

# BEFESA ZINC

Innovative Technology Solutions for  
Sustainability



## BEFESA ZINC

First Half 2012 Earnings Presentation

28<sup>th</sup> August 2012

- This presentation contains forward-looking statements and information relating to Befesa Zinc that are based on the beliefs of its management as well as assumptions made and information currently available to Befesa Zinc.
- Such statements reflect the current views of Befesa Zinc with respect to future events and are subject to risks, uncertainties and assumptions.
- Many factors could cause the actual results, performance or achievements of Befesa Zinc to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others: changes in general economic, political, governmental and business conditions globally and in the countries in which Befesa Zinc does business; changes in interest rates; changes in inflation rates; changes in prices; decreases in government expenditure budgets and reductions in government subsidies; changes to national and international laws and policies that support renewable energy sources; inability to improve competitiveness of our renewable energy services and products; decline in public acceptance of renewable energy sources; legal challenges to regulations, subsidies and incentives that support renewable energy sources and industrial waste recycling; extensive governmental regulation in a number of different jurisdictions, including stringent environmental regulation; our substantial capital expenditure and research and development requirements; management of exposure to credit, interest rate, exchange rate and commodity price risks; the termination or revocation of our operations conducted pursuant to concessions; reliance on third-party contractors and suppliers; acquisitions or investments in joint ventures with third parties; unexpected adjustments and cancellations of our backlog of unfilled orders; inability to obtain new sites and expand existing ones; failure to maintain safe work environments; effects of catastrophes, natural disasters, adverse weather conditions, unexpected geological or other physical conditions, or criminal or terrorist acts at one or more of our plants; insufficient insurance coverage and increases in insurance cost; loss of senior management and key personnel; unauthorized use of our intellectual property and claims of infringement by us of others intellectual property; our substantial indebtedness; our ability to generate cash to service our indebtedness changes in business strategy and various other factors.
- Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or targeted.
- Befesa Zinc does not intend, and does not assume any obligations, to update these forward-looking statements.

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H1 Business Highlights

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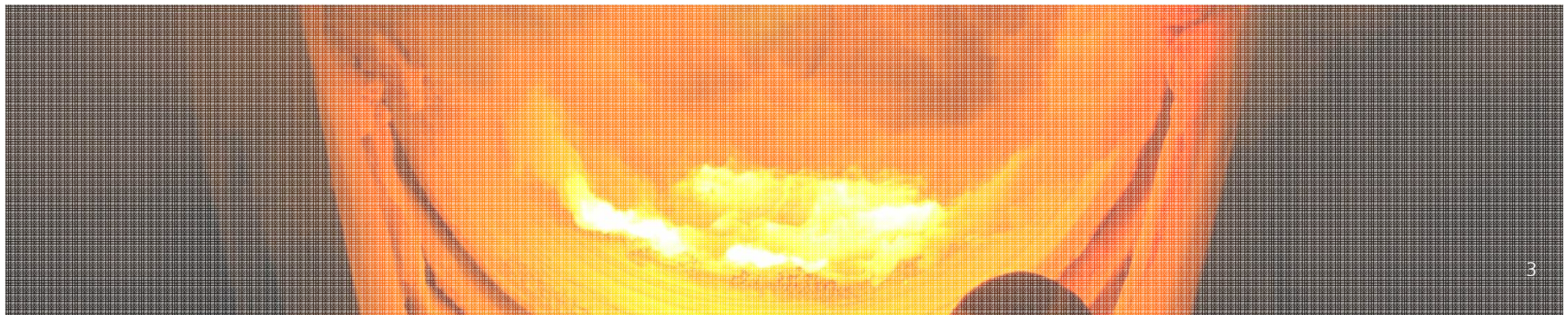
H1 Financial Highlights

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Outlook

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Appendix



**Strong results despite challenging market conditions**

**120.9 M€** Revenues, an increase of 14 % Y-o-Y

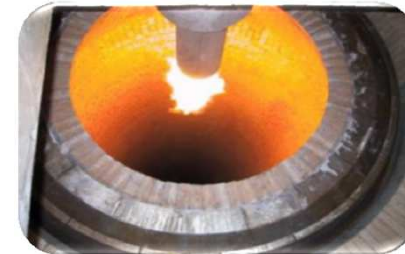
**41.2 M€** EBITDA, an increase of 18 % Y-o-Y

**34.0 %** EBITDA Margin, versus 32.8 % in H1 2011

**94.0 %** Average Load Factor, versus 99.2 % in H1 2011

**90,482 tons** WOX sold, an increase of 18 % Y-o-Y

**1,523 €** Average LME Price, versus 1,660 € in H1 2011



# BEFESA ZINC

H1 2012 Highlights (cont'd)

## Solid performance of steel dust and strong improvement in stainless steel

### Steel Dust

- 1 Positive effect in revenues of increase in hedge from €1,560 to €1,703, partially offset by decrease in LME spot price
- 2 Increase in WOX production and sales (6.6 % and 18.2 % Y-o-Y)
- 3 Improved performance of Turkish plant operations (+18 % Y-o-Y)
- 4 Increase in throughput (+7.8 % Y-o-Y) and slightly lower average load factor (94.0 % vs. 99.2 %) due to 2 planned maintenance shutdowns

