

# BEFESA ZINC

Innovative Technology Solutions for  
Sustainability



## BEFESA ZINC

First Quarter 2012 Earnings Presentation

16<sup>th</sup> May 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.
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Q1 Business Highlights

2

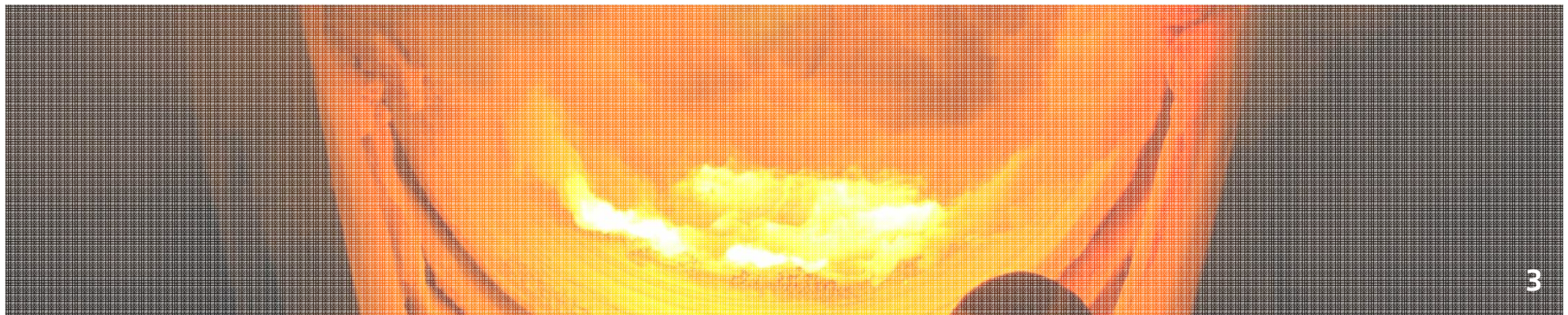
Q1 Financial Highlights

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Outlook

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Appendix



# BEFESA ZINC

Q1 2012 Highlights

Continues strong performance in current uncertain market environment

**62.3 M€** Revenues, an increase of 16% Y-o-Y

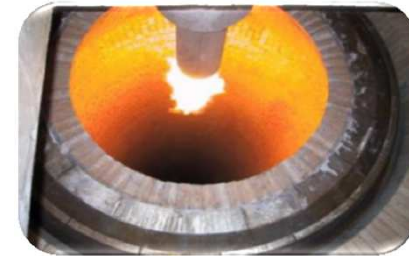
**22.4 M€** Ebitda, an increase of 23% Y-o-Y

**36.0%** Ebitda Margin, versus 33.8% in Q1 2011

**96.1%** Load Factor, versus 100% in Q1 2011

**47,589 tons** WOX sold, an increase of 28% Y-o-Y

**1,544 €** Average LME Price, versus 1,753 € in Q1 2011



# BEFESA ZINC

Q1 2012 Highlights (cont'd)

Another quarter of solid results with some growth coming from Turkey

## 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 volumes production (+6.1% Y-o-Y)
- 3 Improved performance of Turkish plant operations Y-o-Y by 12%
- 4 Increase in throughput (+7.6%) and slightly lower average load factor (96% vs. 100%) due to 2 planned maintenance shutdowns

## Stainless Steel

- 1 Strong increase in throughput (+65%) and load factor (73% vs. 45%)
- 2 Reduction of alloys sold in Q1 2012 vs same period of 2011

## Capex plan

- 1 Zinc Sur: Full flexibility (not committed). On hold
- 2 Bilbao: Full flexibility (not committed). On hold
- 3 Gravelines: Start operations in Q2 2012

