

# BEFESA

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# BEFESA

## 2Q 2014 Earnings Presentation

28<sup>th</sup> August 2014

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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 and its affiliates does not intend, and does not assume any obligations, to update these forward-looking statements.

## Rafael Pérez

**Head of Strategy & Investor Relations**

Introduction	<b>Business Highlights</b>	Zinc Business Performance	Zinc Financials	Non-Zinc Business Performance	Consolidated Financials	Business Outlook	Q&A	Appendix
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## Javier Molina

**Chief Executive Officer**

Second quarter revenues of €156 million, Up 2% compared to 2Q'13. Higher volumes in steel and secondary aluminum.

Strong 2Q EBITDA of €34 million, up 38% YoY. Margins at 22% vs. 16% in 2Q 2013. Cost savings and new South Korea plant.

Solid and stable financing position at 3 levels (Zinc, Non-Zinc, Corporate) with total leverage at x4,5<sup>(1)</sup>

Strategic growth projects moving forward according to plan in Germany, Korea, Turkey and the Gulf.

Cost savings plan delivering positive results in line with expectations.

Introduction	Business Highlights	<b>Zinc Business Performance</b>	Zinc Financials	Non-Zinc Business Performance	Consolidated Financials	Business Outlook	Q&A	Appendix
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## Asier Zarraonandia

**Managing Director of Zinc Business**

**Strong performance in crude steel over the 2Q with growth in volumes. South Korea plant delivering at full capacity. Weak stainless steel.**

### Operational Performance

#### ▪ EAF Throughput

- 135.873 tons of crude steel dust treated in 2Q 2014 (+5% vs 2Q 2013), and 293.447 tons treated in 1H 2014 (+14% vs 1H 2013)

#### ▪ WOX Sales

- 50,494 tons of WOX sold in 2Q 2014 (+16% vs 2Q 2013), and 101,915 tons sold in 1H 2014 (+20% vs 1H 2013)

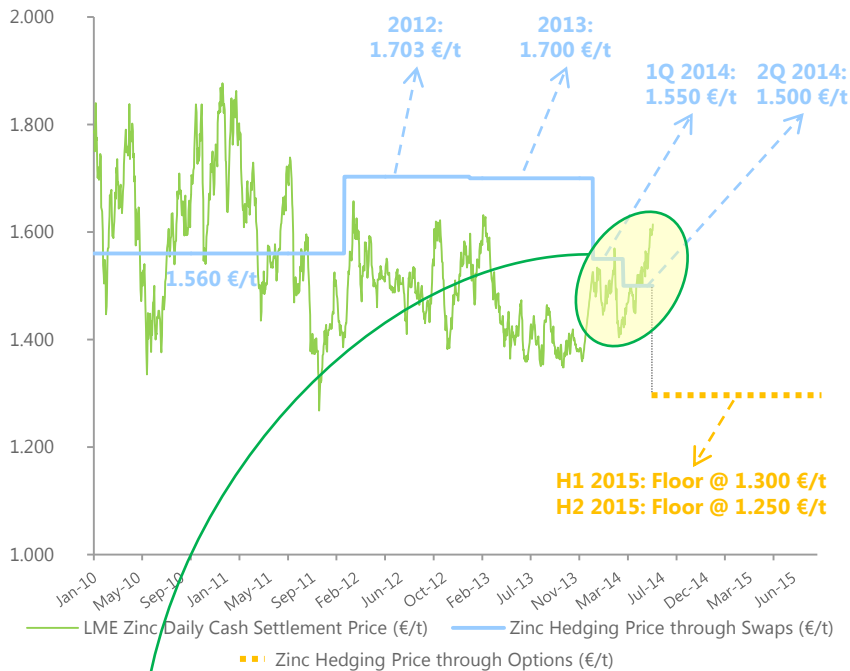
▪ **Stainless Steel Throughput:** 42.162 tons of stainless steel dust treated in 1H '14 (-21% vs 1H '13); 25.534 tons treated in 2Q '14 (in line with 2Q '13)

#### Highlights

- **Crude steel dust deliveries in line with expectations**
- Good throughput levels mainly driven by **strong performance of our Western European plants.**
- Increase in crude steel throughput mainly explained by **Korea plant** operating at full speed (not included in 2Q 2013)
- Still **weak** volumes in **stainless steel**
- **No extraordinary stoppages** apart from annual standstills



### Zinc prices during the 2Q 2014 maintained the upward trend of 1Q ending the quarter above 1,600 €/t



### Zinc Prices

- During the **2Q 2014** zinc prices **traded above 2013 on average**
- **Attractive zinc fundamentals** with world consumption of zinc, driven by China, outpacing world production resulting in a deficit in 1H'14.

Befesa blended Zinc price 2Q 2013 1.622 €/t

-8 %

Befesa blended Zinc price 2Q 2014 1.505 €/t

### Hedging Strategy

- Hedging strategy focused on ensuring min. business earnings to meet our financial obligations and benefit from recovering zinc prices.
- Hedging **closed for 2H 2014 and full year 2015** through options with floor @ 1.300 €/t for 1H'15 and 1.250 for 2H'15.
- Preparing 1H 2016 hedging.