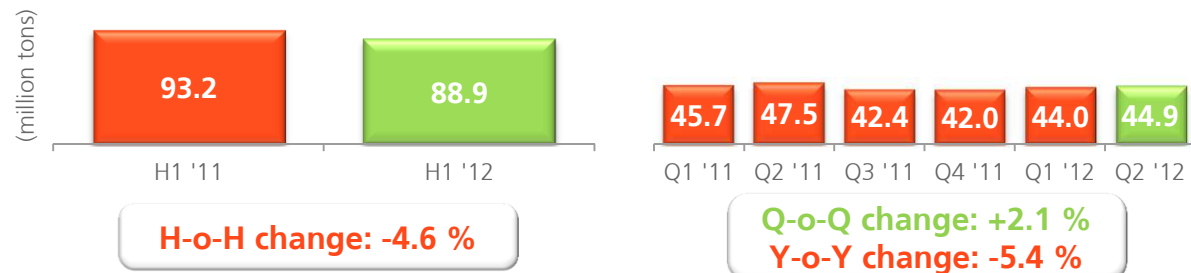
### Stainless Steel

- 1 Strong increase in throughput (+70.8 %), and load factor (74.6 % vs. 43.9 %)
- 2 Increase of metal alloys sales (+92 % Y-o-Y)

### Capex Plan

- 1 Actively looking at other global EAF recycling markets to grow the business
- 2 Gravelines: fully commissioned and in operation
- 3 Zinc Sur and Bilbao: Full flexibility (not committed). On hold

### Stable EU-27 Steel Production



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H1 Business Highlights

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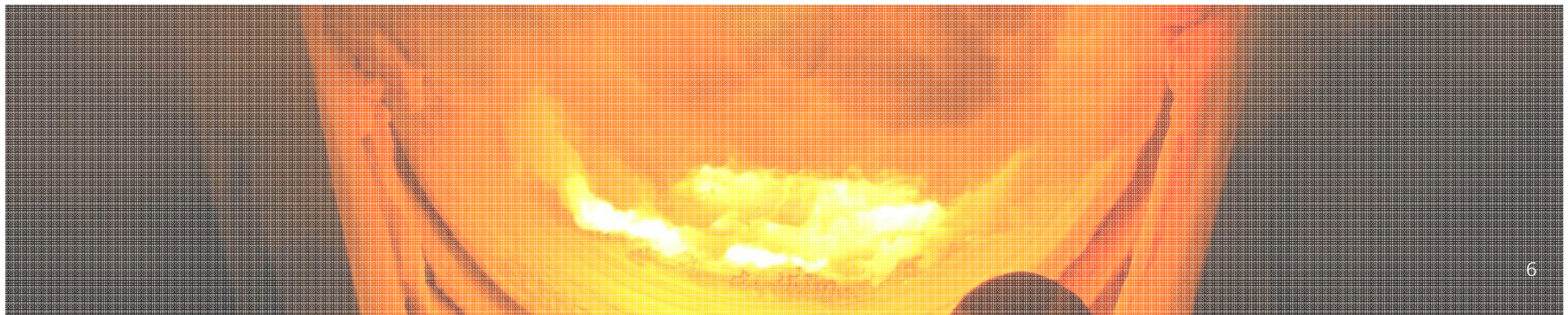
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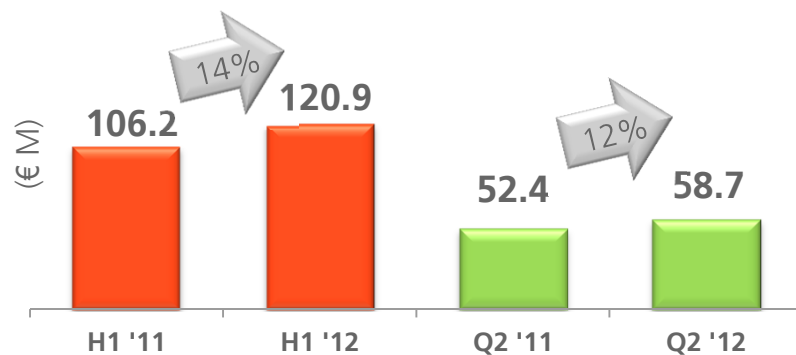
# BEFESA ZINC

Consolidated figures

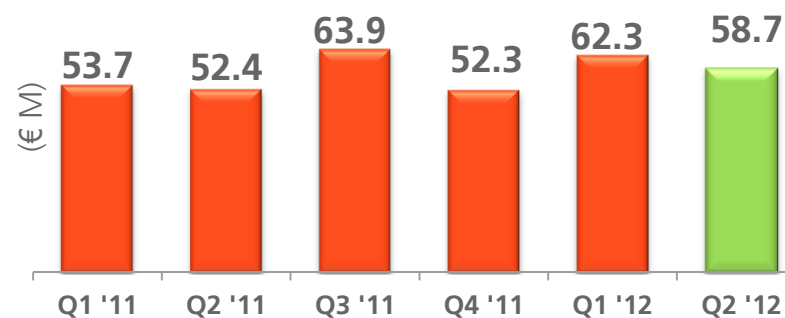
**Strong first half of 2012, benefiting from Turkey consolidation, and recovery in stainless steel**

- H1 2012 EBITDA reached €41.2 m, representing an average EBITDA Margin of 34 %
- Net Debt is €232.0m, representing a Net Debt / EBITDA ratio of 2.9x \*