## Stable EU-27 Steel Production



Q-o-Q Change: +5.8%  
Y-o-Y Change: -3.9%



# BEFESA ZINC

## Agenda

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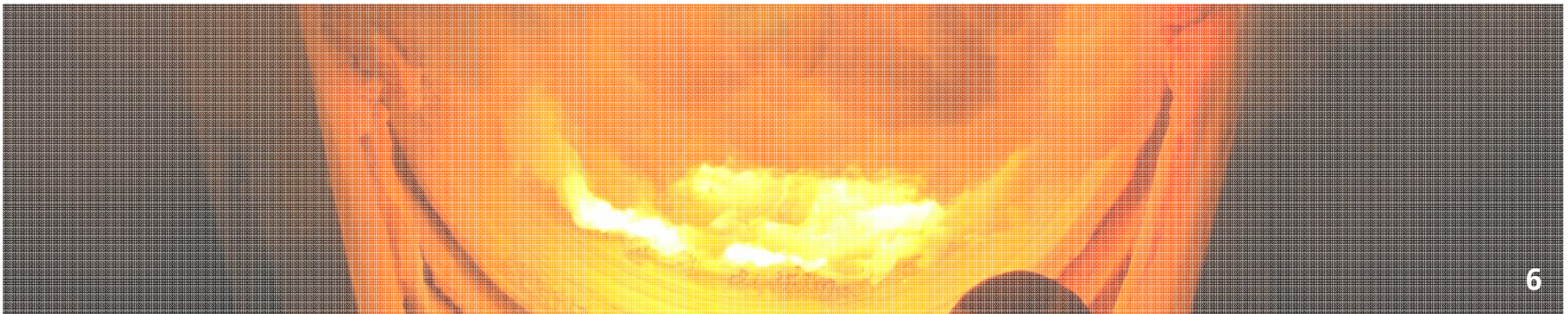
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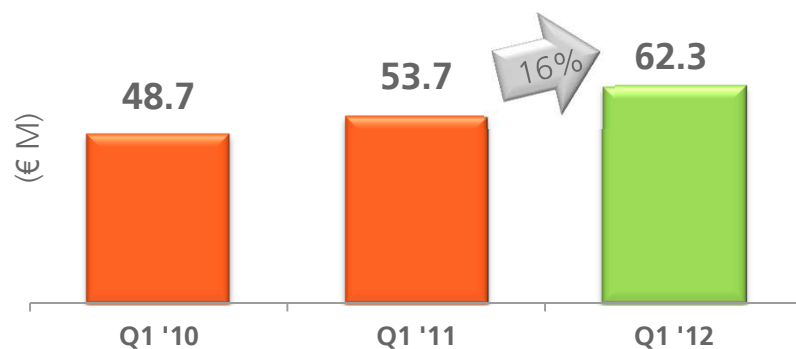
# BEFESA ZINC

## Consolidated Figures

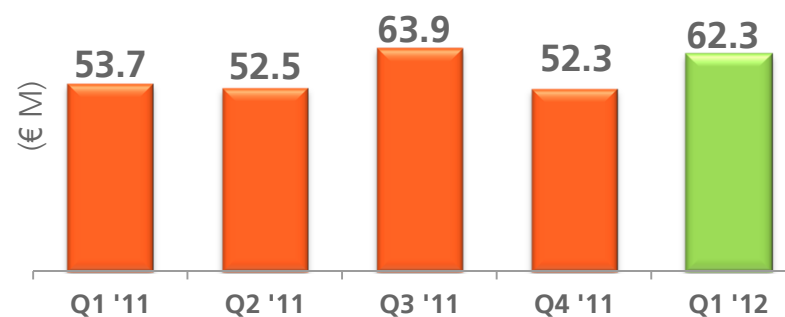
**Another strong quarter benefiting from Turkey consolidation, and some recovery in stainless steel**

- 1Q 2012 EBITDA reached €22.4 m, representing an average EBITDA Margin of 36%
- Net Debt is €223.8m, representing a Net Debt EBITDA ratio of 2.9x \*