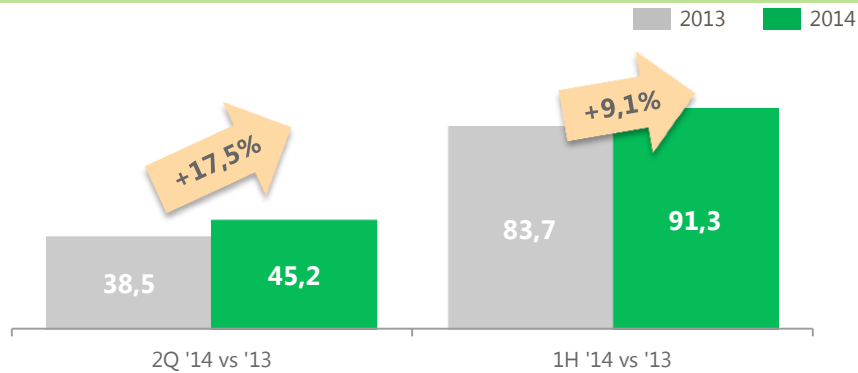
Introduction	Business Highlights	Zinc Business Performance	<b>Zinc Financials</b>	Non-Zinc Business Performance	Consolidated Financials	Business Outlook	Q&A	Appendix
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## Marta Deprit

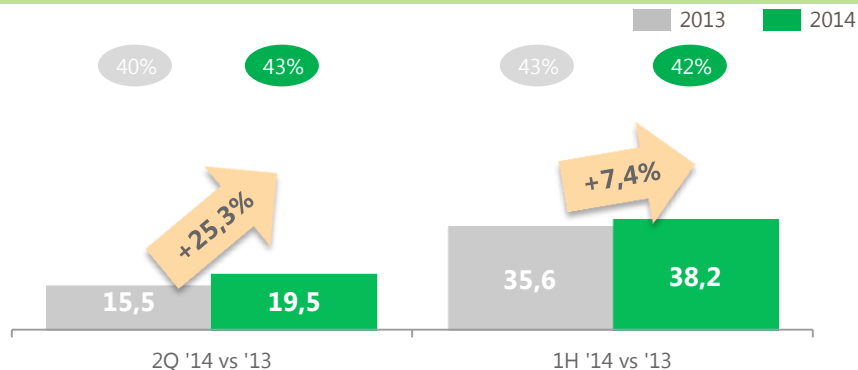
**Financial Controller of Zinc Business**

### Strong crude steel segment 2Q EBITDA fueled by operations in South Korea plant and moderate increase in Zinc prices

#### Crude Steel Revenues (€m)



#### Crude Steel EBITDA (€m)



○ 2013 EBITDA margin    ● 2014 EBITDA margin

#### 2Q Highlights Y-o-Y

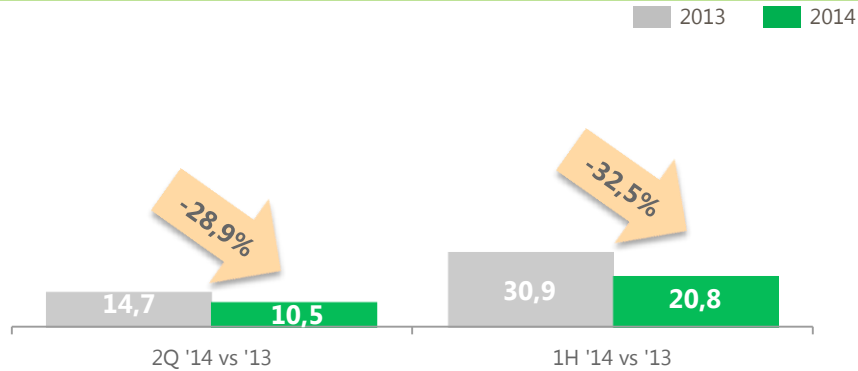
- Crude steel dust segment revenues increased by 18% and EBITDA by 25% in 2Q Year over Year. Main drivers are:
  - 16% increase in tons of WOX sold** compared to 2Q 2013 (mainly explained by **Korea plant** not included in 2Q 2013)
  - 7% increase in average LME zinc prices** compared to 2Q 2013
  - Zinc price hedged for 2Q 2014 was 1.500 €/t compared to 1.700 €/t closed for 2013**

#### 1H Highlights Y-o-Y

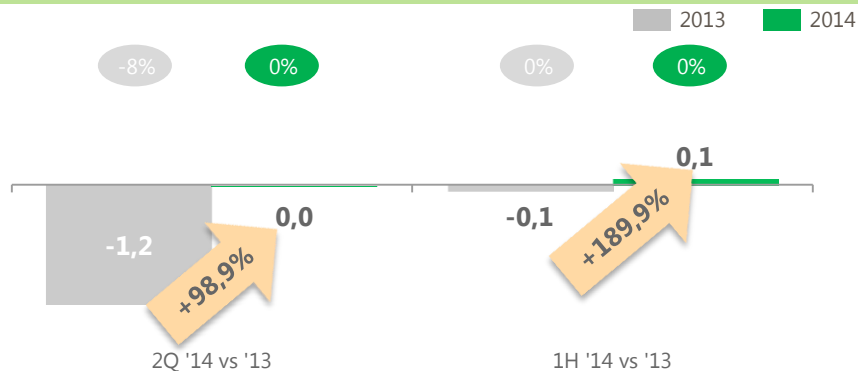
- Crude steel dust segment revenues increased by 9% and EBITDA by 7% in 1H Year over Year. Main drivers are:
  - 20% increase in tons of WOX sold compared to 1H'13 driven by the Korea plant
  - 2% increase in average LME zinc prices
  - Zinc price hedged at 1.525 for 1H'14 vs 1.700 €/t for 1H'13

### Weak stainless steel quarter affected by depressed stainless market partially compensated by cost saving measures

#### Stainless Revenues (€m)



#### Stainless EBITDA (€m)



○ 2013 EBITDA margin    ● 2014 EBITDA margin

#### 2Q Highlights Y-o-Y

- Stainless steel dust segment revenues decreased by 29% due to the decrease in metal alloys sold by 75%, and average nickel prices increasing by 17%.
- The EBITDA improved to zero mainly driven by cost management compared to the same period of 2013.

#### 1H Highlights Y-o-Y

- Stainless steel segment revenue decreased by 32% driven by the reduction of tons treated, (-21%), and alloys sold, (-67%).
- The EBITDA improved to approximately zero mainly driven by cost management compared to the same period of 2013.