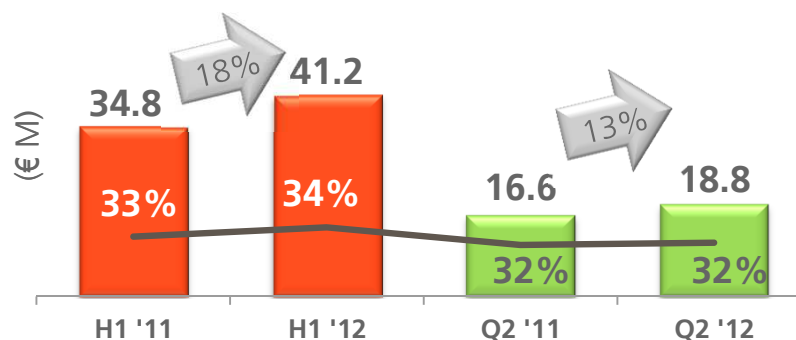
## Revenues for H1 and Q2



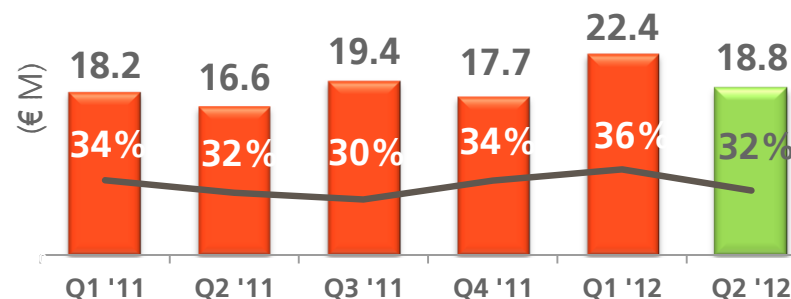
## Revenues by quarter



## EBITDA for H1 and Q2



## EBITDA by quarter



\*Assumes LTM EBITDA of €79.7m

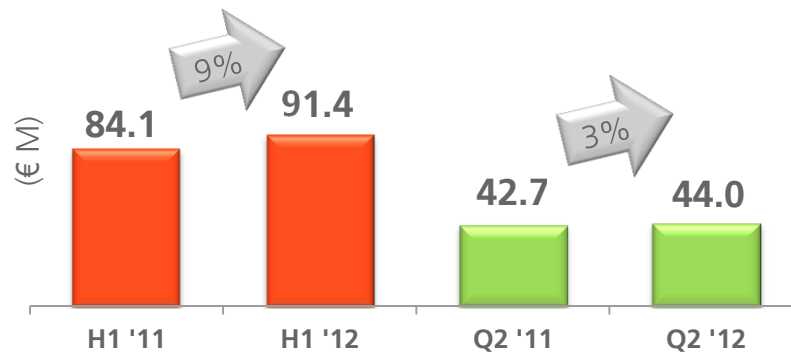
# BEFESA ZINC

## Steel Dust Segment

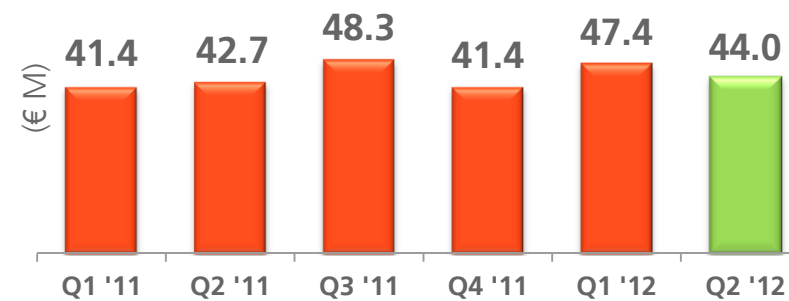
**Solid results in steel dust in Europe despite current turmoil and Turkey providing growth**

- Excluding Turkey, throughput in H1 2012 decreased 5 % Y-o-Y due to planned maintenance stops
- Revenues increased by +8.7 % in H1 2012 vs H1 2011 due to higher volumes of WOX sold (+18.2 %), and lower LME Zinc price (-8.2 %) partly offset by hedge

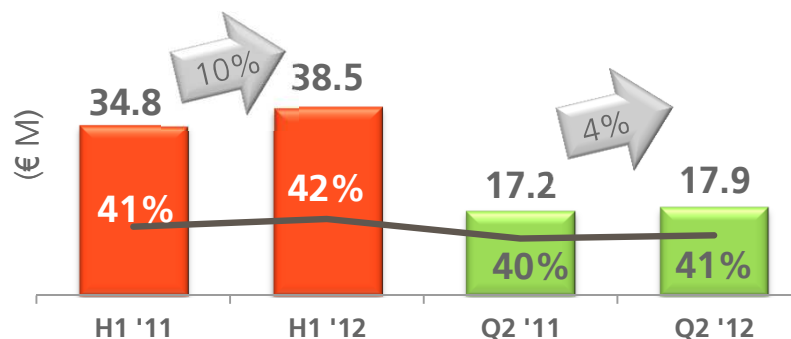
### Revenues for H1 and Q2



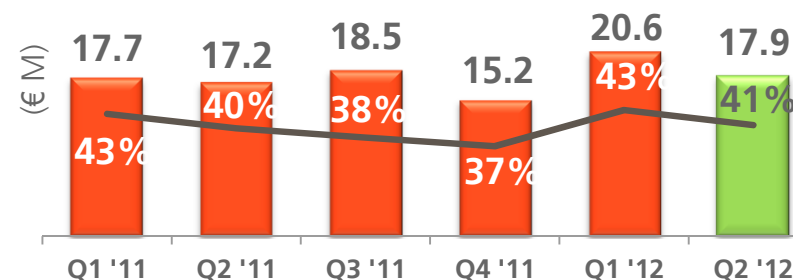
### Revenues by quarter



### EBITDA for H1 and Q2



### EBITDA by quarter





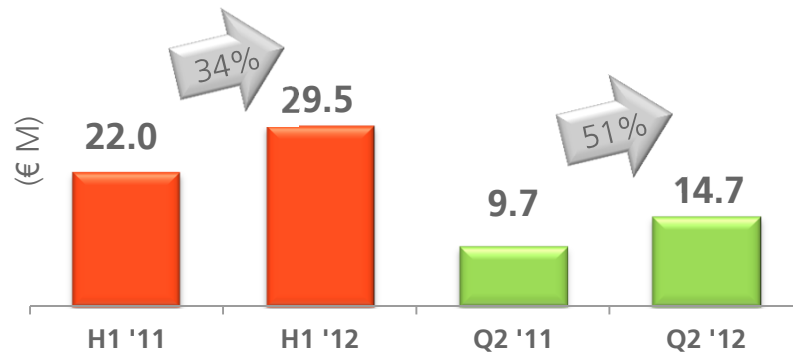
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## Stainless Steel Segment

