befesa's code of conduct applies to all staff members, who are required to accept and accommodate different values; respect the character and personality of others; observe the right to privacy and human rights; and avoid any violation of human rights based on race, religion, sex, national origin, disability, age, sexual orientation and others.

Befesa prohibits physical abuse, sexual harassment, power harassment or the violation of the human rights of others. Befesa promotes and expects business integrity, compliance with applicable laws and adherence to internationally recognised environmental, social and corporate governance standards. This is not only within the organisation, but also among Befesa's business partners. For this reason, Befesa has introduced a code of conduct for suppliers that must be accepted and signed. Further information about Befesa's code of conduct for suppliers is available in the "Compliance" section (pages 86 to 93) of this Annual Report.

In the work aspect of human rights – the labour rights – Befesa fully commits to its employees' right to freedom of association and collective bargaining in all its operations. This is not only in accordance with the laws and regulations of the countries in which Befesa operates, but also in accordance with the plentiful work agreements of each Befesa location, which noticeably improves the minimum legal conditions.

Befesa periodically monitors the alignment of salaries by position and seniority level and benchmarks the salaries within its own sector to ensure a competitive compensation scheme.

Befesa is dedicated to providing and supporting each employee to ensure they have access to safe and healthy work, labour rights and social protection, as well as guaranteeing steady work. This includes ensuring that everyone at Befesa is empowered to play an active role in their work and is hired in a responsible manner. Befesa's responsible wage framework and methodology adopt a comprehensive approach to wages by emphasising equality at work, competence, feedback and a living wage.

Health & safety

Health and safety is an integral part of Befesa's business. Befesa is committed to the continuous improvement of its health and safety performance and is convinced that this focus contributes to achieving operational excellence.

Befesa is strongly committed to keeping all its employees safe and looking after their well-being. Befesa believes that safety is not only about reducing the number of accidents; it is also about increasing employees' satisfaction at work, their engagement and their productivity.

There are many other tangible and intangible benefits to a safe working environment. These add value to the business and benefit all stakeholders, including employees, the community, customers and shareholders. Befesa's goal is to lead by example as this relates to safety, health, the environment and quality.

SHARING LEARNING LESSONS

Every incident or near miss is reported and investigated by management in a team approach. This involves operators, among others, to ensure that learnings are obtained and shared across the organisation. In 2023, a total of 321 incidents and near misses were reported and investigated (2022: 213). All incidents were investigated, and action plans put in place to avoid a recurrence.

Accidents causing lost time are communicated to the manager of the plant where the accident occurred. They in turn inform Befesa's Executive Chair, CEO and the vice president of the corresponding business segment, in addition to the HR Director and the EHS Director of Befesa, within 24 hours. This serves to ensure full awareness within the organisation and drives prompt investigation and preventive action plans.

For the most relevant incidents and accidents where lessons can be drawn, and for the rest of the organisation to prevent similar occurrences, a single-page document is generated with key learnings.

In 2023, 110 learning lessons from Lost Time Accidents (LTAs), Non-Lost Time Accidents (NLTAs) and incidents were distributed at a corporate level (2022: 96 learning lessons), reaching all managers and the shop floor level. This represents 100% of the LTAs and 93% of the NLTAs. This shows Befesa's level of work and dedication to learn from accidents and incidents and to implement improvements resulting from investigations.

PREVENTIVE SAFETY OBSERVATIONS

Preventive safety observations is a Befesa safety programme intended to detect and correct unsafe acts and conditions before they result in accidents and incidents. This programme aims to enhance a culture of safety, the awareness of employees and commitment through the field presence of line managers to address safety issues. Managers at all levels in Befesa are trained to detect unsafe acts and to provide constructive feedback on work safety practices to operators and contractors.

In 2023, 16,361 safety dialogues (2022: more than 16,300) and 892 task observations were completed.

This involves correcting unsafe acts and conditions, and generating appropriate actions and reports.

Life-saving rules

Preventing serious injuries and fatalities is one of the top priorities of the health and safety programme and requires a special focus. The responsible Befesa team analysed and prioritised this list of the most frequent causes of fatalities and generated the Befesa Life-Saving Rules to prevent them.

This initial step was reinforced in 2020 with the launch of a specific programme on fatal and serious injuries.

This programme focuses on the identification, timely control, measurement of the controls' effectiveness and follow-up by management of all the risks with the potential to cause fatal or serious injury.

Many activities – such as audits, training and safety contacts – have been conducted in these areas to reduce the risk of accidents with these types of work.

FATAL & SERIOUS INJURIES PREVENTION

In 2023, Befesa continued with the improvement of the fatal and serious injuries (FSI) prevention programme, aiming to:

- increase the focus on the higher safety risks;
- extend the scope of risk identification, including non-routine tasks, places and operations (e.g. shutdown, start tasks);
- give visibility to those risks at all levels of the organisation, from the executive to the shop floor employee level;
- allocate the appropriate time and resources to risk identification and control; and
- ensure that robust controls are in place, and that those controls are periodically verified.

In 2023, 74 FSI risks were identified across Befesa's locations (2022: 46), of which 61% were satisfactorily managed and closed (2022: 72%). Some of the FSI risks identified in 2023 were discovered at the end of the year. For the remaining 39% of the FSI risks identified in 2023, interim controls were put in place while the final solution was being studied and implemented.

HEALTH & SAFETY PERFORMANCE

Taking as a reference 2015 – the year when Befesa launched the "Be Safe" project – over the course of seven years, Befesa has reduced its Lost Time Injury Rate (LTIR) by 92%. This is according to OHSAS's classification, measured as the number of accidents causing lost time divided by work hours and multiplied by 200,000.

Lost Time Injury Rate (LTIR):

	2015	2016	2017	2018	2019	2020	2021	2022	2023	% vs 2015	% vs 2022
Own employees	5.30	3.57	2.88	2.67	2.16	1.34	1.03	0.73	0.55	-90%	**-25%**
Contractors	8.06	0.98	3.88	5.47	1.60	0.66	0.43	0.00	0.00	-100%	-
Total	**5.71**	**3.11**	**3.08**	**3.22**	**1.98**	**1.26**	**0.81**	**0.55**	**0.45**	**-92%**	**-18%**

Severity Rate (SR):

	2015	2016	2017	2018	2019	2020	2021	2022	2023	% vs 2015	% vs 2022
Total	**0.77**	**0.77**	**0.31**	**0.44**	**0.41**	**0.48**	**0.16**	**0.12**	**0.15**	**-81%**	**25%**

Social, health & safety continued

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EHS STANDARDS & INITIATIVES

Befesa continues to enhance its management systems by implementing new corporate safety standards, and standardising and strengthening the safety requirements across all the locations.

In 2023, the following safety standards were implemented:

- Lifting operations
- Project EHS assessment, to allow Befesa to identify risks at the design phase and improve the management of change process

As of 31 December 2023, Befesa had a total of 16 safety standards in place (2022: 14).

Another goal of the Befesa locations is to ensure the safety of processes, by identifying process hazards and increasing the robustness of the controls. To do so, Befesa started the implementation of the Process Safety Management (PSM).

In 2023, the following has been carried out:

- Assessment: A process hazard analysis was carried out at the Hanover plant and to the prototype of the steel dust recycling plant. This analysis allows the identification of potential risks in the design phase and the improvement of processes in future Befesa plants.
- The "Management of Change" process has been included in the EHS management software, Cority.

THE FIVE LEADERSHIP PERSUASIVE BEHAVIOURS

During 2023, all Befesa's line managers continued developing leadership-by-example skills by implementing policies and programmes in line with Befesa's "Five Leadership Persuasive Behaviours".

These behaviours have been part of the Middle Managers Safety Development Plan that was implemented across all Befesa units, with the purpose of making these principles an intrinsic part of Befesa's safety culture.

Training

In 2023, Befesa invested a total of 263 training hours (2022: 426) in educating and preparing local management teams on the following:

- Molten metal safety
- Confined spaces and work permits
- Procedure writing tips
- Lockout Tagout (LOTO)
- Health and safety global summit

SAFETY INVESTMENTS

In 2023, Befesa more than doubled its safety investments to €6.4 million (2022: €3.1 million), dedicated to safety projects:

- Machine-guarding improvements
- Engineering controls for FSI risks such as slag cooler to reduce exposure to hot slag, process improvements to reduce molten metal risks such as thermal cameras to prevent molten metal leaks and enclosing oversized quench pits for slags
- Electrical upgrades to enhance electrical safety
- Crane upgrades
- LOTO implementation
- Fire prevention
- Fall protection such as lifelines installation, platforms and grids
- Traffic safety improvements in all the Befesa sites
- Signalisation
- Equipment installation for atmospheric control to reduce exposure to harmful substances
- Ventilated helmets in multiple locations to improve respiratory protection
- Automation and lift aids to reduce ergonomic risks

Safety excellence award

In 2023, Befesa launched its second Safety Excellence Award, which recognises outstanding safety achievements resulting in a significant improvement to health, safety or well-being, contributing to Befesa's vision of zero harm.

In this second edition, the locations submitted numerous applications and many fantastic projects to improve the safety of Befesa's employees.

FIVE LEADERSHIP PERSUASIVE BEHAVIOURS

1. **When an unsafe act happens, we always stop and correct it.**
2. **We invest time every day in the plant for safety.**
3. **We speak and listen frequently to employees about safety concerns.**
4. **We integrate safety performance in suppliers and contractors.**
5. **We train all contractors in Befesa's rules before commencing work.**

The winners presented projects that included teamwork between production, maintenance and EHS and resulted in substantial improvements in reducing accident rates. In 2023, the winning projects were as follows:

First prizes:
- "Process-based approach for the location safety and production continuous improvements" at the zinc oxide plant in Sondika/ Amorebieta, Spain.
- "Molten metal-temperature control in ingot molds" at the secondary aluminium plant in Erandio, Spain.

Second prizes:
- "Safety improvements through effective signalisation" at the secondary aluminium plant in Les Franqueses del Vallès, Spain.
- "Outage management" at the salt slags recycling plant in Valladolid, Spain.
- "Master lock E-LOTO isolation software program" at the steel dust recycling plant in Palmerton, US.

Third prize:
- "Machine-guarding project" at the steel dust recycling plant in Barnwell, US.

In addition, Befesa awarded two further sites:
- The Barnwell plant, US, was recognised with the best safety record award, for the second consecutive year for over seven years without a lost time injury.
- The zinc oxide plant in Sondika/ Amorebieta, Spain, was recognised as having the best improved safety award, for best improvement on its LTIR and total recordable rates.

Corporate citizenship

Befesa engaged in different citizenship activities throughout the year.

Unfortunately, the 2023 year began with the earthquake in Turkey and Syria, directly affecting Befesa's plant in Iskenderun. In response, Befesa approved financial assistance of 5,703,511 Turkish lira (equivalent to over €270,000) and opened a channel for other Befesa employees to donate money if they wished to help their Turkish colleagues.

As every year, Befesa celebrated its Charity Project Contest. This year's first prize was awarded to the "Repairing the Affection House in Iskenderun" project. The Hacı Pervin Tosyalı Affection Houses provide a nurturing environment for orphaned children, from newborns to the age of 12, ensuring they never feel alone.

This project's objective is to mend the damage inflicted by the earthquake on these homes.

In a special turn of events this year, the second prize was shared among three equally deserving projects:

- "Curasana" project by the NGO Mamás en Acción. In Spain, more than 56,000 children either do not have parents or cannot live with them. When these children, from one month to 18 years of age, fall ill and require hospitalisation, they often find themselves alone. The Curasana project provides companionship to these hospitalised children, offering the care and affection they need during their recovery.
- Rehabilitation for children and young people with cancer in cases of brain injury by the NGO La Cuadri del Hospi. La Cuadri del Hospi is dedicated to humanising, socialising and researching childhood cancer while promoting bone marrow donation. The organisation collaborates with the Aita Menni Centre (which specialises in children's rehabilitation) to offer therapy and support to children with cancer.
- "Adenovirus 24 RGD" project by the NGO Niños Contra el Cáncer. This project focuses on supporting research into oncolytic adenoviruses as an alternative to traditional therapies in treating paediatric cancer through the University of Navarra Clinic.

In 2023, all the awarded projects were related to childhood. In this regard, out of the 23 projects received, 17 had children as their beneficiaries. This is a reflection of the sentiment within the Befesa community towards children as special beings, and the importance of protecting them and encouraging people to work towards a better future.

Befesa also participated in many other social projects, a deeper explanation of which will be provided in the ESG Report 2023, which will be issued in June 2024.

The following is a selected list of projects in 2023:

- Sponsorship of the local football team in Landskrona (Sweden)
- Sponsorship of different sporting activities in Vizcaya (Spain)
- Sponsorship of the summer festival next to Freiberg (Germany)
- Sponsorship of the local football team in Les Franqueses (Spain)
- Sponsorship for children to attend a camp to learn about preserving the environment in Barnwell (US)
- Donations and collaboration in cleaning tasks at the St. Mary's Home for women with disabilities in Pohang (Korea)
- Food, toys and money collection in different locations including Gravelines (France), Madrid (Spain), Seville (Spain) and Ratingen (Germany)
- Clothing donation and support the "Stray Animal Rescue" in China


HACI PERVIN TOSYALI ÇOCUK EVLERI SITESI
Niños contra el Cáncer
mamás en acción
BEFESA
LA CUADRI DEL HOSPI
B'CSR
BEFESA Corporate Social Responsibility

Social, health & safety continued

BEFESA'S CORPORATE CITIZENSHIP CALENDAR 2023

FEBRUARY

Campaign to help Befesa's colleagues in Iskenderun, Turkey

1 MARCH

Zero Discrimination Day

2 APRIL
World Autism Awareness Day

7 APRIL

World Day of Safety & Health at Work

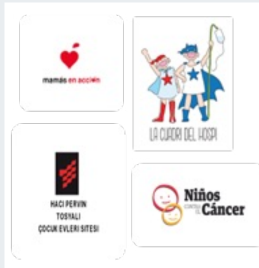
7 MAY

Wings for Life World Run

21 MAY

World Day for Cultural Diversity for Dialogue and Development

JUNE



Charity Project Contest

JULY–AUGUST
Fundación IN participated in two nautical events

Collaboration with adapted sports events in Spain

Back to school with Befesa

SEPTEMBER
Carried out in Madrid and Sevilla, Spain, through two Spanish NGOs: No Child Without a Smile and Spanish Association for the Effects of Cancer Treatment (solidarity campaign to collect school supplies)

12 OCTOBER
Participation in “The Night of the Researchers” organised by the Chair of Autism of the University of Sevilla, Spain

The Night of the Researchers

Solidarity activities across Befesa’s sites

NOVEMBER–DECEMBER

3 DECEMBER
Organisation of the online talk “Navigating darkness: A talk about adapting to sudden blindness and coping in the workplace”

International Day of Persons with Disabilities

R&D and innovation

Befesa's research and development (R&D) strategy is designed to create value by developing sustainable improvements to existing technologies, optimising operations and product quality, developing new processes to achieve higher recycling efficiency, reducing costs and improving environmental conditions. All of this contributes to sustainable development and enhanced customer service.

STRATEGIC FOCUS & APPROACH

Befesa's R&D strategic plan aims to be a technologically competitive reference in providing sustainable environmental services that recycle hazardous residues from the steel and aluminium industries, with a core focus on steel dust, salt slags and SPL.

The R&D activities are organised into two teams aiming to develop new technological and sustainable environmental service solutions that are adapted to the technological processes of each of the businesses. These two teams meet on a regular basis to exchange the achievements, findings, knowledge and developments of their respective projects.

EMPLOYEES IN R&D

Befesa's R&D strength is based on the teams' experience and qualifications across various specialisations. In 2023, a total of 16 employees were dedicated to R&D activities (2022: 16). Of these, 11 were part of the Steel Dust Recycling Services segment and five were part of the Aluminium Salt Slags Recycling Services segment.

EXPENSES ON R&D

The expenses on R&D activities in 2023 increased by 18% to €3.8 million (2022: €3.2 million). In the Steel Dust Recycling Services segment, expenses on R&D activities in 2023 reduced by 2% to €1.2 million (2022: €1.3 million). In the Aluminium Salt Slags Recycling Services segment, expenses on R&D activities in 2023 increased by 32% to €2.6 million (2022: €1.9 million).

COLLABORATIONS NETWORK

One of the pillars of Befesa's R&D strategy is external collaboration. This is primarily executed via research groups and institutions, public research centres, universities and other industrial enterprises with whom Befesa frequently collaborates on R&D projects.

Befesa is a founding partner of the Basque Innovation Agency, which seeks to coordinate and promote innovation in the Basque Country. Befesa is a member of the Labein Tecnalia Foundation. This is a private technology centre with significant business involvement that creates partnerships within their markets to develop innovative capacity using technology as a tool to increase competitiveness.

Befesa is also a member of European Aluminium, a Belgium-based industry association that represents the entire aluminium value chain in Europe: from refiners and smelters to manufacturers of semi-finished products, recyclers and national aluminium associations.

R&D and innovation continued

Befesa has developed projects in collaboration with institutions such as EGA, Hydro, Nippon Gases, GHI, CIE Automotive, Fagor Edertek and CSIC (in Spain), and IAB and Ibutec (in Germany).

Befesa has also developed or is currently undertaking projects in collaboration with universities such as the University of the Basque Country, the University of Valladolid and the University of Oviedo (in Spain), the RWTH Aachen University (in Germany), the University of Leoben (in Austria) and the NTNU (in Norway).

MAIN ACHIEVEMENTS & PROJECTS IN 2023

In the Steel Dust Recycling Services segment, focus areas included:

- Testing of different biochar consumption rates to achieve knowledge of maximum usable quantities in Befesa zinc recycling processes;
- Successfully testing of zinc recycling by hydrogen with increased testing samples volumes and optimised process parameters;
- Conducting a study of EV battery, waste components, and its recycling by pyrometallurgical processes;
- Characterisation and simulation of stainless-steel dust residues for improvements of process efficiencies; and
- Evaluation of potential necessary process parameters for recycling of residues after transition towards zero CO_2 emission of the steel industry.

In the Salt Slags subsegment of the Aluminium Salt Slags Recycling Services segment, the main research activities focused on these aspects:

- The development of refined secondary aluminium oxide to produce new raw material as an alternative to mineral bauxite (to be used in the refractory industry) at pre-industrial scale;
- The obtention of high-pure alumina (4N grade) from low-quality aluminium oxides, which can be used as raw material in the manufacturing of LEDs;
- The study and development of an alternative treatment for SPL, to recover high-value products; and
- The development of a roadmap to recover main gases, hydrogen and methane, from the complex-rich hydrogen waste stream for salt slag valorisation.

In the Secondary Aluminium subsegment of the Aluminium Salt Slags Recycling Services segment, the main research focus included:

- The optimisation of the aluminium alloy production process in order to introduce improvements and technologies to increase energy efficiency;
- The development of secondary alloys with improved properties for modular chassis components; and the demonstration of the use of secondary wastes, aluminium drosses and scrap to produce high-pure silicon and master aluminium alloys by aluminothermic reduction;
- The decarbonisation of Befesa's melting process, lining up H_2 economy, using as alternative fuel to natural gas and evaluating the impact of the product – exhausted gases – and process parameters; and
- The development of new anode cleaning and protection products for the primary aluminium industry.

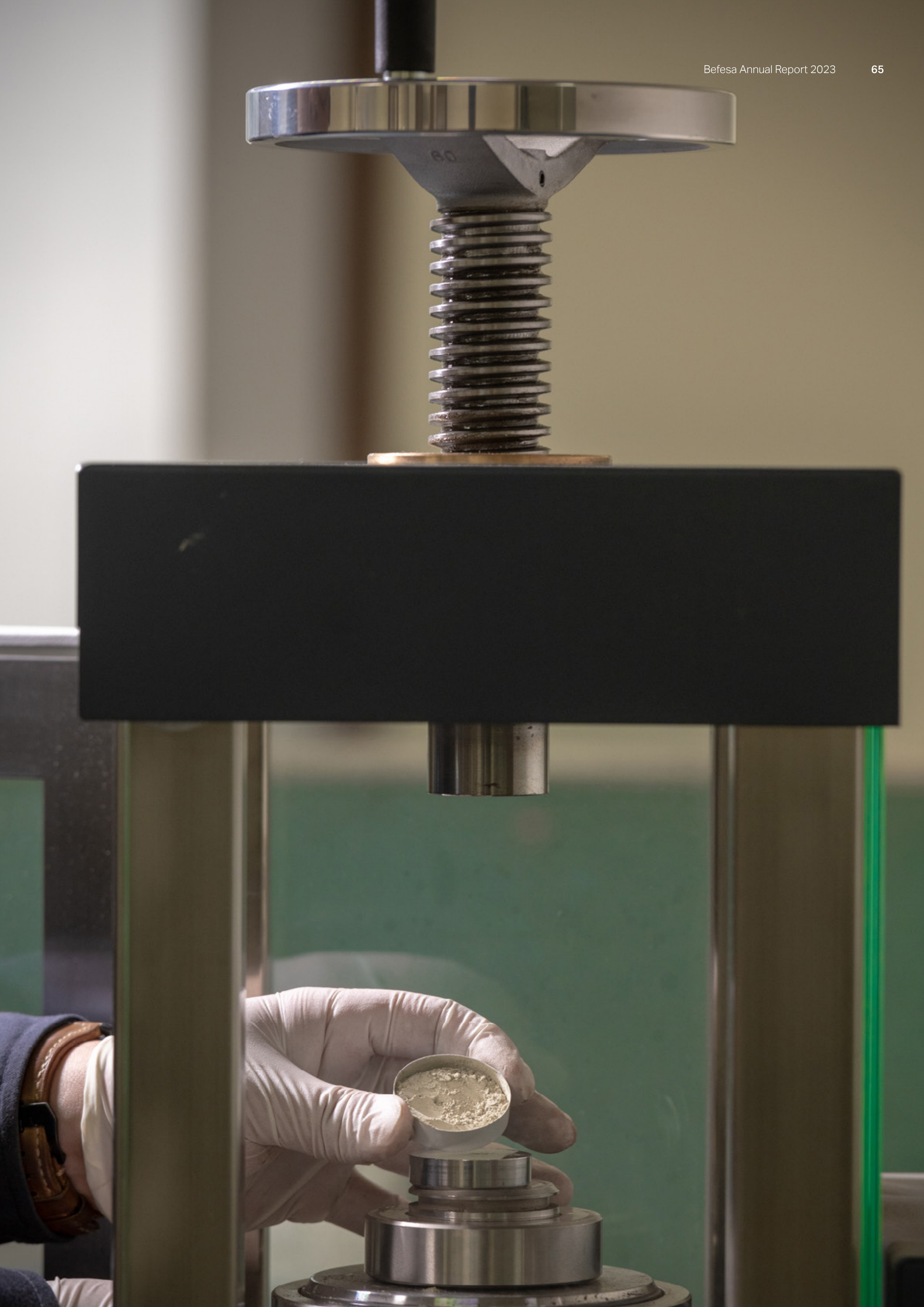
PROJECTS IN THE RESEARCH PIPELINE

In the Steel Dust Recycling Services segment, projects in 2024 include the continuation of projects launched in previous years and additional new projects:

- Dust2Value: An EU-funding project for recycling residues from the steel industry using hydrogen;
- Testing increased consumption rate of biochar in the production Waelz process;
- Investigation of alternative, CO_2-neutral reducing agents (biochar) in the steel dust recycling segment;
- Evaluation of improvement options of process water treatment at Befesa ScanDust; and
- Pyrometallurgical lab scale tests of different EV battery wastes.

In the Aluminium Salt Slags Recycling Services segment, the major R&D projects are:

- Bauxal II: The valorisation of aluminium by-products from the salt slags recycling process to produce refractory materials as an alternative to calcined bauxite
- SisAl: An innovative pilot for silicon production with a low environmental impact, using secondary aluminium and silicon raw materials
- Puraled: The use of high-pure secondary aluminium oxide to manufacture LEDs and electronic components
- Deskar30: The decarbonisation of the melting process in parallel with the development of new secondary aluminium alloys with a low footprint
- RESPLA: An alternative SPL recycling process, focused on the valorisation of its products
- Hylnheat: The demonstration of H_2/O_2 combustion in the aluminium remelting process
- Hydrogas: The recovery of main gases – H_2 and CH_4 – from the residue stream of salt slags valorisation, to be used as an alternative fuel



Risks & opportunities

Risk management at Befesa is a vital component of the overall management and control system.

BEFESA'S RISK MANAGEMENT SYSTEM

Introduction

Befesa considers the management of risk to be one of the key topics the organisation must deal with. A proper compliance system must be based on a detailed risk analysis. For this reason, Befesa has a risk management system (RMS) in place which allows managers to analyse, evaluate and manage the risks of the different aspects of Befesa's operations.

The purpose of Befesa's RMS is the identification and assessment of the major risks that affect or may affect the Company. The system also provides Befesa with a supporting tool in decision-making through the provision of strategies aimed at risk management and control. The RMS approach implies the following:

- The elaboration of a risk map;
- A definition of the current controls;
- The implementation and development of a "risk mindset";
- The implementation of action plans; and
- Regular future reviews and analyses.

Risk methodology

Befesa follows the ISO 31000 Risk Management Standard for carrying out a risk analysis. The rationale is that Befesa is the owner of the risks, so these must be identified, evaluated and controlled by Befesa itself.

The process is divided into two phases:

1. **Risk identification process:**
   The first step is the identification of the key personnel who need to be involved in the risk analysis.
   All the business segments are incorporated into the project, including top management, the directors of business segments, finance, legal, health and safety, HR, IT, investor relations, internal audit, compliance and the industrial plants. Each year, after interviews, workshops and a documentation analysis, a risk catalogue is identified.

2. **Risk assessment process:**
   After compiling the risk catalogue, the next step is the risk assessment. This assessment is carried out by people from different areas of the organisation included in the scope. They are provided with and trained on the risk assessment methodology and necessary indications.

Impact

Impact / Probability	Very low	Low	Medium	High	Very high
Very high	3	4	4	5	5
High	3	3	4	4	5
Medium	2	3	3	3	4
Low	2	2	2	3	4
Very low	1	1	2	2	3

Probability

To assess risks, it is necessary to establish scales that allow all risks to be assessed in a homogeneous manner.

The risk score (R) is computed as the Cartesian product of I (impact) x P (probability), as shown in the table.

The probability (P) describes the likelihood of occurrence or degree of verisimilitude of the risk (based on past experiences).

Impact (I):

- Financial impact
- Operational impact
- Legal impact
- Reputational impact

Global impact = maximum (financial, operational, legal, reputational)

Risk map

The final output of the risk analysis is a risk map, where all the financial and non-financial risks are incorporated. It is important to highlight the fact that all the individual risks are mitigated by control measures, which are individually listed on the risk map.

In addition to the operational risk map, Befesa has developed a human rights risk map, encompassing all the human rights outlined in the Universal Declaration of Human Rights. Each right is systematically analysed for its level of risk, mechanisms devised to prevent its violation and control measures established for the same purpose. Furthermore, Befesa is in the process of developing remediation procedures in case of non-compliance.

The five risk levels are: very low, low, medium, high or very high, depending on the assessment.

Risk monitoring

Befesa's RMS is a systematic mode of identification, assessment and treatment of risks. Therefore, it must not be understood to be a project carried out in a specific moment in time but as an exercise aimed at continuous improvement that requires updating on a regular basis.

The risk analysis and risk map are updated annually to include new risks (or to modify current ones) and new controls to mitigate risks.

In this sense, the risk map must as far as possibly reflect the reality of Befesa, and must help to adapt to changes that may influence the Company.

To guarantee proper monitoring of the risks, Befesa has an Internal Risk Committee (IRC). The IRC is the body within the Company that is in charge of the monitoring and review of the risks included in the risk map. The IRC is composed of the Executive Chair, the CEO, the CFO, the vice presidents of the business segments and the corporate directors.

The committee must ensure that:

- the actions and strategies proposed to mitigate risks are effective and efficient, both in design and execution;
- sufficient information is available to improve the assessment of existing risks, as well as to identify, analyse and assess new risks that should be considered; and
- the identification of new risks not previously detected has been carried out.

The risk analysis, risk map and mitigation actions are presented to the Audit Committee and Board of Directors of Befesa on an annual basis for their review.

Befesa's risk map includes financial and non-financial risks, the most relevant of which are described on the pages that follow.

FINANCIAL RISKS

Commodity prices

Befesa has appropriate risk and review routines and controls in place. An integral part of Befesa's risk management framework is to monitor and manage its risk that is related to commodity price fluctuations. Befesa may not be successful in obtaining long-term hedges for all volumes desired, and it is generally more difficult to successfully hedge larger volumes of zinc over longer periods of time. Consequently, Befesa's main risk management tool is its zinc hedging programme, which targets hedging one to three years forward at a volume level of 60% to 75% of Befesa's annual tonnage of zinc payable output.

The combined global hedge book in place as of the date of this Annual Report provides Befesa with improved pricing visibility up to July 2025.

In 2023, Befesa's zinc forward hedging price amounted to €2,417 per tonne on average, €38 per tonne higher YOY (2022: €2,379 per tonne). However, Befesa's hedging price in 2023 was on average lower compared to the zinc LME price, which averaged €2,450 per tonne in the year.

Risks & opportunities continued

Combined, the zinc effective price (blended rate between hedged volume and non-hedged volume) averaged €2,425 per tonne in 2023, down 8% YOY (2022: €2,627 per tonne). As of the date of publication of this Annual Report, Befesa's zinc forward hedging average prices will amount to approximately €2,500 or US$2,750 per tonne for 2024, and about €2,650 or US$2,900 per tonne for the first seven months of 2025. These forward hedging prices assume US dollar/euro exchange rates of 1.10 for 2024 and 2025.

Befesa does not provide any collateral for the contracted hedges and conducts its hedging programme with reputable hedging partners such as JP Morgan, Goldman Sachs, Citibank, Morgan Stanley, BNP Paribas and Macquarie.

Foreign exchange

Befesa's functional currency is the euro. However, Befesa has subsidiaries and operations in a number of jurisdictions, including Sweden, Turkey, South Korea, China and the US, where Befesa generates revenues in currencies other than the euro. In light of its growth plans, Befesa may operate in additional jurisdictions with currencies other than the euro.

Befesa has adequate review and risk management processes in place regarding the risk of foreign exchange rates. One of several tools Befesa uses is the hedging of zinc prices forward and transacting those hedges, primarily euro-based versus the LME prices being quoted in US dollars.

For 2023, Befesa had hedged 138,647 tonnes of zinc payable output (2022: 163,131 tonnes). This represents 64% (2022: 72%) of the zinc payable output sold by Befesa in 2023. Of the 138,647 tonnes hedged for 2023, 55% were in euro-denominated zinc forward hedges, 32% were in US dollar and the remaining 13% in Korean won. Further information on the hedging strategy is available in the "Strategy" section of this Annual Report (pages 32 to 37).

Capital structure

Befesa's debt was refinanced on 9 July 2019. This was primarily to extend its maturity to July 2026 at attractive rates. It was also to accommodate the planned expansion into, for example, China, through increasing the basket space of the so-called general and local loan baskets. Subsequently, on 17 February 2020, Befesa repriced its TLB covenant lite, lowering the reference interest rate from Euribor plus 250 bps to Euribor plus 200 bps.

In 2023, the margin applicable to the TLB remained stable at Euribor plus 200 bps from year-end 2022. The Euribor plus 200 bps interest rate could be reduced alongside certain leverage ratchets down to a margin of Euribor plus 125 bps for net leverage equal to or lower than x1.50.

The period of the variable to fix interest rate swaps was extended in 2020 up to the end of the TLB maturity, July 2026, on 60% of the €526 million TLB notional. This was to minimise the risk of a rapid increase in the interest rate of the three months Euribor "0" floor.

Nevertheless, Befesa could face potential liquidity risks if the demand for its services and products decreases significantly, as this would reduce the cash in operating activities and could deplete current cash resources. This could lead to insufficient funds to meet future cash needs.

In 2021, Befesa raised €100 million through an extension of its TLB. The proceeds were used, alongside the €329 million proceeds raised through an accelerated equity offering, to finance the acquisition of AZR's recycling assets, general corporate purposes and to pay transaction fees and expenses in relation to the AZR acquisition. As a result, the extended TLB notional amounts to €626 million, maturing in July 2026.

As of 31 December 2023, based on the €626 million extended TLB notional, the portion swapped from variable to fix interest rates forward up to the end of the TLB maturity amounts to 50%.

A €75.0 million Revolving Credit Facility (RCF) is part of the capital structure and continued to be fully undrawn at year-end 2023 as Befesa had €106.7 million cash on hand.

A general economic downturn or crisis could also affect Befesa's suppliers and customers. This could adversely tighten or lengthen the payment terms in place with Befesa.

Interest rates

Any increase in interest rates would increase Befesa's finance costs relating to its variable rate indebtedness and increase the costs of refinancing its existing indebtedness and issuing new debt. Befesa reviews the interest rate risk on a regular basis. With 50% of the €626 million extended TLB notional swapped from variable to fix interest rates forward up to the end of the TLB maturity, there is no material interest rate risk that could affect Befesa's business until the end of the TLB maturity: July 2026.

Financial controls & reporting

Befesa's internal control system, financial reviews and reporting are key components of the risk management framework.

The purpose of the internal control and accounting system is to ensure that all transactions are adequately accounted for and that the financial reports present Befesa's financial status fairly. The internal control system ensures compliance with legal regulations and that accounting follows statutory standards and IFRS. A defined calendar ensures that financial reports and statements are produced in a timely manner. Regular reviews at both the Group level and segment level ensure that potential errors are detected and promptly corrected.

The reviews of the Board of Directors and the Audit Committee occur regularly and form part of the control framework. The accounting team monitors changes to the accounting standards, and advisors from external, specialised parties notify Befesa of changes and complex accounting matters to avoid misstatements.

Befesa's consolidated and selected subsegments and single entities' financials are subject to external audits. These audits form a key part of the risk management framework as an independent review of Befesa's internal control system, financial controls and reporting. Befesa strives to continuously improve its risk management and internal control systems. The main risks with a potential material influence are further detailed in Note 4 of the "Consolidated financial statements" section of this Annual Report.

NON-FINANCIAL RISKS

Industry & business risks

Befesa is exposed to risks and opportunities related to the level of activity of the global economy – in particular, the level of economic activity in the jurisdictions of the markets Befesa serves in Europe, Asia and the US.

The business is dependent on the availability of the materials the services relate to and which Befesa recycles – in particular, steel dust in the Steel Dust Recycling Services segment, and salt slags and aluminium residues in the Aluminium Salt Slags Recycling Services segment.

In periods of slowing economic growth or in recessionary cycles, the industrial recycling industry is affected, resulting in a reduction in the demand for Befesa's services and products. One important initiative to address global economic headwinds has been to expand Befesa's operations in emerging markets such as South Korea, South-East Asia, Turkey and, most recently, China, in addition to certain mature and developed markets where Befesa was not present (e.g. the US).

Nevertheless, the global economy may be affected by macroeconomic events, such as pandemics, global shortages of necessary products and the Russia-Ukraine War.

Zinc smelters are significant consumers of the WOX that Befesa produces in the Steel Dust Recycling Services segment. These smelters typically experience a variation in demand for their products as a result of a change in the level of activity in the automotive and construction industries, among others.

For the Aluminium Salt Slags Recycling Services segment, most of the salt slags and aluminium residues are received from companies operating in the automotive and construction industries in Europe. Because of this, the demand for and pricing of Befesa's services and products is to a degree dependent on the developments in the automotive and construction industries.

Environmental risks

Owing to its business activity, Befesa must comply with governmental regulations. These include, but are not limited to, increasingly stringent environmental laws and regulations in most jurisdictions where Befesa operates.

These laws and regulations require permits and authorisations to be obtained as they relate to Befesa's business. Certain procedures need to be followed, such as the completion and delivery of manifests and other paperwork for the shipment of hazardous wastes and other materials. This is so that the movement and management of hazardous residues are properly documented in terms of the location of generation and final disposition.