### Cash flow generation influenced by the results of the operations

- **Operating activities:** During 1H '14 the net cash flows generated by operating activities amounted to **€11,6 million** (a €8,1 million increase compared to the same period in 2013), mainly due to the **increased earnings, better performance of the working capital** partly offset by the increase in the taxes paid.
- **Investing activities:** During 1H '14 the net cash flows used in investing activities were €1,7 million primarily for maintenance needs of our plants.
- **Financing activities:** During 1H '14 Befesa Zinc paid a dividend to its shareholder for €9,5 million.
- **Liquidity:** As of June 30<sup>th</sup> 2014, our liquidity amounted to **€31,6 million** including cash on hand and short-term financial investments. Befesa Zinc is compliant with its debt covenants.

#### BEFESA ZINC

<i>Cash Flow Statement ('000 euros)</i>	<b>2Q '13</b>	<b>2Q '14</b>	<b>Change</b>	<b>1H '13</b>	<b>1H '14</b>	<b>Change</b>
Cash generated from operations	11.976	11.683	(293)	20.172	32.738	12.566
Taxes paid	(3.241)	(1.245)	1.996	(3.434)	(6.051)	(2.617)
Interest paid	(15.361)	(14.321)	1.040	(15.639)	(15.162)	477
Interest received	1.249	77	(1.172)	2.473	117	(2.356)
<b>Net cash flows from operating activities (I)</b>	<b>(5.377)</b>	<b>(3.806)</b>	1.571	<b>3.572</b>	<b>11.642</b>	8.070
<b>Net cash flows from investing activities (II)</b>	<b>(6.394)</b>	<b>(641)</b>	5.753	<b>(9.192)</b>	<b>(1.748)</b>	7.444
<b>Net cash flows from financing activities (III)</b>	<b>(568)</b>	<b>(9.841)</b>	(9.273)	<b>(568)</b>	<b>(10.500)</b>	(9.932)
<b>Effect in change of the perimeter (IV)</b>	<b>0</b>	<b>0</b>	0	<b>0</b>	<b>25</b>	25
<b>Net increase in cash and cash equivalents (I+II+III+IV)</b>	<b>(12.339)</b>	<b>(14.288)</b>	(1.949)	<b>(6.188)</b>	<b>(581)</b>	5.607
<b>Cash and cash equivalents BoP</b>	<b>74.575</b>	<b>45.876</b>		<b>68.424</b>	<b>32.169</b>	
<b>Cash and cash equivalents EoP</b>	<b>62.236</b>	<b>31.588</b>		<b>62.236</b>	<b>31.588</b>	

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## Javier Molina

**Chief Executive Officer**

### Aluminium performance mainly driven by lower salt slag volumes partially offset by stronger secondary aluminum volumes

#### Operational Performance

##### ▪ Salt Slag/SPLs Recycled

- 210.639 tons of salt slag/SPL recycled in 1H '14 (-9,1% vs 1H '13); 106.971 tons in 2Q '14 (-5,1% vs 2Q '13)

##### ▪ Secondary Aluminium Alloys

- 66.769 tons of alloys produced in 1H '14 (+13,5% vs 1H '13); 32.854 tons in 2Q '14 (+8,3% vs 2Q '13)

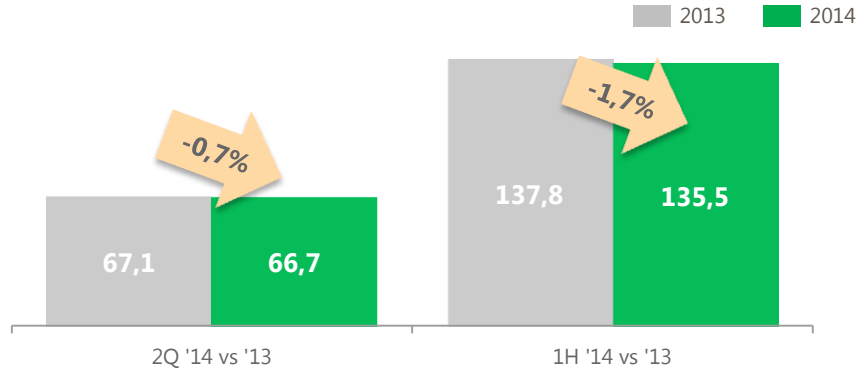
#### Highlights

- Strong secondary aluminum volumes over the 2Q 2014 versus previous year
- Salt slag throughput weaker than 2Q 2013 but improving over 1Q 2014



### Improved EBITDA 2Q 2014 driven mainly by cost savings initiatives despite weaker salt slag volumes

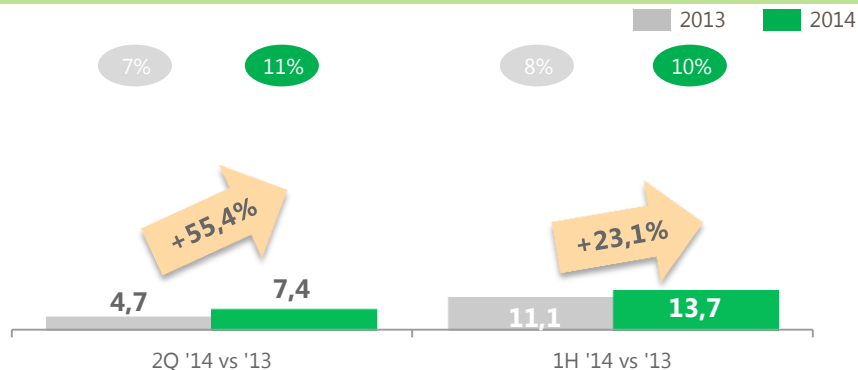
#### Aluminium Revenues (€m)



#### 2Q Highlights Y-o-Y

- **Decrease in revenues of 1% mainly driven by lower salt slag volumes** due to market conditions, partially compensated by better Aluminum prices (up 3%)
- However **EBITDA improved more than 50%** primarily driven by **cost management**