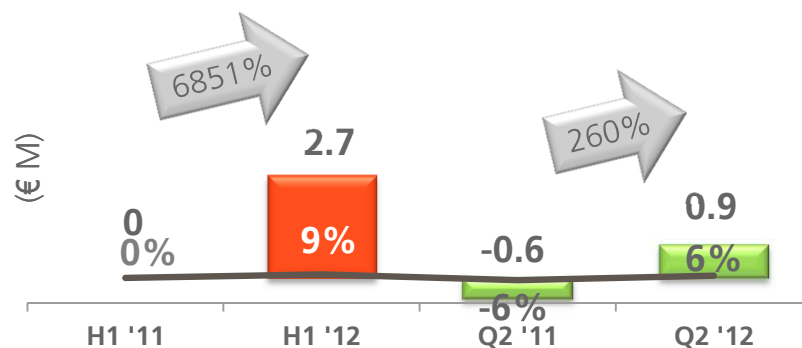
### Strong H1 confirms momentum shown in Q1

- H1 2012 revenues increased 34.0 % Y-o-Y, mainly due to the increase of the throughput by 70.8 %, and the sharp increase in alloys sold during this quarter (+91.7 %)
- Improvement in load factor Y-o-Y from 43.9 % to current 74.6 %

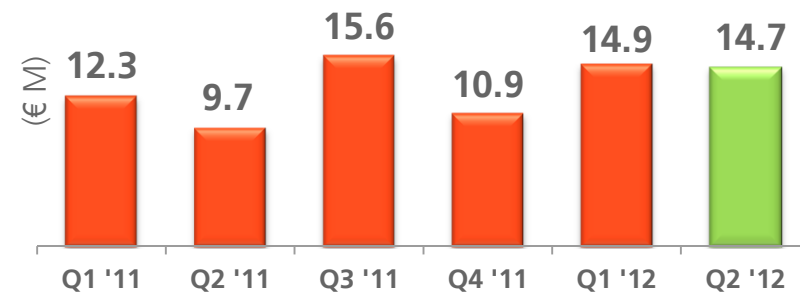
#### Revenues for H1 and Q2



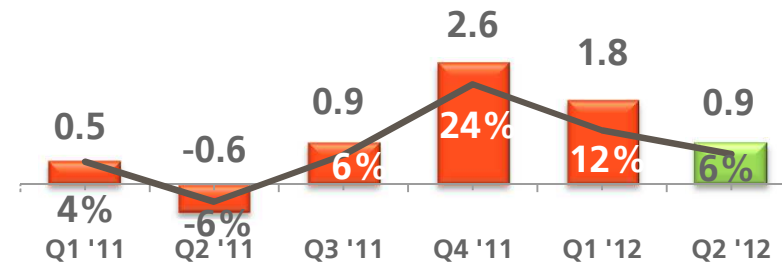
#### EBITDA for H1 and Q2



#### Revenues by quarter



#### EBITDA by quarter



### Stable cash flow generation and strong liquidity position

- **Operating activities:** €6.7m decrease in H1 2012 vs 2011 in cash generated from operating activities, mainly due to interests paid on bond (€13.3m)
- **Investing activities:** €15.9m outflow from investing activities mainly due to acquisition of tangible assets (from which almost €11m come from Gravelines washing facility)

Figures in € '000

	H1			Q2		
	2012	2011	Variation	2012	2011	Variation
Cash generated from operations	27,726	29,928	(2,202)	14,765	21,824	(7,059)
Taxes paid	(7,767)	(13,424)	5,657	(2,513)	(4,224)	1,711
Interest paid	(13,793)	(2,223)	(11,571)	(13,611)	(912)	(12,700)
Interest received	1,871	414	1,457	1,019	315	704
<b>Net cash flows from Op. Activities (I)</b>	<b>8,037</b>	<b>14,696</b>	<b>(6,659)</b>	<b>(340)</b>	<b>17,004</b>	<b>(17,344)</b>
<b>Net cash flows from Inv. Activities (II)</b>	<b>(15,913)</b>	<b>(5,691)</b>	<b>(10,222)</b>	<b>(7,886)</b>	<b>(4,876)</b>	<b>(3,010)</b>
<b>Net cash flows from Fin. Activities (III)</b>	<b>-</b>	<b>20,530</b>	<b>(20,530)</b>	<b>84</b>	<b>20,530</b>	<b>(20,446)</b>
<b>Effect in change of the perimeter (IV)</b>	<b>-</b>	<b>1,572</b>	<b>(1,572)</b>	<b>-</b>	<b>1,521</b>	<b>(1,521)</b>
<b>Net increase (I+II+III+IV)</b>	<b>(7,876)</b>	<b>31,107</b>	<b>(38,983)</b>	<b>(8,142)</b>	<b>34,179</b>	<b>(42,321)</b>
<b>Balance at beginning of period</b>	<b>75,916</b>	<b>40,926</b>		<b>76,182</b>	<b>37,854</b>	
<b>Balance at end of the period</b>	<b>68,040</b>	<b>72,033</b>		<b>68,040</b>	<b>72,033</b>	