Generally, Befesa could be held liable for mismanaging hazardous residues from the moment Befesa becomes contractually responsible for its management from customers' facilities. Liability can extend to the point of departure from customers' facilities, depending on Befesa's contractual obligations.

In addition, the contravention of environmental laws and regulations could result in fines and penalties on account of anyone found to be responsible for the release of hazardous substances into the environment (entering the soil, surface water, groundwater or atmosphere). This liability may be assigned by government agencies to entities owning the hazardous waste and others responsible for its management.

In addition to regulations dealing with the management of hazardous waste, Befesa is also required to comply with regulations dealing with air emissions, water discharge and the management of hazardous materials and chemicals.

A summary of potential environmental impacts related to Befesa's operations, process monitoring and control measures implemented by the Company are described in the following paragraphs.

a. Air emissions

Befesa closely monitors the air emissions from its operations and the performance of controls established to meet regulatory thresholds. Industry practices employing BAT for operations and emission controls are implemented to ensure that process emissions remain at acceptable levels.

During the last few years, Befesa has implemented measures to ensure that operations at its facilities comply with the regulations of the Industrial Emissions Directive (IED). As part of this initiative, Befesa has developed a management system that is certified under the ISO 14001 standards and EMAS, to ensure compliance with applicable regulations and to renew Befesa's commitment to continuous improvement in its operations.

b. Soil, storm water and groundwater protection

Befesa's plants are designed to ensure materials are kept from being placed on the land surface to the greatest extent possible.

Risks & opportunities continued

Operational areas are established with concrete and paved surfaces for material transfer and other areas of high use. In addition, rainwater collection, control systems and other engineered facilities and practices are in place to protect hazardous process materials from potentially being transported and deposited on the soil surface and entering storm water. Groundwater monitoring is provided where required according to regulations.

c. Water conservation
By reference, the most sustainable approaches and technologies demonstrating the stewardship of water consumption and the processing of effluent discharge are used at Befesa's facilities, including the Steel Dust Recycling Services and Salt Slags Recycling Services facilities.

These facilities operate under a zero-discharge policy.

Most of Befesa's plants have been designed with the capability of recycling 100% of the effluent water that is produced. Effluent water is used in the recycling process. This is done in an effort to reduce water consumption while minimising the potential for the discharge of entrained metals to off-site surface waters.

In addition to minimising the use of this valuable resource, Befesa's water conservation efforts aim to provide economic dividends resulting from reduced operating costs for purchased water resources, eliminating the need for water treatment prior to discharge. In addition, entrained metal values are recovered for valuable use, as opposed to being discharged into the environment.

Befesa uses water consumption as a KPI to highlight enterprise conservation efforts. Each site contributes information for KPI tracking. Trends are monitored and analysed, and practices aligned to minimise consumption values.

d. Residue reduction
Befesa is an environmental recycling services provider that plays a critical role in the circular economy. This it does by conserving valuable mineral resources and reducing potential environmental impacts and risks for the steel and aluminium industries.

Befesa's inherent business of recycling hazardous residues from metal-processing businesses prevents the disposal of valuable minerals in landfills, while allowing the reuse of the valuable materials reclaimed.

KPIs are maintained for tracking hazardous and non-hazardous residues produced from Befesa's operations, and the volumes that are disposed of or recycled. Each site contributes information for KPI tracking. Trends are monitored and analysed, and practices aligned to minimise residues generated and disposed of.

e. Carbon emissions
Befesa's business is to reclaim valuable metals from hazardous residues produced by the metals industry and to provide valuable feedstocks to bulk metal production businesses. Carbon emissions are generated through the processes used by Befesa in metal recycling operations. This occurs from the use of carbon-reductant sources, including coke, coal and fossil fuels.

Regulations are rapidly being promulgated on a regional and global scale to limit carbon emissions, which causes risk in business operations going forward. Opportunities to improve operational efficiency and reduce carbon emissions are currently being evaluated. Certain measures have already been implemented to minimise carbon emissions and to shrink Befesa's overall carbon footprint in a cost-effective manner.

Indirect services and utilities supplied to Befesa's operating sites are tracked and recorded, including the source of electricity and its production from fossil fuels or renewable resources. Sources of energy supply and its production will indirectly affect Befesa's carbon footprint, while potentially affecting the overall cost of operations and Befesa's overall profitability.

As of 31 December 2023, all the Befesa sites except for the US zinc-refining and Chinese plants are ISO 14001 certified, and 65% of the Befesa sites are ISO 50001 certified. A total of 70% are ISO 14064 certified and 70% are also certified according to ISO 45001. Through these management systems and other internal protocols, Befesa monitors its carbon emissions and reports annually on a Company-wide basis. In addition, Befesa reports the Kyoto Protocol Scope 1 and Scope 2 emissions and, since 2022, also the Scope 3 emissions.

To minimise carbon emissions, Befesa applies BAT and looks for improvement opportunities as part of its operational excellence programme. Through this programme, specific opportunities are identified and evaluated for future implementation, with a view to reducing carbon emissions and energy consumption. Certain projects have already been implemented to achieve these objectives, namely the replacement of aluminium melting furnaces with units that have lower emissions.

Carbon emissions are monitored and compiled using the ISO 14064 management system. This is reported to stakeholders after being validated by an independent third-party organisation.

In 2022, Befesa defined a plan to reduce by 20% its CO_2 emission intensity by 2030, with the aim of achieving net zero by 2050. The plan was part of the Befesa ESG Report 2021. Befesa is executing this plan and will provide the latest progress as part of the Befesa ESG Report 2023, scheduled for June 2024.

Health & safety risks

Daily operations at Befesa's plants by employees may cause injuries to employees and/or contractors, particularly from the potential occurrence of events or circumstances. These could include being exposed to chemical agents; becoming trapped between objects/in moving parts; the risk of being run over in a plant (by a vehicle); incidents with subcontracted companies/personnel; exposure to high temperatures; damage as a result of thermal injury; exposure to excessive noise; entering confined spaces; the threat of explosion; electrical injury; and operators becoming trapped because of machinery overturning. To manage these risks, Befesa has a wide variety of controls in place, following the approved H&S policy and corporate safety standards.

Controls include the "Be Safe at Befesa" programme; the ISO 45001 management system; the Life-Saving Rules; an annual budget with investments to implement safety measures; inspections, audits and safety observations; internal training and communication (H&S monthly safety reports); accident investigations/learning lessons; corporate safety standards, plant-level safety standards and work instructions; risk evaluations of all works including periodical revision; procedures and communications with contractors; permanent attention from management; and life and accident insurance.

IT risks

In an era dominated by technological advancements, the industry faces a myriad IT risks that demand vigilant attention. At the forefront of these challenges lies the omnipresent threat of cybercrime, casting a shadow over the seamless continuity of operations. Recent statistics underscore the severity of the issue, with global losses due to cybercrime soaring to unprecedented levels. The industrial sector witnesses a substantial share of these losses, further emphasising the imperative for robust cybersecurity measures.

The World Economic Forum estimates that annual global losses as a result of cybercrime exceed $1 trillion, with the industrial sector consistently ranking among the most affected. This alarming figure highlights the urgent need for enterprises like Befesa to fortify its digital defences. Notably, unplanned downtime resulting from cyber incidents poses a significant risk to industrial facilities. The sector witnesses a staggering number of cyber incidents annually, leading to unforeseen disruptions. Befesa acknowledges the criticality of addressing this challenge head on to ensure the resilience of its operations against the evolving landscape of cyber threats.

To safeguard against these risks, Befesa has implemented a comprehensive cybersecurity framework guided by our Cybersecurity Master Plan. This strategic roadmap encompasses key activities and projects to fortify Befesa's digital infrastructure. Regular cybersecurity audits and assessments are conducted to identify vulnerabilities and to enhance the overall security posture. Both internal and external penetration tests, facilitated by impartial third parties, serve as proactive measures to identify and address potential weaknesses.

An integral component of Befesa's cybersecurity strategy is its workforce's continuous education and awareness-building. The Company has instituted an annual cybersecurity training programme that equips all IT users with the knowledge and skills needed to navigate the evolving cybersecurity landscape. This proactive approach underscores Befesa's commitment to cultivating a cybersecurity-conscious culture, where each employee becomes a frontline defender against potential threats.

In addition to these initiatives, Befesa prioritises staying abreast of emerging cybersecurity trends and technologies. This proactive stance enables Befesa to swiftly adapt and implement cutting-edge solutions to counteract evolving cyber threats. The ongoing dedication to cybersecurity, coupled with a robust framework and proactive measures, positions Befesa as a resilient and secure entity in the face of IT risks.

As we navigate the digital frontier, Befesa remains steadfast in its commitment to mitigating IT risks and ensuring the sustainable and secure operations of Befesa's recycling facilities globally. Through ongoing investment in cybersecurity measures and fostering a culture of awareness, Befesa is well positioned to tackle the challenges of the digital age, ensuring the continued success and stability of the Company on a global scale.

Subsequent events & outlook

SUBSEQUENT EVENTS

There are no events between the financial statement date (31 December 2023) and the date of the presentation of the accounts (20 March 2024) that would materially affect the Group's assets or the Group's financial and/or earnings position.

OUTLOOK

Befesa expects solid earnings growth for 2024, primarily driven by a reversion of many of the pressures that the Company faced in 2023 as well as expected operational improvement in new markets like China and the US.

As in previous years, detailed guidance will be provided in the presentation of Q1 2024 results, once the zinc TC has been settled for the full 2024 year, around April 2024.

Coke prices, which have been a strong headwind for Befesa over the last two years with sharp price increases, are decreasing to more normalised levels in Europe and the trend in the US goes in the right direction, which should deliver earnings growth in 2024. Befesa expects a reduction in overall coke prices between 20% and 30% for the Group.

Regarding the zinc TC, the high TC for 2023 of $274 per tonne of zinc was close to all-time high levels. Befesa believes that the zinc TC should decrease significantly in 2024, especially in a weak zinc price environment like the one seen in the first two months of 2024.

As a reminder, every US$10 per tonne of change in the zinc TC has an impact of around €2-€3 million on EBITDA.

The zinc price hedging level is higher in 2024 compared to that in 2023. This will positively contribute to and deliver around €12 million of incremental earnings.

In the US, Befesa expects to continue capturing the operational synergies in the recycling plants during 2024 and deliver incremental earnings.

In China, Befesa expects in 2024 to achieve a better performance of the plants compared to 2023. Although the Company does not expect a recovery in the overall Chinese economy, especially in the real estate sector, Befesa expects to increase the capacity utilisation of the two plants that are operating today in the provinces of Jiangsu and Henan, driven by expanding the customer base to other adjacent provinces.

In the Aluminium Salt Slags Recycling business, Befesa expects to continue achieving similar levels of earnings and profitability than in the last three years, despite the automotive industry continuing to face a challenging situation in Europe and the volatility expected in the energy prices in Europe.

The main headwind the Company expects in 2024 comes from salaries inflation, driven by significant increases in Europe and the US.

Regarding zinc prices, Befesa sees a solid floor at the current levels of around $2,300. This is supported by the C90 cost curve, which represents the marginal cost of the producer. However, to see an increase in the zinc price level, an improvement in the overall macroeconomic situation, where China plays a relevant role, is required.

In summary, and considering all factors described above, Befesa expects double-digit growth for 2024. Befesa will provide more precise guidance for 2024 during the Q1 2024 results presentation.

Regarding the mid-term outlook, Befesa remains very optimistic.

Befesa has a well-defined five-year plan that is based on strong market fundamentals such as the decarbonisation megatrend. Decarbonisation will drive EAF steel production in the key markets where Befesa operates. This will make steel dust production grow in the coming years.

Similarly, the EV trend will drive the demand for aluminium in Europe and the US in the coming years as the automotive industry looks for lightweight solutions.

The growth plan of Befesa is well diversified across regions and markets, which provides the flexibility to move in different speeds depending on the developments in each market.

In the current challenging macroeconomic environment, the Company is cautious about the capital expenditures, and Befesa is adapting the capex to the dynamics seen in the market.

Corporate governance

The Board of Directors is the corporate body in charge of the management of Befesa, S.A., supervising and controlling the activity of the Company and focusing on its strategic direction.

The Board of Directors acts in the corporate interests of the Company and serves the common interests of all shareholders by ensuring the implementation of its strategy. The Board of Directors also ensures the monitoring of the business activities of its affiliates. The Board of Directors is vested with the broadest powers to act in the name of Befesa, S.A. and to take any action deemed necessary or useful to accomplish its corporate purpose, with the exception of the powers reserved to the General Meeting by the Luxembourg law on commercial companies of 10 August 1915, as amended (the "Luxembourg Companies Law") and by the Articles of Association.

The Board of Directors has appointed an Audit Committee, a Nomination and Remuneration Committee and a Sustainability Committee to deal with specific purposes. These committees advise the Board of Directors and make recommendations to the Board and/or, as the case may be, to the General Meeting (as defined later on).

The members of the Board of Directors are as follows:

1. Javier Molina Montes

Executive Director,
Executive Chair

Mr Molina has been the Executive Chair of Befesa since July 2022. He has managed Befesa from 2000, when he was appointed as Chairman and Chief Executive Officer of Befesa Medio Ambiente. Mr Molina joined Abengoa in 1994 and later became Chief Executive Officer of Abengoa Servicios Urbanos (Abensur). From 1989 to 1993, he was general director of Tecsa and, prior to that, from 1983 to 1988, was an investment banker at Banco de Progreso. Mr Molina holds a master's degree in law, and management and business (ICADE, E3) from Universidad Pontificia Comillas, Madrid, Spain.

2. Asier Zarraonandia Ayo

Executive Director,
Chief Executive Officer

Mr Zarraonandia has been the CEO of Befesa since July 2022. He was previously the Vice President of Befesa's Steel Dust Recycling Services business unit (from 2006). Mr Zarraonandia joined Befesa in 2001 and was the CFO of the Aluminium Salt Slags Recycling Services business unit from 2001 to 2004 and the financial controller of the Abengoa Group from 2004 to 2006. Before joining Befesa, he was a senior audit manager and consultant for Arthur Andersen, where he worked for 10 years, specialising in mergers and acquisitions in the industrial sector. He holds a bachelor's degree in economics from the University of the Basque Country, Bilbao, Spain. He currently serves as a board member of the Canadian company Global Atomic Corporation.

3. Frauke Heistermann

Independent Director

In 1999, Mrs Heistermann founded AXIT AG, a digital service platform managing global supply chains, which was sold to Siemens in 2015. Mrs Heistermann served as Chief Digitalisation Officer at Siemens Postal, Parcel & Airport Logistics GmbH in 2017. Prior to her management career, Mrs Heistermann worked as a consultant and product manager. She serves as director of AXIT.capital, a company that supports start-ups in the area of digitalisation. She is currently Chairwoman of the Council of Technology of the Federal State of Rhineland Palatinate and a member of the Supervisory Board of STREEM Group. She holds a diploma in logistics and business administration (DiplomBetriebswirtin) from the Cooperative State University, Mannheim, Germany.

4. Georg Graf Waldersee

Lead Independent Director,
Chair of the Audit Committee

Mr Waldersee is a German-certified accountant (Wirtschaftsprüfer). For more than 25 years, he was a partner at Arthur Andersen and Ernst & Young (EY), where he served in senior management positions in the EMEIA – and global – management teams of both organisations. From his retirement from EY in 2016 he has been serving on supervisory boards or as a non-executive director in various companies or major non-profit organisations. He is currently the Chairman of the Supervisory Board of EY, irtschaftsprüfungsgesellschaft, Germany. Mr Waldersee studied economics at the University of Bonn and holds a degree in business administration from the University of Hamburg, Germany.

5. Helmut Wieser

Independent Director,
Chair of the Nomination & Remuneration Committee

Mr Wieser was CEO at AMAG Austria Metall AG. Previously he served as Group President for Global Rolling at Alcoa Inc., was a member of the Executive Board at AMAG Austria Metall AG and held several management positions at VoestAlpine Industrieanlagenbau. He is a member of the Supervisory Boards of Höldmayr International AG and Benteler AG. He is also a member of the Advisory Council of TTTech Industrial Automation AG. Mr Wieser graduated as Dipl.-Ing. in mechanical engineering and economics from Graz University of Technology, Austria.

6. Natalia Latorre Arranz

Independent Director

Mrs Latorre is General Manager for Energy Transition of Enagás, S.A., responsible for the Strategy, Sustainability, Regulations and Hydrogen Infraestructure. Previously, she was Chairwoman of the Board of Directors of Shell España S.A., responsible for gas and power, renewable generation and environmental products businesses. She worked for more than 20 years in Shell in different roles at European level. She has strong experience in the ESG field, including energy transition and the transformation of companies pursuing opportunities in this field. Mrs. Latorre is Advisory Board Member at Marsi Bionics S.L. In addition, she is a member of the Strategy Advisory Board of "Programa Mujer e Ingeniería" in the Spanish Royal Academy and Vicepresident of the Spanish Gas Association. Mrs Latorre holds a degree in industrial engineering from Universidad Politécnica de Madrid, Spain. In 2021, Forbes included Mrs Latorre in the list of "35 Best Female CEOs in Spain".

7. José Domínguez Abascal

Independent Director,
Chair of the Sustainability Committee

Dr Domínguez is Chairman of Envision Group Spain and structural mechanics professor at Universidad de Sevilla, Spain. In 2018, Dr Domínguez was appointed Secretary of State for Energy in the government of Spain (2018–2020). He served as Board Member of OMEL (2010–2015), OMIP (2010–2015) and SEPI (2018–2020). Before that, Dr Domínguez was Chief Technology Officer of Abengoa (2008–2015), where he was in charge of the technology development of the company. Dr Domínguez has extensive technological research experience in the international renewable energy field, where he led innovative industrial projects that are successfully working today. Dr Domínguez holds a PhD in industrial engineering from Universidad de Sevilla, Spain. He was also a Research Associate at the Massachusetts Institute of Technology (MIT), with a postdoctoral Fulbright grant. He is the author of more than 200 research papers in leading scientific journals and two books published by international publishers. He is a Fellow of the American Society of Civil Engineers and Member of the Real Academia de Ingeniería of Spain. He received the National Engineering Research Award (Spain) in 2004 and is Doctor Honoris Causa by the Universidad de Granada (Spain) in 2018.

8. Soledad Luca de Tena

Independent Director

Mrs Luca de Tena started her professional career as Finance Analyst working for Midland Bank Plc. She moved to work based in New York as Client Executive while working for Banco Central. Mrs Luca de Tena later worked as Deputy CEO for the Banco Hispano do Investimento in Lisbon. She has served as Proprietary Board Member first of Prensa Española and later for Vocento. She started her governance support already in 1998. In Vocento, one of the largest media groups in Spain, she has served since 2002 in several board committees, ranging from the executive to the nominations and remunerations, audit, and compliance, and has chaired this one. In addition, Mrs Luca de Tena is the Vice Chair of the mutual insurance company Asepeyo and serves on the board of several non-profit organisations. She holds a master's and a degree in economics, from Universidad Autónoma de Madrid, Spain.

9. Birke Fuchs

Board Secretary

Mrs Fuchs is the Board Secretary and the Group's General Counsel. She joined Befesa in 2007. She is a German-qualified lawyer and holds a degree in law from the University of Trier, Germany, and a master of laws degree from Tulane Law School, US. Mrs Fuchs successfully completed the programme for management development at ESADE Business School, Spain.

Corporate governance continued

The Board of Directors of Befesa, S.A. is firmly committed to the principles of transparent, responsible and value-based management and supervision. The standards of good corporate governance are a high priority at Befesa and forms the basis of all its activities.

Executive Directors

Name	Position	Nationality	Year of birth	First appointment	Renewal	End of term
Javier Molina Montes	Executive Chair	Spanish	1959	18/10/2017	16/06/2022	AGM to be held in 2026 approving the annual accounts for the financial year ending on 31/12/2025
Asier Zarraonandia Ayo	CEO	Spanish	1967	24/07/2019 (co-optation)	16/06/2022	

Independent Directors

Name	Position	Nationality	Year of birth	First appointment	Renewal	End of term
Frauke Heistermann	Independent Director	German	1971	18/10/2017	16/06/2022	AGM to be held in 2026 approving the annual accounts for the financial year ending on 31/12/2025
Georg Graf Waldersee	Lead Independent Director, Chair of the Audit Committee	German	1955	18/10/2017	16/06/2022	
Helmut Wieser	Independent Director, Chair of the Nomination and Remuneration Committee	Austrian	1953	24/07/2019 (co-optation)	16/06/2022	
Natalia Latorre Arranz	Independent Director	Spanish	1975	16/06/2022	N/A	
Dr José Domínguez Abascal	Independent Director, Chair of the Sustainability Committee	Spanish	1953	16/06/2022	N/A	
Soledad Luca de Tena	Independent Director	Spanish	1961	25/10/2023 (co-optation)	N/A	

As a Luxembourg *société anonyme* – whose shares are exclusively listed on a regulated market in Germany – Befesa, S.A. is not required to adhere to the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange (the "LuxSE").

This is applicable to companies that are listed and admitted to trading on the regulated market of the LuxSE, or to the German corporate governance regime that is applicable to stock corporations organised under German law. In light of the aforementioned legal framework, Befesa has developed its own corporate governance rules based on the recommendations of the German Corporate Governance Code, but with the necessary modifications required by the one-tier Board structure, the Articles of Association of Befesa, S.A. and the Luxembourg Companies Law. Befesa's corporate governance system is continuously reviewed by the Board of Directors and updated to incorporate new best practices in corporate governance.

Befesa places a strong emphasis on:

i. a skilled and balanced composition of the Board of Directors with a majority of Independent Directors;

ii. acting in the best interests of all of the Company's shareholders, including minority shareholders;

iii. internal control and reporting, with emphasis on effective risk management;

iv. a CMS that ensures strict compliance with applicable laws and regulations, enhancing business integrity;

v. the promotion of social responsibility and ethical values in all of Befesa's areas of activity; and

vi. commitment to sustainability and corporate social responsibility.

Befesa is committed to adhering to good corporate governance practices that provide for the necessary decision-making processes and controls to balance the interests of all stakeholders, which ultimately ensures the long-term success of Befesa.

The main corporate bodies are the Board of Directors and the General Meeting of shareholders. Befesa currently has a majority of Independent Directors on the Board of Directors. All the members of the Audit Committee, the Nomination and Remuneration Committee and the Sustainability Committee are independent.

To enhance transparency regarding executive compensation, Befesa discloses the compensation of each member of the Board of Directors on an individual basis, with respect to the compensation received in 2023. Befesa ensures that its shareholders can exercise their rights before or during the General Meeting, as provided for by Luxembourg Companies Law and Befesa's Articles of Association, thus exercising their voting rights. Details of the above-mentioned items can be found below.

REQUIRED SKILLS, EXPERIENCE & BACKGROUND

All proposals for the members of the Board of Directors of Befesa, S.A. are made on the basis of individual merit. All directors need to have the required balance of skills, qualifications, background, experience, diversity – including gender – and the ability to adequately perform the duties of the Board of Directors.

The selection and nomination process of new directors generally takes into account the following criteria:

- The alignment of skills with Befesa's strategic direction
- Value added to the current composition of the Board
- The cultural fit with the Board of Directors
- The time it will take to become an effective contributor
- Succession planning

Befesa is always looking for experienced professionals with relevant industry background, strategic and problem-solving skills, with strong interpersonal and negotiation skills.

In addition, the representation of a mix of cultural and educational backgrounds offers a wide variety of perspectives on Company issues. Naturally, women as well as men can be members of the Board of Directors. For Befesa, diversity means combining different genders, experiences, nationalities and backgrounds in the Board of Directors. This approach is explicitly stated in Befesa's HR and equality policy.

Different skills are a foundation to create an effective and valued Board of Directors. Befesa ensures that the members of each Board committee have the relevant skills based on their experience, which is also reflected in their curriculum vitae.

COMPOSITION

Befesa's Board of Directors has the size and structure necessary to promote efficient operations and to maximise participation, in accordance with Befesa's share capital structure. Befesa also emphasises the importance of corporate governance, with a high standard of transparency implemented by the Board of Directors.

According to the Articles of Association, the Board of Befesa, S.A. must have a minimum of five directors, whose term of office may not exceed six years.

Each director is appointed by the General Meeting, is eligible for reappointment and may be removed at any time, with or without cause, by a resolution of the General Meeting. In the event of a vacancy on the Board of Directors, the remaining directors may elect by co-optation a new director to fill the vacancy until the next General Meeting, which shall ratify such co-optation or elect a new director instead.

Experience, skills & focus

	Javier Molina Montes	Asier Zarraonandia Ayo	Frauke Heistermann	Georg Graf Waldersee	Helmut Wieser	Natalia Latorre Arranz	Dr José Domínguez Abascal	Soledad Luca de Tena
Position	Executive Chair	CEO	Independent Director	Lead Independent Director, Chair of the Audit Committee	Chair of the Nomination and Remuneration Committee	Independent Director	Chair of the Sustainability Committee	Independent Director
Nationality								
Year of birth	1959	1967	1971	1955	1953	1975	1953	1961
Industrial operations	✓	✓	✓		✓	✓	✓	
Risk management, finance, audit		✓		✓				✓
Environmental, health & safety	✓	✓			✓	✓	✓	
Business strategy	✓	✓	✓	✓	✓	✓	✓	✓
Ethics & governance	✓	✓	✓	✓	✓	✓	✓	✓

The Board of Directors of Befesa, S.A. is currently composed of eight members: two Executive Directors and six non-executive Independent Directors. Therefore, Befesa's Board of Directors is formed with a majority of six Independent Directors out of a total of eight directors.

The Board of Directors shall appoint from among its members a chairperson (the "Chair"). In the event that an Executive Director is elected as Chair, the Chair shall have the status of Executive Chair of the Company. Therefore, there will be a Lead Independent Director of the Company as long as the Chair of the Board of Directors is not an Independent Director.

The Independent Directors shall choose from among the Independent Directors the Lead Independent Director. As mentioned above, all directors have been selected based on the criteria of complementarity, balance, diversity of knowledge, professional experience and nationality.

MEETINGS

The Board of Directors holds meetings in person or by tele/videoconference and may adopt decisions by written circulation. The quorum for a valid meeting of the Board of Directors is the presence or the representation of at least half of the directors. Abstention and nil votes will not be considered for the purposes of the approval of resolutions. The Executive Chair or the Chair of the Board of Directors does not have a casting vote in case of a voting tie.

The Board of Directors met on seven occasions in 2023, with an attendance rate of 100%.

COMMITTEES

To strengthen Befesa's corporate governance, the Board of Directors has set up the following three committees, each of which are responsible for examining and monitoring areas of particular importance:

- Audit Committee
- Nomination and Remuneration Committee
- Sustainability Committee

Each committee shall meet as often as necessary, but at least twice a year. During 2023, the Audit Committee met on four occasions, whereas the Nomination and Remuneration met on five occasions and the Sustainability Committee met on two occasions. All committees had a 100% attendance rate, with the exception of the Sustainability Committee which had an 87.5% attendance rate.

i. Audit Committee

The Audit Committee consists of Georg Graf Waldersee (chair), Frauke Heistermann and Natalia Latorre Arranz. All members are independent.

This committee is responsible for:

- evaluating and monitoring all material questions concerning financial statements, accounting processes and policies of Befesa and its subsidiaries;
- overseeing Befesa's internal control and internal audit system;
- overseeing the procedure for the selection of the statutory auditor and supervision of its work; and
- supervising the RMS and the CMS.

ii. Nomination and Remuneration Committee

Helmut Wieser (chair), Dr José Domínguez Abascal and Soledad Luca de Tena are the members of this committee, all of whom are independent. Soledad Luca de Tena was appointed as a member of this committee from the first quarter of 2024.

The Nomination and Remuneration Committee ensures that the directors have the necessary knowledge, experience, abilities and professional background to fulfil their responsibilities. This enables the Board of Directors as a whole to have an appropriate balance in its composition and adequate knowledge of Befesa and its environment, activities, strategy and risks, contributing to a better performance of its functions. In addition, the committee is responsible for:

- implementing HR-related policies;
- making recommendations to the Board of Directors on the terms of appointment and the long- and short-term benefits of Executive Directors; and
- making recommendations on bonus payments to be paid to employees.

The Nomination and Remuneration Committee is responsible for the implementation of policies, appointments and dismissal of the daily managers of Befesa, S.A., and for proposing to the General Meeting of shareholders suitable candidates for their recommendation to be appointed as members of the Board of Directors.

iii. Sustainability Committee

The Sustainability Committee is comprised exclusively of independent members: Dr José Domínguez Abascal (chair), Frauke Heistermann, Natalia Latorre Arranz and Helmut Wieser.

The Sustainability Committee is responsible for overseeing all matters of the Company and its subsidiaries related to environmental sustainability, with a priority on emissions reduction and energy-saving targets and plans, together with related recommendations to be made to the Board.

The Sustainability Committee is responsible for:

- reviewing and monitoring the Company's environmental sustainability strategy and its implementation as well as the Company's environmental sustainability policies, standards and guidelines;
- reviewing and monitoring the Company's environmental sustainability achievements in accordance with the targets and guidelines of the Company; and
- supporting and providing guidance to the Board of Directors in developing and updating the Company's policies and procedures relating to environmental sustainability.

Overview of the member participation of the Board of Directors and committee meetings during 2023

Board of Directors	Presence	100%
Javier Molina Montes	7 / 7	✓
Asier Zarraonandia Ayo	7 / 7	✓
Wolf Uwe Lehmann	3 / 3	✓
Romeo Kreinberg	2 / 2	✓
Frauke Heistermann	7 / 7	✓
Georg Graf Waldersee	7 / 7	✓
Helmut Wieser	7 / 7	✓
Natalia Latorre Arranz	7 / 7	✓
Dr José Domínguez Abascal	7 / 7	✓
Soledad Luca de Tena	1 / 1	✓

Audit Committee	Presence	100%
Georg Graf Waldersee	4 / 4	✓
Frauke Heistermann	4 / 4	✓
Natalia Latorre Arranz	4 / 4	✓

Nomination & Remuneration Committee	Presence	100%
Romeo Kreinberg	2 / 2	✓
Helmut Wieser	5 / 5	✓
Dr José Domínguez Abascal	5 / 5	✓

Sustainability Committee	Presence	87.5%
Dr José Domínguez Abascal	2 / 2	✓
Frauke Heistermann	2 / 2	✓
Natalia Latorre Arranz	2 / 2	✓
Helmut Wieser	1 / 2	✓

Shareholders

GENERAL MEETINGS

All General Meetings of shareholders (the "General Meeting") are held in the Grand Duchy of Luxembourg at the address of the registered office of Befesa, S.A. or at such other place in the Grand Duchy of Luxembourg specified in the convening notice of the meeting. It may be held abroad, if, in the judgement of the Board of Directors, circumstances *force majeure* so require.

The convening notice (including the agenda) to the General Meeting, the reports and any other documents required for the meeting are published in the subsection "General Meeting", included under the investors section of Befesa's website, in the *Recueil Electronique des Sociétés et Associations* and in a Luxembourg newspaper at least 30 days before the day of the meeting, in accordance with the Articles of Association and Luxembourg law.

The Annual General Meeting ("AGM") is held once a year within six months of the end of the preceding financial year, in accordance with the Articles of Association and Luxembourg law.

The Board of Directors of Befesa, S.A. is responsible for presenting the consolidated financial statements and the annual accounts at the AGM. The approval of the consolidated annual financial statements and of the individual accounts of Befesa, S.A., the allocation of results, the determination of the dividend, the appointment of the independent auditor and the discharge of the members of the Board of Directors are, among others, some of the resolutions adopted at the AGM.

The Board of Directors may convene General Meetings (in addition to the AGM) and it must do so if shareholders representing at least ten per cent (10%) of the share capital of Befesa, S.A. so require, in accordance with the Articles of Association and Luxembourg law.

The shareholders of Befesa, S.A. exercise their voting rights at the AGM (or at any other General Meeting validly convened). Each share entitles the holder to attend all General Meetings, either in person or by proxy, to address the General Meeting and to exercise their voting rights. Each share entitles the holder to one vote.

Befesa, S.A. ensures equal treatment of all shareholders. There is no minimum shareholding required to be able to attend or to vote at a General Meeting. In addition, the right of any shareholder to participate in any General Meeting and to exercise the voting rights attached to their shares is determined according to the shares held by the shareholder at the end of the 14th day prior to the General Meeting.

Shareholders holding – individually or collectively – at least five per cent (5%) of the issued share capital of Befesa, S.A. have the right to (i) put items on the agenda of the General Meeting, and to (ii) present drafted resolutions for items included or items to be added to the agenda of the General Meeting. A relevant request must be received by Befesa, S.A. by the 22nd day prior to the General Meeting.

ORDINARY & EXTRAORDINARY RESOLUTIONS

Luxembourg law distinguishes between ordinary resolutions and extraordinary resolutions. Extraordinary resolutions relate to proposed amendments to the Articles of Association and certain other limited matters. All other resolutions are, as a general rule, ordinary resolutions.

Extraordinary resolutions are generally required for any of the following matters, among others:

- An increase or decrease of the authorised or issued capital
- A limitation or exclusion of pre-emptive rights
- The approval of a statutory merger or demerger (scission) or certain other restructurings
- The dissolution of Befesa
- An amendment to the Articles of Association

For any extraordinary resolution to be considered at a General Meeting, the quorum must be at least fifty per cent (50%) of Befesa's issued share capital. For their approval, at least two-thirds of the votes validly cast must approve such a resolution. Abstentions are not considered as "votes".

DIVIDEND RIGHTS

In accordance with the Luxembourg Companies Law and the Articles of Association, Befesa, S.A. must allocate at least five per cent (5%) of any net profit to a legal reserve account. Such a contribution ceases to be compulsory as soon as and as long as the legal reserve reaches ten per cent (10%) of Befesa, S.A.'s subscribed capital. However, it shall again be compulsory if the legal reserve falls below the ten per cent (10%) threshold.

The General Meeting will resolve how the remainder of the annual net profits, after allocation to the aforementioned legal reserve, will be disposed of. This it will do by allocating the whole or part of the remainder to a reserve or a provision by carrying it forward to the following financial year or by distributing it, together with carried-forward profits, distributable reserves or share premium to the shareholder(s), each share entitling to the same proportion in such distributions.

Subject to the provisions of the laws and in compliance with the provisions set forth herein, the Board of Directors may resolve that Befesa pays out an interim dividend to shareholders. The Board of Directors shall set the amount and the date of payment of the interim dividend.

LIQUIDATION RIGHTS

The Company may be dissolved by a resolution of the General Meeting adopted in compliance with the quorum and majority rules set for any amendment of the Articles of Association. Should the Company be dissolved, the liquidation will be carried out by the Board of Directors or other person(s) appointed by the General Meeting.

The General Meeting shall also determine the powers and the compensation (if any) of those other person(s). After settlement of all the debts and liabilities of the Company, including the expenses of liquidation, the net liquidation proceeds shall be distributed to the shareholder(s) in compliance with the same preference as set out for dividend distributions.

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Other corporate governance practices

COMPLIANCE MANAGEMENT SYSTEM

The compliance management system (CMS) is an integral part of Befesa's corporate governance system, which ensures compliance with national and international laws, regulations and policies, and social responsibility and ethical values.

The core of the ethics and compliance programme at Befesa is the code of conduct. Befesa's code of conduct provides the legal and ethical framework for the conduct of all directors, officers and employees of Befesa. The code defines the basic behavioural standards within Befesa itself and in connection with other parties. In addition, Befesa has implemented a whistle-blowing channel and complementary-specific compliance policies such as a Group security dealing code. This ensures continuous training in compliance matters. More information on Befesa's CMS can be found in the "Compliance" section of this Annual Report (pages 86 to 93).

RISK MANAGEMENT SYSTEM

Befesa has established internal procedures that are described in more detail in the "Compliance" section of this Annual Report, and which form an integral part of Befesa's RMS. This is explained in detail in the "Risks & opportunities" section of this Annual Report (pages 66 to 71).