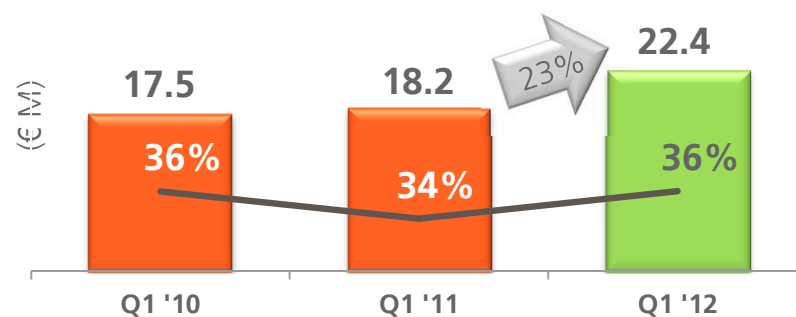
### Revenues for Q1



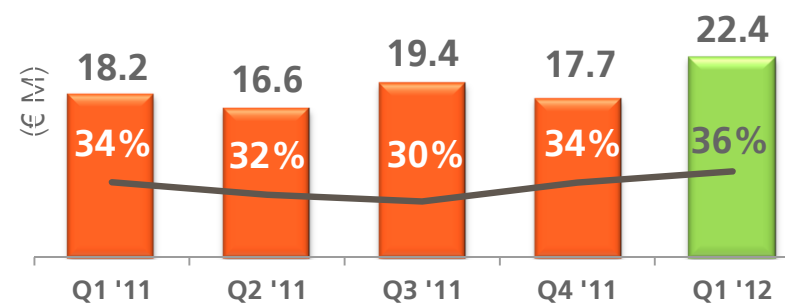
### Revenues by quarter



### EBITDA for Q1



### EBITDA by quarter



\*Assumes LTM Ebitda of €76.1m

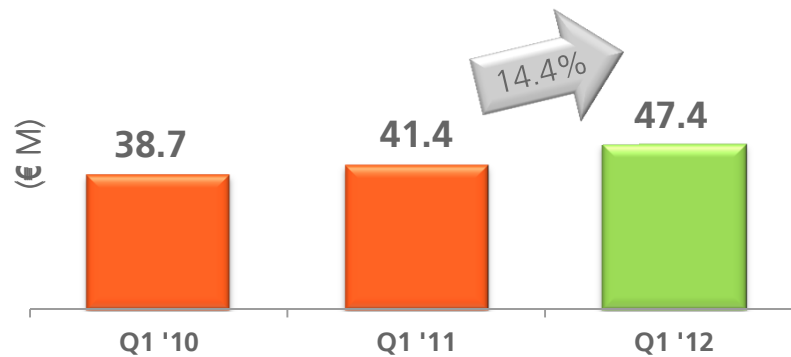
# BEFESA ZINC

## Steel Dust Segment

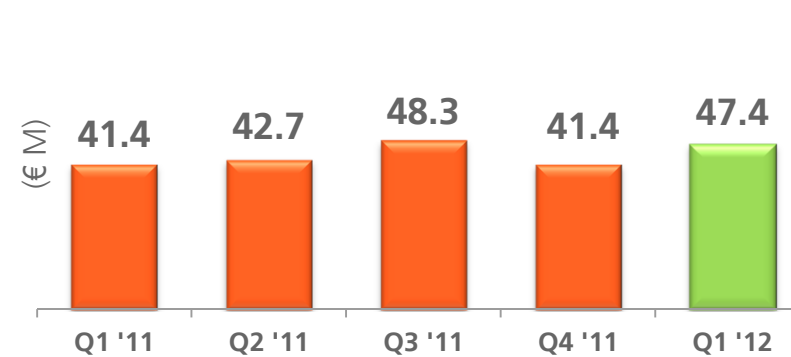
**Solid results in steel dust in Europe despite current turmoil and Turkey providing growth**

- Excluding Turkey, throughput in Q1 2012 decreased 4% Y-o-Y due to planned maintenance stops
- Revenues increased by +14.4% for Q1 2012 vs Q1 2011 due to higher volumes of WOX sold (+28.1%), and lower LME Zinc price (-11.9%) partly offset by hedge