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H1 Business Highlights

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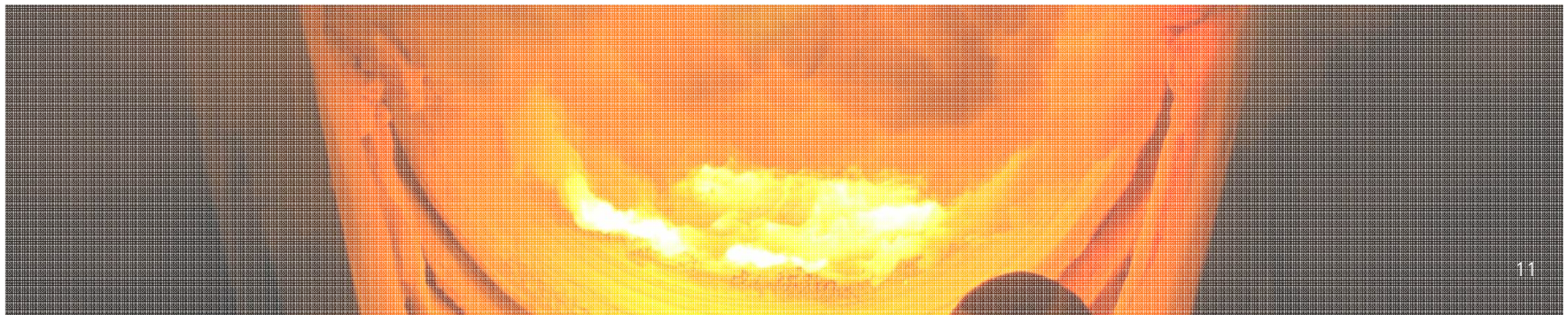
H1 Financial Highlights

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**Outlook**

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**We maintain a positive outlook for the rest of 2012**

### Steel Dust

- 1 2012 load factor will not be affected at current levels of EAF production
- 2 Similar levels of EAF production expected for 2012 than for 2011
- 3 Strong demand for WOX from Zinc smelters

### Stainless Steel

- 1 Good momentum achieved in H1 2012, is expected to continue throughout the rest of the year
- 2 Higher load factor than 2011 expected as volumes recover

### Hedging Update

- 1 Continue hedging strategy to mitigate zinc price fluctuations
- 2 Lower and more volatile LME Zinc prices than in 2011
- 3 Actively looking for pricing to hedge Q2 2014

**Growth strategy focused on Turkey, benefiting from flexible and uncommitted capex plan**

### Turkey

- 1 Attractiveness of the market and expansion constrains in existing facility drives new growth strategy in Turkey
- 2 New 110kt plant in Adana (near Iskenderun): Land already acquired, and permits and authorizations process currently on going. Another land acquired for another 110kt plant in Izmir
- 3 Detailed engineering and preliminary works will be carried out through 2012
- 4 Start of operations expected for 2014

### Zinc Sur / Bilbao

- 1 Construction postponed due to market uncertainty in steel dust volumes in southern Spain
- 2 Studying other global EAF dust alternative markets to grow the business