INDEPENDENT AUDITORS

In accordance with the Luxembourg law on commercial companies, the annual consolidated financial statements and the annual individual accounts of Befesa, S.A. are certified by an approved statutory auditor *(réviseur d'entreprises agréé)* appointed by the shareholders at the AGM.

The AGM held on 15 June 2023 approved the appointment of KPMG Audit S.à.r.l. as the approved statutory auditor *(réviseur d'entreprises agréé)* for the financial year ending 31 December 2023. KPMG Audit S.à.r.l. has audited the annual consolidated financial statements and the annual individual accounts of Befesa, S.A. since the financial year ending 31 December 2019 (i.e. for a period of five years).

OTHERS

Befesa provides a Group insurance policy for all directors and officers of Befesa, including the members of the Board of Directors. The policy is taken out for one year at a time or renewed annually. It covers the personal liability of the insured in cases of financial loss associated with their activities on behalf of Befesa.

In May 2024, Befesa will publish the Remuneration Report 2023, disclosing the remuneration granted and owed individually to the current and former members of the Board of Directors of Befesa S.A. for the fiscal year 2023. Befesa's remuneration policy is available in the Investor relations/General Meeting section of Befesa's website (https://www.befesa.com/investors/general-meeting/).

LUXEMBOURG LAW ON TAKEOVER BIDS

The following disclosures are made in accordance with article 11 of the Luxembourg law on takeover bids of 19 May 2006.

a. Share capital structure

Befesa, S.A. has issued one class of shares that is admitted to trading on the Frankfurt Stock Exchange. No other voting securities or securities convertible into shares have been issued. The issued share capital as of 31 December 2023 amounts to €111,047,595.14, represented by 39,999,998 ordinary shares, each fully paid up.

b. Transfer restrictions

As of the date of this Annual Report, all Befesa, S.A.'s shares are freely transferable.

c. Major shareholding

Based on the various major holding notifications received by Befesa, S.A. as of 31 December 2023, the following shareholders hold (or to whom were attributed) five per cent (5%) or more of total voting rights attached to Befesa, S.A. shares (see table).

d. Special control rights

All the issued and outstanding shares have equal voting rights. Befesa, S.A. has not issued any securities granting any special control rights to its holders.

e. Control system in employees' share scheme

This is not applicable. Befesa, S.A.'s Board of Directors is not aware of any issue regarding section e) of article 11 of the Luxembourg law on takeover bids of 19 May 2006.

f. Voting rights

Each issued share of Befesa, S.A. entitles the holder to one vote at the General Meeting of the shareholders. The Articles of Association of Befesa, S.A. do not contain any restriction on voting rights. In accordance with the Articles of Association, a record date for admission to a General Meeting of shareholders is set; that is, at 24:00 hours Luxembourg time on the 14th day preceding the date of the relevant General Meeting of the shareholders (the "Record Date").

Only shareholders holding shares on the Record Date will be able to participate at the relevant General Meeting.

In addition, a shareholder willing to participate in any General Meeting shall notify Befesa of their intention to do so by means of a declaration in writing to be submitted to Befesa and/or its designated depository agent by no later than the Record Date, together with any supporting documents that may be required to evidence title ownership of the shares.

g. Shareholders' agreements with transfer restrictions or voting rights

Befesa's Board of Directors has no information about any agreements between shareholders that may result in restrictions on the transfer of Befesa, S.A.'s shares. The shares issued by Befesa, S.A. are freely transferable in accordance with the legal provisions applicable to shares in dematerialised form. The Board of Directors is also not aware of any shareholders' agreements that may result in restrictions on voting rights.

h. Appointment of Board members; amendments of the Articles of Association

Rules governing the appointment and the replacement of the members of the Board of Directors and changes to the Articles of Association are set out in articles 11 and 32 of the Articles of Association of Befesa, S.A. This document is available at https://www.befesa.com/investors/corporate-governance

Name of shareholder (direct or indirect)	% of voting rights in the share capital of Befesa	Date on which the threshold was crossed or reached
Alba Europe S.à.r.l., Luxembourg, Grand Duchy of Luxembourg	5.10% attached to shares	21 June 2021
Allianz Global Investors GmbH, Frankfurt, Germany	9.99% attached to shares	4 January 2023
Global Portfolio Investments, S.L., Madrid, Spain	5.41% attached to shares	17 June 2021

Corporate governance continued

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In particular, the following applies:

- The members of the Board of Directors are appointed by the General Meeting of shareholders for a period not exceeding six years. They may be removed with or without cause and/or be replaced at any time by a resolution adopted by the General Meeting of shareholders of Befesa, S.A.
- Resolutions to amend the Articles of Association may be adopted by a majority of two-thirds of the votes validly cast, if the quorum of half of the share capital is met. If the quorum requirement of half of the share capital of Befesa, S.A. is not met at the first meeting, then the shareholders may be reconvened to a second meeting. No quorum is required in respect of a second meeting and the resolutions are adopted by two-thirds of the votes validly cast.

i. Powers of the Board of Directors

The powers of the Board of Directors are regulated in articles 6, 12 and 13 of the Articles of Association of Befesa, S.A. The Articles of Association are available at https://www.befesa.com/investors/corporate-governance

In particular, the following applies:

- Befesa, S.A. is managed by its Board of Directors.
- The Board of Directors is vested with the broadest powers to perform all acts necessary or useful to accomplish Befesa's objectives.
- The Board of Directors may delegate the daily management of Befesa and the representation of Befesa for this daily management to one or more persons or committees, specifying the limits of such delegated powers and the manner in which they should be exercised.
- The Board of Directors may appoint an Audit Committee, a Nomination and Remuneration Committee, an Operations Committee and/or any other committees it may deem necessary in order to deal with specific tasks.
- The Board of Directors is authorised, up to the maximum amount of the authorised capital, to (i) increase the issued share capital in one or several tranches, with or without a share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner; (ii) issue subscription and/or conversion rights in relation to new shares or instruments within the limits of the authorised capital under the terms and conditions of warrants, convertible bonds, notes or similar instruments; (iii) determine the place and date of the issue or successive issues, the issue price, the terms and conditions of the subscription of, and paying up on, the new shares and instruments; and (iv) remove or limit the statutory preferential subscription right of the shareholders. The above authorisation is valid for a period ending five years after the date of the General Meeting creating the authorised capital. The relevant authorisation was granted by the General Meeting of the shareholders held on 5 October 2021.
- The Board of Directors is authorised to acquire, by itself or through a person acting in its own name but on Befesa's behalf, its own shares, subject to the following conditions: (i) the maximum number of shares to be acquired may not exceed ten per cent (10%) of the total number of shares composing the issued share capital at the time of this resolution or, if lower, at the time of the acquisition; (ii) as a result of those acquisitions, Befesa, S.A.'s holding of its own shares may not exceed at any time ten per cent (10%) of the total number of shares composing the issued share capital of Befesa, S.A.; (iii) the acquisition price per share shall not be lower than its accounting par value or higher than ten per cent (10%) above the volume-weighted average listing price per share in the XETRA trading system (or a comparable successor system) during the calendar month preceding the resolution of the Board of Directors on the buy-back; (iv) the acquisitions of its own shares by Befesa, S.A., as well as shares acquired by a person acting in their own name but on behalf of Befesa, S.A., may not have the effect of reducing the net assets of Befesa, S.A. below the aggregate amount of the subscribed capital and of the reserves, which may not be distributed under the law or the Articles of Association of Befesa, S.A. Only fully paid-up shares may be repurchased; (v) the authorisation will be valid for a period of five (5) years after the date of the General Meeting creating the share buy-back. The relevant authorisation was granted by the AGM of shareholders held on 18 June 2020; and (vi) the purchase shall be effected either through the stock exchange or on the basis of a public purchase offer to all shareholders. Befesa may use, in whole or in part, own shares acquired pursuant to this authorisation for any legally permissible purpose.

j. Significant agreements

With the exception of the senior facility agreement signed on 14 February 2020, there are no significant agreements to which Befesa, S.A. is a party to, and which take effect, alter or terminate upon a change of control of Befesa, S.A. following a takeover bid.

k. Agreements with directors and employees

The service agreements signed by the Executive Directors with the relevant Group companies may provide for a severance payment in case of the termination of their service agreements without cause by the relevant Group companies. This severance payment shall not exceed twice the total annual remuneration of the Executive Directors, consisting of a base salary, annual bonus and long-term variable compensation. More information can be found in the remuneration policy, available in the Investor relations/General Meeting section of Befesa's website (www.befesa.com/investors/general-meeting).

Compliance

BEFESA'S COMPLIANCE MANAGEMENT SYSTEM

Definition & content

Befesa is committed to achieving success and sustainable, profitable growth. Befesa believes that this can only be achieved if everyone is focused on integrity, high moral values and respect for ESG practices so that Befesa can be recognised as a reliable business partner. Befesa must, at all times, fully respect all applicable laws, regulations and the environment in which it operates.

The management of Befesa is fully determined to execute the organisation's CMS and continuously seeks opportunities to further strengthen this framework.

Befesa's CMS includes, but is not limited to, internal guidelines and policies such as the code of conduct and guidelines that address competition law requirements, anti-corruption, anti-money laundering, IT services, EHS issues, conflicts of interest and international sanctions. These measures, in addition to the whistle-blowing channel, guide members in ensuring that Befesa complies with all laws, regulations and values.

Befesa's general compliance policy

Befesa believes that compliance risk must be identified, managed and reported by management and the Board of Directors. The general compliance policy provides guidance to Befesa and its subsidiaries on how to establish, maintain and report an effective CMS.

This document briefly describes concepts and guidelines that are developed later in specific policies, tools and procedures. It covers several topics such as commitment of management, code of conduct, compliance officer figure, identification and assessment of risks, specific compliance policies, training and the existence of a whistle-blowing channel.

Befesa's general compliance policy establishes the foundation for the implementation of an effective compliance framework and introduces the basic principles that will be the content of the complete compliance system. It is supported by monthly compliance committees, and by communication and training for the entire organisation.

Befesa's compliance management system (CMS)

Befesa CMS

1 / Compliance management system

- Group's compliance policy
- Risk identification and risk management with a software-based integrated risk map and continuous risk monitoring

2 / Code of conduct

- Cornerstone of Befesa's CMS
- Eight languages available

3 / Internal procedures

- Internal communication and authorisation system that represents the internal rules of Befesa

4 / Complementary-specific compliance policies

- Anti-corruption and anti-bribery
- Anti-money laundering
- Anti-trust
- Conflicts of interest
- Environmental, health and safety; and quality
- Group security dealings code
- International sanctions
- IT
- Diversity, equality and inclusion (DE&I) policy
- Confidentiality, and industrial and intellectual property

5 / Monthly messages & training

- Monthly messages to employees covering diverse compliance topics
- Online platform for compliance training
- Brochures on conduct guidelines available
- Specific cybersecurity training

6 / Whistle-blowing channel

- Web platform and voice intake
- Eight languages available

7 / Other

- Internal controls
- Criminal compliance (Spain)
- Certifications: ISO 9001, 14001, 14064, 45001, 50001
- Insurances: coverage of detected risk
- General data-protection regulations
- Code of conduct for suppliers

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Code of conduct

Definition & main aspects covered

Befesa has in place a code of conduct that is binding for all employees and which is the cornerstone of its CMS. It is available to all employees and third parties in the Sustainability/ Governance/Compliance section of Befesa's website: https://www.befesa.com/sustainability/governance/#compliance

The code provides the legal and ethical framework for the conduct of Befesa's directors, executives, managers and employees. It defines basic behavioural standards within Befesa itself and in connection with other parties. The document is available in the eight languages spoken in the countries where Befesa operates. Some of the key aspects include the following:

- Strictly comply with the laws and regulations of each jurisdiction.
- Do not compromise your integrity. Do not use your position at Befesa to obtain benefits for yourself, your family or your friends.
- Do not offer or accept gifts and invitations that could create the impression of influencing the commercial judgement of the recipient.
- Do not deliberately mislead anyone. Never attempt to falsify any record.
- Treat your colleagues with fairness and respect. Any form of discrimination based on race, colour, religion, gender, age, marital status, sexual orientation or disability is unacceptable.
- Respect Befesa's commercial relationships. Treat Befesa's clients and suppliers fairly and with respect at all times. Be a good neighbour.
- Look out for the safety of others. Health and safety standards and procedures are intended to protect you, your colleagues and all others. Comply with them at all times.
- Respect and protect the environment.
- In case of doubt, always ask.

Any violation of laws and regulations or the infringement of the code of conduct by any employee at any level of the organisation will be subject to disciplinary consequences.

COMPLEMENTARY-SPECIFIC COMPLIANCE POLICIES

Based on the results from the risk identification and assessment, Befesa develops and updates compliance-relevant documents covering the following areas:

Anti-corruption & anti-bribery

One of Befesa's core principles is to strictly comply with all the anti-corruption and anti-bribery laws and regulations where the Company operates. Befesa's principle is to compete by making deals and providing services to its customers based on the quality and price of its products and offerings, instead of providing undue advantages or benefits to others.

Anti-money laundering

Befesa is committed to carrying out its activities with accredited clients and with other trading partners who perform their activities legally and whose funds come from legitimate sources. Accordingly, all employees of Befesa must strictly comply with the pertinent anti-money-laundering legislation and with Befesa's internal procedures, which are designed to detect and prevent suspicious payment methods. All Befesa employees are obliged to report any suspicious behaviour by clients or trading partners, either to the compliance officer or by using the whistle-blowing channel. All employees must comply with all the rules and guidelines regarding accounting and financial information applicable to cash and other forms of payment in relation to the transactions that have to be made.

Anti-trust

It is the unconditional policy of Befesa to fully comply with all applicable anti-trust laws worldwide and to enforce compliance throughout the organisation. In this policy, a guideline summarises the basic rules of the anti-trust laws prevailing in the main jurisdictions where Befesa is active.

All employees must be familiar with and strictly observe the basic rules and specific anti-trust regulations of the relevant jurisdiction in which they operate or which is affected by their operations. Non-compliance will be taken very seriously by Befesa's management and will lead to personal consequences for the relevant employee(s).

Conflicts of interest

The purpose of this policy is to identify and prevent situations in which an employee's activities conflict or appear to conflict with the interests of Befesa and its subsidiaries. Every employee must offer undivided commercial loyalty to Befesa and make business decisions only in the best interests of the Company, not based on their potential personal interests. All employees must avoid any relationship or activity that could affect their independent judgement in the conduct of Befesa's business, conflicts with the Company's interests or could reasonably give the appearance of conflicting with Befesa's interests.

Group security dealings code

This code applies to all employees, managers and directors of Befesa and its fully consolidated subsidiaries and joint ventures. These rules are designed to ensure that employees do not misuse, or place themselves under suspicion of misusing, information about Befesa that they have access to, and which is not available to other investors. This code also includes a closed period calendar to be followed by the affected persons.

International sanctions

International sanctions or restrictive measures take the form of economic instruments that seek to modify policies or activities in other countries that breach international law or human rights. The implemented measures are obligatory and affect all the countries that form part of the organisation that adopts them. In the case of the EU, they are obligatory for all its member states. Befesa believes that all its employees must comply with these restrictive measures, insofar as they affect their activities. The aforementioned CMS of Befesa includes a specific section on policies, systems and controls in relation to international sanctions.

Diversity, equality and inclusion policy

Befesa is committed to encouraging diversity, equality and inclusion among its workforce, and seeks to eliminate discrimination. The policy's purpose is to provide equality, fairness and respect for all the employees of Befesa. It seeks to oppose and avoid all forms of discrimination by ensuring that recruitment, remuneration and promotion at Befesa is based on qualifications and performance.

Confidentiality, and industrial & intellectual property

Befesa is aware of the value of its assets, in particular the industrial and intellectual property rights inherent in the innovative knowledge generated during the progress of its activities. The Company strives to protect this by adopting appropriate measures for interactions with its employees and with third parties. This policy establishes the operational rules and standards to be applied at Befesa, as well as for third parties. This ensures the effective protection of the industrial and intellectual property of Befesa, guaranteeing a high level of security and compliance with current legislation.

INTERNAL PROCEDURES

Concept

The internal procedures of Befesa take the form of a suitable internal control system that represents the internal rules of the Company. It works through an internal system of communication and authorisation. The main goal is to have a common method of operating, assessing and mitigating the business risks inherent in Befesa's activities.

This implies the following:

- Consistency of actions
- Reinforcement of corporate identity
- Risk control and reduction
- Optimisation of management
- Creation of value for stakeholders
- Profitability

Covered areas

The internal procedures cover different areas considered as key for Befesa. Twenty-one procedures are in place and include controls for the following areas:

- Financial management
- Legal matters and insurance management
- Human resources and CSR
- IT management
- General expenses
- Corporate identity

COMMUNICATION TO EMPLOYEES & ENGAGEMENT

A compliance system cannot be effective without proper communication with all parties involved, especially employees. For this reason, Befesa has implemented four tools to guarantee that everyone in the organisation has access to the latest compliance initiatives: monthly messages, training, conduct guidelines and QR compliance posters.

Monthly messages

Every month, one specific compliance topic is shared with all Befesa's employees. These topics are agreed upon with management and are circulated via email throughout the organisation in three languages: English, German and Spanish.

Training

The continuous training of Befesa's employees is key for the future and development of the organisation. Compliance is an important aspect for the Company.

Compliance continued

Befesa has therefore developed annual training for employees, including part-timers; the training courses and training tests are updated on an annual basis with the latest compliance-related contents.

During 2023, two specific compliance training courses were launched to all employees: the Compliance Management System and the Code of Conduct. Both training courses were included in a specific online training tool, supported by live interactions and questionnaires.

All training courses are reviewed by the compliance department to make sure that every employee has accomplished the training requirements, and a final summary is shared with management.

In addition, Befesa carried out specific cybersecurity training for all employees, covering several topics related to this issue, e.g. creating strong passwords, working from home, ways to avoid phishing, ransomware and social engineering.

This cybersecurity training will be in place for the coming years as cyberattacks continue to increase all over the world.

Brochures on conduct guidelines

Printed brochures on the conduct guidelines are in place and have been sent to all Befesa's employees. These brochures are available in the eight languages of the Group. It covers the main aspects of Befesa's code of conduct and CMS in a visual format that can be easily checked by all personnel.

QR compliance posters

During 2023, and with the goal of strengthening the communication with the employees, Befesa has designed printed posters with QR codes. These posters are available in eight languages and are at all the Befesa plants, so that every employee can scan the QR codes of the posters to find direct access to the following:

- Code of conduct
- Complementary-specific compliance policies
- Compliance training
- Procedures tool
- Whistle-blowing channel

OTHER ASPECTS COVERED BY BEFESA'S CMS

In addition to the above aspects, as part of Befesa's CMS, there are other relevant areas in the system, such as internal controls, risk analyses, insurance coverages and data-protection regulations.

Internal controls

In addition to the compliance policies mentioned, Befesa has in place an internal control matrix that contains more than 600 controls; these cover the most significant areas of the Company:

- Purchases
- Fixed assets
- Stocks
- Sales
- Treasury
- Human resources
- Taxes
- Hedging
- Equity
- Closing and reporting
- Legal and ethics

Risk analysis & insurance coverage

Befesa has an RMS in place, which is explained in detail in the "Risks & opportunities" section (pages 66 to 71) of this Annual Report.

Data-protection regulations

Following the EU General Data Protection Regulation (GDPR) that came into force in May 2018, Befesa has carried out an analysis of the Company's data-protection standards, with the main goal of adapting those standards to the new GDPR requirements.

Supplier code of conduct

Befesa promotes and expects business integrity, compliance with applicable laws and adherence to internationally recognised environmental, social and corporate governance standards within the organisation and among its business partners.

For these reasons, during 2020, Befesa implemented a code of conduct for suppliers that must be accepted and signed by all suppliers. Befesa expects its suppliers to implement the principles set out in this code of conduct throughout their organisations worldwide and to comply with these principles. Befesa also expects suppliers to use their best efforts to implement these standards with their suppliers and subcontractors and to take these principles into account when selecting them.

The supplier code of conduct covers different aspects, including environmental protection and energy efficiency; human rights, employment practices, and health and safety; and business integrity and corporate governance standards. The supplier code of conduct is available on Befesa's website at https://www.befesa.com/sustainability/governance/#compliance. The internal audit team reviews and analyses the implementation of the code.

Criminal compliance certification UNE 19601

The Spanish criminal code establishes that legal persons may have criminal responsibility. To avoid this from happening at Befesa, a criminal compliance programme (Criminal Risks Management System) was implemented.

This programme comprises a set of preventive tools with the aim of preventing a breach of the rules of a criminal nature and of avoiding possible sanctions that could generate responsibility for the Company. Furthermore, there is a certifiable standard UNE 19601 concerning criminal compliance that Befesa Medio Ambiente S.L.U. satisfactorily achieved in Q1 2021. Befesa renewed this certification in Q1 2023.

Compliance continued

INTERNAL AUDIT ON FINANCIAL INFORMATION & ETHICAL STANDARDS

Internal controls and processes included in Befesa's internal control matrix cover financial and non-financial information. Its compliance is audited by Befesa's internal audit department following an annual audit plan approved by Befesa's Audit Committee. Befesa's internal audit department conducts audits of all significant operations every year and at least once every two years for all other operations.

Integrated audits conducted by Befesa's internal audit team provide Befesa's investors and stakeholders with additional confidence regarding the financial and non-financial information published every quarter. These audits cover:

- Befesa's consolidated and subsidiaries' stand-alone financial statements
- Company processes and policies
- Compliance, ESG policies and ethical standards

In 2023, a total of 26 audits (2022: 22 audits) were carried out following this internal control matrix, which includes more than 600 controls, many of them directly designed to cover ethical standards.

Among others, these include:

- The definition of proper criminal compliance policies of Spanish entities (UNE 19601);
- Training for employees on compliance policies, the code of conduct and IT security;
- Internal approvals for key actions;
- Anti-money laundering, payments and collections, and cash destinations and origins;
- Powers of attorney and compliance with the "four-eyes" principle;
- Negotiations with suppliers, customers and other business partners, in addition to existing contracts;
- Compliance with Befesa's supplier code of conduct;
- The recruitment and hiring of staff;
- Training and compensation of employees;
- Donations and sponsorships; and
- Health and safety.

Befesa's internal audit team is also involved in investigations concerning complaints received through the Company's whistle-blowing channel. The results and progress on internal audit works are reported to Befesa's Audit Committee every quarter.

Audits carried out by the internal audit team in 2023

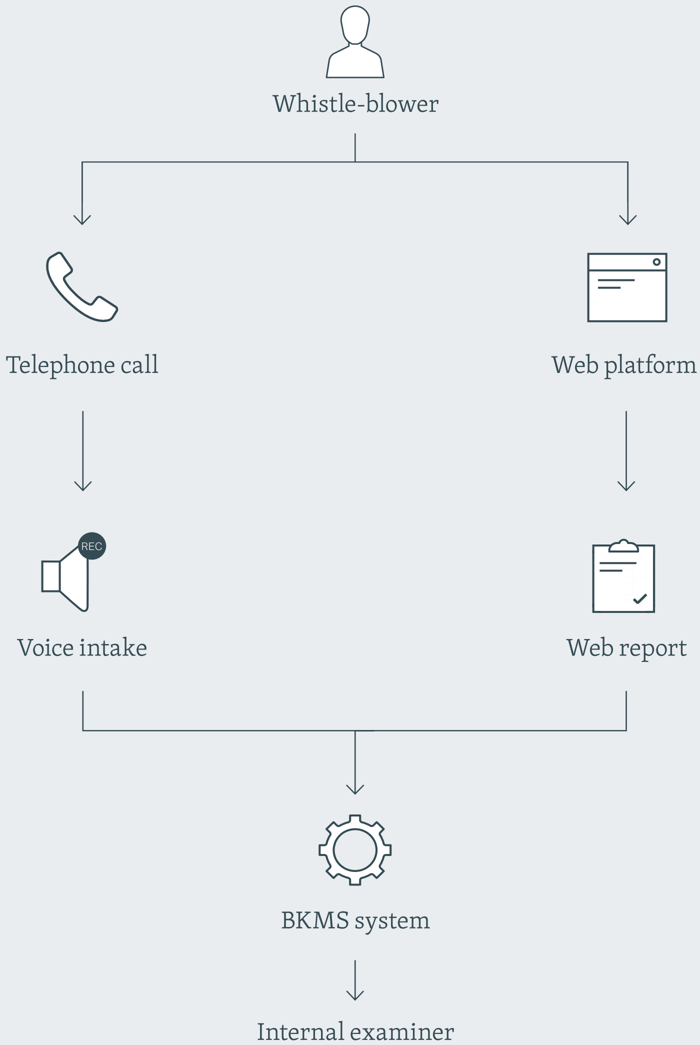
	Germany	Spain	Sweden	France	US	China	S. Korea	Turkey
Criminal Compliance (UNE 19601)		✓						
Compliance training & communications	✓	✓	✓	✓	✓	✓	✓	✓
Payment approvals	✓	✓	✓	✓	✓	✓	✓	✓
Purchase approvals	✓	✓	✓	✓	✓	✓	✓	✓
Suppliers' benchmark	✓	✓	✓	✓	✓	✓	✓	✓
Supplier code of conduct	✓	✓	✓	✓	✓	✓	✓	✓
Recruitment & hiring	✓	✓	✓	✓	✓	✓	✓	✓
Remuneration & compensation	✓	✓	✓	✓	✓	✓	✓	✓
Donations & sponsorships	✓	✓		✓	✓	✓		
Health & safety	✓	✓		✓	✓	✓		

Whistle-blowing channel

Befesa has a whistle-blowing channel in place on its website, which is available to all employees and external third parties on a 24/7 basis. Complaints can be made via telephone or the web platform. This platform is available in eight languages: English, German, Spanish, French, Swedish, Turkish, Korean and Chinese.

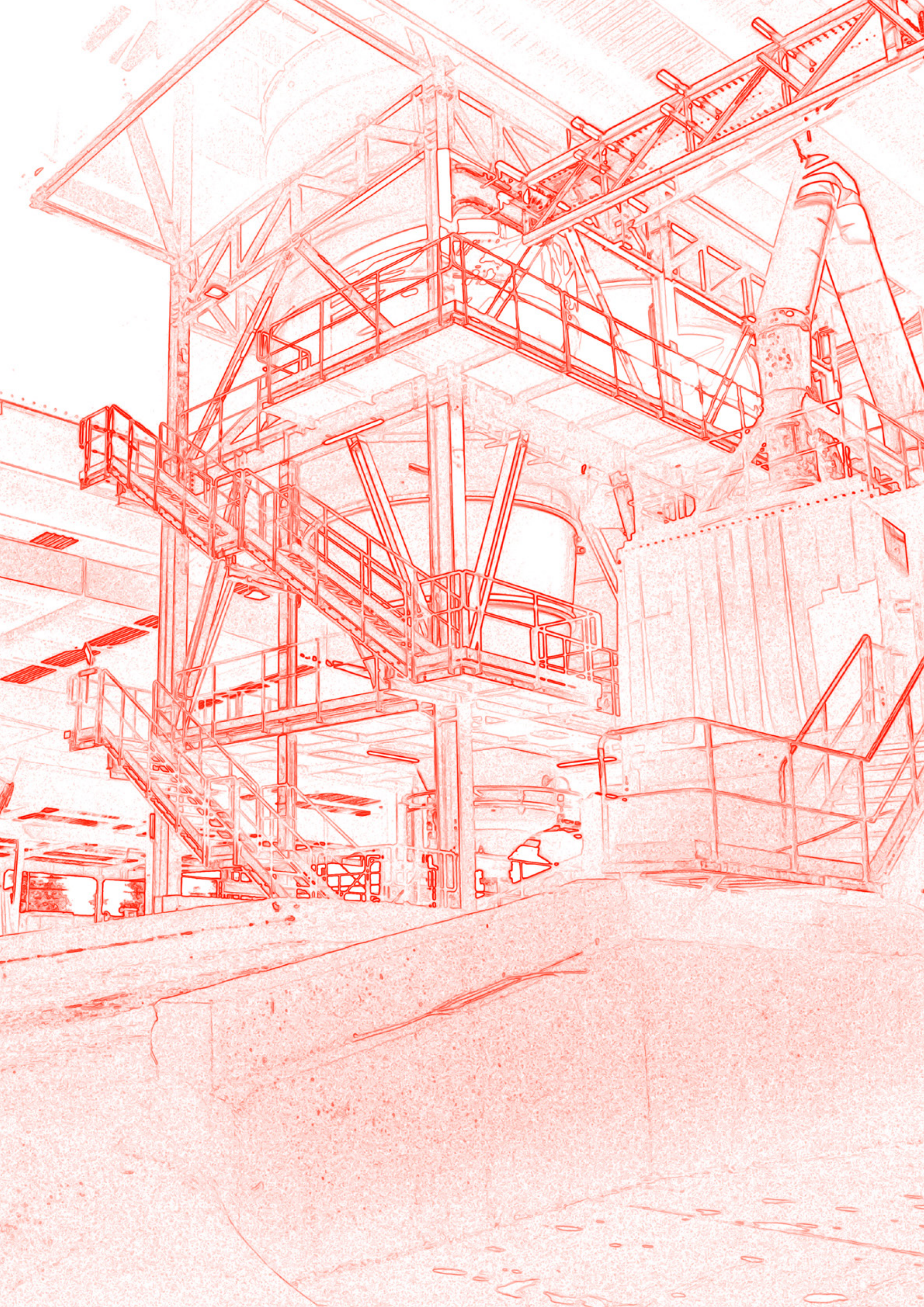
The channel, provided by Business Keeper (BKMS), is the first compliance platform certified in accordance with the data-protection law at European level (GDPR).

In addition, it meets the very highest data security standards: double security certification in accordance with ISO 27001, state-of-the-art encryption algorithms, high-security data centres and manual penetration testing. This ensures that whistle-blowers are provided with protection from any form of retaliation.



- European/Global privacy laws
- Phone line with local greeting
- Web page with local language
- Report/Case management
- Reports in local languages and English
- 24/7, 365 days a year

European Privacy Seal



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Consolidated financial statements

Consolidated statement of financial position as at 31 December 2023

(Thousands of euros)

Assets	Note(s)	2023	2022
Non-current assets:			
Intangible assets			
Goodwill	7	629,643	587,853
Other intangible assets	8	108,030	106,114
		737,673	**693,967**
Right-of-use assets	11	**31,945**	**30,895**
Property, plant and equipment	9	**702,660**	**682,809**
Non-current financial assets			
Investments in Group companies and associates		26	45
Other non-current financial assets	10	35,112	44,521
		35,138	**44,566**
Deferred tax assets	19	**96,708**	**103,647**
Total non-current assets		**1,604,124**	**1,555,884**
Current assets:			
Inventories	12	**101,089**	**102,539**
Trade and other receivables	13	**75,818**	**107,591**
Trade receivables from related companies	13	**409**	**1,039**
Accounts receivable from public authorities	13–20	**20,726**	**19,566**
Other receivables	13	**22,201**	**26,898**
Other current financial assets	10	**14,626**	**1,342**
Cash and cash equivalents	4	**106,692**	**161,751**
Total current assets		**341,561**	**420,726**
Total assets		**1,945,685**	**1,976,610**

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Consolidated statement of financial position as at 31 December 2023 continued

Equity and liabilities	Note(s)	2023	2022
Equity:			
Parent Company	14		
Share capital		111,048	111,048
Share premium		532,867	532,867
Hedging reserves		36,888	(2,573)
Other reserves		96,490	37,340
Translation differences		(11,738)	20,197
Net profit/(loss) for the year		57,972	106,220
Equity attributable to the owners of the Company		**823,527**	**805,099**
Non-controlling interests	14	53,829	14,153
Total equity		**877,356**	**819,252**
Non-current liabilities:			
Long-term provisions	18	18,053	18,518
Loans and borrowings	15	655,610	663,448
Lease liabilities	11–15	17,080	13,988
Other non-current financial liabilities	17	–	12,875
Other non-current liabilities	16	6,707	7,831
Deferred tax liabilities	19	113,845	107,633
Total non-current liabilities		**811,295**	**824,293**
Current liabilities:			
Loans and borrowings	15	28,798	23,038
Lease liabilities	11–15	9,283	10,298
Other current financial liabilities	17	2,229	38,223
Trade payables to related companies		–	1,573
Trade and other payables		171,084	198,870
Other payables			
Accounts payable to public administrations	16–20	14,103	14,220
Other current liabilities	16	31,537	46,843
		45,640	**61,063**
Total current liabilities		**257,034**	**333,065**
Total equity and liabilities		**1,945,685**	**1,976,610**

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Consolidated income statement for the year ended 31 December 2023

(Thousands of euros)

	Note(s)	2023	2022
Continuing operations:			
Revenue	**5, 22.1**	1,180,600	1,136,033
Changes in inventories of finished goods and work in progress		150	(4,776)
Raw material and consumables	**22.2**	(578,273)	(563,401)
Other operating income	**22.3**	37,101	92,299
Personnel expenses	**22.4**	(146,278)	(128,384)
Other operating expenses	**22.5**	(304,490)	(296,867)
Amortisation/depreciation, impairment and provisions	**22.6**	(82,169)	(70,145)
Operating profit		**106,641**	**164,759**
Finance income	**23**	2,635	4,205
Finance costs	**23**	(39,029)	(31,913)
Net exchange differences	**3.18**	(2,179)	(6,711)
Net finance income/(loss)		**(38,573)**	**(34,419)**
Profit/(Loss) before tax		**68,068**	**130,340**
Corporate income tax expense	**19**	(10,500)	(23,838)
Profit/(Loss) for the year from continuing operations		**57,568**	**106,502**
Profit/(Loss) for the year		**57,568**	**106,502**
Attributable to:			
Parent Company's owners		57,972	106,220
Non-controlling interests		(404)	282
Earnings/(losses) per share from continuing and discontinued operations attributable to owners of the Parent (expressed in euros per share)			
Basic earnings per share:	**27**	1,45	2,66

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2023

(Thousands of euros)

	Note(s)	2023	2022
Consolidated profit/(loss) for the year		**57,568**	**106,502**
Other comprehensive income from continuing operations:			
Items that may subsequently be reclassified to income statement:			
Income and expense recognised directly in equity		**34,481**	**49,999**
– Cash flow hedges	**17**	79,878	22,310
– Translation differences		(31,898)	29,436
– Tax effect	**19**	(13,499)	(1,747)
Transfers to the income statement		**(26,918)**	**73,694**
– Cash flow hedges	**17**	(26,610)	101,351
– Tax effect	**19**	(308)	(27,657)
Other comprehensive income/(loss) for the year, net of tax		**7,563**	**123,693**
Total comprehensive income/(loss) for the year		**65,131**	**230,195**
Attributable to:			
Parent Company's owners		65,498	224,754
Non-controlling interests		(367)	5,441

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

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Consolidated statement of changes in equity for the year ended 31 December 2023

(Thousands of euros)

	Attributable to the owners of the Parent							
	Share capital (Note 14)	Share premium (Note 14)	Hedging reserves (Note 14)	Other reserves (Note 14)	Translation differences (Note 14)	Net profit/ (loss) for the year (Note 14)	Non-controlling interests (Note 14)	Total equity
Balances at 31 December 2021	**111,048**	**532,867**	**(96,830)**	**(19,915)**	**(4,080)**	**99,745**	**8,712**	**631,547**
Total comprehensive income for the year	–	–	94,257	–	24,277	106,220	5,441	230,195
Distribution of profit for the year								
Reserves	–	–	–	99,745	–	(99,745)	–	–
Dividends (Note 14)	–	–	–	(50,000)	–	–	–	(50,000)
Other movements (Note 3.18)	–	–	–	7,510	–	–	–	7,510
Balances at 31 December 2022	**111,048**	**532,867**	**(2,573)**	**37,340**	**20,197**	**106,220**	**14,153**	**819,252**
Total comprehensive income for the year	–	–	39,461	–	(31,935)	57,972	(367)	65,131
Non-controlling interests operations								
Business combination (Notes 6 and 14)	–	–	–	–	–	–	40,043	40,043
Distribution of profit for the year								
Reserves	–	–	–	106,220	–	(106,220)	–	–
Dividends (Note 14)	–	–	–	(50,000)	–	–	–	(50,000)
Other movements (Note 3.18)	–	–	–	2,930	–	–	–	2,930
Balances at 31 December 2023	**111,048**	**532,867**	**36,888**	**96,490**	**(11,738)**	**57,972**	**53,829**	**877,356**

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2023

(Thousands of euros)

	2023	2022
Cash flows from operating activities:		
Profit/(Loss) for the year before tax	**68,068**	**130,340**
Adjustments for:		
Depreciation and amortisation (Note 22.6)	82,169	70,145
Changes in provisions	(465)	(4,829)
Interest income	(2,635)	(4,205)
Finance costs	39,029	31,913
Other profit and loss (Notes 2.6.2 and 6)	(23,245)	(47,770)
Exchange differences	2,179	6,711
Changes in working capital:		
Trade receivables and other current assets	44,113	(11,636)
Inventories	1,607	(62)
Trade payables	(46,829)	9,827
Other cash flows from operating activities:		
Interest paid	(30,102)	(21,243)
Taxes paid	(16,565)	(21,862)
Net cash flows from/(used in) operating activities	**117,324**	**137,329**
Cash flows from investing activities:		
Investments in intangible assets (Note 8)	(3,425)	(2,461)
Investments in property, plant and equipment (Note 9)	(101,387)	(104,187)
Collection from financial assets	113	–
(Acquisition)/Disposal of new subsidiaries (Note 6)	13,848	(44,965)
Collections from sale of property, plant and equipment	–	209
Net cash flows from/(used in) investing activities	**(90,851)**	**(151,404)**
Cash flows from financing activities:		
Cash inflows from bank borrowings and other liabilities (Note 15)	3,848	24,201
Cash outflows from bank borrowings and other liabilities (Note 15)	(24,584)	(21,087)
Dividends paid to shareholders (Note 14)	(50,000)	(50,000)
Transactions involving non- controlling interest (Note 14)	(9,500)	–
Net cash flows from/(used in) financing activities	**(80,236)**	**(46,886)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(1,296)**	**(1,377)**
Net increase/(decrease) in cash and cash equivalents	**(55,059)**	**(62,338)**
Cash and cash equivalents at the beginning of the year	161,751	224,089
Cash and cash equivalents at the end of the year	106,692	161,751

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements as at 31 December 2023

(Thousands of euros)

1. General information

Befesa, S.A. (hereinafter the "Parent Company" or the "Company") was incorporated in Luxembourg on 31 May 2013 as a "*société à responsabilité limitée*", subject to Luxembourg law for an unlimited period of time. The registered office of the Company is 68-70 Boulevard de la Pétrusse, L-2320 Luxembourg.