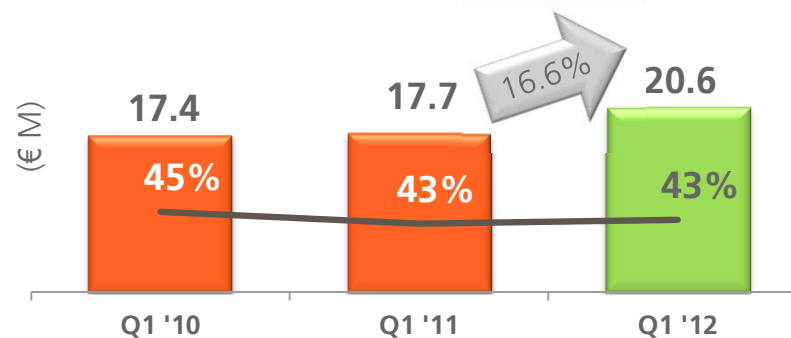
### Revenues for Q1



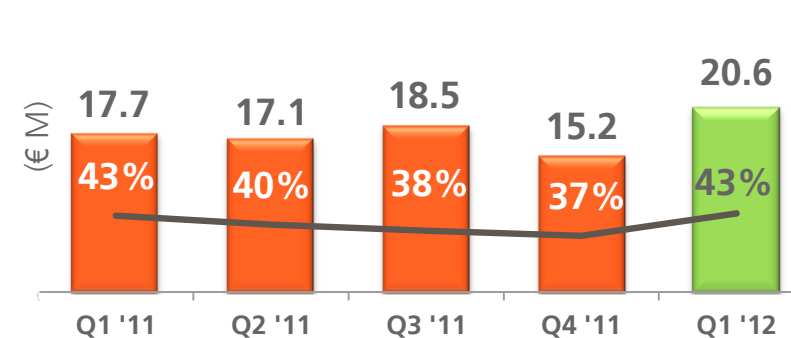
### Revenues by quarter



### EBITDA for Q1



### EBITDA by quarter





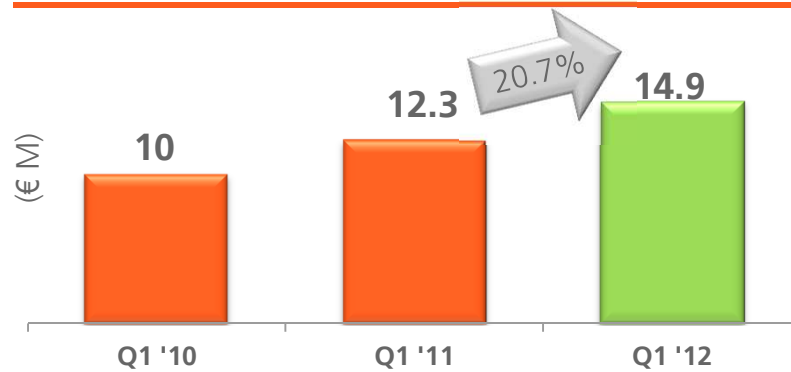
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## Stainless Steel Segment

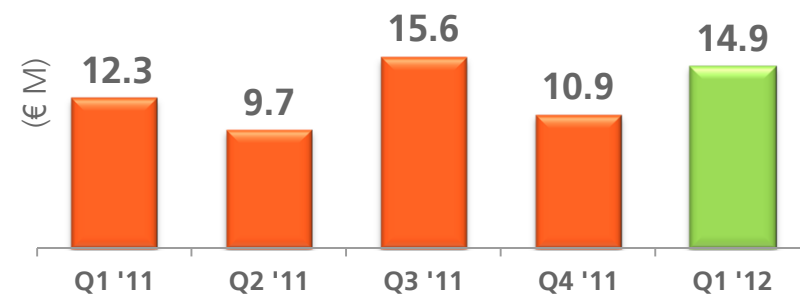
### Quite positive Q1 results show momentum in segment

- Q1 2012 revenues increased 20.7% Y-o-Y, mainly due to the increase of the throughput by 64.6%, compensated by the reduction in alloys sold during this quarter
- Improvement in load factor Y-o-Y from 44.5% to current 72.4%

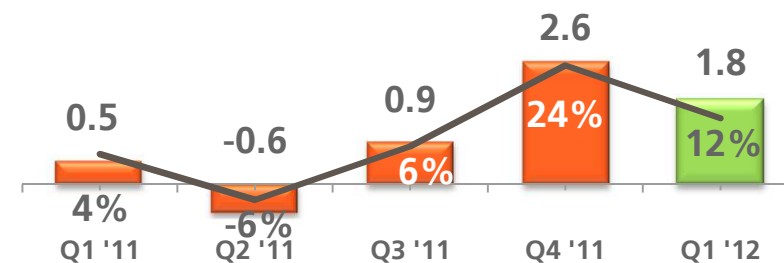
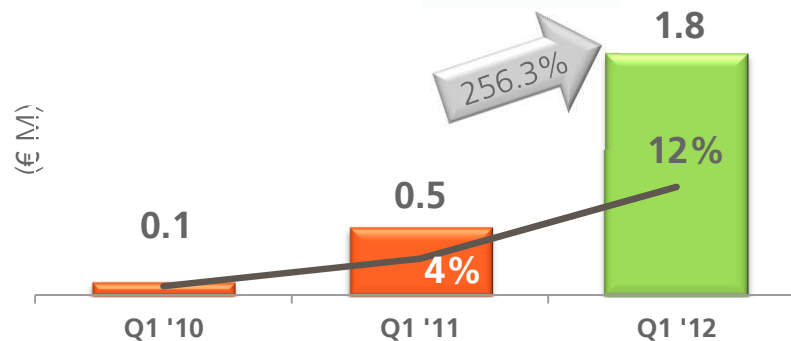
#### Revenues for Q1



#### Revenues by quarter



#### EBITDA for Q1



### Stable cash flow generation and strong liquidity position

- **Operating activities:** €4.9m increase in Q1 2012 vs 2011 in cash generated from operating activities, also increased by lower taxes and financial expenses
- **Investing activities:** €8m increase in outflow vs Q1 2011 due to the acquisition of tangible assets worth €7m