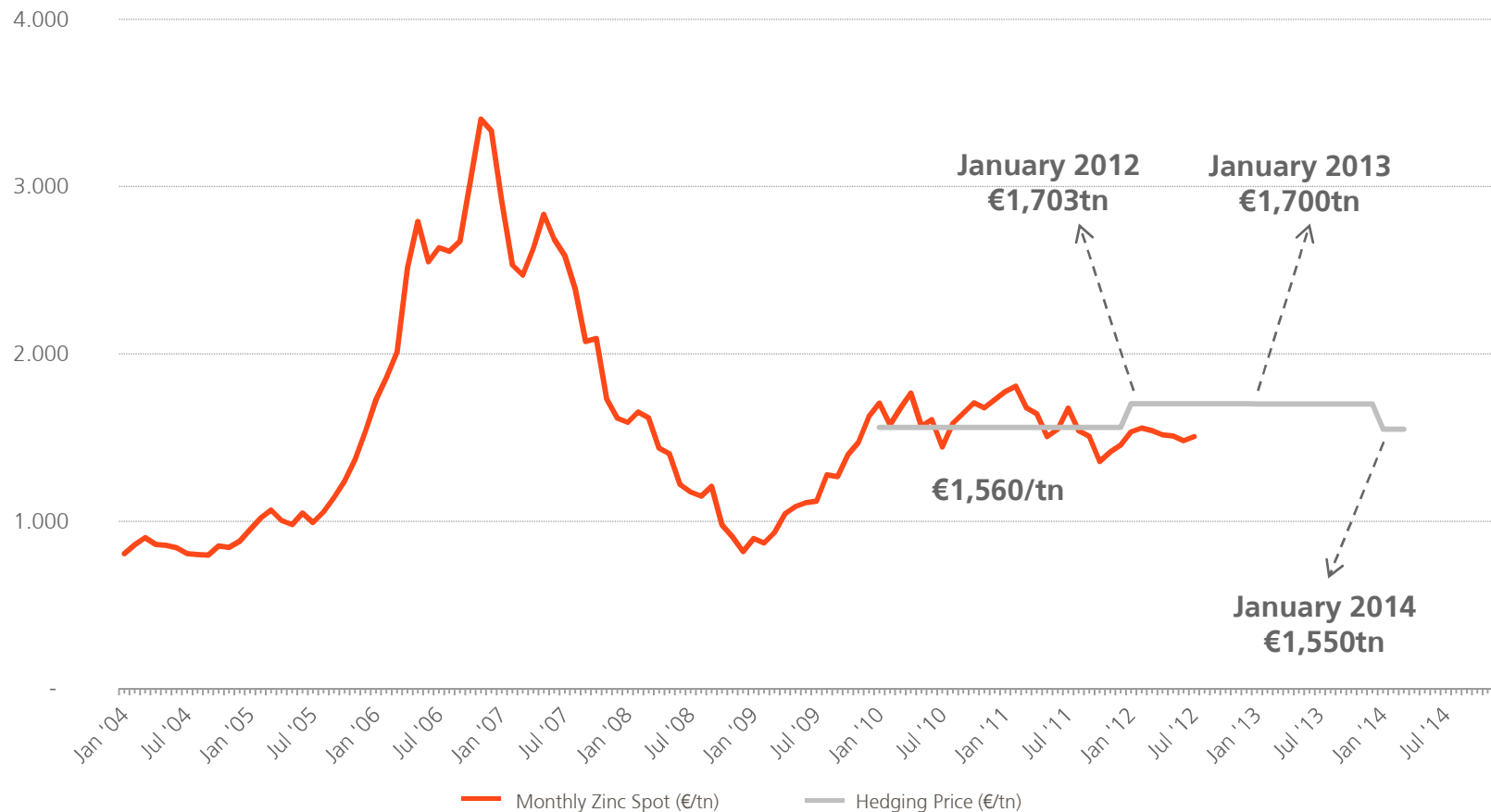
### Gravelines

- 1 Fully commissioned and started operating during Q2 2012

# BEFESA ZINC

## Zinc Prices

**Hedging policy compensating for pressures in Zinc Prices and providing visibility to the cash flows for the next 20 months**



**Average LME Zinc Price  
H1 2011: €1,660**

**Average LME Zinc Price  
H2 2012: €1,523**

# BEFESA ZINC

## Agenda

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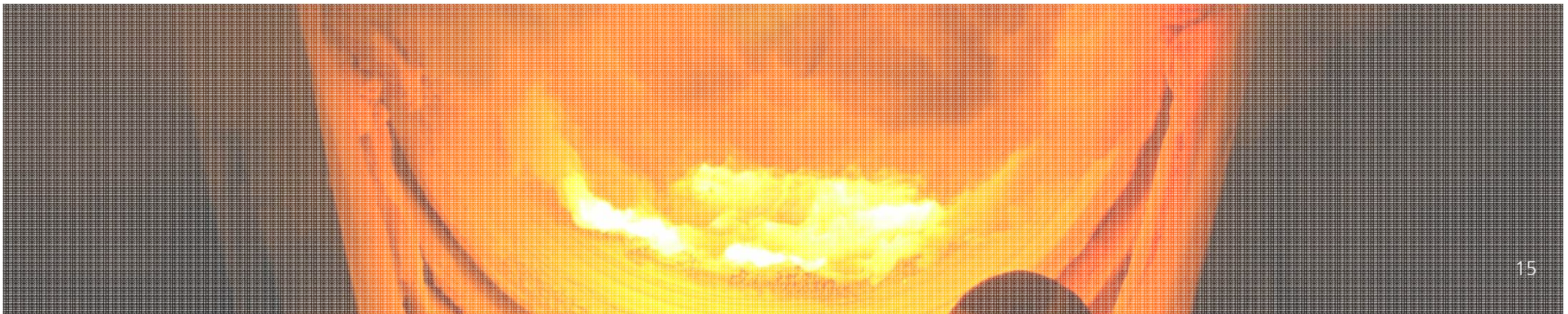
Q1 Financial Highlights

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Figures in € '000

Assets	30.06.2012	31.12.2011	Equity and Liabilities	30.06.2012	31.12.2011
<b>Non-current assets:</b>			<b>Equity:</b>		
<b>Intangible assets:</b>			<b>Of the Parent:</b>		
Goodwill	279.162	279.162	Share capital	25.010	25.010
Other intangible assets	5.085	5.208	Unrealized Asset and Liability Revaluation Reserve	21.306	27.510
	<b>284.247</b>	<b>284.370</b>	Other reserves	100.604	72.791
Property, plant and equipment in use	82.171	86.752	Translation differences	441	74
Property, plant and equipment in the course of construction	25.053	16.011	Net profit for the year	14.864	27.813
	<b>107.224</b>	<b>102.763</b>		<b>162.225</b>	<b>153.198</b>
<b>Investments accounted for using the equity method</b>			<b>Of minority interests</b>	<b>7.246</b>	<b>6.628</b>
<b>Non-current financial assets:</b>			<b>Total Equity</b>	<b>169.471</b>	<b>159.826</b>
Investments securities	1.670	1.670	<b>Non-current liabilities:</b>		
Other financial assets	71	179	<b>Provisions for contingences and expenses</b>	18.794	18.807
	<b>1.741</b>	<b>1.849</b>	<b>Non Recourse Finance</b>	294.320	293.919
<b>Derivative financial instruments</b>	<b>7.258</b>	<b>13.940</b>	<b>Capital Grants</b>	3.033	3.391
<b>Deferred tax assets</b>	<b>28.340</b>	<b>28.183</b>	<b>Other non-current liabilities</b>	1.204	1.159
<b>Total non-current assets</b>	<b>428.810</b>	<b>431.105</b>	<b>Derivative financial instruments</b>	0	0
			<b>Deferred tax liabilities</b>	28.938	31.636
<b>Current Assets:</b>			<b>Total non-current liabilities</b>	<b>346.289</b>	<b>348.912</b>
<b>Inventories</b>	<b>15.820</b>	<b>11.639</b>	<b>Current liabilities:</b>		
<b>Trade and other receivables</b>	<b>29.798</b>	<b>22.548</b>	<b>Non Recourse Finance</b>	<b>3.328</b>	<b>3.328</b>
<b>Trade receivables, related companies</b>	<b>15.577</b>	<b>17.465</b>	<b>Current obligations under finance leases</b>	<b>0</b>	<b>0</b>
<b>Tax receivables</b>	<b>6.896</b>	<b>7.551</b>	<b>Trade payables, related companies</b>	<b>17.438</b>	<b>23.833</b>
<b>Other receivables</b>	<b>3.736</b>	<b>3.811</b>	<b>Trade and other payables</b>	<b>28.476</b>	<b>30.041</b>
<b>Derivative financial instruments</b>	<b>13.480</b>	<b>15.653</b>	<b>Derivative financial instruments</b>	<b>0</b>	<b>0</b>
<b>Other current financial assets</b>	<b>39.589</b>	<b>24.636</b>	<b>Other payables:</b>		
<b>Cash and cash equivalents</b>	<b>28.451</b>	<b>51.280</b>	Tax payables	7.853	7.861
	<b>153.347</b>	<b>154.583</b>	Other current liabilities	9.302	11.887
<b>Total current assets</b>	<b>153.347</b>	<b>154.583</b>		<b>17.155</b>	<b>19.748</b>
			<b>Total current liabilities</b>	<b>66.397</b>	<b>76.950</b>
<b>Total Assets</b>	<b>582.157</b>	<b>585.688</b>	<b>Total Equity and Liabilities</b>	<b>582.157</b>	<b>585.688</b>