The Company's statutory activity is the acquisition, holding and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development and management of such interests.

The Company may provide loans and financing in any other kind or form or grant guarantees or security in any other kind or form, for the benefit of the companies and undertakings forming part of the Group of which the Company is a member.

The Company may also invest in real estate, intellectual property rights or any other movable or immovable assets in any kind or form.

The Company may borrow in any kind or form and issue bonds, notes or any other debt instruments as well as warrants or other share subscription rights.

In general, the Company may carry out any commercial, industrial or financial operation that it may deem useful in accomplishing and conducting its statutory activity.

The Company's financial year starts on 1 January and ends on 31 December.

The Company's shareholders at their General Meeting, held on 18 October 2017, agreed to convert the Company from a private limited liability company to a public limited company.

On the same date, it was also agreed at the Company's General Meeting to change the name of the Company from Bilbao Midco, S.à.r.l. to Befesa, S.A.

The principal place of business of the Group is located in Asúa – Erandio, Bizkaia (Spain).

The Company and its subsidiaries ("Befesa" or the "Group") is an international industrial group (see Appendix) that engages mainly in the management and treatment of industrial residues (see Note 5).

The majority of the systems, equipment and facilities included in the Group's property, plant and equipment should be deemed to be assigned to the management and treatment of industrial residues and, in general, to the protection and improvement of the environment, either because of the business activities carried out by the Group or because of their nature (industrial residues). Most of the expenses and revenues for 2023 and 2022 should be understood to accrue in the normal course of the aforementioned activities. Any information on possible provisions for contingencies and charges and on possible contingencies, liabilities and grants, if any, arising from the normal performance of the activities constituting the Group's statutory activity, and other environmental measures are described, as and when appropriate, in the related notes to the consolidated financial statements.

Since 3 November 2017, Befesa, S.A. has been listed on the Frankfurt Stock Exchange (Germany) (Note 14) (ISIN code LU1704650164).

2. Basis of presentation of the consolidated financial statements and basis of consolidation

The consolidated financial statements have been prepared on the basis of the accounting records of Befesa, S.A. and its consolidated subsidiaries. The consolidated financial statements for 2023 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other applicable provisions of the applicable financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Befesa, S.A. and subsidiaries at 31 December 2023, and the consolidated results of operations, consolidated cash flows and changes in consolidated equity for the year then ended.

Details of the Group's accounting policies are included in Note 3.

The Directors of the Parent Company consider that the consolidated financial statements for the year ended 31 December 2023, authorised for issue on 20 March 2024, will be approved with no changes by the shareholders at their Annual General Meeting (AGM) to be held on 20 June 2024.

2.1 Fair presentation

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for the financial year 2023 include comparative figures for the prior year, which formed part of the 2022 consolidated financial statements approved by the shareholders of the Parent at their AGM held on 15 June 2023.

The Company's consolidated financial statements for 2023 were formally prepared:

- In accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), in conformity with the Regulation (EC) of the European Parliament and of the Council, including International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the accompanying consolidated financial statements are summarised in Note 3.
- Considering all the mandatory accounting policies and rules, and measurement bases with a material effect on the consolidated financial statements, as well as the alternative permitted by the relevant standards in this connection, which are specified in Note 3.
- So that they present fairly the Group's consolidated equity and consolidated financial position at 31 December 2023 and the consolidated results of its operations, changes in consolidated equity and consolidated cash flows for the year then ended.
- On the basis that the accounting records are kept by the Parent and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the Befesa, S.A. consolidated financial statements (IFRS-EU) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with IFRS-EU.
- The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.4.
- The consolidated financial statements have been prepared in accordance with Luxembourg's legal and regulatory framework and on the going concern assumption.

Notes to the consolidated financial statements as at 31 December 2023
(Thousands of euros) continued

2. Basis of presentation of the consolidated financial statements and basis of consolidation continued

2.2 Adoption of new standards and interpretations issued

2.2.1 First-time application of standards

The following new and amendments to standards and interpretations, which are applicable for the first time in 2023, are either not relevant or do not have a material impact on the consolidated financial statements of the Group:

- IFRS 17 Insurance Contracts, including Amendments to IFRS 17
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

2.2.2 Standards, amendments and interpretations issued but not yet effective

At the date these consolidated financial statements were authorised for issue, standards, amendments and interpretations issued but not yet effective, and which the Group expects to adopt for annual periods beginning on or after 1 January 2024, are as follows:

- Amendments to IAS 1 Presentation of Financial Statements:
  - Classification of Liabilities as Current or Non-current
  - Classification of Liabilities as Current or Non-current – Deferral of Effective Date
  - Non-current Liabilities with Covenants

In light of the Group's activities, the effect of applying the new standards, amendments or interpretations to the consolidated financial statements when they are applied for the first time is not deemed to be relevant for the Group.

2.2.3 Standards, amendments and interpretations to existing standards that have not been adopted by the European Union

At the date these consolidated financial statements were authorised for issue, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations, which are pending adoption by the European Union:

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

In light of the Group's activities, the effect of applying the new standards, amendments or interpretations to the consolidated financial statements when they are applied for the first time is not deemed to be relevant for the Group.

2.3 Functional currency

These consolidated financial statements are presented in thousands of euros, since the euro is the currency used in the main economic area in which the Group operates. Foreign operations are recognised in accordance with the policies established in Note 3. The main currencies other than the euro in which the Group carries out its transactions are the US dollar, Korean won, Swedish krona, Turkish lira and Chinese yuan.

2.4 Use of estimates and judgements

The information in these consolidated financial statements is the responsibility of the Board of Directors of the Parent Company.

In the Group's consolidated financial statements for the year ended 31 December 2023 estimates are occasionally made by senior management of the Parent Company and of the consolidated companies, and later ratified by the Directors, in order to qualify certain assets, liabilities, income, expenses and obligations reported herein.

a) Relevant Accounting estimates and assumptions

Those estimates relate to the following:

Impairment losses on goodwill and certain assets (see Notes 7, 8, 9 and 11)

The Group verifies annually whether there is an impairment loss in respect of goodwill and other assets, in accordance with the accounting policy described in Note 3.

When calculating the value in use of the principal items of goodwill and licenses with indefinite useful life, the assumptions used were as follows:

- Projections of the cash flows of the cash generating unit (CGU) or group of CGUs in question are made for periods of five years (when based on past experience it is possible to predict cash flows accurately over a period longer than five years), calculating a residual value based on flow for the last year projected, provided that this flow is representative of a normalised flow to reflect margin and cash flow experience in those businesses, as well as future expectations. The projections are based on the budgets for next year increased in accordance with the assumptions estimated by the management.
- The gross margins used in the calculation are in line with the profit expected to be obtained, based on past experience of profits of each of the segments and on new contracts existing in each case.
- To discount the flows, a discount rate is used based on the weighted average cost of capital for assets of this type, adjusted, where necessary, on the basis of the additional risk that could be contributed by certain types of activity.
- In any case, further sensitivity analyses are conducted, particularly with regard to the discount rate used and the residual growth rate, to ensure that the effect of possible changes in estimates of these rates does not have an impact on the recoverability of the recognised goodwill and licenses with indefinite useful life.

Recoverability of deferred taxes (Notes 3, 19 and 19)

Deferred tax assets are recognised for all deductible temporary differences and unused deductions for which it is probable that the companies of the Group will have future tax profits against which they can be utilised. To determine the deferred tax assets eligible for recognition, their amount, the dates on which the future tax profits are expected to be obtained and the reversal period of the temporary differences are estimated.

Fair value of derivatives

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group uses judgement to select a series of methods and makes assumptions that are mainly based on the market conditions existing at each balance sheet date.

Estimates made in the context of share-based payments (Note 24)

To calculate the liability for the obligation derived from share-based compensation plans with certain employees, at year end the Group estimates the fair values of the liabilities based on Befesa, S.A.'s share price, and the degree of target achievement.

Estimates made in the context of the Purchase Price Allocation (Notes 3.1 and 6)

Estimating the fair value of assets acquired and liabilities assumed in business combinations and purchase price allocations in acquisitions requires significant judgments by management.

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

2. Basis of presentation of the consolidated financial statements and basis of consolidation continued

Although these estimates were made on the basis of the best information available at 31 December 2023 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in the coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statement.

2.5 Changes in the scope of consolidation

The following is a description of the main changes in the scope of consolidation in 2023 and 2022:

2023

On 1 January 2023, the Group proceeded to reevaluate control over its French subsidiary Recytech S.A., concluding that it obtains control over Recytech S.A., and therefore becoming consolidated by the global integration method as from 1 January 2023 (Note 6). Until 31 December 2022, the Group considered this agreement as a joint agreement, sharing control over the economic activity (Note 3.3).

Meanwhile, on 10 February 2023, the Group proceeded with the sale of the UK subsidiary Befesa Salt Slags Ltd., which at 31 December 2022 was out of activity. The sale price amounted to 100 thousand British pounds. Therefore, Befesa Salt Slags Ltd. no longer belongs to the scope of consolidation of the Group. This sale does not have any material impact in the consolidated financial statements.

2022

In September 2022, the Group completed the acquisition of 93.1% of the shares of American Zinc Products LLC ("AZP") (currently Befesa Zinc Metal, Inc.) (Note 6).

2.6 Alternative performance measures

The Company regularly reports alternative performance measures (APMs) 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 is 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 APMs 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. In addition, 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 used and reconciliations to the closest IFRS measures are presented below.

2.6.1 Net debt

Net debt is defined as current and non-current financial debt plus current and non-current lease liabilities less cash and cash equivalents and less other current financial assets adjusted by non-cash items. 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 statement of financial position line items:

	2023	2022
Non-current financial debt (Note 15)	655,610	663,448
Non-current lease liability (Notes 11 and 15)	17,080	13,988

Current financial debt (Note 15)	28,798	23,038
Current lease liability (Notes 11 and 15)	9,283	10,298
Cash and cash equivalents (Note 4)	(106,692)	(161,751)
Other current financial assets adjusted by non-cash items (Note 10)	(71)	(60)
Net debt	**604,008**	**548,961**

2.6.2 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 non-recurrent costs/incomes.

EBITDA margin is defined as EBITDA divided by revenue. The Company believes that EBITDA and EBITDA margin are useful supplemental indicators that may be used to assist in evaluating the Group's operating performance.

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

	2023	2022
Revenue (Note 5)	1,180,600	1,136,033
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions) (Note 22)	(991,790)	(901,129)
Amortisation/Depreciation, impairment and provisions (a) (Note 22)	(82,169)	(70,145)
EBIT (operating profit/(loss)) (b)	**106,641**	**164,759**
EBITDA (operating profit/(loss) before amortisation/depreciation and provisions) (a+b)	**188,810**	**234,904**
Non-recurrent costs/incomes (Notes 6, 9 and 21) (*)	(6,828)	(20,304)
Adjusted EBITDA	**181,982**	**214,600**

(*) This amount mainly includes the impact of the takeover in Recytech, S.A. (Notes 6 and 22.3), the estimated amount (€3,678 thousand) of the impact of hyperinflation on the Group's EBITDA and other non-recurrent costs related to the ramp-up of Befesa Zinc Metal, LLC., Befesa Zinc Environmental Protection Technology (Henan) Co, Ltd., and the plant of Hanover of Befesa Salzschlacke GmbH. (2022: This amount mainly included the effects of the acquisition of American Zinc Recycling Corp. (Note 6), income from damages caused at the plant and covered by insurance in relation to the fire at the Hanover plant in 2021 (Note 21), and the estimated amount (€4,373 thousand) of the impact of hyperinflation on the Group's EBITDA (Note 3.18)).

Notes to the consolidated financial statements as at 31 December 2023
(Thousands of euros) continued

2. Basis of presentation of the consolidated financial statements and basis of consolidation continued

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

	2023	2022
Revenue (a)	**1,180,600**	**1,136,033**
EBITDA (b)	**188,810**	**234,904**
Non-recurrent costs/incomes	(6,828)	(20,304)
Adjusted EBITDA (c)	**181,982**	**214,600**
EBITDA margin (%) (b/a)	**16%**	**21%**
Adjusted EBITDA margin (%) (c/a)	**15%**	**19%**

2.6.3 EBIT, Adjusted EBIT and EBIT margin

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 finite-life intangible assets.

Adjusted EBIT is defined as EBIT adjusted by any non-recurrent costs/incomes.

EBIT margin and Adjusted EBIT margin are defined as EBIT and Adjusted EBIT as a percentage of revenue, respectively. The Company 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:

	2023	2022
Revenue (Note 5)	1,180,600	1,136,033
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions) (Note 22)	(991,790)	(901,129)
Amortisation/Depreciation, impairment and provisions (Note 22)	(82,169)	(70,145)
EBIT (operating profit/(loss))	**106,641**	**164,759**
Non-recurrent costs/incomes EBIT (Notes 9 and 21)	1,906	5,867
Non-recurrent costs/incomes EBITDA (Notes 6, 9 and 21)	(6,828)	(20,304)
Adjusted EBIT	**101,719**	**150,322**

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

	2023	2022
Revenue (a)	**1,180,600**	**1,136,033**
EBIT (b)	**106,641**	**164,759**
Non-recurrent costs/incomes EBIT (Notes 9 and 21)	1,906	5,867
Non-recurrent costs/incomes EBITDA (Notes 6, 9 and 21)	(6,828)	(20,304)
Adjusted EBIT (c)	**101,719**	**150,322**
EBIT margin (%) (b/a)	**9%**	**15%**
Adjusted EBIT margin (%) (c/a)	**9%**	**13%**

2.6.4 Net debt/Adjusted EBITDA (Adjusted leverage ratio)

Net debt/Adjusted EBITDA ratio is defined as net debt divided by Adjusted EBITDA. The Group 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/Adjusted EBITDA ratio to net debt and Adjusted EBITDA:

	2023	2022
Net debt (Note 4)	604,008	548,961
Adjusted EBITDA	181,982	214,600
Net debt/Adjusted EBITDA	**3.3**	**2.6**

2.6.5 Capex

Capex is defined as the cash payments made during the period for investments in intangible assets, property, plant and equipment and right-of-use assets.

The Company 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 and equipment.

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

	2023	2022
Cash flows from investing activities:		
Investments in intangible assets (Note 8)	3,323	2,461
Investments in property, plant and equipment (Note 9)	101,488	104,187
Capex	**104,811**	**106,648**

All accounting principles and policies are consistently applied by the Group.

3. Accounting principles and policies and measurement methods applied

3.1 Business combination

The Group applies the acquisition method for business combinations.

The acquisition date is the date on which the Group obtains control of the acquiree.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

The Group recognises the assets acquired and liabilities assumed at their acquisition-date fair value. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which the fair value can be reliably measured. The Group also recognises indemnification assets transferred by the seller at the same time and following the same measurement criteria as the item that is subject to indemnification from the acquiree, taking into consideration, where applicable, the insolvency risk and any contractual limitations on the indemnified amount.

These criteria are not applicable to long-term defined benefit obligations, share-based payment transactions, or deferred tax assets and liabilities.

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Notes to the consolidated financial statements as at 31 December 2023
(Thousands of euros) continued

3. Accounting principles and policies and measurement methods applied continued

The excess between the consideration given, plus the value assigned to non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Where applicable, the defect, after assessing the amount of consideration delivered, the value allocated to non-controlling interests and the identification and valuation of the net assets acquired, is recognised in a separate item in the consolidated income statement.

The business combination has only been determined provisionally, so the identifiable net assets have initially been recognised at their provisional values and adjustments made during the measurement period have been recognised as if they had been known at the acquisition date. Comparative figures for the previous year are restated where applicable.

In any event, adjustments to provisional amounts only reflect information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

For business combinations achieved in stages, the excess of the consideration given, plus the value assigned to non-controlling interests and the fair value of the previously held interest in the acquiree, over the net value of the assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after assessing the consideration given, the value assigned to non-controlling interests and to the previously held interest, and after identifying and measuring the net assets acquired, is recognised in profit or loss. The Group recognises the difference between the fair value of the previously held interest in the acquiree and the carrying amount in consolidated profit or loss or in other comprehensive income.

3.2 Subsidiaries

Subsidiaries are entities, including structured entities, over which the Group, either directly or indirectly, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when the returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated financial statements from the date of acquisition, which is the date on which the Group obtains effective control of the subsidiaries. Subsidiaries are no longer consolidated once control ceases.

Transactions and balances with Group subsidiaries and unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The accounting policies of subsidiaries have been adapted to Group accounting policies for transactions and events in similar circumstances.

The consolidated financial statements or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Company.

3.3 Joint arrangements

Joint arrangements are those in which there is a contractual agreement to share the control over an economic activity, in such a way that decisions about the relevant activities require the unanimous consent of the Group and the remaining venturers or operators. The existence of joint control is assessed considering the definition of control over subsidiaries.

The Group has applied IFRS 11 to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint operations or joint ventures, depending on the contractual rights and obligations of each investor.

The Group has assessed the nature of its joint arrangements and has determined that they are joint operations in all cases.

Joint operations arise when investors have rights to the assets and obligations with respect to the liabilities of an arrangement. The Group recognises the assets, including its share of any assets held jointly, the liabilities, including its share of any liabilities incurred jointly with the other operators, the revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and the expenses, including its share of any expenses incurred jointly, in the consolidated financial statements.

The Group's acquisition of an initial and subsequent share in a joint operation that constitutes a business is recognised following the same criteria used for business combinations, at the percentage of ownership of each individual asset and liability. However, in subsequent acquisitions of additional shares in a joint operation, the previous share in each asset and liability is not subject to revaluation, to the extent that the Group retains joint control.

In purchases by the Group from a joint operation, the resulting gains and losses are only recognised when it resells the acquired assets to a third party. However, when such transactions provide evidence of a reduction in net realisable value or an impairment loss of the assets, the Group recognises its entire share of such losses.

The integration of "joint operations" (Recytech S.A., part of the Steel Dust Recycling Services segment) in the consolidated financial statements means that assets, liabilities, income and expenses at 31 December 2022 were increased by approximately €23,635 thousand, €4,240 thousand, €29,369 thousand and €17,234 thousand, respectively, before consolidation adjustments and eliminations.

3.4 Non-controlling interests

Non-controlling interests in subsidiaries acquired as of 1 January 2004 are recognised on the acquisition date at the percentage participation in the fair value of identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date were recognised at the percentage participation in their equity on the date of first consolidation.

Non-controlling interests are disclosed in consolidated equity separately from equity attributable to shareholders of the Parent. Non-controlling interests in consolidated profits for the year (and in consolidated comprehensive income for the year) are also presented separately in the consolidated statement of comprehensive income.

The consolidated total comprehensive income for the year and changes in equity of the subsidiaries attributable to the Group and non-controlling interests after consolidation adjustments and eliminations are determined in accordance with the percentage ownership at year-end, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or not, on cumulative preference shares classified in equity accounts. However, Group and non-controlling interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently give access to the returns associated with the interests held in the subsidiaries.

The results and each component of other comprehensive income are allocated to equity attributable to the shareholders of the Parent and to non-controlling interests in proportion to their investment, although this implies a balance receivable from non-controlling interests.

3.5 Goodwill

This heading in the consolidated financial statement reflects the difference between the price paid to acquire certain consolidated subsidiaries and the Group's interest in the fair value of the net assets (assets, liabilities and contingent liabilities) of those companies at the date of acquisition.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the Company acquired over the acquisition cost of the investment is allocated to income on the date of acquisition.

Goodwill is recognised as an asset and at the end of each reporting period it is estimated whether any impairment has reduced its value to an amount lower than its carrying amount. If so, impairment losses are recognised for the goodwill, which must not be reversed in a subsequent period.

Goodwill is allocated to CGUs for the purpose of impairment testing. The goodwill is allocated to the CGUs that are expected to benefit from the business combination in which the goodwill arises.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

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(Thousands of euros) continued

3. Accounting principles and policies and measurement methods applied continued

3.6 Other intangible assets

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. In conformity with IFRS, the Group classifies as internally generated intangible assets the expenses incurred in the development of projects that meet the following conditions:

- The expenditure is specifically identified and controlled by project, and its distribution over time is clearly defined.
- The Directors have well-founded reasons for believing that there are no doubts as to the technical success or the economic and commercial viability of the projects, on the basis of their level of completion and order book.
- The Group has the necessary technical, financial and other resources to complete the development work.
- The development cost of the asset, which includes, where appropriate, the personnel expenses of the Group's personnel working on the projects, can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over the period that they are expected to generate income, which is generally five years. The technical, economic and financial potential of each project is reviewed at each year-end. If a project is progressing negatively or if there are no financing plans to assure effective completion, the related amount is charged to income in full.

Where no internally generated intangible asset can be recognised, development expenditure is accounted for as an expense in the year in which it is incurred.

The Group has recognised the work performed on its intangible assets in relation to the development of new technologies for which there is a high probability of technical and economic success as a decrease in the income statement headings which reflect the carrying amount of capitalised expenses for an amount of €2,948 thousand (31 December 2022: €1,939 thousand). The amounts capitalised during the year mainly relate to projects aimed at improving aluminium scrap treatment processes developed by the subsidiary Befesa Aluminio, S.L.

Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the management of the Group are recognised with a charge to "Other intangible assets" in the consolidated financial statement. Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

Computer software is amortised on a straight-line basis over the useful life of the assets (five years).

Concessions, patents, licences and similar items

In general, the amounts recognised by the Group in connection with concessions, patents, licences and similar items relate to the cost incurred in acquiring them, which is amortised on a straight-line basis over the estimated useful life based on the concession arrangement.

The capitalised concessions have a maximum estimated useful life of 25 years.

Licences acquired in a business combination are recognised at fair value at the acquisition date and have an indefinite useful life. Licences with an indefinite useful life are tested for impairment at least annually (Note 8). The useful life, in accordance with IAS 38, is considered indefinite due to the fact that those licences represent the amount that any producer willing to enter the market at any moment would have to pay in order to obtain the needed environmental authorisation to start the activity and have no maturity.

3.7 Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost less any accumulated depreciation and any recognised impairment losses. However, prior to the date of transition to IFRS, the Group revalued certain items of property, plant and equipment as permitted by the applicable legislation. In accordance with IFRS, the Group considered the amount of the restatements as part of the cost of the assets.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Repairs that do not lead to a lengthening of the useful life of the assets and maintenance expenses are charged to the consolidated income statement for the year in which they are incurred.

In-house work on non-current assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house warehouse materials consumption and manufacturing costs allocated using hourly absorption rates, similar to those used for inventory valuation). In 2023, €2,055 thousand was recognised in this regard (2022: €1,255 thousand) (Note 22.3). At 31 December 2023, the work performed by the Group on its property, plant and equipment is recognised under "Other operating income" in the consolidated income statement. This amount mainly relates to works carried out in Befesa Salzschlacke GmbH for the reconstruction of the plant after the fire in 2021 (2022: works carried out in China in the construction of the new plant of Befesa Zinc Environmental Protection Technology (Henan) Co, Ltd.) (Note 9).

The Group depreciates property, plant and equipment using the straight-line method (land is not subject to depreciation), distributing the cost of the assets over the following years of estimated useful life:

	Average years of estimated useful life
Buildings	16–50
Plant and machinery	10–35
Other property, plant and equipment	4–10

Since the Group has to meet certain costs in relation to the closure of its facilities, the accompanying consolidated financial statement includes the provisions raised for such costs (Note 18).

Assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each consolidated financial statement date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the items sold.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 9).

3.8 Leases

(i) Identification of a lease

At inception of a contract, the Group assesses whether it contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The period of time during which the Group uses an asset includes consecutive and non-consecutive periods of time. The Group reassesses the conditions if the contract is changed.

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3. Accounting principles and policies and measurement methods applied continued

(ii) *Lessee accounting*

For contracts that contain one or more lease components and non-lease components, the Group considers all the components as a single lease component.

At the date of initial application, the Group recognises a right-of-use asset and a lease liability for leases previously classified as an operating lease applying IAS 17.

The right-of-use asset comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred and an estimate of dismantling and restoration costs to be incurred, as described in the accounting policy for provisions.

The Group measures the lease liability at the present value of the lease payments that are not made at the commencement date. The Group discounts the lease payments using the appropriate incremental borrowing rate, unless the interest rate implicit in the lease can be reliably determined. In this regard, for initial measurement of the lease liability, the incremental borrowing rate has been used, which represents the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment (2%–5%).

Pending lease payments comprise fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of the purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group measures the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the right-of-use asset includes the price of the purchase option, the lessee shall depreciate the right-of-use asset following the depreciation criteria for property, plant and equipment from the commencement date of the lease to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term.

The Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises remeasurements of the lease liability as an adjustment to the right-of-use asset, until this is reduced to zero and then in profit or loss.

A lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate if there is a change in the lease term or in the assessment of an option to purchase the underlying asset.

The Group remeasures the lease liability if there is a change in the amounts expected to be payable under a residual value guarantee or a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review.

3.9 Non-financial asset impairment

At each reporting date, the Group reviews non-current assets to determine if there is any indication that they might have undergone an impairment loss. If any such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, at each balance financial statement date, the possible impairment of goodwill and of any intangible assets that have not yet come into operation or which have an indefinite useful life is analysed.

The recoverable amount is the higher of fair value, less costs to sell and value in use, which is taken to be the present value of the estimated future cash flows. In order to calculate value in use, the assumptions used include discount rates, growth rates and forecast changes in selling prices and costs. The Directors estimate post-tax discount rates, which reflect the time value of money and the risks specific to the CGU. The growth rates and the changes in selling prices and costs are based on in-house and industry forecasts, and experience and future expectations, respectively.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference, with a charge to "Amortisation/Depreciation, impairment and provisions" in the consolidated income statement. Impairment losses recognised for an asset in prior years are reversed, with a credit to the aforementioned heading when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised, except in the case of the impairment of goodwill, which cannot be reversed.

3.10 Financial instruments

(i) Recognition and classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 "Financial Instruments: Presentation".

For measurement purposes, the Group classifies financial instruments in the following categories of financial assets and financial liabilities according to the business model and the characteristics of the contractual cash flows.

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated income statement. This category includes the loans, trade and other receivables, and security deposits.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the consolidated income statement. This category corresponds with the hedging derivatives.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the income statement and presented net within other gains/(losses) in the period in which it arises. This category includes the factoring and equity instruments.

The business model is determined by key Group personnel and on one level reflects the manner in which they jointly manage groups of financial assets to reach a specific business objective. The Group's business model represents the manner in which it manages its financial assets to generate cash flows.

Notes to the consolidated financial statements as at 31 December 2023
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3. Accounting principles and policies and measurement methods applied continued

The Group initially designates a financial liability at FVPL if doing so eliminates or significantly reduces an inconsistency in the measurement or recognition that would otherwise arise, if measurement of the assets of liabilities or recognition of the results thereof were made on different bases, or if a group of financial liabilities or financial assets and financial liabilities is managed, and their return is evaluated, based on fair value, in accordance with an investment strategy or documented risk management strategy, and information on this group is provided internally on the same basis to the Group's key management personnel.

The Group classifies the remaining financial liabilities, except financial guarantee contracts, commitments to extend below-market rate loans and financial liabilities resulting from a transfer of financial assets that do not qualify for derecognition or are recognised using the continued involvement approach, as financial liabilities at amortised cost.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of comprehensive income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

(iii) Impairment

The Group recognises an impairment loss for expected credit losses on financial assets at amortised cost, FVOCI, lease finance receivables, contractual assets, loan commitments and financial guarantees.

For trade receivables, the Group applies the simplified approach permitted under IFRS 9 which requires that expected lifetime losses be recognised since the initial recognition of the receivable.

(iv) Derecognition, modification and extinguishment of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(v) Derecognition and modifications of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor or is legally released from primary responsibility for the liability, either by a process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the original financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, the modified flows are discounted at the original effective interest rate, and any difference in the previous carrying amount is recognised in the income statement. Any costs or fees incurred adjust the carrying amount of the financial liabilities and are amortised using the amortised cost method over the remaining term of the modified liability.

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. The Group applies the above criteria to determine whether it should derecognise the original trade payable and recognise a new liability with the financial institutions. Trade payables settled under the management of financial institutions are recognised under trade and other payables only if the Group has transferred management of the payment to the financial institutions but retains primary responsibility for settling the debt with the trade creditors.

The Company does not identify any type of material liquidity risk related to these reverse factoring agreements. Despite this, the Company only uses entities that have been given high independent credit rating and have proven solvency on the market.

Factoring receivables

Befesa derecognises trade receivables for the amount transferred to financial institutions, providing the factor assumes all the risk of insolvency and default (non-recourse factoring). At 31 December 2023 and 2022, balances receivable not due, which were extinguished as a result of the aforementioned non-recourse factoring operations, amounted to €49,894 thousand and €58,407 thousand, respectively. Unlike the above, Befesa does not derecognise amounts receivable transferred to financial institutions for which it retains substantially the associated risks.

3.11 Hedge accounting

Derivative financial instruments are initially recognised using the same criteria as for financial assets and financial liabilities. Derivative financial instruments that do not qualify for hedge accounting are classified and measured as financial assets and financial liabilities at fair value through profit or loss. Derivative financial instruments that qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit and loss, inasmuch as they do not form part of the changes in the effective value of the hedge.

At the inception of the hedge, the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. This documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group measures hedge effectiveness.

Hedge accounting only applies when there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does dominate the value changes that result from that economic relationship, and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness, irrespective of whether or not it is recognised, that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

For cash flow hedges of forecast transactions or a component thereof, the Group assesses whether these transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss for the year.

At the inception of the hedging relationship, and on an ongoing basis, the Group evaluates if the relationship meets the effectiveness qualifying criteria prospectively. The Group assesses the effectiveness at each accounting close or when there are significant changes affecting the effectiveness requirements.

The Group performs a qualitative assessment of effectiveness, providing that the fundamental conditions of the instrument and the hedged item are the same. When the fundamental conditions are not exactly the same, the Group uses a hypothetical derivative with fundamental conditions equivalent to the hedged item to assess and measure efficiency.

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3. Accounting principles and policies and measurement methods applied continued

The Group records changes in the time value of the options, hedging an item related to a transaction in other comprehensive income. If the hedged item results in the recognition of a non-financial asset or liability, the Group includes the accumulated amount in other comprehensive income with an adjustment to the non-financial asset or liability. For the remaining hedging relationships, the amount deferred in other comprehensive income is reclassified to profit or loss in the same period or periods in which the expected hedged cash flows affect profit or loss. Nonetheless, if the Group expects that part of the amount will not be recovered in one or more future periods, this is immediately recognised in profit or loss.

However, if the hedge is interrupted, the amount deferred in other comprehensive income is reclassified immediately to profit or loss.

Cash flow hedges

The Group recognises the portion of the gain or loss on the fair value measurement of a hedging instrument that is determined to be an effective hedge in other comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised under finance income or costs.

The separate component of other comprehensive income associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value or present value of the expected future cash flows on the hedged item from inception of the hedge. However, if the Group expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it reclassifies into finance income or finance expenses the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss and under the same caption of the consolidated income statement.

3.12 Cash and cash equivalents

This item includes cash on hand, current bank accounts and, where applicable, deposits and reverse repurchase agreements that meet all of the following requirements:

- They may be converted into cash.
- They have a maturity of three months or less on the date of acquisition.
- They are not subject to a significant risk of changes in value.
- They form part of the Company's usual cash management policy.

Bank overdrafts are recognised in the consolidated financial statement as current borrowings.

3.13 Inventories

"Inventories" in the consolidated financial statement includes the assets that the Group:

- holds for sale in the ordinary course of its business;
- has in the process of production, construction or development for such sale; or
- expects to consume in the production process or in the provision of services.

Raw materials and goods held for resale are measured at the lower of FIFO cost and market. Ancillary products, consumables and spare parts are measured at the lower of the price per the last invoice and market value, which does not differ significantly from FIFO cost.

Work-in-progress and finished goods are measured at the lower of market value and average production cost. Average production cost is calculated as the specific cost of the supplies and services plus the applicable portion of the direct and indirect cost of labour and general manufacturing expenses. Other warehouse materials are measured at the lower of average acquisition cost and market value.

Obsolete, defective or slow-moving materials have been reduced to their net realisable value.

3.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of taxes, from resources obtained.

Where any Group company purchases the Company's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to equity holders of the Company until the shares are cancelled, reissued or sold. Where such shares are subsequently disposed of or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity owners.

3.15 Provisions, contingent liabilities and contingent assets

In the preparation of the consolidated financial statements, the Parent's Directors drew a distinction between:

- Provisions: Credit balances covering present obligations at the consolidated financial statement date arising from past events that could give rise to a loss for the companies, which are certain as to their nature but uncertain as to their amount and/or timing.
- Contingent liabilities: Possible obligations arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies and which do not meet the requirements for recognition as provisions.
- Contingent assets: Possible assets that arise from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the entities.

The Group recognises provisions for the estimated amount required to suitably meet its liability, whether it be legal or constructive, probable or certain, arising from contingencies, litigation in process or obligations, which arise as a result of past events, for which it is more probable than not that an outflow of resources will be required, provided that it is possible to make a reasonable estimate of the amount in question. Provisions are recognised when the liability or obligation arises with a charge to the relevant heading in the consolidated income statement, based on the nature of the obligation, for the present value of the provision when the effect of discounting the obligation is material.

Provisions for pensions and similar obligations

Several Group companies have certain defined benefit obligations with their employees to supplement social security retirement pensions. These obligations had been externalised at 31 December 2023 and 2022. Subsidiaries' obligations as pension plan promoters are established in the contribution of a percentage of employees' pensionable salaries. These commitments are not significant on a Group scale.