#### Aluminium EBITDA (€m)



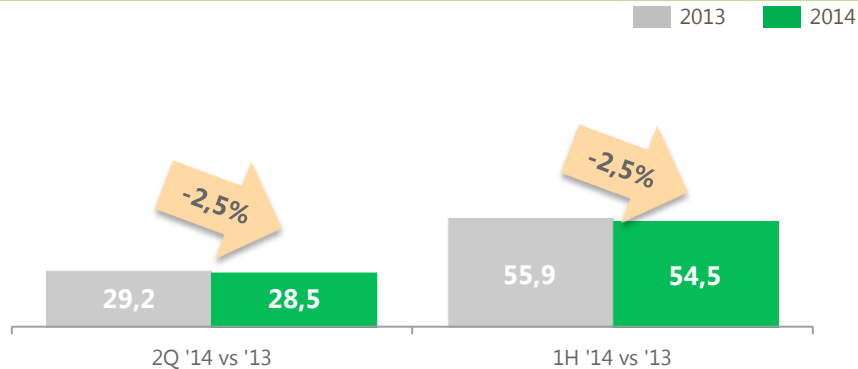
#### 1H Highlights Y-o-Y

- **2% decrease in revenues** of the business unit driven by slightly lower volumes in salt slag
- **EBITDA increased by 23%** compared to the same period in the previous year mainly due to savings from cost measures in place

○ 2013 EBITDA margin    ● 2014 EBITDA margin

### EBITDA and Margin improvement driven by better cost management

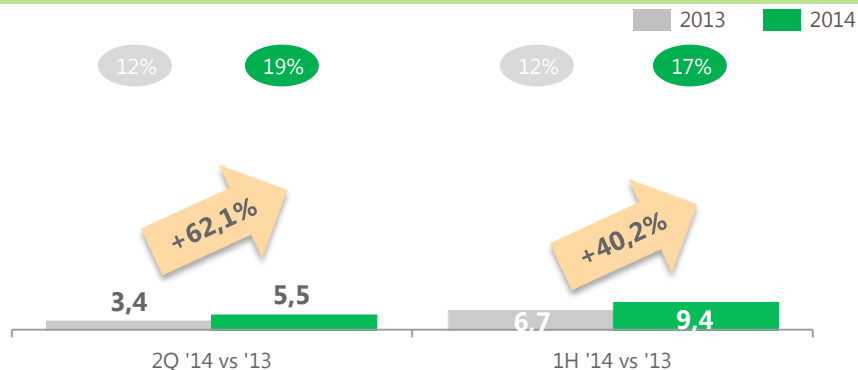
#### Industrial Waste Revenues (€m)



#### 2Q Highlights Y-o-Y

- Lower volumes in waste treated in Spain and Latin America, while flat volumes in sulfur.
- Revenue decreased 3% driven by lower demand in a still slow Spanish and Latin American industrial environments.
- Despite the above, **EBITDA improved by 68%** or €2.4 million due to rigorous cost management across all the divisions.

#### Industrial Waste EBITDA (€m)



#### 1H Highlights Y-o-Y

- Higher volumes in sulfur and lower volumes in Spain and Latin America.
- Revenue decreased slightly by 2%.
- **EBITDA increased by 40%** or €2.8 million primarily due to **savings from cost measures**.

○ 2013 EBITDA margin    ● 2014 EBITDA margin



### Production Start Up of Bernburg Plant Scheduled in 4Q'14. Persian Gulf Project Progressing ... Starting Detailed Engineering.

#### Bernburg

- Construction of the plant going on budget and faster than planned. **Hot commissioning expected for September 2014.**
- Commercial status: **~65% of plant production capacity is secured so far.**
- Total investment: €31 million.

#### Persian Gulf SPL

- **MoU signed with one of the largest industrial investment holding companies in UAE and 2 main local primary aluminium producers** to create a **50/50 JV** to develop a new salt slag / SPL recycling plant.
- Negotiations of **supply contracts ongoing.**
- **Land purchase conditions agreed.**
- **Selected Engineering and project management** company.

#### Industrial Waste Growth

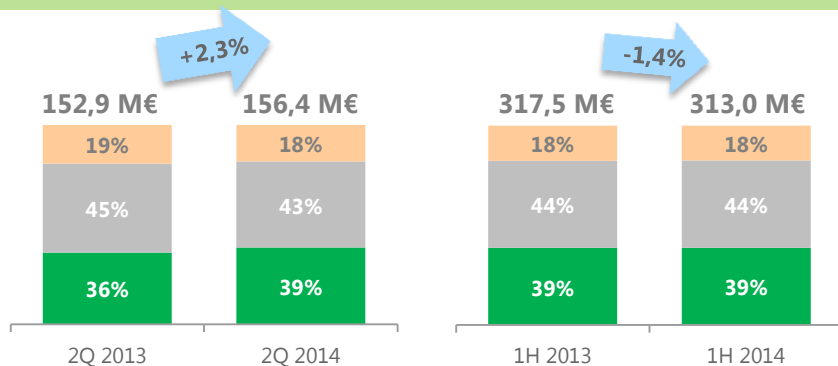
- Strong focus on **business development activities to grow in** new areas and geographies **especially in the industrial cleaning activities.**

## Wolf Lehmann

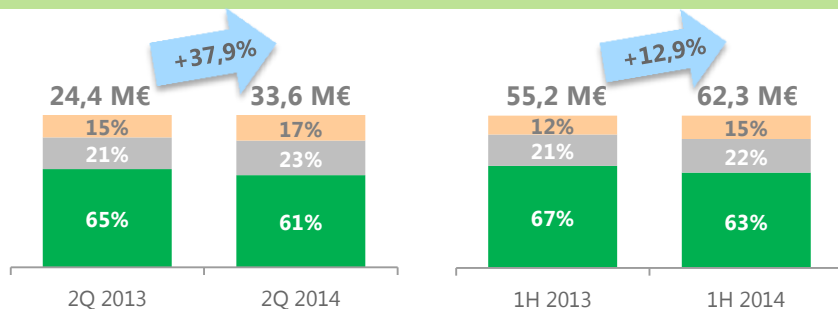
**Chief Financial Officer**

### Strong EBITDA growth and margin improvement in 2Q 2014 reflects the positive impact of cost management and higher Zinc price