<i>Figures in € '000</i>	Q1		
	2012	2011	Variation
Cash generated from operations	12,961	8,104	4,857
Taxes paid	(5,254)	(9,200)	3,946
Interest paid	(182)	(1,311)	1,129
Interest received	852	99	753
<b>Net cash flows from Op. Activities (I)</b>	<b>8,377</b>	<b>(2,308)</b>	<b>10,685</b>
<b>Net cash flows from Inv. Activities (II)</b>	<b>(8,027)</b>	<b>(815)</b>	<b>(7,212)</b>
<b>Net cash flows from Fin. Activities (III)</b>	<b>(84)</b>	<b>0</b>	<b>(84)</b>
<b>Effect in change of the perimeter (IV)</b>	<b>0</b>	<b>51</b>	<b>(51)</b>
<b>Net increase (I+II+III+IV)</b>	<b>266</b>	<b>(3,072)</b>	<b>3,338</b>
<b>Balance at beginning of period</b>	<b>75,916</b>	<b>40,926</b>	<b>34,990</b>
<b>Balance at end of the period</b>	<b>76,182</b>	<b>37,854</b>	<b>38,854</b>

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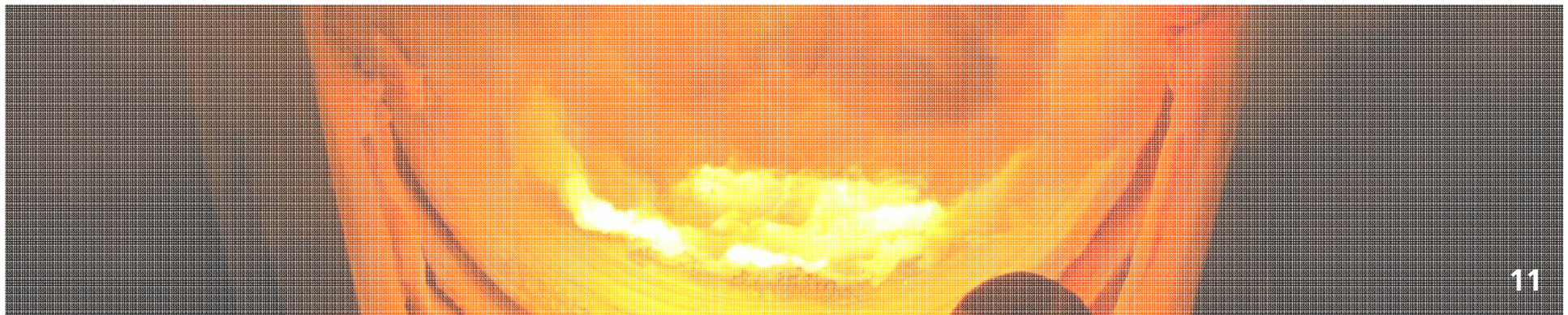
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**We maintain a positive outlook for the rest of 2012**

### 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 of Q1 2012 expected to continue throughout the rest of 2012
- 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 for a third plant acquired.
- 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 Detailed engineering and preliminary works will carry on through 2012
- 3 Start of construction date still to be determined