Dismantling, restoration and similar provisions

In addition to the above, "Long-term provisions" in the accompanying consolidated financial statement also include, where applicable, the estimated amounts required to close certain facilities (Note 18), and the estimated amounts required to settle any liability that might arise from ongoing litigation and other significant obligations, when it is considered more probable than not that these obligations will have to be met, whereas any contingent liabilities (possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of Befesa) are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37 (see Note 22).

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Share-based payments

The fair value of options granted under share-based compensation plans is recognised as an employee benefits expense with the corresponding increase in long-term liabilities.

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period, with any changes in fair value recognised in the consolidated income statement. Services received or goods acquired, and the liability payable are recognised over the vesting period or immediately if vesting is immediate. The Group only recognises as personnel expenses the amount accrued in accordance with the vesting conditions of the fair value of the payment on the grant date, and the residual amount accrued is recognised as finance income or expense.

3.16 Revenue recognition

a) Sale of goods

Sales of Waelz oxide (WOX) and green zinc (Special High Grade, also known as SHG) and secondary aluminium are recognised when control of the products is transferred to the customers, mainly manufacturing companies, when the customer has full discretion over the products and there is no unfulfilled obligation that could affect the client's acceptance of the products. Delivery occurs depending on the specific agreements with customers (incoterm), the risks of obsolescence and loss have been transferred to the customers, and the Group has evidence that all criteria for acceptance have been satisfied.

Revenue is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group acts as the principal in all sales transactions. In addition, the Group has determined that its contracts with customers do not contain a significant financing component and Group sales have no variable component.

No critical judgements in recognising revenue are identified.

In relation to the revenue recognition of sales, the Group considers that under IFRS 15 there is only one kind of contract with customers. The assessment is supported by the fact that the main sales of the Group's products have only one performance obligation: delivery of WOX, green zinc "SHG" or secondary 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 passing control to the customer.

The performance obligations for this type of sale reflect the delivery of distinct goods defined in each contract and the price of each delivery is established in each separate contract, having been indexed to various market variables on the payment dates.

b) Sale of services

Revenue from customer contracts is recognised based on the amount expected to be received from the customer when the transfer of control of a customer service occurs. Control transfer can occur at a specific time or over time.

The performance obligations for this type of sale correspond to the collection of waste, the collection of the salt slags and SPLs and the delivery of the defined product in each technology contract. The Company considers that the performance obligation related to this type of service is satisfied at a specific point in time except for technology contract sales that the performance obligation is satisfied over time.

The price of each service is established in each separate contract. Each contract has a unique performance obligation which means that the price is estimated on an individual contract basis.

A contract is not considered to contain a significant financing component when the period between when the customer's committed service is transferred and when the customer pays for that service is one year or less.

There are no incremental costs for any of this type of rendering of services to secure the contract.

Consequently, as there are no delayed performance obligations, the revenue is recognised fully after passing control to the customer.

Based on this, the Group discloses revenue by reporting segment and geographical area (Note 5).

The different type of services provided by Befesa are:

Steel Business Services

In the Steel Dust Recycling Services segment, the Group collects and recycles crude steel dust and other steel residues generated in the production of crude, stainless and galvanised steel through EAF steel production. The Group sells the WOX produced in the recycling of crude steel dust to zinc smelters and, to a lesser extent, returns metals, mainly nickel, chromium and molybdenum, recovered in the recycling of stainless steel residues, to stainless steel producers for a tolling fee or sells such recovered metals on the market.

In this segment, in addition to the Group revenues from the sales of WOX, the other revenue sources are:

(i) the service fees the Group charges for collecting and recycling crude steel dust. The performance obligations for this type of sale correspond to the collection of waste as defined in each contract; the price of the service is established in each separate contract.

(ii) the tolling fees the Group charges for collecting and recycling stainless steel residues and for returning the recovered metals to the stainless steel producers. Most of the services of this type are with the return of recovered metals. If there are no returns, the service is the same as in the previous point (collecting). The performance obligations for this type of sale correspond to waste collection. The Company invoices customers a tolling/conversion fee per tonne of dust treated. The plant receives stainless steel dust from its customers, treats this dust and returns to the customers the alloys contained in this dust.

Collection of salt slags and SPLs

In the Salt Slags operations of the Aluminium Salt Slags Recycling Services segment, the Group recycles salt slags, which it receives from customers for a service fee or generates during its own production of secondary aluminium. In addition, the Group recycles SPLs generated by primary aluminium producers.

The basis for the Aluminium Salt Slags Recycling Services segment is the secondary aluminium production market in Europe. The secondary aluminium production market produces salt slags, which are categorised as a hazardous waste in Europe and other markets.

The performance obligations for this type of sale reflect the collection of the salt slags and SPLs and the treatment price per tonne is a fixed price indicated in each contract, based on the tonnes received during the year.

Technology division

The Secondary Aluminium subsegment has a small Technology division which designs, constructs, assembles and starts up the facilities so they are ready for use in the aluminium, zinc and lead cast houses.

The performance obligation for this type of sale reflects the delivery of the defined product in each contract, with each contract containing a purchase order with all of the specifications of the project and a fixed price for it.

Note 13 to the financial statements for 2023 reflects a breakdown of “Contract assets” at 31 December 2023 and 2022, which amount to €6,468 thousand (2022: €6,984 thousand).

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3. Accounting principles and policies and measurement methods applied continued

c) Interest income

Interest income is accrued on a time-proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

d) Income from dividends

Income from dividends is recognised when the shareholder's right to receive payment is established.

3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets, in accordance with IAS 23 for assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the year in which they are incurred.

3.18 Foreign currency

(i) Foreign currency transactions, balances and cash flows

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies have been translated into euros at the foreign exchange rate ruling at the financial statement date, wheras non-monetary assets and liabilities valued at historical cost are translated at the rates prevailing at the transaction date. For these purposes, advances to suppliers and customers are deemed non-monetary items and are translated at the exchange rate on the date the payment or collection took place. Subsequent recognition of the receipt of the inventories or the advance on the income from sales is translated at the original exchange rate and not at the transaction date. Non-monetary assets measured at fair value have been translated into euros at the exchange rate at the date that the fair value was determined.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(ii) Translation of foreign operations

Foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.
- Income and expenses, including comparative amounts, are translated at the exchange rates prevailing at each transaction date.
- All resulting exchange differences are recognised as translation differences in other comprehensive income.

Translation differences recognised in other comprehensive income are accounted for in profit or loss as an adjustment to the gain or loss on the sale using the same criteria as for subsidiaries.

(iii) Foreign operations in hyperinflationary economies

The financial statements of Group companies whose functional currency is the currency of a hyperinflationary economy are restated in terms of the measuring unit at the reporting date.

If the reporting date of the consolidated companies' financial statements is different to that of the Company, the former is adjusted to the measuring unit at the Company's reporting date.

The results and financial position of the Group's foreign operations whose functional currency is the currency of a hyperinflationary economy are translated into euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, assets and liabilities, income and expenses, and cash flows, are translated at the closing rate at the most recent reporting date.
- Comparative amounts are those that were included in the prior year's consolidated annual accounts and are not adjusted for subsequent changes in the price level or in exchange rates. The effect of the adjustment on the prior year's balances is recognised as a revaluation reserve in other comprehensive income/translation differences in other comprehensive income/reserves under equity.

Given the economic situation in Turkey, and in accordance with the definition of a hyperinflationary economy established in IAS 29, the country has been considered hyperinflationary since 1 January 2022. The Group holds investments in Turkey through the subsidiaries Befesa Silvermet Iskenderun Celik Tozu Geri Donusumu, A.S. and Befesa Silvermet DisTicaret, A.S.

Application of IAS 29 for the first time in Turkey in the Group's 2022 consolidated annual accounts was carried out in accordance with the following criteria:

- The comparative figures for 2021 were not subject to modification.
- Hyperinflationary accounting was applied to all assets and liabilities of subsidiaries before conversion.
- The historical cost of non-monetary assets and liabilities and the different equity items of those companies was adjusted from the date of acquisition or incorporation into the consolidated statement of financial position until the end of the year to reflect the changes in the purchasing power of the currency resulting from inflation.
- The initial equity presented in the stable currency is affected by the cumulative effect of restatement for inflation of non-monetary items from the date they were recognised for the first time and the effect of converting these balances at the closing rate at the beginning of the year.

The effect of hyperinflation in the Turkish subsidiaries on the consolidated equity of the Group is €4.4 million and the "gains on the net monetary position" amounts to €2.8 million (2022: €6.5 million and the "gains on the net monetary position" amounts to €2.5 million), recognised under net exchange differences in the consolidated income statement for the year ended 31 December 2023 and 31 December 2022.

3.19 Income tax, deferred tax assets and deferred tax liabilities

Expense for income tax and other similar taxes applicable to the foreign consolidated entities is recognised in the consolidated income statement, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

Current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting allowable tax credits, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carry-forwards and deductions. Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carry-forwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. In addition, deferred tax assets recognised for tax loss, tax credit carry-forwards and temporary differences are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

Notes to the consolidated financial statements as at 31 December 2023
(Thousands of euros) continued

3. Accounting principles and policies and measurement methods applied continued

Deferred tax assets and liabilities recognised are reassessed at each financial statement date in order to ascertain whether they still exist, and the appropriate adjustments are made based on the findings of the analyses performed (see Notes 19 and 20).

The Group recognises tax loss carry-forwards and deductions providing their realisation or future application is probable within a reasonable period. Directors have also taken into account the Group's ability to use tax benefits in different fiscal years depending on their needs.

In view of the Group's international nature, there are several tax rates depending on the applicable legislation, ranging mainly from 20% to 33% (2022: 19% to 33%).

3.20 Environmental matters

The Group carries out actions mainly aimed at preventing, reducing or repairing any damage its activities may cause to the environment.

The Group recognises environmental investments at acquisition or production cost, net of the related accumulated depreciation/amortisation, and classifies them by nature in the appropriate non-current asset accounts.

Expenses incurred in order to comply with the applicable environmental legislation are classified by nature under "Other operating expenses" in the accompanying consolidated income statement.

3.21 Related party transactions

The Group performs all its transactions with related parties at arm's length. In addition, transfer prices are adequately supported and, therefore, the Parent's Directors consider that there are no material risks in this regard that might give rise to significant liabilities in the future.

3.22 Dividend distribution

The distribution of dividends to the Parent Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

3.23 Segment reporting

The operating segments are presented consistently with the management approach, in accordance with the information used internally at the highest decision-making level. The maximum authority for decision-making is responsible for assigning resources to operating segments and evaluating the segment's performance. Segment reporting is disclosed in Note 5.

3.24 Consolidated statement of cash flows

The following terms are used in the consolidated statement of cash flows, which was prepared using the indirect method, with the meanings specified:

- Cash flows: Inflows and outflows of cash and cash equivalents, which are short-term, liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: The principal revenue-producing activities of the Group companies and other activities that are not investing or financing activities.
- Investing activities: The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

3.25 Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The post-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- The weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares

4. Financial risk management policy

The activities carried out by the Group 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 cash flow interest rate risk. The Risk Management Model used by the Group focuses on the uncertainty in financial markets and attempts to minimise the potential adverse effects on the Group's earnings.

Risk management is carried out by the Corporate Financial Department in accordance with internal management rules. This department identifies, assesses and hedges financial risks in close cooperation with the different operating units. The internal management rules provide written policies for global risk management, as well as for specific areas such as foreign currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments, and investment of cash surpluses. There were no changes in risk management policies between 2023 and 2022.

4.1 Financial risk factors

a) Market risk

i) Foreign currency risk

The Group companies operate internationally and are therefore exposed to foreign currency risks in foreign currency transactions (especially the US dollar).

To control the foreign currency risk that arises from future commercial transactions and recognised assets and liabilities, Group companies use derivative contracts. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that it is not the Group's functional currency.

For financial reporting purposes, each subsidiary designates hedges with the Corporate Financial Department as fair value hedges or as cash flow hedges, as appropriate. In addition, at the corporate level, external foreign currency hedges are designated as foreign currency risk hedges on certain assets, liabilities or future transactions.

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

4. Financial risk management policy continued

The Group's main exposures to currency risk at 31 December 2023 and 2022 are shown below. The table reflects the carrying amount of the Group's financial instruments or classes of financial instruments denominated in foreign currency:

	2023				2022			
Currency	Trade and other receivables	Treasury	Short-term loans and borrowings	Trade and other payables	Trade and other receivables	Treasury	Short-term loans and borrowings	Trade and other payables
USD	8,968	4,945	8,511	3,328	15,333	14,421	7,773	1,874
EUR	4,665	816	–	1,985	1,963	420	–	2,684
Other	14	–	–	62	7	5	–	72
Total	**13,647**	**5,761**	**8,511**	**5,375**	**17,303**	**14,846**	**7,773**	**4,630**

If the average exchange rate of the euro in 2023 and 2022 had depreciated/appreciated by 50 basis points on all functional currencies other than the euro, with the other variables remaining constant, equity and results for the year would not have changed significantly.

ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from variable interest financial debt.

To manage interest rate risk, in certain situations, the Group uses floating-to-fixed interest rate swaps, either for the total amount or a portion of the loan and either for the full term or a portion thereof.

In 2023 and 2022, had the average interest rates on the financial debt denominated in euros increased/decreased by 50 basis points, with all the other variables remaining constant, the profit after tax for the year would not have been significantly affected as a result of the hedging policies in place.

The exposure of the Group's financial debt to variations in interest rates is set out below:

	2023	2022
Total external financial debt (Note 15)	710,771	710,772
Effect of interest rate swaps (Note 17)	(316,000)	(316,000)
Financial debt subject to variable interest	**394,771**	**394,772**

iii) Price risk

Earnings in the Steel Dust, Salt Slags and Secondary Aluminium segments are exposed to the movement of recycled metal prices (zinc and aluminium). The Group manages price risk through the acquisition of commodity swaps. Befesa's target in the Steel Dust Recycling Services segment is to hedge between 60% and 75% of the sale transactions, which are subject to the risk of changes in selling prices.

The objective of the Group is to secure a certain level of revenues that will ensure a reasonable return, given the risk of decline that these revenues may face in the event of a fall in zinc prices, which accounts for 85% of the price of the product sold (WOX).

The Group uses zinc futures contracts at the London Metal Exchange (LME), hedging between 60% and 75% of the estimated sales, so the likelihood of the hedged transaction being executed is almost 100%, given that, due to the nature of the business, the sale of the entire production is assured. Establishing this limit protects the business against reductions in production due to one-off events, such as breakdowns, technical shutdowns or other similar circumstances.

These financial instruments are initially analysed to assess if they can be treated as hedging instruments and, if so, the accounting rules specific to these instruments may be applied.

Note 17 contains a breakdown of derivative financial instruments arranged on the selling prices of these metals.

b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at FVOCI and at FVPL, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

Regarding cash and cash equivalents, the Group's credit policy is to use only entities that have been given high independent credit ratings. Most of the balances are held in credit institutions located in the eurozone, mainly in Spain and Germany, with their credit risk rated at least BBB or above.

Most receivables and work in progress relate to several customers in various industries and countries. In most cases, the contracts provide for progress billings, billings at the beginning of the provision of service or billings upon delivery of the product.

It is standard practice for the Group to reserve the right to cancel projects in the event of any material breach and, in particular, of default on payment.

In addition, under most contracts the Group has a firm commitment from several banks for the acquisition, without recourse, of receivables. Under these agreements, the Group pays a fee to the banks for assuming its credit risk, plus interest and a spread on the financing received. In all cases, the Group assumes liability for the validity of the receivables.

In this regard, factored receivables are recognised off the consolidated financial statement, provided that all the conditions established in IFRS 9 are met for their derecognition from the consolidated financial statement. An analysis is performed to determine if the risks and rewards inherent to ownership of the related financial assets have been transferred, comparing the Company's exposure to changes in the amounts and timing of net cash flows from the transferred asset before and after the transfer. Once the exposure of the company factoring the receivables to these changes has been eliminated or substantially reduced, the financial asset in question is deemed to have been transferred.

In addition, some Group companies work with insurance companies that establish the credit guaranteed, normally insuring around 95% of the risk hedged in case of insolvency. The Finance Department continually seeks to adjust the limits granted to business needs. The Group allows for an acceptable level of commercial risk, which is established based on each specific customer, market and circumstance (history of non-payment, solvency, among others).

Consequently, as regards the balance of trade and other receivables, the potential effect of trade receivables, for which there are factoring agreements, would have to be excluded, as well as the effect of other trade receivables that can be factored but which have not yet been sent to the factor at the year-end and assets that are covered by credit insurance and that are reflected in this balance. Through this policy, the Group minimises its credit risk exposure in relation to these assets.

Trade and other receivables, other receivables, current financial assets and cash are the Group's main financial assets and represent its maximum exposure to credit risk, in the event that the counterparty does not meet its obligations.

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

4. Financial risk management policy continued

c) Liquidity risk

The prudent management of liquidity risk entails the maintenance of sufficient cash and marketable securities, the availability of financing through a sufficient level of committed credit facilities and the capacity to settle market positions. Given the dynamic nature of the core businesses, the Group's Treasury Department has the objective of maintaining flexible financing through the availability of committed credit lines.

Management monitors the Group's liquidity reserve projections and changes in net borrowings, calculated as follows at 31 December 2023 and 2022:

	2023	2022
Cash and cash equivalents	106,692	161,751
Other current financial assets adjusted by non-cash items (Note 10)	71	60
Undrawn credit facilities and unused financing (Note 15)	75,000	75,000
Liquidity reserve	**181,763**	**236,811**
Financial debt (Note 15)	684,408	686,486
Finance lease payables (Note 15)	26,363	24,286
Cash and cash equivalents	(106,692)	(161,751)
Other current financial assets adjusted by non-cash items (Note 10)	(71)	(60)
Net debt (Note 2.6)	**604,008**	**548,961**
Less non-current borrowings (Note 15)	(672,690)	(677,436)
Current net financial debt	**(68,682)**	**(128,475)**

One of the Group's strategic objectives is the optimisation and most efficient possible use of its assets and resources assigned to the business. Therefore, the Group pays special attention to the net operating working capital invested in it. In this respect, as in previous years, during 2023 and 2022 the Group made significant efforts to control and reduce collection periods with customers and other debtors and to optimise payment terms, thereby unifying policies and conditions across the Group.

The table below presents an analysis of the financial liabilities that will be settled, which are grouped to reflect the term remaining from the date of the financial statements to contractual maturity. This breakdown does not include long-term provisions (Note 18).

	Within one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2023				
Bank borrowings and lease liabilities (Note 15)	38,081	21,720	647,589	3,381
Other financial liabilities (derivatives)	2,229	–	–	–
Trade and other payables (*)	216,724	1,533	1,219	–
Unaccrued interest payable	30,191	24,226	15,810	1,167
At 31 December 2022				
Bank borrowings and lease liabilities (Note 15)	33,336	15,831	657,654	3,951
Other financial liabilities (derivatives)	38,223	12,283	592	–
Trade and other payables (*)	261,506	1,299	3,235	–
Unaccrued interest payable	25,305	24,896	38,284	961

(*) Long-term payables do not include capital grants amounting to €3.9 million and €3.3 million in 2023 and 2022, respectively.

d) Capital risk

The Group manages its equity investments to ensure that its subsidiaries have a guarantee of continuity in terms of their assets and financial position, maximising shareholder return by optimising the structure of equity and liabilities on the liabilities side of the subsidiaries' financial statements.

Capital management is the responsibility of the Group's Management Committee, whose approach focuses on increasing the value of the business in the long-term for shareholders and investors as well as for employees and customers. The objective is to achieve constant, sustained results through organic and, where necessary, inorganic growth. For this purpose, a balance in the businesses is required, with control of financial risks, combined with the necessary financial flexibility to achieve such objectives.

The Group's capital management policy focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy makes the creation of value for the shareholders compatible, with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and the investment plan financing needs not covered by the funds generated by the business.

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

4. Financial risk management policy continued

Details of the debt/equity ratios (excluding balances with Group companies) as at 31 December 2023 and 2022 are as follows:

		2023	2022
Total bank borrowings (Note 15)		710,771	710,772
Less:	Cash and cash equivalents	(106,692)	(161,751)
	Other current financial assets adjusted by non-cash items (Note 10)	(71)	(60)
Net debt		**604,008**	**548,961**
Total equity		**877,356**	**819,252**
Total capital invested		**1,481,364**	**1,368,213**
Borrowing ratio		**40.8%**	**40.1%**

For a detailed definition of net debt, please refer to Note 2.6.

4.2 Fair value estimation

IFRS 13 establishes as fair value the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether it is observable or has been estimated using a valuation technique. For this purpose, consistent data with features that market participants would consider in the transaction are selected.

IFRS 13 maintains the principles of the other standards while setting the full framework for fair value measurement when it is mandatory under other IFRSs and establishes the additional information to be disclosed about fair value measurements.

The requirements of IFRS 13 are met by the Group in the fair value measurement of assets and liabilities when fair value is required by other IFRSs.

For financial assets and liabilities not valued at fair value, the Group breaks down the possible impacts between the fair value and the amortised cost if the impact is significant (Note 10).

Based on the content of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports on estimating the fair value hierarchy levels as follows:

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

The table below shows the Group's assets and liabilities that were measured at fair value at 31 December 2023 and 2022:

2023

	Level 2	2023
Assets		
– Derivatives (Note 17)	44,697	44,597
Total assets at fair value	**44,697**	**44,697**
Liabilities		
– Derivatives (Note 17)	2,229	2,229
Total liabilities at fair value	**2,229**	**2,229**

2022

	Level 2	2022
Assets		
– Derivatives (Note 17)	40,947	40,947
Total assets at fair value	**40,947**	**40,947**
Liabilities		
– Derivatives (Note 17)	51,098	51,098
Total liabilities at fair value	**51,098**	**51,098**

a) Financial instruments Level 2

The fair value of financial instruments not traded in an active market is determined using valuation techniques. The Group employs a variety of methods such as estimated discounted cash flows and uses assumptions based on the market conditions at each financial statement 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 following:

- The fair value of interest rate swaps is calculated as the present value of future estimated cash flows.
- The fair value of currency forwards is determined using forward exchange rates quoted in the market at the consolidated financial statements date.
- It is assumed that the book value of trade payables and receivables 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 17).

Notes to the consolidated financial statements as at 31 December 2023
(Thousands of euros) continued

5. Segment reporting

The Board of Directors is ultimately responsible for making the Group's operational decisions, as the Board functions 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 segments indicated:

- Steel Dust Recycling Services ("Steel Dust")
- Aluminium Salt Slags Recycling Services
  - Salt Slags Recycling ("Salt Slags")
  - Secondary Aluminium production ("Secondary Aluminium")

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

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

The financial information received by the Board of Directors includes finance income and costs tax aspects, cash flow and net debt only on a consolidated basis because this is the way the Company manages them.

For a detailed definition of EBIT and EBITDA, please refer to Note 2.6.

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.

a) Segment reporting

Set out below is the distribution by segment of EBIT and Adjusted EBIT for the year ended 31 December 2023 and for the year ended 31 December 2022 (thousands of euros).

	2023				
	Steel Dust	**Salt Slags**	**Secondary Aluminium**	**Corporate, other minor and eliminations**	**Total**
Revenue	785,575	86,318	360,228	(51,521)	1,180,600
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(643,373)	(61,600)	(338,586)	51,769	(991,790)
Amortisation/Depreciation, impairment and provisions	(64,667)	(9,261)	(7,823)	(418)	(82,169)
EBIT (operating profit/(loss))	**77,535**	**15,457**	**13,819**	**(170)**	**106,641**
Non-recurrent costs/incomes EBIT (Note 9 and 21)	1,906	–	–	–	1,906
Non-recurrent costs/incomes EBITDA (Note 6, 9 and 21)	(8,111)	1,283	–	–	(6,828)
Adjusted EBIT (operating profit/(loss))	**71,330**	**16,740**	**13,819**	**(170)**	**101,719**

	2022				
	Steel Dust	**Salt Slags**	**Secondary Aluminium**	**Corporate, other minor and eliminations**	**Total**
Revenue	730,311	77,333	375,851	(47,462)	1,136,033
Income/Expenses from operations (except revenue, depreciation and amortisation/ depreciation charge and provisions)	(551,537)	(38,727)	(356,813)	45,948	(901,129)
Amortisation/Depreciation, impairment and provisions	(52,959)	(9,200)	(7,580)	(406)	(70,145)
EBIT (operating profit/(loss))	**125,815**	**29,406**	**11,458**	**(1,920)**	**164,759**
Non-recurrent costs/incomes EBIT (Note 9 and 21)	5,453	414	–	–	5,867
Non-recurrent costs/incomes EBITDA (Note 6, 9 and 21)	(10,187)	(11,625)	–	1,508	(20,304)
Adjusted EBIT (operating profit/(loss))	**121,081**	**18,195**	**11,458**	**(412)**	**150,322**

The reconciliation of Adjusted EBIT to results attributable to the Parent Company is as follows:

	2023	**2022**
Adjusted EBIT	**101,719**	**150,322**
– Non-recurrent costs/incomes EBIT (Notes 9 and 21)	(1,906)	(5,867)
– Non-recurrent costs/incomes EBITDA (Notes 6, 9 and 21)	6,828	20,304
EBIT (operating profit/(loss))	**106,641**	**164,759**
Finance income/(cost)	(38,573)	(34,419)
Corporate income tax	(10,500)	(23,838)
Profit/(Loss) attributable to continuing operations	**57,568**	**106,502**
Non-controlling interests	404	(282)
Profit/(Loss) attributable to the Parent Company	**57,972**	**106,220**

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

5. Segment reporting continued

Set out below is the distribution by segment of EBITDA and Adjusted EBITDA for the years ended 31 December 2023 and 2022 (thousands of euros):

	2023				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor and eliminations	Total
Revenue	785,575	86,318	360,228	(51,521)	1,180,600
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(643,373)	(61,600)	(338,586)	51,769	(991,790)
Amortisation/Depreciation, impairment and provisions (a)	(64,667)	(9,261)	(7,823)	(418)	(82,169)
EBIT (operating profit/(loss)) (b)	**77,535**	**15,457**	**13,819**	**(170)**	**106,641**
EBITDA (operating profit/(loss) before amortisation/depreciation and provisions) (a–b)	**142,202**	**24,718**	**21,642**	**248**	**188,810**
Non-recurrent costs/incomes (Notes 6, 9 and 21)	(8,111)	1,283	–	–	(6,828)
Adjusted EBITDA	**134,091**	**26,001**	**21,642**	**248**	**181,982**

	2022				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor and eliminations	Total
Revenue	730,311	77,333	375,851	(47,462)	1,136,033
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(551,537)	(38,727)	(356,813)	45,948	(901,129)
Amortisation/Depreciation, impairment and provisions (a)	(52,959)	(9,200)	(7,580)	(406)	(70,145)
EBIT (operating profit/(loss)) (b)	**125,815**	**29,406**	**11,458**	**(1,920)**	**164,759**
EBITDA (operating profit/(loss) before amortisation/depreciation and provisions) (a–b)	**178,774**	**38,606**	**19,038**	**(1,514)**	**234,904**
Non-recurrent costs/incomes (Notes 6, 9 and 21)	(10,187)	(11,625)	–	1,508	(20,304)
Adjusted EBITDA	**168,587**	**26,981**	**19,038**	**(6)**	**214,600**

The reconciliation of Adjusted EBITDA to results attributable to the Parent Company is as follows:

	2023	2022
Adjusted EBITDA	**181,982**	**214,600**
Non-recurrent costs/incomes	6,828	20,304
Amortisation/Depreciation, impairment and provisions	(82,169)	(70,145)
Operating profit/(loss)	**106,641**	**164,759**
Finance income/(cost)	(38,573)	(34,419)
Corporate income tax	(10,500)	(23,838)
Profit/(Loss) attributable to continuing operations	**57,568**	**106,502**
Non-controlling interests	404	(282)
Profit/(Loss) attributable to the Parent Company	**57,972**	**106,220**

Other segment items included in the consolidated income statement are as follows:

	2023					2022				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor and eliminations	Total	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor and eliminations	Total
Depreciation/ Amortisation charge:										
– Property, plant and equipment (Notes 9 and 22)	(53,325)	(6,904)	(6,192)	(111)	(66,532)	(43,394)	(6,678)	(6,312)	(112)	(56,496)
– Intangible assets (Notes 8 and 22)	(421)	(908)	(728)	(69)	(2,126)	(374)	(783)	(577)	(69)	(1,803)
– Right-of-use assets (Notes 11 and 22)	(9,608)	(1,448)	(712)	(238)	(12,006)	(7,608)	(1,263)	(691)	(224)	(9,786)
– Reversal/ (Recognition) of impairment losses and other (Note 22)	(1,313)	(1)	(191)	–	(1,505)	(1,584)	(476)	–	–	(2,060)
Total	**(64,667)**	**(9,261)**	**(7,823)**	**(418)**	**(82,169)**	**(52,960)**	**(9,200)**	**(7,580)**	**(405)**	**(70,145)**

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

5. Segment reporting continued

Details of segment assets and liabilities are as follows:

	2023					2022				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor and eliminations	Total	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, other minor and eliminations	Total
Assets										
Intangible assets	670,625	51,105	15,890	53	737,673	628,231	51,636	13,985	115	693,967
Property, plant and equipment	563,452	85,978	52,795	435	702,660	555,526	70,276	56,483	524	682,809
Right-of-use assets	25,879	4,310	1,140	616	31,945	25,157	4,851	592	295	30,895
Non-current financial assets and deferred tax assets	60,495	2,021	27,263	42,067	131,846	66,209	41	35,259	46,704	148,213
Current assets	244,045	23,466	61,539	12,511	341,561	289,757	27,405	79,055	24,509	420,726
Total assets	**1,564,496**	**166,880**	**158,627**	**55,682**	**1,945,685**	**1,564,880**	**154,209**	**185,374**	**72,147**	**1,976,610**
Equity and liabilities										
Net assets	642,164	85,394	40,359	109,439	877,356	321,151	69,287	35,863	392,951	819,252
Non-current liabilities	739,172	65,006	40,247	(33,310)	811,295	992,780	67,625	67,245	(303,357)	824,293
Current liabilities	183,160	16,480	77,841	(20,447)	257,034	250,949	17,297	82,266	(17,447)	333,065
Total equity and liabilities	**1,564,496**	**166,880**	**158,627**	**55,682**	**1,945,685**	**1,564,880**	**154,209**	**185,374**	**72,147**	**1,976,610**

5. Segment reporting continued

Investments in the corresponding year were as follows (excluding the effect of translation differences):

	2023					2022				
	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, and eliminations	Total	Steel Dust	Salt Slags	Secondary Aluminium	Corporate, and eliminations	Total
Additions to non-current assets (Notes 8 and 9)	76,343	22,910	5,312	25	104,590	74,092	27,505	2,731	23	104,351
Disposals of non-current assets (Notes 8 and 9)	(1,833)	(122)	(1,409)	–	(3,364)	(11,513)	(7,729)	(6)	(4)	(19,252)
Net investments in the year (Notes 8 and 9)	**74,510**	**22,788**	**3,903**	**25**	**101,226**	**62,579**	**19,776**	**2,725**	**19**	**85,099**

Investments in non-current assets include additions to property, plant and equipment (see Note 9) and intangible assets (see Note 8).

Inter-segment transfers and transactions (if any) are arranged under the same usual commercial terms and conditions as those that should also be available to unrelated third parties. Details of sales by geographical segment for the years ended 31 December 2023 and 2022 are as follows:

Geographical area	2023	%	2022	%
Spain	193,394	16%	210,250	18%
Germany	122,949	10%	120,344	10%
Finland	54,054	5%	52,782	2%
France	48,985	4%	53,541	5%
Belgium	46,717	4%	57,717	5%
Netherlands	33,253	3%	29,146	5%
Norway	32,920	3%	35,470	3%
Italy	19,339	2%	45,967	4%
Portugal	19,058	2%	18,409	2%
Sweden	18,536	2%	21,067	2%
Rest of Europe	48,538	4%	42,501	4%
US	371,776	31%	257,613	23%
Japan	62,134	5%	56,261	5%
South Korea	27,405	2%	35,275	3%
Brazil	20,320	2%	20,648	2%
China	17,643	1%	11,911	1%
Singapore	12,400	1%	24,613	2%
Australia	11,015	1%	19,959	2%
Rest of the world	20,164	2%	22,559	2%
	1,180,600	**100%**	**1,136,033**	**100%**

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

5. Segment reporting continued

The distribution of property, plant and equipment, intangible assets (excluding goodwill and licences) and right-of-use assets is as follows:

	2023	2022
US	351,091	331,843
Germany	119,774	107,558
China	93,961	101,720
Spain	85,139	84,226
France	36,625	31,143
South Korea	27,859	34,713
Turkey	15,817	17,880
Sweden	14,389	12,065
UK	–	79
	744,655	**721,227**

b) Information on customers

At 31 December 2023, only one customer from the Steel Dust segment represented over 10% of the Group's total revenues; this customer represents approximately 35% of the Group's total revenues. At 31 December 2022, three customers each represented over 10% of the Group's total revenues, all of them from the Steel Dust segment; the largest customer represented approximately 19% of the Group's total revenues, the second-largest customer represented approximately 15% of the Group's total revenues and the third-largest customer represented approximately 12% of the Group's total revenues.

6. Business Combination

a) Recytech, S.A.

On 1 January 2023, the Group proceeded to re-evaluate control over its French subsidiary Recytech, S.A. in response to the liquidation procedure of the other partner, Recylex S.A. (see Note 2.5)

Recytech, S.A. was established in 1991 by Befesa Steel Services GmbH (a company belonging to the Group) and Recylex S.A., both parties holding 50% of the share capital respectively. Its activities consist of recycling steel dust and producing WOX, and until 31 December 2022 the Group considered this agreement as a joint operation (Note 3.3).

As a result of the liquidation process of the partner Recylex S.A., the latter no longer carries out commercial activities and the Group, throughout the financial year 2023, has acquired 100% of the final product of Recytech, S.A. The main relevant activities related to the business are under the decisions of the General Director of the company which directly depends on the European Chief Executive Officer of the Group and simultaneously has been appointed as General Director of the other French subsidiary. Moreover, given that the Group is in charge of the supply of the dust and the client at the same time, the latter makes the decisions on those relevant activities.

Given this situation, the Group has re-evaluated the control it had over this business, concluding that it obtains control over Recytech, S.A., and therefore becoming consolidated by the global integration method as from 1 January 2023 (Note 2.5).

This business generated revenue and a consolidated profit/(loss) of €38,900 thousand and €7,959 thousand, respectively, for the Group (before non-controlling interests) between 1 January 2023 and the end of the reporting period.

The breakdown of the fair value of the net assets and the excess of net assets over the cost of the combination is as follows:

	Thousands of euros
Consideration transferred	–
Non-controlling interests	49,543
Fair value of previous investment in the business	49,543
Fair value of net assets acquired	(38,793)
Goodwill	**60,293**

The valuation at fair value of 50% of the previous net assets of the Recytech, S.A. business, which amounted to €29,044 thousand (including a goodwill amount of €9,649 thousand allocable to this business within the Steel CGU), has led to the recognition of a positive result for a total amount of €20,498 thousand, which has been recognised in the "Other income" item of the consolidated income statement for the year 2023 (Note 22.3).

The amounts recognised by significant class at the date of acquisition of the assets, liabilities and contingent liabilities (100% of net assets) are as follows:

	Thousands of euros
Property, plant and equipment (Note 9)	8,812
Other intangible assets	1,534
Other financial assets	713
Cash and cash equivalents	27,697
Other current assets	8,518
Total assets	**47,274**
Other liabilities	2,978
Current liabilities	5,503
Total liabilities and contingent liabilities	**8,481**
Total net assets	**38,793**
Total net assets acquired (100%) (a)	**38,793**
Fair value of non-controlling interests	49,543
Fair value of net assets acquired	49,543
Total fair value (b)	**99,086**
Goodwill (b–a)	**60,293**

The criteria for calculating the main assets and liabilities existing at the date of taking over the operations of Recytech S.A. were the following:

– Property, plant and equipment: Estimated the fair value of the tangible assets based on the cost method.