#### Revenues (€m)



#### EBITDA (€m)



#### EBITDA Margin (% Revenues)

BEFESA	16,0%	21,5%
Steel	27,4%	33,2%
Alum.	7,1%	11,0%
IWM	11,7%	19,4%

	17,4%	19,9%
	29,7%	32,2%
	8,0%	10,1%
	12,0%	17,3%

#### Highlights

- 2Q 2014 **consolidated revenues** amounted to €156 million, **2% growth** compared to the same period of 2013
- Strong consolidated EBITDA and EBITDA margins** with all business units improving margins versus 2Q 2013 ... **21.5% EBITDA as % of Sales** vs. 16.0% 2Q'13. Focused cost savings initiative.
- Positive price effect in Zinc and Aluminum in the 2Q 2014 compared to previous year**
- Strong 2Q financial result in industrial waste** business unit mainly explained by **better cost management**

**EBITDA Up 38% or €9.2 million ... Net Income Up 77% or €3.6 million**

### Consolidated P&L ('000 euros)

#### BEFESA

Profit & Loss Statement ('000 euros)	2Q 2013	2Q 2014	Change	1H 2013	1H 2014	Change
<b>Net revenue</b>	<b>152.854</b>	<b>156.438</b>	<b>3.584</b>	<b>317.517</b>	<b>313.006</b>	<b>-4.511</b>
<b>EBITDA</b>	<b>24.386</b>	<b>33.626</b>	<b>9.240</b>	<b>55.164</b>	<b>62.306</b>	<b>7.142</b>
Depreciations, amortizations & Provision	-8.330	-8.964	-634	-15.840	-17.848	-2.008
Financial result	-8.994	-12.610	-3.616	-12.984	-25.606	-12.622
Earning Before Taxes	7.147	12.136	4.989	26.514	18.893	-7.621
<b>Net income</b>	<b>4.650</b>	<b>8.235</b>	<b>3.585</b>	<b>20.886</b>	<b>12.872</b>	<b>-8.014</b>

### Highlights

- During the second quarter of 2014, the revenue of the Group amounted to 156,4 million euros (313,0 in 1H'14) and the EBITDA amounted to 33,6 million euros (62,3 in 1H' 14). A 38% EBITDA YoY increase on a 2% revenue increase driven by cost and price improvements.
- Financial result in the 2Q 2014 decreased driven by new financing costs and extraordinary items in 2013. Extraordinary financial incomes e.g. due to the sale of Befesa Mexico, Befesa Brazil and Befesa Desulfuracion.

- **Operating activities:** During 1H'14 the net cash flows generated by operating activities amounted to **€4,8 million** (a €50,3 million increase compared to the same period in 2013), mainly due to **better** performance of the **working capital** and the **increased earnings**, partially offset by the increase of the interest paid (PIK Note interest).
- **Investing activities:** During 1H '14 the net cash flows used in investing activities were **€17,9 million**, mainly driven by the **construction of the Bernburg plant**.
- **Financing activities:** During 1H '14 the net cash flows used in financing activities were €0,4 million coming basically from the repayment of minor loans and leasings offset by the amounts of grants received.
- **Liquidity:** As of June 30th 2014, our liquidity amounted to **€51,3 million** including cash on hand and short-term financial investments. Befesa is **compliant with its debt covenants**.