Gravelines

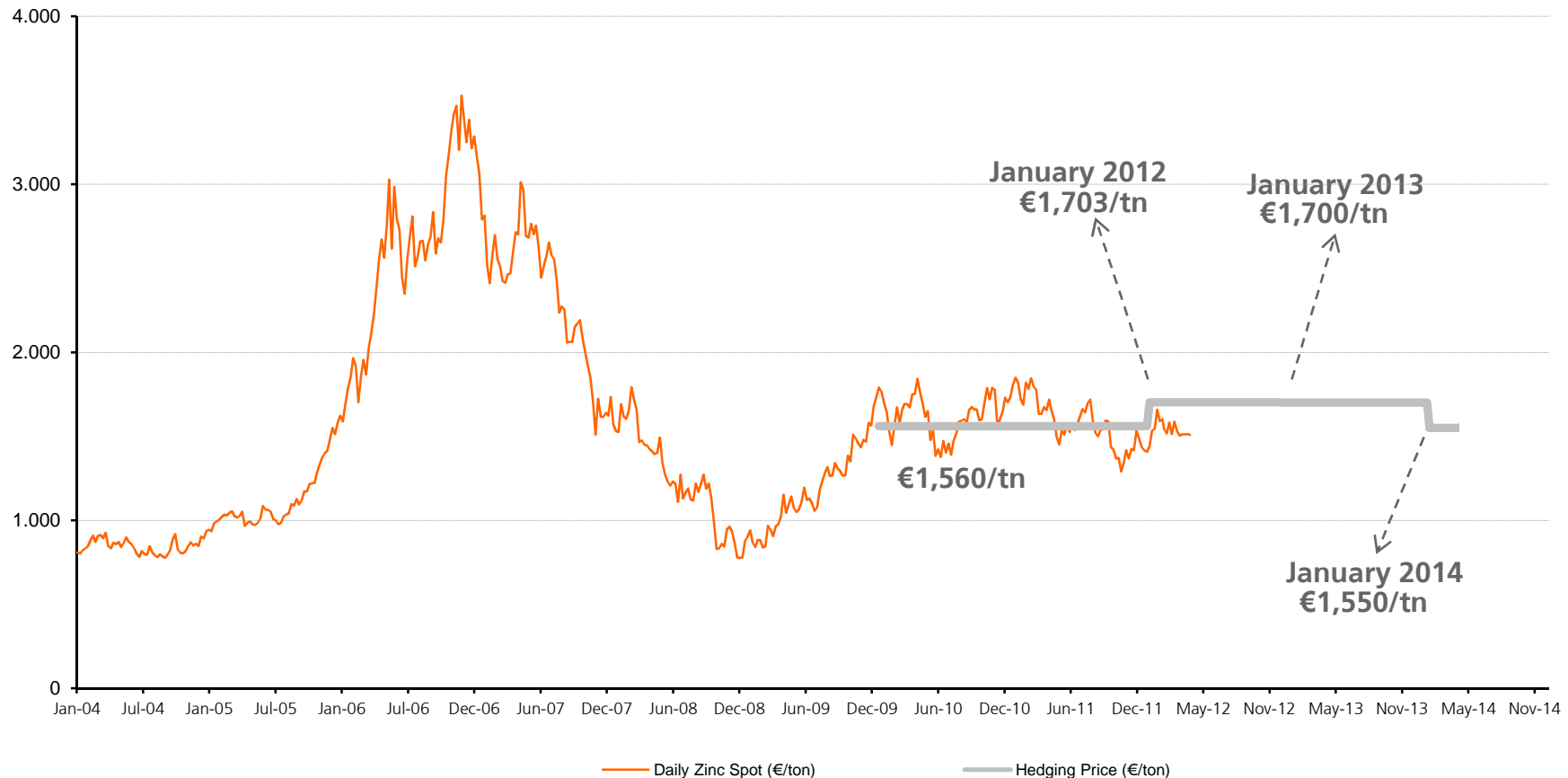
- 1 Fully commissioned and started operating during Q2 2012



# 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 in Q1 2012 was €1,544**  
**Average LME Zinc Price in Q1 2011 was €1,753**

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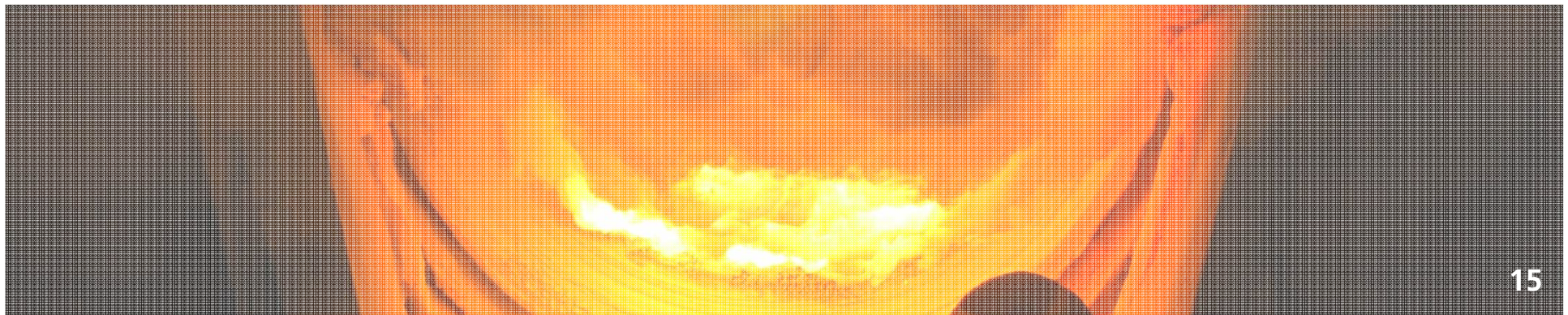
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Figures in € '000