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

6. Business Combination continued

b) American Zinc Products LLC.

On 30 September 2022, the Group, through Befesa Holding US, Inc., acquired a 93% interest in American Zinc Products, LLC (currently Befesa Zinc Metal, Inc.). Befesa already owned 7% of the refining asset, as part of the acquisition of American Zinc Recycling, which closed in August 2021. Befesa Zinc Metal, Inc. has its registered office in Rutherford County, North Carolina, and its principal activity is the production of zinc, solely from recycled sources. The main reason for the business combination is to obtain new solvent extraction technology to process WOX into SHG zinc. The zinc-refining business provides Befesa with a strategic vertical integration capability to support its EAF steel dust recycling operations in the US, addressing the shortage of smelting capacity in the North American market.

Befesa Zinc US, Inc. sells 100% of its production to Befesa Zinc Metal, Inc., which processes WOX and transforms it into SHG zinc.

The acquired business generated revenue and a consolidated profit/(loss) of €34,450 thousand and €(15,490) thousand, respectively, for the Group between the acquisition date and the end of the reporting period.

If the acquisition had taken place on 1 January 2022, the Group's revenue and consolidated Adjusted EBITDA for the year ended 31 December 2022 would have amounted to €1,245,788 thousand and €214,600 thousand, respectively.

Details of the consideration given, the fair value of the net assets acquired and excess of net assets acquired over cost of acquisition are as follows:

	Thousands of euros
Consideration given	
Cash paid	47,805
Capitalisation of balance receivable	4,182
Total consideration given	**51,987**
Fair value of previous investment in the business	3,853
Fair value of net assets acquired	107,466
(Excess of net assets acquired over cost of acquisition) (Note 22.3)	(51,626)

The excess amount of net assets acquired over of the acquisition cost has been recognised in other operating income of the consolidated income statement. The main reason for the recognition of income has been that the current environment, characterised by high inflation and energy prices, has provided Befesa with the opportunity to renegotiate favourably the terms and conditions of the agreement (Note 10), hence reducing the acquisition price.

The costs associated with this operation amounted to €5,705 thousand.

The amounts recognised by significant class at the date of acquisition of the assets, liabilities and contingent liabilities are as follows:

	Thousands of euros
Property, plant and equipment (Note 9)	120,576
Right-of-use assets (Note 11)	1,969
Other financial assets	2,487
Cash and cash equivalents	2,840
Other current assets	81,568
Total assets	**209,440**
Lease liabilities (Note 11)	462
Other liabilities	6,882
Current liabilities	94,631
Total liabilities and contingent liabilities	**101,975**
Total net assets	**107,465**
Total net assets acquired	**107,465**
Cash paid	(47,805)
Cash and cash equivalents of the acquired company	2,840
Cash outflow for the acquisition	(44,965)

The criteria for calculating the main assets and liabilities existing at the date of taking over the operations of American Zinc Recycling Corp. (currently Befesa Zinc Metal, Inc.) were the following:

– Property, plant and equipment: Estimated the fair value of the tangible assets based on the income approach. The key parameters used in the valuation of these tangible assets were EBITDA, a discount rate of 8.7% and a perpetual growth rate of 2.5%.

7. Goodwill

Details of goodwill on the consolidated statement of financial position as at 31 December 2023 and 2022 are as follows:

CGU	Balance at 31/12/22	Business combination (Note 6)	Translation differences	Balance at 31/12/23
Befesa Zinc US, Inc.	252,289	–	(8,854)	243,435
Steel Dust	290,778	50,644	–	341,422
Salt Slags	35,829	–	–	35,829
Secondary Aluminium	8,957	–	–	8,957
	587,853	**50,644**	**(8,854)**	**629,643**

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7. Goodwill continued

CGU	Balance at 31/12/21	Translation differences	Balance at 31/12/22
Befesa Zinc US, Inc.	237,587	14,702	252,289
Steel Dust	290,778	–	290,778
Salt Slags	35,829	–	35,829
Secondary Aluminium	8,957	–	8,957
	573,151	**14,702**	**587,853**

The increase in goodwill in 2023 is due to Recytech, S.A.'s control reassessment described in Note 6.

Impairment analysis

The Group has implemented a procedure whereby at each year-end, any impairment of goodwill and licences with indefinite useful life (Note 8) are analysed.

The recoverable amount is the higher of fair value less costs to sell and value in use, which is taken to be the present value of estimated future cash flows.

The measurement methods indicated in Note 2.4 led to discount rates used to perform the impairment test in a range for each CGU, as follows:

- Befesa Zinc US, Inc: 8.9% (2022: 8.2%)
- Steel Dust: 6.73%–13.3% (2022: 6.49%–15.32%)
- Salt Slags: 6.73%–7.25% (2022: 6.73%–7.25%)
- Secondary Aluminium: 6.73%–7.25% (2022: 6.73%–7.25%)

The discount rates used are pre-tax and reflect the risks specific to the significant CGU segments. The Directors consider that a change in the discount rate used (approximately 50 basis points) would not have a significant impact on these consolidated financial statements.

The cash flow budget is determined by the Group's management in their strategic plans, considering a similar activity structure as the present one and based on previous years' experience.

At the end of 2023 and 2022, estimates were made of the recoverable amounts of the CGUs to which goodwill and/or licences with indefinite useful life had been allocated in accordance with Notes 3.5 and 3.6 and the methods described above. No impairment has been recognised in 2023 and 2022.

The Group's management carried out a sensitivity analysis of the recoverable amount of goodwill and licences (Note 8) in the event of variations of ±5% in key assumptions, and no signs of impairment were identified.

8. Other intangible assets

Movements in "Other intangible assets" in the consolidated statement of financial position as at 31 December 2023 and 2022 are as follows:

	2023				
Cost:	**Development expenditure**	**Licences**	**Computer software**	**Administrative concessions and others**	**Total**
Balance at 31/12/22	**14,544**	**98,591**	**5,489**	**2,793**	**121,417**
Business combination (Note 6)	–	–	149	1,747	1,896
Change in scope of consolidation (Note 2.5)	–	–	(233)	–	(233)
Additions	2,949	–	374	102	3,425
Disposals	–	–	(34)	–	(34)
Transfers	–	–	93	400	493
Translation differences	–	(611)	(30)	(9)	(650)
Balance at 31/12/23	**17,493**	**97,980**	**5,808**	**5,033**	**126,314**
Accumulated amortisation					
Balance at 31/12/22	**(9,231)**	**–**	**(4,248)**	**(1,824)**	**(15,303)**
Business combination	–	–	(117)	(1,013)	(1,130)
Change in scope of consolidation (Note 2.5)	–	–	233	–	233
Additions (Note 22.6)	(1,624)	–	(502)	–	(2,126)
Disposals	–	–	34	–	34
Transfers	–	–	–	–	–
Translation differences	–	–	8	–	8
Balance at 31/12/23	**(10,855)**	**–**	**(4,592)**	**(2,837)**	**(18,284)**
Other intangible assets, net at 31/12/22	**5,313**	**98,591**	**1,241**	**969**	**106,114**
Other intangible assets, net at 31/12/23	**6,638**	**97,980**	**1,216**	**2,196**	**108,030**

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

8. Other intangible assets continued

	2022				
Cost:	Development expenditure	Licences	Computer software	Administrative concessions and others	Total
Balance at 31/12/21	**13,605**	**97,566**	**8,585**	**2,494**	**122,250**
Additions	1,939	–	222	299	2,460
Disposals	(1,000)	–	(3,324)	–	(4,324)
Transfers	–	–	45		45
Translation differences	–	1,025	(39)	–	986
Balance at 31/12/22	**14,544**	**98,591**	**5,489**	**2,793**	**121,417**
Accumulated amortisation					
Balance at 31/12/21	**(8,868)**	**–**	**(7,141)**	**(1,823)**	**(17,832)**
Additions (Note 22.6)	(1,363)	–	(439)	(1)	(1,803)
Disposals	1,000	–	3,324	–	4,324
Translation differences	–	–	8	–	8
Balance at 31/12/22	**(9,231)**	**–**	**(4,248)**	**(1,824)**	**(15,303)**
Other intangible assets, net at 31/12/21	**4,737**	**97,566**	**1,444**	**671**	**104,418**
Other intangible assets, net at 31/12/22	**5,313**	**98,591**	**1,241**	**969**	**106,114**

Licences are intangible assets with an indefinite useful life. The recoverability of these licences has been evaluated by the Group's management based on the impairment tests disclosure in Note 7.

2023
The most significant additions for the year relate to development expenses capitalised in the Secondary Aluminium segment amounting to €2,949 thousand.

2022
The most significant additions in 2022 was related to development expenses capitalised in the Secondary Aluminium segment amounting to €1,939 thousand and to ERP implementation in the Steel Dust segment: €222 thousand.

The most significant disposal for the year relates to the disposal of the SAP (prior ERP) fully amortised amounting to €3,324 thousand in Befesa Zinc Comercial, S.A.U., Befesa Zinc Aser, S.A.U. and Befesa Zinc Óxido, S.A.U. Moreover, Befesa Zinc Óxido S.A.U. has made a disposal of €1,000 thousand of fully amortised development expenditures.

Investment commitments
At 31 December 2023 and 2022, the Group had no significant investment commitments.

9. Property, plant and equipment

Movements in this consolidated statement of financial position as at 31 December 2023 and 2022 are as follows:

	2023					
Cost:	Land	Buildings	Plant and machinery	Other property, plant and equipment	Fixed assets in progress	Total
Balance at 31/12/22	**45,942**	**175,462**	**785,167**	**33,700**	**147,976**	**1,188,247**
Business combination (Note 6)	185	5,608	16,211	200	375	22,579
Change in scope of consolidation (Note 2.5)	(79)	(1,413)	(34,670)	(225)	–	(36,387)
Additions	–	2,652	2,934	622	94,957	101,165
Disposals	(6)	(158)	(2,432)	(700)	(35)	(3,331)
Transfers	106	33,341	163,408	1,964	(191,594)	7,225
Translation differences	(727)	(2,604)	(22,548)	(72)	(4,520)	(30,471)
Balance at 31/12/23	**45,421**	**212,888**	**908,070**	**35,489**	**47,159**	**1,249,027**
Accumulated depreciation and provisions:						
Balance at 31/12/22	**–**	**(80,021)**	**(374,662)**	**(21,703)**	**–**	**(476,386)**
Business combination (Note 6)	–	(4,354)	(13,707)	(111)	–	(18,172)
Change in scope of consolidation (Note 2.5)	–	1,413	16,302	225	–	17,940
Additions (Note 22.6)	–	(7,492)	(56,979)	(2,061)	–	(66,532)
Disposals	–	152	2,382	670	–	3,204
Transfers	–	295	(8,011)	(2)	–	(7,718)
Translation differences	–	468	9,532	(233)	–	9,767
Balance at 31/12/23	**–**	**(89,539)**	**(425,143)**	**(23,215)**	**–**	**(537,897)**
Impairment losses at 31/12/22	**(874)**	**–**	**(28,151)**	**(27)**	**–**	**(29,052)**
Reversal (Note 2.5)	–	–	20,582	–	–	20,582
Impairment losses at 31/12/23	**(874)**	**–**	**(7,569)**	**(27)**	**–**	**(8,470)**
Carrying amount at 31/12/22	**45,068**	**95,441**	**382,354**	**11,970**	**147,976**	**682,809**
Carrying amount at 31/12/23	**44,547**	**123,349**	**475,358**	**12,247**	**47,159**	**702,660**

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9. Property, plant and equipment continued

	2022					
Cost:	**Land**	**Buildings**	**Plant and machinery**	**Other property, plant and equipment**	**Fixed assets in progress**	**Total**
Balance at 31/12/21	**44,279**	**162,467**	**626,866**	**69,809**	**72,539**	**975,960**
Additions	–	538	1,869	665	98,821	101,893
Business combination (Note 6)	1,552	7,595	95,536	81	15,812	120,576
Disposals	–	(228)	(8,736)	(5,892)	(72)	(14,928)
Transfers	(75)	5,088	63,325	(31,024)	(37,359)	(45)
Translation differences	186	2	6,307	61	(1,765)	4,791
Balance at 31/12/22	**45,942**	**175,462**	**785,167**	**33,700**	**147,976**	**1,188,247**
Accumulated depreciation and provisions:						
Balance at 31/12/21	**–**	**(73,618)**	**(337,712)**	**(26,503)**	**–**	**(437,833)**
Additions (Note 22.6)	–	(6,804)	(47,704)	(1,988)	–	(56,496)
Disposals	–	188	13,110	1,475	–	14,773
Translation differences	–	213	(2,356)	5,313	–	3,170
Balance at 31/12/22	**–**	**(80,021)**	**(374,662)**	**(21,703)**	**–**	**(476,386)**
Impairment losses at 31/12/21	**(874)**	**–**	**(28,151)**	**(27)**	**–**	**(29,052)**
Additions (Note 22.6)	–	–	–	–	–	–
Impairment losses at 31/12/22	**(874)**	**–**	**(28,151)**	**(27)**	**–**	**(29,052)**
Carrying amount at 31/12/21	**43,405**	**88,849**	**261,003**	**43,279**	**72,539**	**509,075**
Carrying amount at 31/12/22	**45,068**	**95,441**	**382,354**	**11,970**	**147,976**	**682,809**

2023
The main additions for the year are related to the investments made by the new companies in the US (€56.5 million) to works done in Befesa Salzschlacke GmbH, mainly related to the Hanover plant after the fire in 2021 (€20.4 million) and the recurring environmental and maintenance investments made at each plant every year.

2022
The main additions for the year are related to the construction of the new plants in China (€22.3 million), the investments made by the new companies in the US (€39.1 million), works done in Befesa Salzschlacke GmbH, mainly related to the Hanover plant after the fire in 2021 (€25.0 million) and the annual recurrent environmental and maintenance investments made at each plant.

Impairment losses
On 31 December 2023, the reversion of the impairment losses mainly relates to the sale of Befesa Salt Slags, Ltd. As at 31 December 2023 (€18 million) as a result of the sale of this company (Note 2.5).

On 31 December 2022, there were no impairments.

Insurance
The Group takes out insurance policies to cover possible risks to which its property, plant and equipment are subject. The coverage is considered to be sufficient.

Capitalisation of borrowing costs
There are no significant borrowing costs capitalised in 2023 and 2022.

Mortgaged property, plant and equipment
At 31 December 2023 and 2022, there are no significant fixed assets pledged to secure loans.

Investment commitments
At 31 December 2023, the Group had investment commitments amounting to €41.4 million, mainly as a result of the expansion project in the US (2022: €28.8 million, due to the expansion project in China and the US).

10. Financial assets by category and class
The classification of financial assets by category and class is as follows:

	2023		2022	
Financial assets at amortised cost	**Current**	**Non-current**	**Current**	**Non-current**
Loans				
Variable rate	–	1,666	–	1,666
Impairment	–	(924)	–	(1,104)
Trade and other receivables (Note 13)	119,154	–	155,094	–
Security deposits	450	3,849	887	3,467
Financial assets measured at fair value				
Hedging derivatives (Note 17)	14,176	30,521	455	40,492
Total financial assets	**133,780**	**35,112**	**156,436**	**44,521**

The fair value of financial assets does not differ significantly from the carrying amount.

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Notes to the consolidated financial statements as at 31 December 2023
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11. Right-of-use assets and lease liabilities

Details of and movement in classes of right-of-use assets during 2023 and 2022 are as follows:

Cost:	Land	Buildings	Plant and machinery	Other property, plant and equipment	Total
Balance at 31/12/21	**17,450**	**6,244**	**9,339**	**9,399**	**42,432**
Additions	324	426	3,844	4,177	8,771
Business combination (Note 6)	14	278	759	918	1,969
Disposals	(69)	(159)	(2,788)	(4,377)	(7,393)
Translation differences	(125)	53	(173)	713	468
Balance at 31/12/22	**17,594**	**6,842**	**10,981**	**10,830**	**46,247**
Additions	688	1,905	4,962	7,606	15,161
Disposals	110	(293)	(2,135)	(2,255)	(4,573)
Translation differences	(509)	(73)	(99)	(517)	(1,198)
Balance at 31/12/23	**17,883**	**8,381**	**13,709**	**15,664**	**55,637**
Accumulated amortisation					
Balance at 31/12/21	**(2,149)**	**(2,614)**	**(5,198)**	**(2,136)**	**(12,097)**
Additions (Note 22.6)	(846)	(1,248)	(3,179)	(4,514)	(9,787)
Disposals	69	124	2,756	4,114	7,063
Translation differences	(92)	(5)	(40)	(394)	(531)
Balance at 31/12/22	**(3,018)**	**(3,743)**	**(5,661)**	**(2,930)**	**(15,352)**
Additions (Note 22.6)	(1,011)	(1,463)	(4,661)	(4,871)	(12,006)
Disposals	(158)	126	1,711	1,556	3,235
Translation differences	22	39	134	236	431
Balance at 31/12/23	**(4,165)**	**(5,041)**	**(8,477)**	**(6,009)**	**(23,692)**
Right-of-use assets net at 31/12/2022	**14,576**	**3,099**	**5,320**	**7,900**	**30,895**
Right-of-use assets net at 31/12/2023	**13,718**	**3,340**	**5,232**	**9,655**	**31,945**

The short-term lease expense for 2023 amounts to €1,406 thousand (2022: €2,003 thousand).

Details of lease payments and liabilities

An analysis of the contractual maturity of lease liabilities, including future interest payable, is as follows:

	2023	2022
Within 1 year	9,283	10,298
Between 1 and 2 years	5,799	4,569
Between 2 and 3 years	3,732	2,709
More than 3 years	7,549	6,710
	26,363	**24,286**

The changes in this liability from 1 January to 31 December are as follows:

	2023	2022
Balance as at 1 January	24,286	23,368
Increase	15,838	9,047
Business combination (Note 6)	–	1,969
Lease payments	(12,826)	(11,430)
Interest	980	1,009
Disposal	(1,224)	(33)
Translation differences	(691)	356
	26,363	**24,286**

12. Inventories

Details of inventories in the accompanying consolidated statement of financial position as at 31 December 2023 and 2022 are as follows:

	2023	2022
Finished goods	25,258	28,928
Goods in progress and semi-finished goods	7,807	6,817
Raw materials	31,889	36,124
Other	36,135	30,670
Total	**101,089**	**102,539**

"Other" at 31 December 2023 and 2022 mainly includes spare parts for the Group's facilities.

The Group has taken out insurance policies to cover risks relating to inventories. The coverage provided by these policies is considered to be sufficient.

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13. Accounts receivable

The breakdown of accounts receivable in the accompanying consolidated statement of financial position as at 31 December 2023 and 2022 is as follows:

	2023	2022
Contract assets	6,468	6,984
Trade and other receivables	70,549	102,498
Trade receivables from related companies	409	1,039
Other receivables (Note 21)	19,342	20,217
Public authorities (Note 20)	20,726	19,566
Advances to suppliers	2,859	6,681
Loss-allowance for doubtful debts	(1,199)	(1,891)
Total	**119,154**	**155,094**

No significant impact of the applicability of the expected credit loss model has been identified on trade receivables.

Changes in the allowances for doubtful debts relating to the Group's trade and other receivables for 2023 and 2022 are as follows:

	2023	2022
Opening balance	**(1,891)**	**(1,675)**
Write-off uncollectible accounts receivable and other transfers	712	(98)
Business combination (Note 6)	(28)	(127)
Conversion differences	8	9
Closing balance	**(1,199)**	**(1,891)**

The credit quality of trade receivables that have not become impaired can be classified as highly satisfactory, since in substantially all of the cases the risks are accepted and covered by credit risk insurers and/or banks and financial institutions.

The maximum exposure to credit risk at the date of presentation of the financial information is the fair value of each of the accounts receivable disclosed above and, in all cases, taking into consideration the aforementioned credit insurance coverage.

14. Equity

a) Share capital

The number of shares as at 31 December 2023 and 2022 is 39,999,998 with a par value of €2.78 each. All the shares are listed in the Frankfurt Stock Exchange.

The authorised capital of the Company (including, for the avoidance of doubt, the Company's issued share capital) is set at 39,999,998 shares.

The shareholder structure as at 31 December 2023 and 2022 is as follows:

	Percentage of ownership	
	2023	2022
Free-float (including management)	100%	100%
Total	**100%**	**100%**

b) Share premium and other reserves

Details in the consolidated financial statement are as follows:

	2023	2022
Share premium	532,867	532,867
Hedging reserves	36,888	(2,573)
Other reserves	96,490	37,340
Total	**666,245**	**567,634**

Share premium

The share premium may be used to provide for the payment of any shares that the Parent Company may repurchase from its shareholders to offset any net realised losses, to make distributions to its shareholders, in the form of a dividend, or to allocate funds to the legal reserve.

Other reserves

The Parent Company is required to transfer a minimum of 5% of its net statutory profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. If the legal reserve later falls below the 10% threshold, at least 5% of net statutory profits must again be allocated to the reserve. The legal reserve is not available for distribution to the shareholders.

At the AGM in June 2023, the shareholders resolved to approve the distribution of a dividend of €50,000 thousand from the net profit of the year 2022 (2022: in June 2022, the shareholders at their AGM resolved to approve the distribution of a dividend of €50,000 thousand from the net profit of the year 2021).

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

14. Equity continued

c) Translation differences

The breakdown, by company, of "Translation differences" at 31 December 2023 and 2022 is as follows:

Company or group of companies	2023	2022
Befesa Zinc Korea, Ltd.	(1,448)	1,590
Befesa Salt Slags, Ltd.	–	682
Befesa ScanDust, AB	(3,137)	(3,105)
Befesa Silvermet Iskenderum Çelik Tozu Geri Dönüsümü, A.S.	(16,565)	(12,381)
Befesa Silvermet Diş Ticaret, A.S.	(1,959)	(1,824)
Befesa Zinc Environmental Protection Technology (Jiangsu) Co, Ltd.	426	1,338
Befesa Zinc Environmental Protection Technology (Henan) Co, Ltd.	(209)	765
Befesa Holding US, Inc.	23,092	42,242
Befesa Zinc Metal, Inc.	(11,465)	(9,032)
Other	(473)	(78)
Total	**(11,738)**	**20,197**

d) Non-controlling interests

Details of equity – non-controlling interests are as follows:

Steel Dust:	% non-controlling	2023	2022
Recytech, S.A.	50%	43,978	–
Befesa Silvermet Turkey, S.L. and subsidiaries	46.4%	9,851	14,153
Total		**53,829**	**14,153**

Movements in non-controlling interests are as follows:

	2023	2022
Balance at 1 January of current period	**14,153**	**8,712**
Profit for the year	(404)	282
Difference in foreign currency conversion	37	5,159
Dividends to non-dominant shares	(9,500)	–
Variations in the perimeter and business combinations (Notes 2.5 and 6)	49,543	–
Balance at 31 December of current period	**53,829**	**14,153**

Summary information on subsidiaries with non-controlling material shareholdings
Below are the main figures of Recytech, S.A., expressed in thousands of euros.

	Recytech, S.A.	
	2023	2022
Non-current assets	11,953	–
Current assets	21,908	–
Non-current liabilities	2	–
Current liabilities	6,110	–
Equity	27,749	–
Sales	38,900	–
Profit before taxes	10,240	–
Profit after taxes	7,959	–

At 31 December 2023, the percentages of non-controlling interests of Recytech, S.A. amounted to 50% and arise as a consequence of the change of control over this company (Notes 2.5 and 6).

Below are the main figures of Befesa Silvermet Turkey, S.L. and its subsidiaries, expressed in thousands of euros.

	Befesa Silvermet Turkey, S.L. and its subsidiaries	
	2023	2022
Non-current assets	31,250	29,158
Current assets	9,736	16,643
Non-current liabilities	5,858	657
Current liabilities	13,869	14,602
Equity	21,259	30,542
Sales	19,535	41,297
Profit before taxes	(10,404)	2,123
Profit after taxes	(9,459)	609

e) Capital management

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy reconciles the creation of value for the shareholders with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business (Note 4.1.d.).

The Group's management considers that the leverage ratio (Note 2.6) is a good indicator of the degree to which the objectives set are being achieved. At 31 December 2023 and 2022, most of the debts are related to business acquisitions made in prior years.

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

15. Financial debt

Details of the related line items in the accompanying consolidated statement of financial position as at 31 December 2023 and 2022 are as follows:

	2023		2022	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans and credit facilities	22,580	655,610	18,349	663,448
Unmatured accrued interest	6,218	–	4,689	–
Finance lease payables (Note 11)	9,283	17,080	10,298	13,988
Total	**38,081**	**672,690**	**33,336**	**677,436**

The fair values of borrowings are not materially different from their carrying amounts since the interest payable is close to current market rates.

The main terms and conditions of borrowings are as follows:

				2023		2022	
Type	Limit in nominal currency (thousands of currency)	Interest rate	Maturity date	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Facilities agreement	€736,000	Euribor+2%	2026	6,015	616,234	4,604	612,519
Jiangsu	CNY 220,000	LPR(NBIC)+25pbt	2026	9,264	14,011	6,832	21,065
Henan	CNY 260,000	LPR(NBIC)+25pbt	2027	4,522	22,864	3,469	29,182
Other				18,280	19,581	18,431	14,670
				38,081	**672,690**	**33,336**	**667,436**

On 19 October 2017, in order to standardise the financial structure of the Group, the Company as Parent and certain subsidiaries as borrowers and guarantors entered into a €636,000 thousand facilities agreement. This post-IPO agreement is intended to raise financing for the entire Group and cancel the Group's previous current and non-current borrowings in connection with the €300.0 million Zinc Notes, the €150.0 million PIK Notes and the €167.5 million Syndicated Loan.

Upon completion of the IPO on 3 November 2017 (Note 1), the facilities agreement took effect on 7 December 2017.

On 9 July 2019, the refinancing of the existing capital structure was successfully completed in a leverage-neutral transaction that a) extends Befesa's debt maturity up to July 2026 with a seven-year tenor of the covenant-lite Term Loan B (TLB) at attractive interest rates, and b) increases loan baskets to accommodate Befesa's growth roadmap, including China.

The facilities agreement was signed by the Parent of the Group (Befesa, S.A.) and has been designed to meet the financing needs of all Group companies.

The facilities agreement comprises:

- Term Loan B (TLB) Facility Commitment in an amount of €526 million, which is a bullet with a maturity of seven years
- Revolving Credit Facility (RCF) in an amount of €75 million with a maturity of six years
- A Guarantee Facility Commitment in an amount of €35 million with a maturity of six years

Interest on the initial TLB facility was Euribor plus a spread of 2.75%, and 2.50% in the case of the RCF. These spreads could be adjusted downwards to 1.75% in the case of TLB and to 1.25% in the case of the RCF, depending on the ratio of net financial debt/EBITDA.

On 17 February 2020, Befesa repriced its TLB, reducing its interest rate by 50 bps to Euribor plus 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.

On 2 July 2021, with the purpose of financing the acquisition of AZR (including but not limited to any costs and expenses relating to the acquisition and any refinancing of financial indebtedness of the target group), and general corporate purposes, together with the accelerated equity offering (AEO), Befesa signed an incremental term facility for an additional €100 million Add-On EUR TLB (Note 6). The maturity and rest of documentation terms remain in line with existing TLB.

In 2022, the margin applicable to the TLB increased by 25 bps to Euribor plus 200 bps due to the increase on the leverage ratio. In 2023, the margin remained without changes.

The facilities agreement provides a financial covenant based on the net leverage which shall not exceed the ratio 4.5:1 for any relevant period. The covenant only applies if the total amount of all drawings under the RCF exceeds 40% of the commitments under the RCF. At 31 December 2023 and 2022, the RCF has not yet been drawn and no financial covenant applies.

The facilities agreement limits dividend distribution if any Group company incurs an event of default as defined in the agreement.

In 2020, Befesa closed the financing structure for both plants under construction in China (Jiangsu and Henan). The notional and the rest of the conditions signed are shown in the table above. At December 2023 and 2022, the debt for both plants was completely drawn.

At 31 December 2023 and 2022, "Other" mainly includes short-term financing of Befesa Silvermet Iskenderun and debt related to the financial leases.

At 31 December 2023 and 2022, an amount of €75 million was undrawn from the syndicated financing arrangement (Note 4.c).

The evolution of net financial debt during the 2023 and 2022 is as follows:

	Cash and cash equivalents (Note 4)	Other current financial assets (Note 10)	Financial debt (Note 15)	Total
Net financial debt as at 31 December 2021	**(224,089)**	**(61)**	**694,730**	**470,580**
Cash flows	66,556	–	3,114	69,670
Exchange rate adjustments	(1,378)	–	(593)	(1,971)
Other non-monetary movements (*)	(2,840)	1	13,521	10,682
Net financial debt as at 31 December 2022	**(161,751)**	**(60)**	**710,772**	**548,961**
Cash flows	56,355	–	(20,736)	35,619
Exchange rate adjustments	(1,296)	–	(373)	(1,669)
Other non-monetary movements (*)	–	(11)	21,108	21,097
Net financial debt as at 31 December 2023	**(106,692)**	**(71)**	**710,771**	**604,008**

(*) Other non-monetary movements: Mainly due to the impact of the new contracts under IFRS 16, and the incorporation of Befesa Zinc Metal in to the consolidation perimeter in 2022.

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

16. Other current and non-current payables

	2023		2022	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Payable to asset suppliers	8,385	–	8,390	–
Accounts payable to public authorities (Note 20)	14,103	–	14,220	–
Remuneration payable (Note 18)	19,064	–	22,666	–
Other	4,088	6,707	15,787	7,831
Total	**45,640**	**6,707**	**61,063**	**7,831**

"Other" mainly includes the capital grants not yet released to income, and debts with official bodies amounting to approximately €3.9 million (2022: €3.4 million), and in 2022 the current financial liabilities related to the last derivative settlements of the year amounting to €11.0 million.

17. 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. Details of the balances that reflect the measurement of derivatives in the accompanying consolidated statement of financial position as at 31 December 2023 and 2022 are as follows:

Cash flow hedges non-current assets (Note 10)	2023	2022
Swap contracts for zinc	8,796	9,369
Interest rate swap	20,845	31,123
Equity swap	880	–
	30,521	**40,492**
Cash flow hedges current assets		
Swap contracts for zinc	14,138	438
Foreign currency swap	38	17
	14,176	**455**
Total assets	**44,697**	**40,947**
Cash flow hedges non-current liabilities		
Swap contracts for zinc	–	12,875
		12,875
Cash flow hedges current liabilities		
Swap contracts for zinc	2,229	38,223
	2,229	**38,223**
Total liabilities	**2,229**	**51,098**

- Zinc derivative contracts

Details of the tonnes hedged and the maturity of the related contracts at 31 December 2023 and 2022 are as follows:

	Tonnes			
	31 December 2023		31 December 2022	
	2024	2025 and subsequent years	2023	2024 and subsequent years
Hedge (in tonnes)				
Swap contract for zinc	145,733	40,375	132,400	176,000
	145,733	**40,375**	**132,400**	**176,000**

During 2023, Befesa has extended its zinc hedges until and including June 2025 (2022: March 2025).

Derivatives are designated to hedge highly probable forecast transactions (sales) and the full effect of the hedge is recognised in equity, net of the tax effect, considering its assessment as highly effective hedging instruments. The portion transferred to profit/(loss) each year is recognised under "Revenue" in the income statement at each settlement date.

- Interest rate swaps (floating to fixed)

The Company arranged an interest rate swap during 2017. This derivative matured in 2022. The notional amounts of the IRSs outstanding at 31 December 2021 totalled €316,000 thousand (Note 4.1), which were classified as highly effective hedging instruments. The fixed interest rate was 0.3580% and the main benchmark floating rate was Euribor. This derivate matured in December 2022.

In March 2020, Befesa arranged another interest rate swap in order to fix the interest for the extension period of the refinancing signed on 9 July 2019 (Note 15). The notional amount of the IRSs outstanding at 31 December 2023 and 31 December 2022 totalled €316,000 thousand, which was classified as a highly effective hedging instrument. The fix interest rate is 0.236%, and the main benchmark floating rate was Euribor. This derivative matures in July 2026.

- Equity swap

At the end of the year 2023, the Group had formalised an equity swap agreement to acquire 374,588 shares with the same schedule of the compensation plan (Note 24).

- Foreign currency cash flow hedges

At 31 December 2023, currency purchase contracts (swaps or forwards) amounted to:

- US dollar sales: USD 14,033 thousand
- US dollar purchases: USD 7,873 thousand

At 31 December 2022, currency purchase contracts (swaps or forwards) amounted to:

- US dollar sales: USD 42,469 thousand
- US dollar purchases: USD 36,107 thousand

Highly probable future hedged transactions denominated in foreign currency are expected to take place on various dates within the next 12 months. The gains and losses recognised in the hedging reserve in equity in connection with forward foreign currency contracts at 31 December 2023 and 2022 are recognised in profit or loss in the year in which the hedged transactions affect the income statement. Gains and losses in equity in respect of currency forwards at 31 December 2023 will be transferred to the income statement over the next 12 months.

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18. Long-term provisions

Details of long-term provisions on the liability side of the accompanying consolidated financial statements and of movements in 2023 and 2022 are as follows:

	Provisions for litigation, pensions and similar obligations	Other provisions for contingencies and charges	Total long-term provisions
Balance at 31 December 2021	**13,936**	**8,331**	**22,267**
Business combination (Note 6)	510	–	510
Profit and loss impact	5,275	73	5,348
Transfers	(9,267)	–	(9,267)
Payments	(834)	(68)	(902)
Conversion differences	175	387	562
Balance at 31 December 2022	**9,795**	**8,723**	**18,518**
Profit and loss impact	2,539	1,588	4,127
Transfers	(3,889)	–	(3,889)
Payments	(284)	(73)	(357)
Conversion differences	(79)	(267)	(346)
Balance at 31 December 2023	**8,082**	**9,971**	**18,053**

Provisions for litigation, pensions and similar obligations

At 31 December 2023, the Group recognised a provision of €3.1 million (2021: €4.5 million) related to the compensation plans described in Note 24. "Transfers" in 2023 and 2022 mainly corresponds to the liability payable in 2024 and 2023, which has been recognised as "Remuneration payable" at 31 December 2023 and 2022.

In 2023 and 2022, the profit and loss impacts were also mainly related to the compensation plans described in Note 24.

Other provisions for contingencies and charges

The Group company Befesa Circular Alloys France, S.A.S. (formerly Befesa Valera, S.A.S.) recognises a provision of approximately €1.9 million at 31 December 2023 and 2022 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.

In addition, the Group recognised other provisions under "Other provisions for contingencies and charges" to meet liabilities, whether legal or implicit, probable or certain, due to contingencies, ongoing litigations and tax obligations, which arise as the result of past events and are more likely than not to require an outflow of resources embodying economic benefits from the Group to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Befesa Zinc US, Inc. recognises asset retirement obligations linked to its different facilities in the US of €7.0 million at December 2023 (2022: €6.1 million) for the present value of estimated costs. The main asset retirement obligation relates to the ultimate closure of the former Monaca facility.

19. Income tax

The Group's Parent Company, Befesa, S.A., is subject to Luxembourg Law (Note 1).

Befesa Medio Ambiente, S.L.U. heads the fiscal group of companies subject to Biscay tax regulation. That tax group comprises Befesa Medio Ambiente, S.L.U., MRH Residuos Metálicos, S.L.U., Befesa Aluminio, S.L.U., Befesa Aluminio Comercializadora, S.L.U., Befesa Zinc, S.A.U., Befesa Zinc Comercial, S.A.U., Befesa Zinc Óxido, S.A.U., Befesa Zinc Aser, S.A.U., Befesa Steel R&D, S.L.U., Befesa Zinc Sur, S.L.U. and Befesa Circular Alloys, S.L.U. (formerly Befesa Stainless Recycling, S.L.U.).