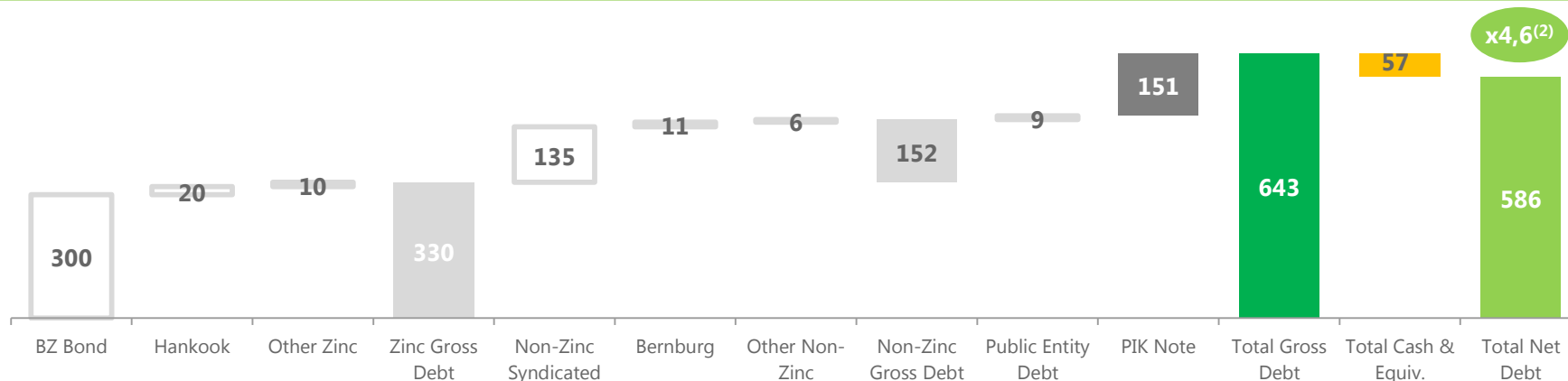
### BEFESA

Cash Flow Statement (€ million)	2Q 2013	2Q 2014	Change	1H 2013	1H 2014	Change
Cash generated from operations	(1,0)	21,9	22,9	(13,1)	43,8	57,0
Taxes paid	(3,6)	(1,2)	2,5	(9,1)	(7,4)	1,8
Interest paid	(19,8)	(26,7)	(6,9)	(24,6)	(32,1)	(7,5)
Interest received	0,2	0,1	(0,1)	1,3	0,4	(0,9)
<b>Net cash flows from operating activities (I)</b>	<b>(24,2)</b>	<b>(5,9)</b>	18,3	<b>(45,6)</b>	<b>4,8</b>	50,3
<b>Net cash flows from investing activities (II)</b>	<b>11,7</b>	<b>(15,3)</b>	(27,0)	<b>4,6</b>	<b>(17,9)</b>	(22,4)
<b>Net cash flows from financing activities (III)</b>	<b>7,3</b>	<b>1,2</b>	(6,0)	<b>(3,0)</b>	<b>(0,4)</b>	2,6
<b>Net increase in cash and cash equivalents (I+II+III)</b>	<b>(5,2)</b>	<b>(19,9)</b>	(14,7)	<b>(44,0)</b>	<b>(13,5)</b>	30,5
<b>Cash and cash equivalents BoP</b>	<b>40,2</b>	<b>71,1</b>	30,9	<b>79,0</b>	<b>64,8</b>	(14,3)
<b>Cash and cash equivalents EoP</b>	<b>35,0</b>	<b>51,3</b>	16,3	<b>35,0</b>	<b>51,3</b>	16,3

Solid and stable financing position at 3 levels (Zinc, Non-Zinc and Corporate) with total leverage at x4,5



**Total Net Debt Position (Excl. Vendor Note & Factoring/Confirming) : June YTD 2014 (€m)**



(1) Excludes Factoring and Confirming

(2) Assuming LTM as of June 30<sup>th</sup> 2014 Consolidated EBITDA of 127,8 M€

(3) Assuming LTM as of June 30<sup>th</sup> 2014 Zinc EBITDA of 78,4 M€

(4) Assuming LTM as of June 30<sup>th</sup> 2014 Non Zinc EBITDA of 49,4 M€

## Javier Molina

**Chief Executive Officer**

### Main priorities for 2014 on track

- **Focus on operational excellence in order to achieve the cost savings target for 2014 in a sustainable manner**
- **Good execution of the Bernburg project, on time and on budget**
- **Expand plant and maintain leadership position of Befesa Zinc in South Korea**
- **Grow in Turkey as a key market for Befesa Zinc**
- **Continue parallel path of operational excellence and profitable growth of Befesa for the next years**



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## Questions

Introduction

Business  
Highlights

Zinc Business  
Performance

Zinc  
Financials

Non-Zinc Business  
Performance

Consolidated  
Financials

Business  
Outlook

Q&A

Appendix

### BEFESA

Profit & Loss Statement ('000 euros)	2Q 2013	2Q 2014	Change	1H 2013	1H 2014	Change
<b>From continuing operations:</b>						
Revenue	152.854	156.437	3.583	317.517	313.006	(4.511)
+/- Changes in inventories of finished goods and work in progress	2.429	(857)	(3.286)	8.278	(548)	(8.826)
Cost of sales	(76.129)	(71.158)	4.971	(160.115)	(144.848)	15.267
Other income	2.636	4.981	2.345	6.549	7.202	653
Employee benefits expense	(21.805)	(21.438)	367	(44.582)	(43.757)	825
Other expenses	(35.599)	(34.339)	1.260	(72.483)	(68.749)	3.734
Depreciation, amortisation and impairment provisions	(8.330)	(8.964)	(634)	(15.840)	(17.848)	(2.008)
<b>EBIT</b>	<b>16.056</b>	<b>24.662</b>	<b>8.606</b>	<b>39.324</b>	<b>44.458</b>	<b>5.134</b>
Finance income	9134	667	(8.467)	16.701	914	(15.787)
Finance costs	-18281	-13563	4.718	(29.492)	(26.748)	2.744
Exchange differences	189	287	98	(157)	228	385
<b>Financial result</b>	<b>(8.958)</b>	<b>(12.609)</b>	<b>(3.651)</b>	<b>(12.948)</b>	<b>(25.606)</b>	<b>(12.658)</b>
Share of profit of companies carried using the equity method	49	83	34	138	41	(97)
<b>EBT</b>	<b>7.147</b>	<b>12.136</b>	<b>4.989</b>	<b>26.514</b>	<b>18.893</b>	<b>(7.621)</b>
Income tax expense	-2497	-3901	(1.404)	(5.628)	(6.021)	(393)
<b>Result from continuing operations</b>	<b>4.650</b>	<b>8.235</b>	<b>3.585</b>	<b>20.886</b>	<b>12.872</b>	<b>(8.014)</b>
<b>From discontinuing operations:</b>						
Profit for the year from discontinued operations	0	0		0	0	
<b>Net income</b>	<b>4.650</b>	<b>8.235</b>	<b>3.585</b>	<b>20.886</b>	<b>12.872</b>	<b>(8.014)</b>
Attributable to:						
Owners of the parent	4.709	7.200	2.491	20.233	11.499	(8.734)
Non-controlling interests	(59)	1.035	1.094	653	1.373	720