Assets	31.03.2012	31.12.2011	Equity and Liabilities	31.03.2012	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	5,152	5,208	Unrealized Asset and Liability Revaluation Reserve	22,255	27,510
	<b>284,314</b>	<b>284,370</b>	Other reserves	100,604	72,791
<b>Property, plant and equipment:</b>	<b>390,138</b>	<b>387,133</b>	Translation differences	252	74
Property, plant and equipment in use	84,118	86,752	Net profit for the year	8,335	27,813
Property, plant and equipment in the course of construction	21,706	16,011		<b>156,456</b>	<b>153,198</b>
	<b>105,824</b>	<b>102,763</b>	<b>Of minority interests</b>	<b>6,947</b>	<b>6,628</b>
<b>Investments accounted for using the equity method</b>			<b>Total equity</b>	<b>163,403</b>	<b>159,826</b>
<b>Non-current financial assets:</b>			<b>Non-current liabilities:</b>		
Investments securities	1,670	1,670	<b>Provisions for contingences and expenses</b>	18,785	18,807
Other financial assets	89	179	<b>Non Recourse Finance</b>	294,071	293,919
	<b>1,759</b>	<b>1,849</b>	<b>Capital Grants</b>	3,210	3,391
<b>Derivative financial instruments</b>	<b>11,233</b>	<b>13,940</b>	<b>Other non-current liabilities</b>	1,136	1,159
<b>Deferred tax assets</b>	<b>28,141</b>	<b>28,183</b>	<b>Derivative financial instruments</b>	0	0
<b>Total non-current assets</b>	<b>431,271</b>	<b>431,105</b>	<b>Deferred tax liabilities</b>	29,332	31,636
			<b>Total non-current liabilities</b>	<b>346,534</b>	<b>348,912</b>
<b>Current Assets:</b>			<b>Current liabilities:</b>		
<b>Inventories</b>	<b>12,022</b>	<b>11,639</b>	<b>Non Recourse Finance</b>	<b>9,985</b>	<b>3,328</b>
<b>Trade and other receivables</b>	<b>28,934</b>	<b>22,548</b>	<b>Current obligations under finance leases</b>	<b>0</b>	<b>0</b>
<b>Trade receivables, related companies</b>	<b>13,449</b>	<b>17,465</b>	<b>Trade payables, related companies</b>	<b>15,964</b>	<b>23,833</b>
<b>Tax receivables</b>	<b>6,394</b>	<b>7,551</b>	<b>Trade and other payables</b>	<b>27,453</b>	<b>30,041</b>
<b>Other receivables</b>	<b>3,232</b>	<b>3,811</b>	<b>Derivative financial instruments</b>	<b>0</b>	<b>0</b>
<b>Derivative financial instruments</b>	<b>10,863</b>	<b>15,653</b>	<b>Other payables:</b>		
<b>Other current financial assets</b>	<b>37,073</b>	<b>24,636</b>	Tax payables	7,409	7,861
<b>Cash and cash equivalents</b>	<b>39,109</b>	<b>51,280</b>	Other current liabilities	11,599	11,887
<b>Total current assets</b>	<b>151,076</b>	<b>154,583</b>	<b>Total current liabilities</b>	<b>19,008</b>	<b>19,748</b>
			<b>Total Equity and Liabilities</b>	<b>72,410</b>	<b>76,950</b>
<b>Total Assets</b>	<b>582,347</b>	<b>585,688</b>		<b>582,347</b>	<b>585,688</b>

Figures in € '000

	Q1		
	2012	2011	Variation
<b>Consolidated Income Statement Data</b>			
Revenue	62,247	53,747	8,500
Cost of Sales	(35,436)	(31,474)	(3,962)
Other operating income	1,266	865	401
Depreciation and amortization charges	(3,432)	(3,179)	(253)
General & Administrative expenses	(5,661)	(4,970)	(691)
<b>Profit from operations</b>	<b>18,984</b>	<b>14,989</b>	<b>3,995</b>
Finance income	852	99	753
Finance expense	(7,008)	(1,301)	(5,707)
Exchange differences (gains and losses)	(278)	4	(282)
<b>Net financial expense</b>	<b>(6,514)</b>	<b>(1,198)</b>	
<b>Profit before tax</b>	<b>12,470</b>	<b>13,791</b>	<b>(1,321)</b>
Income tax expense	(3,863)	(4,286)	423
<b>Profit from continuing operations</b>	<b>8,607</b>	<b>9,505</b>	<b>(898)</b>
<b>Attributable to:</b>			
<b>Shareholders of the Parent</b>	<b>8,335</b>	<b>9,505</b>	<b>(1,170)</b>
<b>Minority Interests</b>	<b>272</b>	<b>0</b>	<b>272</b>
<b>EBITDA</b>	<b>22,416</b>	<b>18,168</b>	<b>4,248</b>