The German companies Befesa Zinc Germany GmbH, Befesa Steel Services GmbH, Befesa Zinc Freiberg GmbH and Befesa Zinc Duisburg GmbH file consolidated tax returns under the tax legislation applicable to them in Germany; Befesa Zinc Gravelines, S.A.S. and Befesa Circular Alloys France, S.A.S. file consolidated tax returns under the tax legislation applicable to them in France; the German companies Befesa Salzschlacke GmbH and Befesa Aluminium Germany GmbH file consolidated tax returns under the tax legislation applicable to them in Germany; and in the US, the companies Befesa Holding US, Inc., Befesa Zinc US, Inc., Befesa Zinc Metal, LLC., and Chesnut Ridge Railroad, Corp. file consolidate tax returns under the tax legislation applicable to them in the US.

The remaining Group companies file individual income tax returns in accordance with the tax legislation applicable to them.

Group companies subject to Biscay tax legislation, including those which form part of the tax group, generally have open for review by the tax authorities the years that have not become statute-barred, the last four years for income tax and for the main taxes and tax obligations applicable to them, in accordance with current legislation.

Fully consolidated foreign subsidiaries calculate income tax expense and tax charges for the taxes applicable to them in conformity with the legislation of, and at the tax rates in force in, their respective countries (Note 3.19).

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Group would meet at least one of the Transitional Safe Harbours test for the following years (2024–2026) in all the jurisdictions. The Group does not expect a material exposure to Pillar Two income taxes in any jurisdiction.

The reconciliation of accounting profit/(loss) for the year to income tax expense for the year is as follows:

	2023	2022
Profit/(Loss) before tax from continuing operations	68,068	130,340
Total accounting profit/(loss) before tax	**68,068**	**130,340**
Tax charge at the tax rate in force in each territory	(18,251)	(35,428)
Tax credits (loss) used in the year and not capitalised	(2,265)	(764)
Off-balance tax credits recognition	2,402	–
Non-deductible expenses and non-computable income (Note 22.3)	4,445	10,761
Tax deductions generated/(used) in the year	893	1,145
Others	2,276	448
Income tax expense	**(10,500)**	**(23,838)**
– From continuing operations	(10,500)	(23,838)

Non-computable income at 31 December 2023 mainly corresponds to the income from valuing the net asset of Recytech, S.A. at 31 December 2022 at fair value (Note 22.3) that does not have a tax impact

Non-computable income at 31 December 2022 mainly corresponded to the income of the gain or bargain purchase (Note 22.3 and Note 23) that does not have a tax impact.

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19. Income tax continued

The detail of not reflected deferred tax assets and liabilities as of 31 December 2023 and 2022 is as follows:

2023

	Tax loss carry-forwards	Deductions	Temporary differences (assets)	Temporary differences (liabilities)
Befesa, S.A.	8,866	–	–	–
Befesa Holding US, Inc.	129,203	–	18,647	19,704
Befesa Circular Alloys Sweden, AB	7,805	–	–	–
Befesa Circular Alloys France, S.A.S.	4,452	–	144	–
Others	2,321	458	316	–
Total deferred tax	**152,647**	**458**	**19,107**	**19,704**

2022

	Tax loss carry-forwards	Deductions	Temporary differences (assets)	Temporary differences (liabilities)
Befesa Salt Slags, Ltd.	8,908	–	–	–
Befesa Holding US, Inc.	121,948	–	14,405	14,077
Befesa Circular Alloys Sweden, AB	9,017	–	–	–
Befesa Circular Alloys France, S.A.S.	5,917	–	–	–
Others	4,816	459	–	–
Total deferred tax	**150,606**	**459**	**14,405**	**14,077**

The majority of these tax credits (€142.6 million) expire in 2043 or later (2022: €140.6 million).

The Directors of the Group companies and of the Parent consider that the tax assets recognised in all the circumstances described above will be offset in the income tax returns of the Group companies taken individually or of the companies forming the consolidated tax group, as appropriate, within the applicable deadlines and limits.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the income taxes levied by the same tax authority. At 31 December 2023 and 2022, there was no material offset of deferred tax assets and liabilities.

The Group recognises deferred tax assets, tax loss carry-forwards and unused tax credits and tax relief to the extent that their future realisation or utilisation is sufficiently assured.

Details of deferred tax assets and deferred tax liabilities in the accompanying consolidated financial statements for 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets arising from:		
Tax loss carry-forwards and tax credits and tax relief	76,793	72,731
Revaluation of derivative financial instruments	272	13,902
Other deferred tax assets	19,643	17,014
Total deferred tax assets	**96,708**	**103,647**
Deferred tax liabilities arising from:		
Asset revaluation	44,065	46,123
Revaluation of derivative financial instruments	6,264	7,474
Deferred tax liability arising from the tax deductibility of goodwill	50,801	46,644
Other deferred tax liabilities	12,715	7,392
Total deferred tax liabilities	**113,845**	**107,633**

Amounts corresponding to deferred tax assets are as follows:

	2023	2022
Deferred tax assets		
Deferred tax assets recoverable in more than 12 months	91,486	99,673
Deferred tax assets recoverable within 12 months	5,222	3,974
Total deferred tax assets	**96,708**	**103,647**

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19. Income tax continued

Movements in deferred tax assets and liabilities in 2023 and 2022 relate to:

2023

		Recognised in			
Deferred tax assets	**Balance at 31/12/22**	**Income statement**	**Equity**	**Business combination (Note 6)**	**Balance at 31/12/23**
Tax loss carry-forwards and deductions	72,731	6,639	(2,577)	–	76,793
Derivatives	13,902	(308)	(13,322)	–	272
Other	17,014	1,492	1,137	–	19,643
Total deferred tax assets	**103,647**	**7,823**	**(14,762)**	**–**	**96,708**
Deferred tax liabilities					
Revaluations	46,123	(1,498)	(560)	–	44,065
Derivatives	7,474	–	(1,210)	–	6,264
Goodwill	46,644	4,157	–	–	50,801
Other (temporary differences)	7,392	5,259	64	–	12,715
Total deferred tax liabilities	**107,633**	**7,918**	**(1,706)**	**–**	**113,845**

2022

		Recognised in			
Deferred tax assets	**Balance at 31/12/21**	**Income statement**	**Equity**	**Business combination (Note 6)**	**Balance at 31/12/22**
Tax loss carry-forwards and deductions	69,357	4,099	(725)	–	72,731
Derivatives	34,000	(27,657)	7,559	–	13,902
Other	22,105	(5,076)	(15)	–	17,014
Total deferred tax assets	**125,462**	**(19,466)**	**(2,349)**	**–**	**103,647**
Deferred tax liabilities					
Revaluations	46,554	(1,469)	1,038	–	46,123
Derivatives	270	–	7,204	–	7,474
Goodwill	39,362	7,282	–	–	46,644
Other (temporary differences)	5,760	1,654	(22)	–	7,392
Total deferred tax liabilities	**91,946**	**7,467**	**8,220**	**–**	**107,633**

The main amounts and changes in deferred tax assets and liabilities in 2023 and 2022 were as follows:

2023

- Movements recognised in equity relate mainly to the tax effect of the measurement of derivatives hedging zinc prices (Note 17), and to the impact of conversion difference from deductions in Turkey (-€2.3 million) in assets, and from Befesa Zinc US, Inc. (€0.6 million) in liabilities.
- The movement in income statement in tax loss carry-forwards and deductions is mainly related to tax loss carry-forwards generated in Befesa Management Services, Chinese and Korean companies (€8.4 million) and tax incentives regarding investments in fixed assets in Turkey (€2.2 million). Meanwhile, in Basque companies, tax loss carry-forwards and deductions amounting to €4.2 million have been used.
- The movement in goodwill relates mainly to the tax depreciation of the goodwill by Befesa Zinc.

2022

- Movements recognised in equity relate mainly to the tax effect of the measurement of derivatives hedging zinc prices (Note 17), and to the impact of, conversion difference from deductions in Turkey (-€0.7 million) in assets, and from revaluations of Befesa Zinc US Inc. assets (€1.0 million) in liabilities.
- The movement in income statement in tax loss carry-forwards and deductions is mainly related to tax loss carry-forwards generated in Befesa Management Services (€0.5 million) and Jiangsu (€1.3 million) and tax incentives regarding investments in fixed assets in Turkey (€1.9 million).
- The tax depreciation of the goodwill by Befesa Zinc has generated an increase in deferred tax liabilities amounting to €7.3 million.

20. Public administrations

Details of tax receivables and tax payables on the asset and liability sides, respectively, of the accompanying consolidated statement of financial position as at 31 December 2023 and 2022 are as follows:

	2023		2022	
	Receivable (Note 13)	Payable (Note 16)	Receivable (Note 13)	Payable (Note 16)
VAT	7,812	5,979	11,896	5,853
Withholdings and interim payments	–	787	–	631
Corporate income tax	11,975	4,636	6,599	5,274
Social security	14	2,134	13	1,847
Other	925	567	1,058	615
Total	**20,726**	**14,103**	**19,566**	**14,220**

"Accounts payable to public authorities" on the liability side of the accompanying consolidated financial statements includes the liability relating to applicable taxes, mainly personal income tax withholdings, VAT and projected income tax relating to the profit for each year, mainly net of tax withholdings and pre-payments made each year.

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

21. Guarantee commitments to third parties and contingencies

At 31 December 2023 and 2022, a number of Group companies had provided guarantees for an overall amount of approximately €74.0 million (31 December 2022: €76.1 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.

In November 2021, a fire broke out at the plant in Hanover (Germany) belonging to the subsidiary Befesa Salzschlacke GmbH. Because of this fire, some parts of the plant were seriously damaged and have consequently been amortised. The insurance policy in place fully covers the damage caused, so the Group has recognised an income of €4,065 thousand in 2023 (2022: €33,672 thousand). This was recognised under "Other operating income" (Note 22.3) and covers loss of earnings of €4,065 thousand in 2023 (2022: damages caused at the plant amounting to €16,737 thousand and loss of earnings of €16,935 thousand). At 31 December 2023, the Group has pending to collect €2,280 thousand under "Other receivables" (2022: €6,954 thousand).

22. Income and expenses

22.1 Revenues

Details of revenues by category for 2023 and 2022 are as follows:

	2023	%	2022	%
Steel Dust	**785,575**	**67%**	**730,311**	**64%**
– Sale of WOX and other metals	480,778	41%	578,838	51%
– Service fees	101,270	9%	117,022	10%
– Smelting: sale of metals and by-products (Note 6)	326,935	28%	74,382	7%
– Eliminations (*)	(123,408)		(39,931)	
Salt Slags	**86,318**	**7%**	**77,333**	**7%**
– Sale of aluminium concentrates and melting salt	51,903	4%	50,733	4%
– Fees for recycling salt slags and SPL	34,415	3%	26,600	2%
Secondary Aluminium	**360,228**	**31%**	**375,851**	**33%**
– Sale of secondary aluminium alloys	333,157	28%	358,821	32%
– Technology division and others	27,071	2%	17,030	1%
Corporate, other minor eliminations	**(51,521)**		**(47,462)**	
Total	**1,180,600**		**1,136,033**	

(*) Eliminations in the Steel Dust segment correspond to the elimination of sales between Befesa Zinc US, Inc. and Befesa Zinc Metal, Inc., following the acquisition of the latter in 2022 (Note 6), given that Befesa Zinc US, Inc. sells 100% of its production to Befesa Zinc Metal, Inc., which processes WOX and transforms it into SHG zinc

The Group discloses revenue by reporting segment and geographical area in Note 5.

22.2 Raw materials and consumables

Details of procurements in the consolidated income statement for 2023 and 2022 are as follows:

	2023	2022
Cost of raw materials and other supplies used	578,482	568,741
Changes in goods held for resale, raw materials and other inventories	(209)	(5,340)
Total	**578,273**	**563,401**

22.3 Other operating income

Details of other operating income in the consolidated income statement for 2023 and 2022 are as follows:

	2023	2022
In-house work on non-current assets (Note 3.7)	2,055	1,255
Income from income-related grants	6,269	2,596
Gain on business combination (Note 6)	20,498	–
Gain on bargain purchase (Note 6)	–	51,626
Other operating income (Note 21)	4,065	33,672
Services	4,214	3,150
Total	**37,101**	**92,299**

22.4 Personnel expenses

Details of personnel expenses in the consolidated income statement for 2023 and 2022 are as follows:

	2023	2022
Wages and salaries	114,749	102,136
Employer's social security contributions	18,250	15,916
Other welfare costs	13,279	10,332
Total	**146,278**	**128,384**

Of the Group's average headcount in 2023, 214 employees had temporary employment contracts (2022: 223 employees).

In 2023, the average number of employees of the joint operations amounted to 0 (2022: 49 employees).

The number of employees at the 2023 and 2022 year-end, by gender, was as follows:

	2023		2022	
	Male	Female	Male	Female
Management	45	7	40	7
Experts	165	41	159	44
Professionals	291	100	292	98
Operators and assistants	1,073	68	1,132	74
Total	**1,574**	**216**	**1,623**	**224**

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22. Income and expenses continued

22.5 Other operating expenses

	2023	2022
External services	287,698	283,284
Taxes other than income tax	6,595	4,638
Other current operating expenses	10,197	8,945
Total	**304,490**	**296,867**

22.6 Amortisation/Depreciation, impairment and provisions

	2023	2022
Amortisation of intangible assets (Note 8)	2,126	1,803
Depreciation of property, plant and equipment (Note 9)	66,532	56,496
Amortisation of right-of-use assets (Note 11)	12,006	9,787
Other	1,505	2,059
Total	**82,169**	**70,145**

23. Finance costs

The breakdown of this balance in the 2023 and 2022 consolidated income statements is as follows:

	2023	2022
Interest expense	35,786	22,814
Other finance costs	3,208	2,693
Losses of fair value of financial assets measured at fair value through profit or loss (Note 6)	35	6,406
Total	**39,029**	**31,913**

In 2023, swap settlement accrued €9,336 thousand of finance income. In 2022, swap settlement accrued €786 thousand of finance cost and €611 thousand of finance income due to the evolution of the Euribor.

In 2023, compensation plans described in Note 24 accrued €1,275 thousand of finance cost, whereas in 2022 accrued €2,842 thousand of finance income.

In 2022, losses of fair value adjustments of financial assets measured at fair value through profit or loss included the impact of recognising the prior 6.9% investment in American Zinc Recycling Corp (currently Befesa Zinc Metal, Inc) at fair value amounting €6,406 thousand (Notes 4 and 6).

24. Remuneration of the Board of Directors

Directors' remuneration and other benefits

Remuneration in the total amount of €11,972 thousand was paid-out in 2023 to the members of the Parent Company's Board of Directors (including Executive members of the Board of Directors) for discharging their duties in Group companies (2022: €11,814 thousand).

Also, as at 31 December 2023 and 2022 and during the year then ended, the Parent had not granted any loans, advances or other benefits to its former or current Directors.

In addition, the Parent Company did not have any pension or guarantee obligations with any current members of the Board of Directors.

Incentives to executives and other matters

In 2023 and 2022, there were no transactions with senior executives outside the normal course of business.

In January 2018, the Parent Company approved a compensation plan for certain members of the Group's management. This compensation plan was linked to the evolution of certain key indicators determined in the agreement (cumulative EBIT and/or EBITDA; cumulative cash flow; return on inputs of strategic projects and EHS environment, health and safety, and governance as strategic initiatives). The plan consists of four tranches of three years each, from January 2018 to January 2021, and considers 89,107 shares per tranche. The agreed remuneration plan is conditioned to the continuation of the beneficiaries as senior management and managers of the Group. The agreed remuneration related to the third and second tranche was paid in 2023 and 2022 for the amounts of €5.8 million and €7.8 million, respectively.

In 2022, the Parent Company approved another compensation plan for certain members of the Group's management. This compensation plan was linked to the evolution of certain key indicators determined in the agreement (cumulative EBITDA; cumulative cash flow; ESG targets; and share price development). The plan consists of four tranches of three years each, from January 2022 to January 2025, and considers 82,392 shares per tranche. The agreed remuneration plan is conditioned to the continuation of the beneficiaries as senior management and managers of the Group.

The main assumptions correspond to the estimation of the degree of achievement of the key indicators and the fair value of the shares. In this regard, the Group's Directors estimate a degree of achievement of these indicators of 100% and take as reference the market value of Befesa, S.A. shares at 31 December 2023 and 31 December 2022.

On 26 April 2021, the Board of Directors of the Company granted a Transformational Growth Incentive Plan (TGIP) incentivising a transformational acquisition opportunity (Note 6). This TGIP is linked to the evolution of the share price consisting of 187,500 shares that can be executed 1/3 on 2021, 1/3 on 2022 and the last 1/3 on 2023. The first 1/3 was paid in 2021 for an amount of €4.4 million, the second 2/3 was paid in 2022 for an amount of €2.7 million, and the third 3/3 was paid in 2023 for an amount of €1.6 million.

In addition, in 2020 the Non-Executive Directors (NEDs) were granted a one-time long-term incentive plan vesting over the years 2019, 2020 and 2021. This plan consisted of 9,975 shares and is linked to the same indicators of the four tranches described before. This plan was paid in 2022 for an amount of €0.8 million.

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25. Information on the environment

The Parent Company and its subsidiaries maintain their production facilities in such a way as to meet the standards established by the environmental legislation of the countries in which the facilities are located.

Property, plant and equipment include investments made in assets intended to minimise the environmental impact and protect and improve the environment (Note 1).

26. Auditors' fees

Fees corresponding to services rendered by KPMG Audit S.à.r.l. and network firms for the years ended 31 December 2023 and 2022, irrespective of the invoice date, are as follows:

	Thousands of euros	
	2023	**2022**
Audit services	783	1,005
Tax services	16	12
Other services	47	30
	846	**1,047**

27. Earnings per share

a) Basic earnings/(losses) per share (EUR per share)

	2023	**2022**
From continuing operations attributable to the ordinary equity holders of the Company	1.45	2.66
From discontinued operations	–	–
Total basic earnings/(losses) per share attributable to the ordinary equity holders of the Company	**1.45**	**2.66**

b) Diluted earnings/(losses) per share (EUR per share)

As at 31 December 2023 and 2022, there are no differences between basic and diluted earnings/(losses) per share.

c) Reconciliation of earnings used in calculating earnings per share

	Thousands of euros	
	2023	2022
Profit/(Loss) for the year from continuing operations	57,568	106,502
Less non-controlling interests from continuing operations	404	(282)
Profit/(Loss) from continuing operations attributable to the ordinary equity holders of the Company	57,972	106,220
Profit/(Loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**57,972**	**106,220**

d) Weighted average number of shares used as the denominator

	Number in thousand	
	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (Note 14)	40,000	40,000

As at 31 December 2023 and 2022 there are no financial instruments or other contracts that might have a significant dilutive effect on the calculation of earnings per share.

28. Subsequent events

There are no events between the financial statement date (31 December 2023) and the date of the presentation of the accounts (20 March 2024) that would materially affect the Group's assets or the Group's financial and/or earnings position.

Notes to the consolidated financial statements as at 31 December 2023 (Thousands of euros) continued

Subsidiaries 2023

Entity	Country	Activity	% interest	Auditor	Thousands of euros (31/12/2023) Capital	Reserves	Translation differences	Results	Interim dividend
Sociedades dependientes									
Befesa Medio Ambiente, S.L.U.	Spain	Holding	100%	KPMG	150,003	803,745	–	51,582	–
- Befesa Management Services GmbH	Germany	Holding	100%	KPMG	25	2,191	(30)	267	–
- MRH Residuos Metálicos, S.L.U.	Spain	Holding	100%	(1)	15,600	14,997	–	(1,318)	–
- Befesa Salzschlacke GmbH	Germany	Aluminium waste treatment	100%	KPMG	25	22,192	–	9,651	–
- Befesa Aluminium Germany GmbH	Germany	Aluminium waste treatment	100%	KPMG	25	303	–	–	–
- Befesa Aluminio, S.L.U.	Spain	Recovery of metals	100%	KPMG	4,767	79,285	–	14,957	–
Befesa Aluminio Comercializadora, S.L.	Spain	Marketing company	100%	(1)	90	21	–	–	–
- Befesa Zinc, S.A.U.	Spain	Holding	100%	KPMG	25,010	413,275	–	43,901	(39,000)
- Befesa Zinc Comercial, S.A. (Sociedad Unipersonal)	Spain	Sale of recycled waste	100%	KPMG	60	7,105	–	424	–
- Befesa Zinc Aser, S.A. (Sociedad Unipersonal)	Spain	Recovery of metals	100%	KPMG	4,260	15,376	–	33,451	(30,800)
- Befesa Zinc Sur, S.L. (Sociedad Unipersonal)	Spain	Recovery of metals	100%	(1)	605	206	–	(3)	–
- Befesa Zinc Óxido, S.A. (Sociedad Unipersonal)	Spain	Recovery of metals	100%	KPMG	1,102	6,113	–	(749)	–
- Befesa Steel R&D, S.L. (Sociedad Unipersonal)	Spain	Development of projects and technology innovation	100%	KPMG	1,102	5,513	–	600	–
- Befesa Circular Alloys, S.L.U. (3)	Spain	Holding	100%	(1)	3	10,342	–	10,169	–
Befesa Circular Alloys France, S.A.S. (4)	France	Recovery of metals	100%	KPMG	4,000	(154)	–	7,241	–

Entity	Country	Activity	% interest	Auditor	Thousands of euros (31/12/2023)				
					Capital	Reserves	Translation differences	Results	Interim dividend
Befesa Circular Alloys Sweden, AB (5)	Sweden	Recovery of metals	100%	KPMG	5,309	(3,956)	(261)	1,600	–
- Befesa Silvermet Turkey, S.L.	Spain	Holding	53.6%	(1)	9,175	800	–	(60)	–
Befesa Silvermet İskenderun Çelik Tozu Geri Dönüşümü, A.S.	Turkey	Recovery of metals	100%	PwC	4,968	46,260	(29,103)	(9,851)	–
Befesa Silvermet Dış Ticaret, A.S.	Turkey	Recovery of metals	100%	(1)	2,035	4,060	(4,758)	452	–
- Befesa Zinc Germany GmbH	Germany	Holding	100%	KPMG	25	430,144	–	12,250	(15,000)
Befesa Steel Services GmbH	Germany	Sales and logistics	100%	KPMG	2,045	67,970	–	33	–
Befesa Zinc Duisburg GmbH	Germany	Recovery of metals	100%	KPMG	5,113	17,207	–	(53)	–
Befesa Zinc Korea Co., Ltd.	South Korea	Recovery of metals	100%	KPMG	17,015	34,798	(1,448)	(505)	–
Befesa Pohang Co., Ltd.	South Korea	Recovery of metals	100%	KPMG	1,770	3,827	(646)	2,061	–
Befesa Zinc Freiberg GmbH & Co., KG	Germany	Recovery of metals	100%	KPMG	1,000	18,118	–	200	–
Befesa Zinc Environmental Protection Technology (Jiangsu) Co., Ltd.	China	Recovery of metals	100%	KPMG	21,407	(5,896)	426	(3,982)	–
Befesa (China) Investment Co, Ltd.	China	Holding	100%	KPMG	18,825	(422)	228	(662)	–
Befesa Zinc Environmental Protection Technology (Henan) Co., Ltd.	China	Recovery of metals	100%	KPMG	17,890	(1,034)	(209)	(5,163)	–
Befesa Zinc Gravelines S.A.S.	France	Waelz oxide treatment	100%	KPMG	8,000	273	–	1,677	–
Befesa Holding US, Inc.	US								
Befesa Zinc US, Inc.	US	Waelz oxide treatment	100%	(1)/(2)	424,152	22,345	(494)	(1,725)	–
Befesa Zinc Metal, Inc.	US	Zinc refining	100%	(1)/(2)	107,466	(15,490)	(11,464)	(21,055)	–
Recytech, S.A.	France	Recovery of metals	50%	Deloitte	6,240	13,450	–	7,960	–

(1) Companies not subject to statutory audit

(2) Audit for Group audit purposes by Grant Thornton

(3) Name changed in 2023 from Befesa Stainless Recycling, S.L. to Befesa Circular Alloys, S.L.U.

(4) Name changed in 2023 from Befesa Valera, S.A.S. to Befesa Circular Alloys France, S.A.S.

(5) Name changed in 2023 from Befesa ScanDust AB, to Befesa Circular Alloys Sweden, AB

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Subsidiaries and joint operations 2022

					Thousands of euros (31/12/2022)				
Entity	Country	Activity	% interest	Auditor	Capital	Reserves	Translation differences	Results	Interim dividend
Subsidiaries									
Befesa Management Services GmbH	Germany	Holding	100%	KPMG	25	1,968	(30)	223	
Befesa Medio Ambiente, S.L.U.	Spain	Holding	100%	KPMG	150,003	785,989		65,562	
MRH Residuos Metálicos S.L.U.	Spain	Holding	100%	(1)	15,600	15,547	–	(549)	
- Befesa Salzschlacke GmbH	Germany	Aluminium waste treatment	100%	KPMG	25	2,645	–	19,547	–
- Befesa Aluminium Germany GmbH	Germany	Aluminium waste treatment	100%	KPMG	25	303	–	–	–
- Befesa Aluminio, S.L.U.	Spain	Recovery of metals	100%	KPMG	4,767	73,665	1,558	5,604	–
Befesa Aluminio Comercializadora, S.L.	Spain	Marketing company	100%	(1)	90	21	–	–	–
Befesa Salt Slags, Ltd.	UK	Recovery of metals	100%	(1)	27,108	(22,864)	(2,892)	(3,986)	–
Befesa Zinc, S.A.U.	Spain	Holding	100%	KPMG	25,010	133,802	–	65,473	(61,000)
- Befesa Zinc Comercial, S.A. (Sociedad Unipersonal)	Spain	Sale of recycled waste	100%	KPMG	60	7,378	–	(273)	–
- Befesa Zinc Aser, S.A. (Sociedad Unipersonal)	Spain	Recovery of metals	100%	KPMG	4,260	79	–	35,209	(31,600)
- Befesa Zinc Sur, S.L. (Sociedad Unipersonal)	Spain	Recovery of metals	100%	(1)	605	215	–	(9)	–
- Befesa Zinc Óxido, S.A. (Sociedad Unipersonal)	Spain	Recovery of metals	100%	KPMG	1,102	5,513	–	600	–
- Befesa Steel R&D, S.L. (Sociedad Unipersonal)	Spain	Development of projects and technology innovation	100%	(1)	3	596	–	191	–
- Befesa Stainless Recycling, S.L.	Spain	Holding	100%	(1)	3	13,498	–	(3,156)	–
Befesa Valera, S.A.S.	France	Recovery of metals	100%	PwC	4,000	(14)	–	12,797	–
Befesa ScanDust AB	Sweden	Recovery of metals	100%	KPMG	5,309	(40)	(343)	(4,745)	–

Entity	Country	Activity	% interest	Auditor	Thousands of euros (31/12/2022)				
					Capital	Reserves	Translation differences	Results	Interim dividend
- Befesa Silvermet Turkey, S.L.	Spain	Holding	53.6%	(1)	9,175	(2,222)		3,022	–
Befesa Silvermet İskenderun Çelik Tozu Geri Dönüşümü, A.S.	Turkey	Recovery of metals	100%	PwC	4,231	38,291	(20,569)	9	–
Befesa Silvermet Dış Ticaret, A.S.	Turkey	Recovery of metals	100%	(1)	1,937	6,218	(4,138)	(2,421)	–
- Befesa Zinc Germany GmbH	Germany	Holding	100%	KPMG	25	2,130	–	18,014	(15,000)
Befesa Steel Services GmbH	Germany	Sales and logistics	100%	KPMG	2,045	67,866	–	103	–
Befesa Zinc Duisburg GmbH	Germany	Recovery of metals	100%	KPMG	5,113	10,763	–	508	–
Befesa Zinc Korea Co., Ltd.	South Korea	Recovery of metals	100%	KPMG	17,015	34,683	1,590	(5,965)	–
Befesa Pohang Co., Ltd.	South Korea	Recovery of metals	100%	KPMG	1,770	3,399	(284)	438	–
Befesa Zinc Freiberg GmbH & Co., KG	Germany	Recovery of metals	100%	KPMG	1,000	6,114	–	325	–
Befesa Zinc Environmental Protection Technology (Jiangsu) Co., Ltd.	China	Recovery of metals	100%	KPMG	21,407	(674)	1,338	(3,953)	–
Befesa (China) Investment Co., Ltd.	China	Holding	100%	KPMG	18,825	(365)	260	(56)	–
Befesa Zinc Environmental Protection Technology (Henan) Co., Ltd.	China	Recovery of metals	100%	KPMG	17,890	(476)	765	(513)	–
Befesa Zinc Gravelines S.A.S.	France	Waelz oxide treatment	100%	KPMG	8,000	1,634	–	1,242	–
Befesa Holding US, Inc.	US	Holding							
Befesa Zinc US, Inc.	US	Waelz oxide treatment	100%	(1)/(2)	134,152	7,975	13,332	6,084	–
Befesa Zinc Metal, Inc.	US	Zinc refining	100%	(1)	107,466	–	(9,032)	(15,490)	–
Joint operations									
- Recytech, S.A.	France	Recovery of metals	50%	Deloitte	6,240	8,278	–	24,272	–

(1) Companies not subject to statutory audit

(2) Audit for Group audit purposes by KPMG

Responsibility statement

Consolidated financial statements

We, Javier Molina Montes, Asier Zarraonandia Ayo and Rafael Pérez Gómez, respectively Executive Chair, Chief Executive Officer and Chief Financial Officer, confirm, to the best of our knowledge, that:

- the 2023 consolidated financial statements of Befesa S.A. presented in this Annual 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 or 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, 20 March 2024

Javier Molina
Executive Chair

Asier Zarraonandia
Chief Executive Officer

Rafael Pérez
Chief Financial Officer

Independent auditor's report

KPMG Audit S.à r.l.
39, Avenue John F. Kennedy
L-1855 Luxembourg

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Internet: www.kpmg.lu

To the Shareholders of
Befesa S.A.
68-70, Boulevard de la Pétrusse
L-2320 Luxembourg
Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Befesa S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report continued

KPMG

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the goodwill from Befesa Zinc US, Inc.

a. Why the matter was considered to be one of the most significant in our audit of the consolidated financial statements of the current period

On 17 August 2021, the Group, through Befesa Holding US, Inc, acquired a 100% interest in American Zinc Recycling Corp. (currently Befesa Zinc US, Inc). Befesa Zinc US, Inc has its registered office in Pittsburgh, Pennsylvania and its principal activity is providing electric arc furnace steel dust (EAFD) recycling services. The main reason for the business combination is to enter the US market and become a global leader in steel dust recycling.

As a result of the business combination, a goodwill of EUR 228,674 thousand resulting from the excess of net assets acquired over the cost of acquisition arose on the date of acquisition.

As of 31 December 2023, the goodwill from Befesa Zinc US, Inc. is EUR 243,435 thousand, which represents 38.7% of the total goodwill amount of Befesa S.A..

We identified the goodwill from Befesa Zinc US, Inc. and in particular the recoverability of the asset as a key audit matter because of its significance to the consolidated financial statements, Befesa Zinc US, Inc. being a relatively recent cash generating unit acquired and because of the significant judgement of the management and estimation required in performing the valuation analysis which could be subject to error or potential management bias.

b. How the matter was addressed in our audit

Our procedures concerning the valuation of Befesa Zinc US, Inc goodwill included, but were not limited to, the following:

- Assessing the appropriateness of the accounting treatment applied.
- With the involvement of our valuation specialists:
  - Evaluating the methodology applied by management for the valuation of goodwill;
  - Testing the mathematical accuracy of the valuation model used;
  - Assessing the key valuation assumptions;
  - Validating key inputs and data used in the valuation model.
- Assessing whether the Group's disclosures in the consolidated financial statements reflect the requirements of the prevailing accounting standards.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated report including the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the “réviseur d'entreprises agréé” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format (“ESEF Regulation”).