**BEFESA**

**Balance Sheet ('000 euros)**

Assets	30.06.2014	31.12.13	Equity and liabilities	30.06.2014	31.12.13
Non-current assets			Equity:		
Intangible assets			Attributable to owners of the parent -		
Goodwill	373.860	373.860	Share capital	150.003	150.003
Other intangible assets	22.605	22.426	Reserve for valuation adjustments deferred in equity	8.942	10.247
	396.465	396.286	Interim dividend	0	0
Property, plant and equipment -			Other reserves	129.151	138.699
Property, plant and equipment in use	367.209	367.175	Translation differences	(4.339)	(4.246)
Property, plant and equipment in progress	26.719	17.699	Net profit for the period	11.499	(2.919)
	393.928	384.874		295.256	291.784
Investments carried under the equity method	1.850	1.809	Non-controlling interests	20.894	19.358
Non-current assets -			<b>Total equity</b>	<b>316.150</b>	<b>311.142</b>
Securities portfolio	4.443	3.986	Non-current liabilities:		
Other financial assets	16.947	17.662	Provisions	40.579	43.493
	21.390	21.648	Non-recourse borrowing	316.020	316.708
Deferred income tax assets	111.474	107.546	Recourse borrowings	117.106	121.629
<b>Total non-current assets</b>	<b>925.107</b>	<b>912.163</b>	Finance lease payables	1.886	2.248
			Deferred income tax liabilities	41.984	42.471
			Other non-current liabilities	110.538	99.646
			<b>Total non-current liabilities</b>	<b>628.113</b>	<b>626.195</b>
Current assets:			Non-recourse borrowings	9.329	7.314
Inventories	47.713	60.515	Recourse borrowings	20.763	21.222
Trade and other receivables	79.078	60.864	Finance lease payables	1.010	1.068
Trade receivables, related parties	7.873	20.249	Trade payables, related parties	4.578	4.288
Tax receivables	22.416	15.337	Trade and other accounts payable	108.970	129.964
Other receivables	7.974	8.477	Provisions	1.338	278
Other current financial assets	1.753	1.170	Other payables -		
Cash and cash equivalents	51.257	64.779	Taxes payable	21.164	13.882
<b>Total current assets</b>	<b>218.064</b>	<b>231.391</b>	Other current liabilities	31.756	28.201
				52.920	42.083
			<b>Total current liabilities</b>	<b>198.908</b>	<b>206.217</b>
<b>Total Assets</b>	<b>1.143.171</b>	<b>1.143.554</b>	<b>Total equity and liabilities</b>	<b>1.143.171</b>	<b>1.143.554</b>

<b>BEFESA</b>						
<b>Cash Flow Statement ('000 euros)</b>	<b>2Q 2013</b>	<b>2Q 2014</b>	<b>Change</b>	<b>1H 2013</b>	<b>1H 2014</b>	<b>Change</b>
<b>Cash flows from operating activities:</b>						
<b>Profit (loss) for the period before tax</b>	<b>7.147</b>	<b>12.136</b>	<b>4.989</b>	<b>26.514</b>	<b>18.893</b>	<b>(7.621)</b>
<b>Adjustments due to:</b>						
Depreciation and amortisation charge	8.360	8.964	604	15.840	17.848	2.008
Share of profit (loss) of associates	(49)	(83)	(34)	(138)	(41)	97
Changes in long-term provisions	-	(876)	(876)	-	(621)	(621)
Transfer to result grants	(183)	(168)	15	(359)	(338)	21
Gains arising from business combinations	(8.862)	-	8.862	(15.368)	-	15.368
Interest income	(224)	(667)	(443)	(1.333)	(914)	419
Finance costs	18.281	13.276	(5.005)	29.492	26.520	(2.972)
<b>Changes in working capital:</b>						
Trade receivables and other current assets	(9.444)	(5.657)	3.787	(26.986)	(18.071)	8.915
Inventories	(1.704)	15.934	17.638	(3.410)	12.802	16.212
Trade payables	(14.636)	(20.370)	(5.734)	(30.819)	(9.527)	21.292
<b>Other cash flows from operating activities:</b>						
Interest paid	(19.812)	(26.732)	(6.920)	(24.621)	(32.094)	(7.473)
Interests collected	224	149	(75)	1.333	396	(937)
Taxes paid	(3.604)	(1.154)	2.450	(9.145)	(7.360)	1.785
Provisions paid	306	(607)	(913)	(6.563)	(2.722)	3.841
<b>Net cash flows from operating activities (I)</b>	<b>(24.200)</b>	<b>(5.855)</b>	<b>18.345</b>	<b>(45.563)</b>	<b>4.771</b>	<b>50.334</b>
<b>Cash flows from investing activities:</b>						
Investments in intangible assets	(354)	(572)	(218)	(1.804)	(1.612)	192
Investments in property, plant and equipment	(4.432)	(14.276)	(9.844)	(10.586)	(15.849)	(5.263)
Proceeds from disposal of assets	2.318	-	(2.318)	2.910	-	(2.910)
Proceeds from disposal of non-current financial assets	(242)	484	726	(399)	484	883
Investments in subsidiaries and other non-current financial assets	(4.273)	(622)	3.651	(4.273)	(622)	3.651
Investments in current financial assets	18.709	(436)	(19.145)	18.709	(436)	(19.145)
Disbursement due to other current financial assets	-	165	165	-	165	165
<b>Net cash flows from investing activities (II)</b>	<b>11.726</b>	<b>(15.257)</b>	<b>(26.983)</b>	<b>4.557</b>	<b>(17.870)</b>	<b>(22.427)</b>
<b>Cash flows from financing activities:</b>						
Net financial account with Group companies	(459)	-	459	4.651	-	(4.651)
Cash flows from non-current borrowings and other non-current	7.710	1.004	(6.706)	(7.679)	1.862	9.541
Repayment of bank borrowings	-	(7.229)	(7.229)	-	(8.482)	(8.482)
Disbursement of financial investments	-	1.485	1.485	-	-	-
Payments due to other non-current financial assets	-	(224)	(224)	-	-	-
Grants and Other liabilities	-	6.197	6.197	-	6.197	6.197
Dividends paid	-	-	-	-	-	-
<b>Net cash flows from financing activities (III)</b>	<b>7.251</b>	<b>1.233</b>	<b>(6.018)</b>	<b>(3.028)</b>	<b>(423)</b>	<b>2.605</b>
Effect of foreign exchange rate changes on cash and cash	-	-	-	-	-	-
<b>Net increase in cash and cash equivalents (I+II+III+IV)</b>	<b>(5.223)</b>	<b>(19.879)</b>	<b>(14.656)</b>	<b>(44.034)</b>	<b>(13.522)</b>	<b>30.512</b>
Cash and cash equivalents at beginning of year	40.228	71.136	30.908	79.039	64.779	(14.260)
<b>Cash and cash equivalents at end of year</b>	<b>35.005</b>	<b>51.257</b>	<b>16.252</b>	<b>35.005</b>	<b>51.257</b>	<b>16.252</b>