Figures in € '000

### Cash Flows from Operating Activities

	Q1		
	2012	2011	Variation
<b>Profit for the period before tax</b>	<b>12,470</b>	<b>13,791</b>	<b>(1,321)</b>
<b>Adjustments due to:</b>			
Amortization/ Depreciation	3,432	3,179	253
(Profit)/Loss on disposal of non-current assets	0	11	(11)
Change in provisions	(23)	181	(204)
Financial income	(852)	(99)	(753)
Financial expense	7,088	1,301	5,787
Income from government grants	(181)	(187)	6
<b>Change in working capital:</b>			
Change in trade receivables and other receivables	(6,386)	(4,537)	(1,849)
Change in inventories	(633)	(3,646)	3,013
Change other current assets	1,372	(502)	1,874
Change in other current liabilities	(3,326)	(1,388)	(1,938)
<b>Cash generated from operations</b>	<b>12,961</b>	<b>8,104</b>	<b>4,857</b>
Taxes paid	(5,254)	(9,200)	3,946
Interest paid	(182)	(1,311)	1,129
Interest received	852	99	753
<b>Net Cash Flows From Operating Activities (I)</b>	<b>8,377</b>	<b>(2,308)</b>	<b>10,685</b>

### Cash flows from investing activities

Purchase of intangible assets	(1,155)	(29)	(1,126)
Purchase of property, plant and equipment	(6,969)	(489)	(6,480)
Proceeds from disposal of assets	7	48	(41)
Acquisition/(disposal) of new subsidiaries	0	0	0
Other non-current financial assets	90	(345)	435
<b>Net Cash Flows From Investing Activities (II)</b>	<b>(8,027)</b>	<b>(815)</b>	<b>(7,212)</b>

### Cash flows from financing activities

Repayment of borrowings and other long-term debt	(97)	0	(97)
Long Term borrowings	13	0	13
Distribution of dividends/capital reduction	0	0	0
<b>Net Cash Flows From Financing Activities (III)</b>	<b>(84)</b>	<b>0</b>	<b>(84)</b>

<b>Effect of change in the perimeter on cash and cash equivalents (IV)</b>	<b>0</b>	<b>51</b>	<b>(51)</b>
<b>Net Increase In Cash and Cash Equivalents (I+II+III+IV)</b>	<b>266</b>	<b>(3,072)</b>	<b>3,338</b>
Cash and cash equivalents at beginning of the period	75,916	40,926	34,990
<b>Cash and cash equivalents at end of the period</b>	<b>76,182</b>	<b>37,854</b>	<b>38,328</b>



# BEFESA ZINC

## Detailed Segment Reporting

Figures in € '000

	Q1 2011			Q4 2010		
	Revenue	EBITDA	EBITDA Margin	Revenue	EBITDA	EBITDA Margin
Steel dust	41,441	17,656	42.6%	41,368	16,754	40.5%
Stainless steel	12,306	512	4.2%	11,122	1,680	15.1%
<b>Total</b>	<b>53,747</b>	<b>18,168</b>	<b>33.8%</b>	<b>52,490</b>	<b>18,434</b>	<b>35.1%</b>

	Q1 2012			Q4 2011		
	Revenue	EBITDA	EBITDA Margin	Revenue	EBITDA	EBITDA Margin
Steel dust	47,393	20,592	43.4%	41,371	15,169	36.7%
Stainless steel	14,854	1,824	12.3%	10,949	2,570	23.5%
<b>Total</b>	<b>62,247</b>	<b>22,416</b>	<b>36.0%</b>	<b>52,320</b>	<b>17,738</b>	<b>33.9%</b>

	% Variation		% Variation	
	Revenue	EBITDA	Revenue	EBITDA
Steel dust	14.4%	16.6%	0.0%	-9.5%
Stainless steel	20.7%	256.3%	-1.6%	53.0%
<b>Total</b>	<b>15.8%</b>	<b>23.4%</b>	<b>-0.3%</b>	<b>-3.8%</b>

# BEFESA ZINC

## Detailed Operational Data

### Crude Steel Dust

	Q1		
	2012	2011	% Var.
	(in Dry Metric Tons)		
Throughput crude steel dust	134,233	124,773	+7.6%
Average Load factor	96.1%	100.0%	
Waelz Oxide Production	46,077	43,422	+6.1%
Zinc contained in production	30,210	28,492	+6.0%
Waelz Oxide Sold	47,590	37,149	+28.1%
Zinc contained in sales	30,949	24,161	+28.1%
LME Average Zinc Price ( Euro)	1,544	1,753	-11.9%

### Stainless Steel

	Q1		
	2012	2011	% Var.
	(in Dry Metric Tons)		
Throughput Stainless steel dust	31,397	19,074	+64.6%
Average Load factor	72.4%	44.5%	
Metal Alloys sold	1,085	1,988	-45.4%

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**