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Responsibilities of the réviseur d'entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d'entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent auditor's report continued

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d'entreprises agréé” to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d'entreprises agréé”. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d'entreprises agréé” by the Shareholders on 15 June 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is five years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to:

- Consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

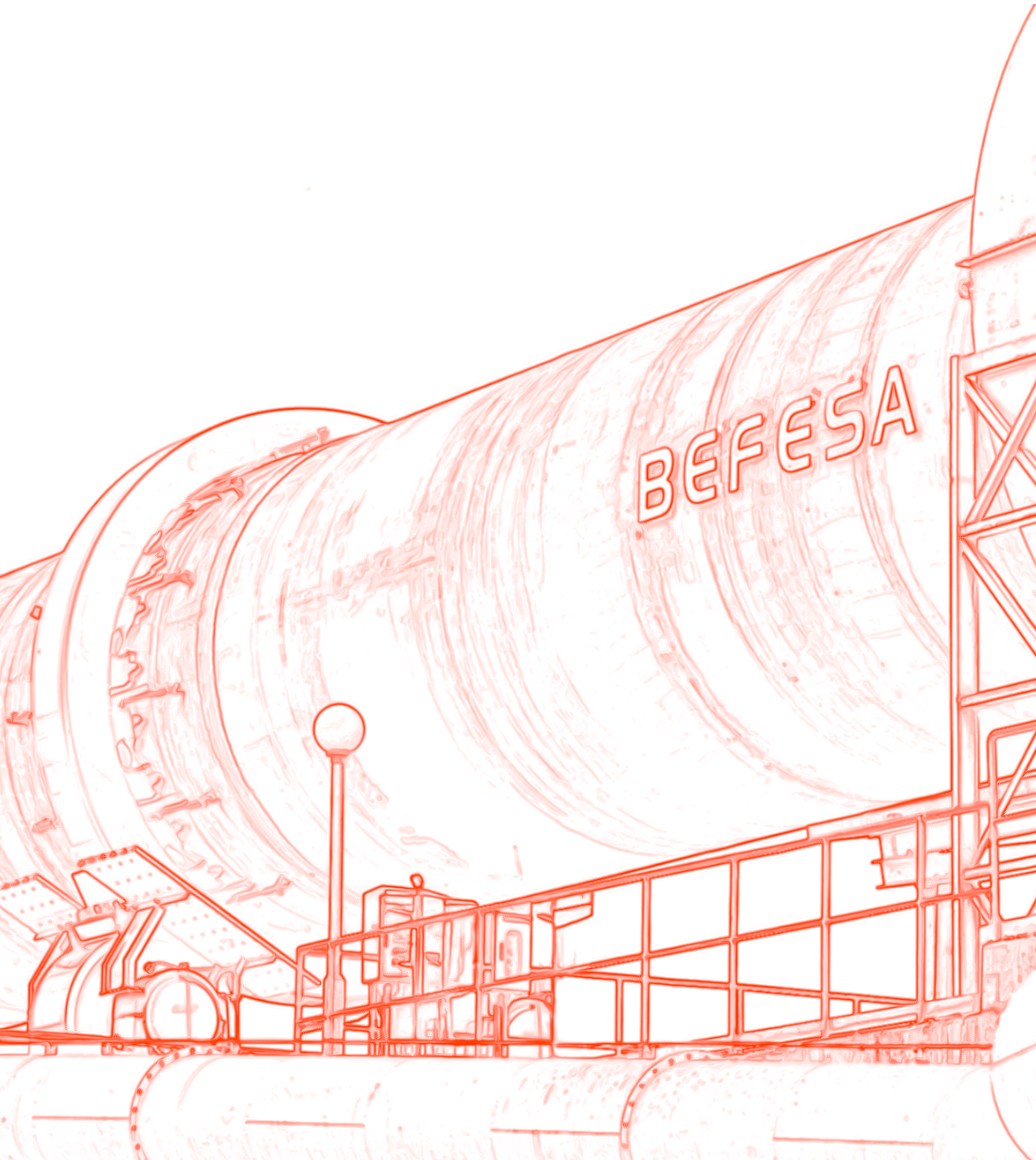
In our opinion, the consolidated financial statements of Befesa S.A. as at 31 December 2023, identified as 222100VXGA8L6J4ZWG61-2023-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the consolidated financial statements of Befesa S.A. as at 31 December 2023, identified as 222100VXGA8L6J4ZWG61-2023-12-31-en.zip, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 20 March 2024

KPMG Audit S.à r.l.
Cabinet de révision agréé

Stephan Lego-Deiber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Statutory financial statements

Balance sheet for the year ended 31 December 2023

(Expressed in euros)

	Note(s)	2023	2022
Assets			
A. Subscribed capital unpaid			
I. Subscribed capital not called			
II. Subscribed capital called but unpaid			
B. Formation expenses	3	1,794,586.50	2,524,011.95
C. Fixed assets		1,223,026,150.60	1,223,051,150.60
I. Intangible assets			
1. Costs of development			
2. Concessions, patents, licences, trademarks and similar rights and assets, if they were			
a) acquired for valuable consideration and need not be shown under C.I.3			
b) created by the undertaking itself			
3. Goodwill, to the extent that it was acquired for valuable consideration			
4. Payments on account and intangible assets under development			
II. Tangible assets			
1. Land and buildings			
2. Plant and machinery			
3. Other fixtures and fittings, tools and equipment			
4. Payments on account and tangible assets in the course of construction			
III. Financial assets	4	1,223,026,150.60	1,223,051,150.60
1. Shares in affiliated undertakings		597,026,150.60	597,051,150.60
2. Loans to affiliated undertakings		626,000,000.00	626,000,000.00
3. Participating interests			
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests			
5. Investments held as fixed assets			
6. Other loans			

			Note(s)	2023	2022
D.	**Current assets**			**7,069,532.96**	**4,229,153.49**
	I.	Stocks			
		1. Raw materials and consumables			
		2. Work in progress			
		3. Finished goods and goods for resale			
		4. Payments on account			
	II.	Debtors	**5**	**7,054,308.42**	**4,104,090.37**
		1. Trade debtors			
		a) becoming due and payable within one year			
		b) becoming due and payable after more than one year			
		2. Amounts owed by affiliated undertakings		**7,054,308.42**	**4,104,090.37**
		a) becoming due and payable within one year	**5.1**	**5,454,512.03**	**4,104,090.37**
		b) becoming due and payable after more than one year	**5.2**	**1,599,796.39**	**–**
		3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests			
		a) becoming due and payable within one year			
		b) becoming due and payable after more than one year			
		4. Other debtors			
		a) becoming due and payable within one year			
		b) becoming due and payable after more than one year			
	III.	Investments			
		1. Shares in affiliated undertakings			
		2. Own shares			
		3. Other investments			
	IV.	Cash at bank and in hand		**15,224.54**	**125,063.12**
E.	**Prepayments**		**6**	**3,310,533.22**	**4,461,578.69**
TOTAL (ASSETS)				**1,235,200,803.28**	**1,234,265,894.73**

Balance sheet for the year ended 31 December 2023
(Expressed in euros) continued

					Note(s)	2023	2022
CAPITAL, RESERVES AND LIABILITIES							
A	Capital and reserves				7	600,321,281.99	598,973,790.37
	I.	Subscribed capital				111,047,595.14	111,047,595.14
	II.	Share premium account				532,868,267.82	532,868,267.82
	III.	Revaluation reserve					
	IV.	Reserves				35,050,242.00	36,245,502.73
		1.	Legal reserve			11,104,759.51	11,104,759.51
		2.	Reserve for own shares				
		3.	Reserves provided for by the articles of association				
		4.	Other reserves, including the fair value reserve			23,945,482.49	25,140,743.22
			a)	other available reserves		23,945,482.49	25,140,743.22
			b)	other non-available reserves			
	V.	Profit or loss brought forward				-129,992,312.09	-129,992,312.09
	VI.	Profit or loss for the financial year				51,347,489.12	48,804,736.77
	VII.	Interim dividends					
	VIII.	Capital investment subsidies					
B.	**Provisions**				8	52,511.00	150,012.00
	1.	Provisions for pensions and similar obligations				52,511.00	150,012.00
	2.	Provisions for taxation					
	3.	Other provisions					
C.	**Creditors**				9	631,631,748.52	630,680,513.67
	1.	Debenture loans					
		a)	Convertible loans				
			i)	becoming due and payable within one year			
			ii)	becoming due and payable after more than one year			
		b)	Non-convertible loans				
			i)	becoming due and payable within one year			
			ii)	becoming due and payable after more than one year			
	2.	Amounts owed to credit institutions				631,454,512.03	630,104,090.37
		a)	becoming due and payable within one year			5,454,512.03	4,104,090.37
		b)	becoming due and payable after more than one year			626,000,000.00	626,000,000.00
	3.	Payments received on account of orders insofar as they are shown separately as deductions from stocks					

	Note(s)	2023	2022
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
4. Trade creditors		**134,451.63**	**151,326.79**
a) becoming due and payable within one year		**134,451.63**	**151,326.79**
b) becoming due and payable after more than one year			
5. Bills of exchange payable			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
6. Amounts owed to affiliated undertakings		–	**318,884.68**
a) becoming due and payable within one year			
b) becoming due and payable after more than one year		–	**318,884.68**
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
8. Other creditors		**42,784.86**	**106,211.83**
a) Tax authorities		**42,784.86**	**106,211.83**
b) Social security authorities			
c) Other creditors			
i) becoming due and payable within one year			
ii) becoming due and payable after more than one year			
D. Deferred income	**10**	**3,195,261.77**	**4,461,578.69**
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		**1,235,200,803.28**	**1,234,265,894.73**

Profit and loss account for the year ended 31 December 2023

(Expressed in euros)

	Note(s)	2023	2022
PROFIT AND LOSS ACCOUNT			
1. Net turnover			
2. Variation in stocks of finished goods and in work in progress			
3. Work performed by the undertaking for its own purposes and capitalised			
4. Other operating income	11	1,236,766.38	1,264,882.16
5. Raw materials and consumables and other external expenses		-892,596.72	-1,089,842.82
a) Raw materials and consumables			
b) Other external expenses	12	-892,596.72	-1,089,842.82
6. Staff costs	13	–	–
a) Wages and salaries			
b) Social security costs			
i) relating to pensions			
ii) other social security costs			
c) Other staff costs			
7. Value adjustments	14-3	-729,425.45	-729,425.45
a) in respect of formation expenses and of tangible and intangible fixed assets		-729,425.45	-729,425.45
b) in respect of current assets			
8. Other operating expenses	15	-701,423.95	-826,821.79
9. Income from participating interests	16	52,474,997.50	49,999,997.50
a) derived from affiliated undertakings		52,474,997.50	49,999,997.50
b) other income from participating interests			
10. Income from other investments and loans forming part of the fixed assets	17	32,814,572.22	13,078,357.22
a) derived from affiliated undertakings		32,814,572.22	13,078,357.22
b) other income not included under a)			

		Note(s)	2023	2022
11.	**Other interest receivable and similar income**	18	10,808,836.39	1,698,944.20
	a) derived from affiliated undertakings		1,472,832.32	1,698,944.20
	b) other interest and similar income		9,336,004.07	–
12.	**Share of profit or loss of undertakings accounted for under the equity method**			
13.	**Value adjustments in respect of financial assets and of investments held as current assets**			
14.	**Interest payable and similar expenses**	19	-43,659,422.25	-14,586,539.25
	a) concerning affiliated undertakings		-9,356,567.34	-686.10
	b) other interest and similar expenses		-34,302,854.91	-14,585,853.15
15.	**Tax on profit or loss**			
16.	**Profit or loss after taxation**		51,352,304.12	48,809,551.77
17.	**Other taxes not shown under items 1 to 16**	20	-4,815.00	-4,815.00
18.	**Profit or loss for the financial year**		51,347,489.12	48,804,736.77

Notes to the statutory financial statements for the year ended 31 December 2023

(Expressed in euros)

1. General information

Befesa, S.A. (the "Company") (formerly Bilbao Midco S.à r.l) was incorporated in Luxembourg on 31 May 2013 as a "société à responsabilité limitée", subject to the Luxembourg law for an unlimited period of time. On 18 October 2017, the shareholders resolved to convert the Company from its current form of a "société à responsabilité limitée" into a "société anonyme" without creating a new legal entity or affecting the legal existence or personality of the Company in any manner, and to change the name of the Company to Befesa, S.A. The registered office of the Company is established at 68-70 Boulevard de la Pétrusse, L-2320 Luxembourg.

The registered office of the Company is established in Luxembourg and the Company number with the Registre de Commerce is B177697. The financial year of the Company starts on 1 January and ends on 31 December.

The object of the Company is the acquisition, holding and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development and management of such interests. The Company may provide loans and financing in any other kind or form, or grant guarantees or security in any kind or form, for the benefit of the companies and undertakings forming part of the group of which the Company is a member. The Company may also invest in real estate, intellectual property rights or any other movable or immovable assets in any kind or form. The Company may borrow in any kind or form and issue bonds, notes or any other debt instruments as well as warrants or other share subscription rights. In a general fashion, the Company may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its object.

Following the Initial Public Offer ("IPO") held on 3 November 2017, the Company is listed on the Frankfurt Stock Exchange (ISIN number: LU1704650164).

The Company also prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The consolidated financial statements and the management report are available at the registered office of the Company.

2. Summary of significant accounting policies and valuation methods

2.1 Basis of preparation

The annual accounts of the Company are prepared in accordance with Luxembourg legal and regulatory requirements.

Accounting policies and valuation rules follow the historical cost convention and are determined and applied by the Board of Directors, in accordance with the ones prescribed by the law of 19 December 2002, as amended.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Board of Directors makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

The Company's annual accounts have been prepared on a going concern basis which assumes that the Company will be able to meet its liabilities as they fall due.

2.2 Foreign currency translation
The Company maintains its books and records in euro ("EUR") and the balance sheet and the profit and loss account are expressed in this currency.

Other assets and other liabilities (except specific cases) denominated in currencies other than EUR are translated at the exchange rates prevailing at the date of the balance sheet, unless this would lead to an unrealised exchange gain.

As a result, realised exchange gains and losses and unrealised exchange losses are recorded in the profit and loss account. Unrealised exchange gains are not recorded.

Where there is an economic link between an asset and liability, these are valued in total according to the method described above and the net unrealised exchange losses are recorded in the profit or loss accounts, whereas the net unrealised exchange gains are not recognised.

2.3 Formation expenses
Formation expenses are written off within a period of five years.

2.4 Financial assets
Shares in affiliated undertakings are valued at purchase price including the expenses incidental thereto.

Loans to affiliated undertakings are valued at nominal value including the expenses incidental thereto.

In case of a durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.5 Debtors
Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.6 Prepayments
This asset item includes expenditure incurred but relating to a subsequent financial year.

2.7 Provisions
Provisions are intended to cover losses or debts of which the nature is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges that have their origin in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provision for taxation
Provisions for taxation corresponding to the difference between the tax liability estimated by the Company and the advance payments for the financial years for which the tax return has not yet been filed are recorded under the caption "Provisions".

2.8 Creditors
Creditors are recorded at their reimbursement value. When the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt.

2.9 Deferred income
This liability item includes income received but relating to a subsequent financial year.

2.10 Value adjustments
Value adjustments are deducted directly from the related asset.

Notes to the statutory financial statements for the year ended 31 December 2023 (Expressed in euros) continued

01 Befesa at a glance
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05 Statutory financial statements
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2. Summary of significant accounting policies and valuation methods continued

2.11 Income from participating interests

Income from dividends is recognised when the shareholder's right to receive payment is established.

2.12 Interest income and charges

Interest income and interest charges are accrued on a timely basis, by reference to the principal outstanding and at the nominal interest rate applicable.

3. Formation expenses

The increase in the capital and reserves of 16 June 2021 had formation expenses of 3,649,125.73 EUR. As of 31 December 2023, 729,425.45 EUR (2022: 729,425.45 EUR) have been charged to profit and loss, leaving 1,794,586.50 EUR (2022: 2,524,011.95 EUR) in the balance sheet.

4. Financial assets

Financial assets held at cost less impairment – movements gross book value	Gross book value – opening balance	Additions	Disposals	Transfers	Gross book value – closing balance
Shares in affiliated undertakings	597,051,150.60	–	-25,000.00	–	**597,026,150.60**
Loans to affiliated undertakings	626,000,000.00	–	–	–	**626,000,000.00**
Total	**1,223,051,150.60**	**–**	**-25,000.00**	**–**	**1,223,026,150.60**

Financial assets held at cost less impairment – movements gross book value	Net book value – opening balance	Additions	Disposals	Transfers	Net book value – closing balance
Shares in affiliated undertakings	597,051,150.60	–	-25,000.00	–	**597,026,150.60**
Loans to affiliated undertakings	626,000,000.00	–	–	–	**626,000,000.00**
Total	**1,223,051,150.60**	**–**	**-25,000.00**	**–**	**1,223,026,150.60**

In the opinion of the Board of Directors, no durable depreciation in value has occurred on shares in affiliated undertakings as at 31 December 2023, nor as at 31 December 2022; accordingly, no value adjustment was recorded.

On 30 October 2023, the Company completed the sale of its share valued at EUR 25,000.00 in Befesa Management Services GmbH to Befesa Medio Ambiente, S.L.U. for an amount of EUR 2,500,000.00, resulting in a net gain of EUR 2,475,000.00 (Note 16).

Undertaking in which the Company holds at least 20% in the share capital is as follows:

				As at 31/12/2022		
Name		Registered office	% holding	Net book value (EUR)	Net equity (EUR)	Net result (EUR)
Befesa Medio Ambiente, S.L.U.	Audited account	Spain	100%	**597,026,150.60**	**687,735,000.00**	**33,587,000.00**

Loans to affiliated undertakings

Counterparty	Currency	Amount	Interest rate	Maturity date
Loan to Befesa Medio Ambiente, S.L.U.	EUR	626,000,000.00	2% plus Euribor 3M	09.07.2026

The facility agreement granted to the Company on 7 December 2017 (Note 9) and the loan granted to Befesa Medio Ambiente, S.L.U. have the same principal economic terms.

The refinancing of the existing capital structure was successfully completed on 9 July 2019 in a transaction that extends Befesa's debt maturity up to June 2026 with a seven-year TLB.

In February 2020, the Company repriced the loan granted to Befesa Medio Ambiente, S.L.U., reducing its interest rate, in order to have the same principal economic terms as the facility agreement granted to the Company (Note 9).

On 16 August 2021, the parties signed an amendment no.3 for an additional amount of EUR 100,000,000.00 (Note 9). In August 2021, the margin applicable to this loan was reduced by 25 bps to Euribor plus 175 bps.

In Decembre 2022, the margin applicable to this loan was increased by 25 bps to Euribor plus 200 bps. As at 31 December 2023, the nominal amount of this loan is EUR 626,000,000.00 (2022: EUR 626,000,000.00) and accrued interest amounts to EUR 8,176,394.70 (2022: EUR 4,375,218.37) (Note 5).

In the opinion of the Board of Directors, no durable depreciation in value has occurred on loans to affiliated undertakings as at 31 December 2023, nor as at 31 December 2022; accordingly, no value adjustment was recorded.

5. Debtors

Debtors by category	Within one year	More than one year	As at 31/12/2023	As at 31/12/2022
Amounts owed by affiliated undertakings	5,454,512.03	1,599,796.39	**7,054,308.42**	4,104,090.37
Total	5,454,512.03	1,599,796.39	**7,054,308.42**	4,104,090.37

5.1 Debtors – becoming due and payable within one year

The detail of debtors is the following:

Becoming due and payable within one year	As at 31/12/2023	As at 31/12/2022
Accrued interest – loan and interest rate swap Befesa Medio Ambiente, S.L.U.		
Total	**5,454,512.03**	4,104,090.37

5.2 Debtors – becoming due and payable in more than one year

Becoming due and payable in more than one year	As at 31/12/2023	As at 31/12/2022
Reciprocal Credit Agreement to Befesa Medio Ambiente, S.L.U.	**1,599,796.39**	–
Total	**1,599,796.39**	–

As at 1 December 2020, the Company signed a "Reciprocal Credit Agreement" with Befesa Medio Ambiente, S.L.U. The interest is Euribor plus a margin of 0.50% and the maturity is indefinite.

As at 31 December 2023, the "Reciprocal Credit Agreement" amounts to EUR 1,599,796.39 (2022: EUR -318,884.68). As the total amount was negative, it was reclassified from payable amount to the account "Amounts owed to affiliated undertakings" (Note 9).

In the opinion of the Board of Directors, the recovery of debtors is not compromised as at 31 December 2023; accordingly, no value adjustment was recorded.

6. Prepayments

Prepayments	As at 31/12/2023	As at 31/12/2022
Transaction costs	**3,195,201.77**	4,461,578.69
Insurance costs	**115,271.45**	–
Total	**3,310,473.22**	4,461,578.69

Transaction costs of EUR 10,847,833.35 were paid in relation to the facility agreement granted to the Company (Note 9). These transactions costs have been recognised and are amortised all along the length of the facility. As at 31 December 2023, the accumulated amortisation amounts to EUR 7,652,566.93 (2022: EUR 6,386,254.66).

Notes to the statutory financial statements for the year ended 31 December 2023 (Expressed in euros) continued

7. Capital and reserves

Movements in capital and reserves	Balance as at 31/12/2022	Allocation of preceding result	Dividend	Result of current year	Balance as at 31/12/2023
Subscribed capital	111,047,595.14	–	–	–	**111,047,595.14**
Share premium	532,868,267.82	–	–	–	**532,868,267.82**
Legal reserve	11,104,759.51	–	–	–	**11,104,759.51**
Other available reserves	25,140,743.22	-1,195,260.73	–	–	**23,945,482.49**
Profit or loss brought forward	-129,992,312.09	–	–	–	**-129,992,312.09**
Profit or loss for the financial year	48,804,736.77	-48,804,736.77	0.00	51,347,489.12	**51,347,489.12**
Dividend	–	49,999,997.50	-49,999,997.50	–	**–**
Total	598,973,790.37	–	-49,999,997.50	51,347,489.12	**600,321,281.99**

The number of shares as at 31 December 2023 and 2022 is 39,999,998, with a par value of 2.78 EUR each and fully paid up.

On 16 June 2021, the Company issued 5,933,293 new shares, each with par value of 2.78 EUR and share premium of 53.22 EUR. The new shares were included in the existing listing of Befesa's shares in the Frankfurt Stock Exchange.

On 6 July 2022, Befesa distributed to its shareholders a dividend of 1.25 EUR per share, amounting to 49,999,997.50 EUR, as approved by the AGM held on 16 June 2022.

On 6 July 2023, Befesa distributed to its shareholders a dividend of 1.25 EUR per share, amounting to 49,999,997.50 EUR, as approved by the AGM held on 15 June 2023.

Legal reserve

In accordance with Luxembourg relevant law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. If the legal reserve later falls below the 10% threshold, at least 5% of net profits must again be allocated to the reserve. The legal reserve is not available for distribution to the shareholders. As at 31 December 2023, the legal reserve reaches 10% of the issued share capital.

8. Provisions

Provisions	As at 31/12/2023	As at 31/12/2022
Other provisions	52,511.00	150,012.00
Total	**52,511.00**	**150,012.00**

Other provisions

As at 31 December 2023 and 31 December 2022, the other provisions consist mainly of provision for other operating expenses not yet invoiced.

9. Creditors

Creditors by category	Within one year	More than one year	More than five years	As at 31/12/2023	As at 31/12/2022
Amounts owed to credit institutions	5,454,512.03	626,000,000.00	–	**631,454,512.03**	630,104,090.37
Amounts owed to affiliated undertakings (*)	–	–	–	**–**	318,884.68
Trade creditors	134,451.63	–	–	**134,451.63**	151,326.79
Other creditors	–	–	–	**–**	106,211.83
Total	5,588,963.66	626,000,000.00	–	**631,588,963.66**	630,680,513.67

(*) Please refer to Note 5.2 in the debtor section for further information

Amounts owed to credit institutions

On 19 October 2017, the Company entered into a facility agreement of EUR 636,000,000.00. An amount of EUR 526,000,000.00 was drawdown on 7 December 2017. The facility bears interests at 2.50% margin plus three months' Euribor "0" floor, and matured on 7 December 2022. Simultaneously, the Company also entered into an Interest Rate Swap agreement ("IRS"), also matured on 7 December 2022. This IRS covers a notional amount of EUR 316,000,000.00; the fixed rate is 0.358%, and the benchmark floating rate is Euribor. The fair value of this IRS is EUR 0.00 as at 31 December 2022 and 2023.

On 9 July 2019, the Group successfully completed the refinancing of the EUR 636 million facilities agreement. The new facilities agreement comprises:

- Term Loan B ("facility" or "TLB") in an amount of EUR 526 million, which is a bullet with a maturity date of seven years
- Revolving Credit Facility (RCF) in an amount of EUR 75 million with a maturity of six years
- A Guarantee Facility Commitment in an amount of EUR 35 million with a maturity of six years

On 17 February 2020, Befesa successfully repriced its TLB, reducing its interest rate by 50 bps to Euribor plus 200 bps.

The facility's maturity date and all other terms remain in place without further amendment.

In 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 was 0.236% and the notional on the amount totalled EUR 316,000,000. The positive fair value of this IRS was EUR 20,845,348.36 as at 31 December 2023 (2022: EUR 31,122,698.83).

On 2 July 2021, the Company entered into an incremental facility notice under the facilities agreement for an additional amount of EUR 100,000,000. As at 31 December 2021, the principal amount was EUR 626,000,000. Simultaneously, the Company increased the loan to Befesa Medio Ambiente, S.L.U. in this amount.

In August 2021, the margin applicable to TLB was reduced by 25 bps to Euribor plus 175 bps due to the decrease on the leverage ratio.

In December 2022, the margin applicable to this loan was increased by 25 bps to Euribor plus 200 bps due to the increase on the leverage ratio. There were no changes in the year 2023.

As at 31 December 2023 and 2022, the amounts becoming due and payable within one year are composed of accrued interest on the facility, and of accrued interest on the IRS.

Notes to the statutory financial statements for the year ended 31 December 2023 (Expressed in euros) continued

10. Deferred income

Deferred income	As at 31/12/2023	As at 31/12/2022
Deferred income – transaction costs	**3,195,261.77**	4,461,578.69
Total	**3,195,261.77**	4,461,578.69

The facility agreement granted to the Company (Note 9) and the loan granted to Befesa Medio Ambiente, S.L.U. (Note 4) have the same principal economic terms. The transaction costs of EUR 10,847,833.75 on the facility (Note 6) have been accounted for equally on the loan granted to Befesa Medio Ambiente, S.L.U..

11. Other operating income

The other operating income consisting of the management fee for the costs the Company recharged to its subsidiary Befesa Medio Ambiente, S.L.U. amounts to EUR 1,236,766.38 as at 31 December 2023 (2022: EUR 1,264,882.16).

12. Other external expenses

Other external expenses	As at 31/12/2023	As at 31/12/2022
Accounting, auditing and domiciliation fees	**118,451.13**	327,011.44
Banking and similar services	**3,247.87**	1,925.25
Legal fees	**232,946.64**	247,541.68
Other commissions and professional fees	**528,924.38**	498,228.75
Miscellaneous	**9,026.70**	15,135.70
Total	**892,596.72**	1,089,842.82

13. Staff costs

The average number of employees for the year 2023 was nil (2022: nil).

14. Value adjustments

	As at 31/12/2023	As at 31/12/2022
Formation expenses	**729,425.45**	729,425.45
Total	**729,425.45**	729,425.45

15. Other operating expenses

The other operating expenses consists mainly of Directors' fees.

16. Income from participating interests

As of 31 December 2023, the income from participating interests derived from affiliated undertakings amounts to EUR 52,474,997.50 (2022: EUR 49,999,997.50) due to a net gain of EUR 2,475,000.00 resulting from the sale of Befesa Management Services, GmbH and the dividend received from Befesa Medio Ambiente, S.L.U. of EUR 49,999,997.50 (2022: EUR 49,999,997.50) (Note 4).

17. Income from other investments and loans forming part of the fixed assets

Details of income from other investments and loans forming part of the fixed assets for 2023 and 2022 are as follows:

	As at 31/12/2023	As at 31/12/2022
Loans to affiliated undertakings (Loan to Befesa Medio Ambiente, S.L.U.)	**32,814,572.22**	13,078,357.22
Total	**32,814,572.22**	13,078,357.22

18. Other interest receivable and similar income

	As at 31/12/2023	As at 31/12/2022
Amortisation costs	**1,266,316.92**	1,266,315.74
Income of IRS (*)	**9,335,798.67**	175,002.56
Invoices for management of financing activities recharged to affiliated undertakings	**206,515.40**	257,625.90
Others	**205.40**	–
Total	**10,808,836.39**	1,698,944.20

(*) As at 31 December 2023, there is income from credit institutions and as at 31 December 2022, the cost was recharged to Befesa Medio Ambiente, S.L.U.

19. Interest payable and similar expenses

	As at 31/12/2023	As at 31/12/2022
Interest cost	**32,814,572.22**	13,078,357.22
Cost of IRS (*)	**9,335,798.67**	175,002.56
Reciprocal Credit Agreement	**20,768.67**	–
Amortisation cost	**1,266,316.92**	1,266,315.74
Other expenses	**221,965.77**	66,863.73
Total	**43,659,422.25**	14,586,539.25

(*) As of 31 December 2023, the cost was recharged to Befesa Medio Ambiente, S.L.U. and as of 31 December 2022, the costs were attributed to credit institutions

20. Taxation

The Company is subject to the general tax regulation applicable in Luxembourg.

In terms of Pilar Two legislation, Befesa, S.A. is the Ultimate Parent Entity of the Befesa Group. The Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting, and financial statements for the constituent entities in the Group. Based on the assessment, the Group would meet at least one of the Transitional Safe Harbours test for the following years (2024–2026) in all the jurisdictions. The Group does not expect a material exposure to Pillar Two income taxes in any jurisdiction.

Befesa, S.A. maintains tax credits coming from tax loss carry-forwards not reflected in balance in amount of EUR 8,866,304 as at 31 December 2023 (2022: EUR 8,768,223).

21. Off-balance sheet commitments and transactions

On 19 October 2017, the Company entered into a facility agreement of EUR 636,000,000.00 (Note 9). In this context, the Company pledged the shares of Befesa Medio Ambiente, S.L.U.

22. Related party transactions

There were no direct or indirect transactions with main shareholders and members of its administrative, management and supervisory bodies that would be material and not concluded under normal market conditions unless previously disclosed.

23. Advances and loans granted to the members of the managing and supervisory bodies

There are no advances, loans or commitments given on their behalf by way of guarantee of any kind granted to the members of the management and supervisory bodies during the financial year (2022: nil).

24. Subsequent events

There are no events between the balance sheet date (31 December 2023) and the date of the presentation of the accounts (20 March 2024) that would materially affect the Company's assets or the Company's financial and/or earnings position.

Responsibility statement

Statutory financial statements

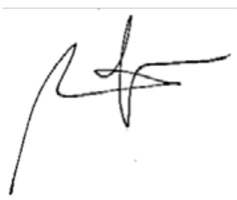
We, Javier Molina Montes, Asier Zarraonandia Ayo and Rafael Pérez Gómez, respectively Executive Chair, Chief Executive Officer and Chief Financial Officer, confirm, to the best of our knowledge, that:

- the 2023 statutory annual accounts of Befesa S.A. presented in this Annual Report, which have been prepared in accordance with Luxembourg legal and regulatory requirements, give a true and fair view of the assets, liabilities, financial position and profit or loss of Befesa, S.A.; and
- the management report on the annual accounts included in this Annual Report, which has been combined with the management report on the consolidated financial statements included in this Annual Report, gives a fair review of the development and performance of the business and the position of Befesa, S.A., or Befesa, S.A. and its consolidated subsidiaries, taken as a whole, as applicable, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 20 March 2024

Javier Molina
Executive Chair

Asier Zarraonandia
Chief Executive Officer



Rafael Pérez
Chief Financial Officer

Independent auditor's report

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To the Shareholders of
Befesa S.A.
68-70, Boulevard de la Pétrusse
L-2320 Luxembourg
Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Befesa S.A. (the "Company"), which comprise the balance sheet as at 31 December 2023, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2023 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

KPMG

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the Corporate Governance Statement but does not include the annual accounts and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for presenting and marking up the annual accounts in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the réviseur d'entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

Our responsibility is to assess whether the annual accounts have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

KPMG

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the Shareholders on 15 June 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is five years.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the annual accounts of the Group as at 31 December 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to annual accounts.

For the Company it relates to:

- Annual accounts prepared in a valid xHTML format.

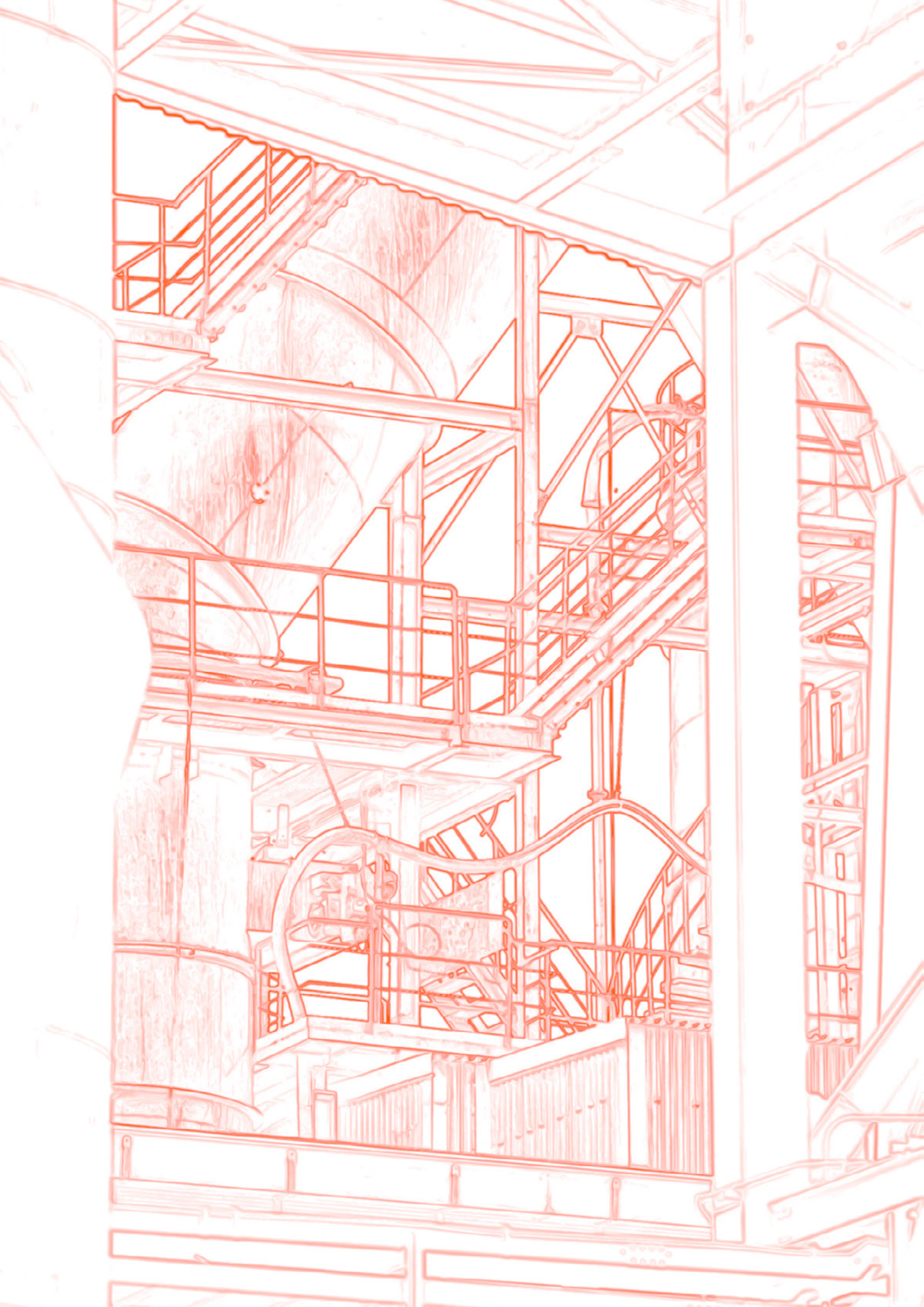
In our opinion, the annual accounts of Befesa S.A. as at 31 December 2023, identified as 222100VXGA8L6J4ZWG61-2023-12-31-en.xHTML, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the annual accounts of Befesa S.A. as at 31 December 2023, identified as 222100VXGA8L6J4ZWG61-2023-12-31-en.xHTML, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 20 March 2024

KPMG Audit S.à r.l.
Cabinet de révision agréé

Stephan Lego-Deiber



06
Additional information

Glossary

Aluminium alloy	A mixture of two or more elements in which aluminium is the predominant metal
Aluminium concentrate	Secondary aluminium residue generated during the recycling process of salt slags and SPL, which can be either landfilled or sold to various industries as an input material for further production cycles
Aluminium residue	Aluminium scrap and other residues mainly containing aluminium, such as drosses, shavings and cuttings, which can be recycled
Aluminium scrap	Material from various goods that have reached the completion of their useful lives, which mainly contain aluminium and can be recycled
Blast oxygen furnace (BOF)	A type of metallurgical furnace that uses iron ore as its base raw material to produce steel
Coke	An input material used in the processes to recycle steel residues
Electric arc furnace (EAF)	A furnace used by mini-mills to melt scrap steel, using electric arc technology
EAF steel dust	Hazardous waste resulting from the production of crude steel by mini-mills
Galvanised steel	Steel with a protective coating containing zinc, which protects against corrosion
Leaching	A hydrometallurgical process that increases the zinc content of Waelz oxide (WOX) by removing impurities like fluorides and chlorines
Lime	An input material used in the steel dust recycling process
Mini-mill	A steel production facility for the production of steel. This is done by melting recycled scrap steel in EAF, as opposed to directly from iron ore (which is the primary iron resource used in traditional BOF steel factories)
Rotary furnace	A tube-shaped furnace that rotates around a central axis as materials are being treated

Salt slags	A hazardous waste generated by the production of secondary aluminium
Scrap steel	Recycled steel that serves as an input material for steel manufacturers, using mini-mill facilities
Special high-grade (SHG) zinc	High-purity zinc ingots produced solely from recycled sources (WOX) using an electrowinning and solvent extraction
Spent pot linings (SPL)	Spent pot linings of aluminium electrolysis cells are hazardous waste materials generated in the production process of primary aluminium
Stainless steel residue	A hazardous residue resulting from the stainless steel produced from scrap stainless steel
Steel residue	EAF steel dust and stainless steel residue
Tolling fee	In the Steel Dust segment, this refers to the fee charged to stainless steel manufacturers to collect and treat stainless steel residue, returning to them metals (mainly nickel, chromium and molybdenum) recovered in the process. In the Secondary Aluminium subsegment of Aluminium Salt Slags Recycling Services, it refers to the service fee charged for collecting and treating aluminium residues and returning the recovered aluminium to customers.
Valorisation	The recovery of valuable materials from waste
Waelz kiln	A kiln used for processing crude steel dust by mixing crude steel dust, coke and lime in a kiln containing a rotating furnace, which primarily vaporises the zinc and lead components contained in the crude steel dust, producing Waelz oxide (WOX)
Waelz oxide (WOX)	A product with a high concentration of zinc that is generated in the crude steel dust recycling process and that is used in the production of zinc
Zinc smelter	A type of industrial plant or establishment that engages in zinc smelting, i.e. the conversion of zinc ore concentrates and WOX into zinc metal

Financial calendar

Q1 2024 Statement & Conference Call	Thursday, 25 April 2024
Annual General Meeting	Thursday, 20 June 2024
H1 2024 Interim Report & Conference Call	Thursday, 25 July 2024
Q3 2024 Statement & Conference Call	Thursday, 31 October 2024

Note: Befesa cannot rule out changes to dates and recommends checking them at the Investor relations/Investor's agenda section of Befesa's website (www.befesa.com).

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