# BEFESA ZINC

## Detailed Consolidated P&L

Figures in € '000

	H1			Q2		
	2012	2011	Variation	2012	2011	Variation
Revenue	120.935	106.162	14.773	58.688	52.415	6.273
Cost of Sales	(70.879)	(63.149)	(7.730)	(35.443)	(31.675)	(3.768)
Other operating income	2.466	2.066	400	1.200	1.201	(1)
<b>Gross Profit</b>	<b>52.522</b>	<b>45.079</b>	<b>7.443</b>	<b>24.445</b>	<b>21.941</b>	<b>2.504</b>
Depreciation and amortization charge	(6.461)	(6.296)	(165)	(3.029)	(3.117)	88
General and Administrative Expenses	(11.346)	(10.278)	(1.068)	(5.685)	(5.308)	(377)
<b>Income From Operations</b>	<b>34.715</b>	<b>28.505</b>	<b>6.210</b>	<b>15.731</b>	<b>13.516</b>	<b>2.215</b>
Finance income	1.871	414	1.457	1.019	315	704
Finance costs	(14.253)	(5.860)	(8.393)	(7.165)	(4.559)	(2.606)
Exchange differences ( gains and losses)	(152)	50	(202)	126	46	80
<b>Financial Loss</b>	<b>(12.534)</b>	<b>(5.396)</b>	<b>(7.138)</b>	<b>(6.020)</b>	<b>(4.198)</b>	<b>(1.822)</b>
<b>Profit before tax</b>	<b>22.181</b>	<b>23.109</b>	<b>(928)</b>	<b>9.711</b>	<b>9.318</b>	<b>393</b>
Income tax	(6.837)	(7.379)	542	(2.974)	(3.093)	119
<b>Profit from continuing operations</b>	<b>15.344</b>	<b>15.730</b>	<b>(386)</b>	<b>6.737</b>	<b>6.225</b>	<b>512</b>
<b>Attributable to:</b>						
<b>Shareholders of the parent</b>	<b>14.864</b>	<b>15.730</b>	<b>(866)</b>	<b>6.529</b>	<b>6.225</b>	<b>304</b>
<b>Minority interests</b>	<b>480</b>	<b>0</b>	<b>480</b>	<b>208</b>	<b>0</b>	<b>208</b>
<b>EBITDA</b>	<b>41.176</b>	<b>34.801</b>	<b>6.375</b>	<b>18.760</b>	<b>16.633</b>	<b>2.127</b>

Figures in € '000

	H1			Q2		
	2012	2011	Variation	2012	2011	Variation
<b>Cash Flows from Operating Activities</b>						
Profit for the period before tax	22.181	23.109	(928)	9.711	9.318	393
Adjustments due to:						
Amortization/ Depreciation	6.461	6.296	165	3.029	3.117	(88)
(Profit)/Loss on disposal of non-current assets	6	11	(5)	6	-	6
Change in provisions	(15)	626	(641)	8	445	(437)
Financial income	(1.871)	(414)	(1.457)	(1.019)	(315)	(704)
Financial expense	14.253	5.860	8.393	7.165	4.559	2.606
Income from government grants	(358)	(374)	16	(177)	(187)	10
Exchange differences	152	-	152	152	-	152
Change in working capital:						
Change in trade receivables and other receivables	(7.400)	857	(8.257)	(1.014)	5.394	(6.408)
Change in inventories	(4.268)	(6.264)	1.996	(3.635)	(2.618)	(1.017)
Change other current assets	(157)	506	(663)	(1.529)	1.008	(2.537)
Change in other current liabilities	(1.258)	(285)	(973)	2.068	1.103	965
<b>Cash generated from operations</b>	<b>27.726</b>	<b>29.928</b>	<b>(2.202)</b>	<b>14.765</b>	<b>21.824</b>	<b>(7.059)</b>
Taxes paid	(7.767)	(13.424)	5.657	(2.513)	(4.224)	1.711
Interest paid	(13.793)	(2.223)	(11.571)	(13.611)	(912)	(12.700)
Interest received	1.871	414	1.457	1.019	315	704
<b>Net Cash Flows From Operating Activities (I)</b>	<b>8.037</b>	<b>14.696</b>	<b>(6.659)</b>	<b>(340)</b>	<b>17.004</b>	<b>(17.344)</b>
<b>Cash Flows from Investing Activities</b>						
Purchase of intangible assets	(2.298)	(8)	(2.290)	(1.143)	21	(1.164)
Purchase of property, plant and equipment	(13.729)	(1.907)	(11.822)	(6.760)	(1.418)	(5.342)
Proceeds from disposal of assets	6	41	(35)	(1)	(7)	6
Acquisition/(disposal) of new subsidiaries	-	(3.742)	3.742	-	(3.742)	3.742
Other non-current financial assets	108	(75)	183	18	270	(252)
<b>Net Cash Flows From Investing Activities (II)</b>	<b>(15.913)</b>	<b>(5.691)</b>	<b>(10.222)</b>	<b>(7.886)</b>	<b>(4.876)</b>	<b>(3.010)</b>
<b>Cash Flows from Financing Activities</b>						
Repayment of borrowings and other long-term debt	-	(185.197)	185.197	97	(185.197)	185.294
Long Term borrowings	-	295.726	(295.726)	(13)	295.726	(295.739)
Distribution of dividends/capital reduction	-	(90.000)	90.000	-	(90.000)	90.000
<b>Net Cash Flows From Financing Activities (III)</b>	<b>-</b>	<b>20.530</b>	<b>(20.530)</b>	<b>84</b>	<b>20.530</b>	<b>(20.446)</b>
<b>Effect of change in the perimeter on cash and cash equivalents (IV)</b>	<b>-</b>	<b>1.572</b>	<b>(1.572)</b>	<b>-</b>	<b>1.521</b>	<b>(1.521)</b>
<b>Net Increase In Cash and Cash Equivalents (I+II+III+IV)</b>	<b>(7.876)</b>	<b>31.107</b>	<b>(38.983)</b>	<b>(8.142)</b>	<b>34.179</b>	<b>(42.321)</b>
Cash and cash equivalents at beginning of the period	75.916	40.926	34.990	76.182	37.854	38.328
<b>Cash and cash equivalents at end of the period</b>	<b>68.040</b>	<b>72.033</b>	<b>(3.993)</b>	<b>68.040</b>	<b>72.033</b>	<b>(3.993)</b>

# BEFESA ZINC

## Detailed Segment Reporting

	H1 2012			Q2 2012		
	Revenue	EBITDA	EBITDA Margin	Revenue	EBITDA	EBITDA Margin
<i>Figures in € '000</i>						
Steel Dust	91,399	38,471	42.1%	44,006	17,879	40.6%
Stainless Steel	29,536	2,705	9.2%	14,682	881	6.0%
<b>Total</b>	<b>120,935</b>	<b>41,176</b>	<b>34.0%</b>	<b>58,688</b>	<b>18,760</b>	<b>32.0%</b>

	H1 2011			Q2 2011		
	Revenue	EBITDA	EBITDA Margin	Revenue	EBITDA	EBITDA Margin
<i>Figures in € '000</i>						
Steel Dust	84,119	34,841	41.4%	42,678	17,185	40.3%
Stainless Steel	22,043	(40)	-0.2%	9,737	(552)	-5.7%
<b>Total</b>	<b>106,162</b>	<b>34,801</b>	<b>32.8%</b>	<b>52,415</b>	<b>16,633</b>	<b>31.7%</b>

	% Variation		% Variation	
	Revenue	EBITDA	Revenue	EBITDA
Steel Dust	8.7%	10.4%	3.1%	4.0%
Stainless Steel	34.0%	-6,851.0%	50.8%	-259.5%
<b>Total</b>	<b>13.9%</b>	<b>18.3%</b>	<b>12.0%</b>	<b>12.8%</b>

# BEFESA ZINC

## Detailed Operational Data

### Crude Steel Dust

	H1			Q2		
	2012	2011	Variation	2012	2011	Variation
	(in Dry Metric Tons)					
Throughput Crude Steel Dust	262,616.0	243,534.8	+7.8%	128,383.6	118,761.7	+8.1%
Average Load Factor	94.0%	99.2%		91.9%	96.2%	
Waelz Oxide Production	90,370.5	84,814.4	+6.6%	44,293.5	41,392.6	+7.0%
Zinc contained in Production	59,514.2	55,759.0	+6.7%	29,303.9	27,267.5	+7.5%
Waelz Oxide Sold	90,482.3	76,567.4	+18.2%	42,892.6	39,418.7	+8.8%
Zinc contained in Sales	59,071.5	49,998.7	+18.1%	28,123.1	25,837.9	+8.8%
LME Average Zinc Price (Euro)	1,523.4	1,659.7	-8.2%	1,502.6	1,566.2	-4.1%

### Stainless Steel

	H1			Q2		
	2012	2011	Variation	2012	2011	Variation
	(in Dry Metric Tons)					
Throughput Stainless Steel Dust	64.717,8	37.897,0	+70.8%	33,321.3	18,823.4	+77%
Average Load Factor	74,6%	43,9%		76.8%	43.4%	
Metal Alloys Sold	3,811.2	1,987.6	+100%	2,725.9	-	+100%

For a full understanding of this presentation and the Company's activities, please see below a glossary of certain terms used

<b>Electric arc furnace</b>	A type of furnace used by mini-mills to melt recycled steel scrap to produce new steel
<b>Leaching</b>	A hydrometallurgical process that increases the purity of the WOX
<b>Mini-mills</b>	Steel production facilities that use EAF technology, as opposed to integrated furnaces that use iron ore
<b>Scrap steel</b>	Raw material for mini-mill steel production
<b>Stainless steel dust</b>	A hazardous residue in form of powder resulting from the stainless steel production
<b>Steel dust</b>	A hazardous residue in form of a powder, rich in zinc that results from mini-mills steel production
<b>Tolling fee</b>	A fee we charge stainless steel manufacturers to collect and treat stainless steel and then return to them the metals recovered in the process
<b>Waelz kiln process</b>	A technology used for processing steel dust that produces waelz oxide (WOX), used at all our steel dust plants
<b>Waelz oxide</b>	A product with a high concentration of zinc that is generated in the steel dust recycling process and that is used in the production of zinc as a secondary raw material
<b>Zinc smelter</b>	An industrial plant that produces high purity zinc from primary and secondary raw material sources. Primary sourcing are zinc concentrates from the mine and the main secondary sourcing is WOX

# BEFESA ZINC

**Q&A**