### BEFESA ZINC

#### Balance Sheet ('000 euros)

Assets	30.06.2014	31.12.2013	Equity and Liabilities	30.06.2014	31.12.2013
<b>Non-current assets:</b>			<b>Equity:</b>		
<b>Intangible assets:</b>			<b>Of the Parent:</b>		
Goodwill	286.287	286.287	Share capital	25.010	25.010
Other intangible assets	8.354	8.818	Unrealized Asset and Liability Revaluation Reserve	6.440	7.322
	<b>294.641</b>	<b>295.105</b>	Other reserves	76.036	82.093
<b>Property, plant and equipment:</b>			Translation differences	(491)	(890)
Property, plant & equipment in use	123.225	127.802	Net profit for the year	7.560	6.235
Property, plant & equipment in the course of construction	6.850	3.561		<b>114.555</b>	<b>119.770</b>
	<b>130.075</b>	<b>131.363</b>	<b>Of minority interests</b>	<b>20.475</b>	<b>19.191</b>
<b>Investments accounted for using the equity method</b>			<b>Total Equity</b>	<b>135.030</b>	<b>138.961</b>
<b>Non-current financial assets:</b>			<b>Non-current liabilities:</b>		
Investments securities	1.670	1.674	Provisions for contingences and expenses	15.549	15.455
Other financial assets	341	352	Bank borrowings and finance leases	854	2.174
	<b>2.011</b>	<b>2.026</b>	Non Recourse Finance	315.166	314.534
<b>Derivative financial instruments</b>	<b>0</b>	<b>0</b>	Capital Grants	2.433	2.717
<b>Deferred tax assets</b>	<b>45.151</b>	<b>41.366</b>	Other non-current liabilities	208	227
<b>Total non-current assets</b>	<b>471.878</b>	<b>469.860</b>	Derivative financial instruments	311	0
			Deferred tax liabilities	22.081	22.349
<b>Current Assets:</b>			<b>Total non-current liabilities</b>	<b>356.602</b>	<b>357.456</b>
Inventories	15.091	12.944	<b>Current liabilities:</b>		
Trade and other receivables	31.825	29.449	Non Recourse Finance	3.690	3.699
Trade receivables, related companies	3.693	11.007	Bank borrowings and finance leases	3.978	2.627
Tax receivables	3.304	3.846	Trade payables, related companies	1.624	3.272
Other receivables	1.633	3.503	Trade and other payables	27.803	28.345
Derivative financial instruments	0	236	Derivative financial instruments	2.249	0
Other current financial assets	0	0	Other payables:		
Cash and cash equivalents	31.588	32.169	Tax payables	5.077	5.383
	<b>88.134</b>	<b>93.154</b>	Other current liabilities	22.959	23.271
<b>Total current assets</b>				<b>28.036</b>	<b>28.654</b>
			<b>Total current liabilities</b>	<b>67.380</b>	<b>66.597</b>
<b>Total Assets</b>	<b>559.012</b>	<b>563.014</b>	<b>Total Equity and Liabilities</b>	<b>559.012</b>	<b>563.014</b>

### BEFESA ZINC

<i>Profit &amp; Loss Statement ('000 euros)</i>	2Q 2013	2Q 2014	Change	1H 2013	1H 2014	Change
Revenue	56.971	59.605	2.634	121.622	119.363	(2.259)
Cost of sales	(38.594)	(38.575)	19	(77.673)	(75.614)	2.059
Other operating income	949	4.111	3.162	3.248	5.493	2.245
<b>Gross Profit</b>	<b>19.326</b>	<b>25.141</b>	5.815	<b>47.197</b>	<b>49.242</b>	2.045
Depreciation and amortization charge	(3.168)	(4.115)	(947)	(7.377)	(8.168)	(791)
General and administrative expenses	(4.694)	(5.366)	(672)	(11.104)	(10.847)	257
Impairment losses	0	0	0	0	0	0
<b>Income From Operations</b>	<b>11.464</b>	<b>15.660</b>	4.196	<b>28.716</b>	<b>30.227</b>	1.511
Finance income	1.249	77	(1.172)	2.473	117	(2.356)
Finance costs	(9.046)	(8.646)	400	(16.209)	(16.961)	(752)
Exchange differences (gains and losses)	279	68	(211)	231	178	(53)
<b>Financial Loss</b>	<b>(7.518)</b>	<b>(8.501)</b>	(983)	<b>(13.505)</b>	<b>(16.666)</b>	(3.161)
<b>Profit Before Tax</b>	<b>3.946</b>	<b>7.159</b>	3.213	<b>15.211</b>	<b>13.561</b>	(1.650)
Income tax	(1.548)	(2.548)	(1.000)	(4.325)	(4.546)	(221)
<b>Profit for the year from continuing operations</b>	<b>2.398</b>	<b>4.611</b>	2.213	<b>10.886</b>	<b>9.015</b>	(1.871)
<b>Profit for the year</b>	<b>2.398</b>	<b>4.611</b>	2.213	<b>10.886</b>	<b>9.015</b>	(1.871)
<b>Attributable to:</b>						
Shareholders of the parent	2.336	3.506	1.170	10.118	7.560	(2.558)
Minority interests	62	1.105	1.043	768	1.455	687
<b>EBITDA</b>	<b>14.632</b>	<b>19.775</b>	5.143	<b>36.093</b>	<b>38.395</b>	2.302

### BEFESA ZINC

<b>Cash Flow Statement ('000 euros)</b>	<b>2Q 2013</b>	<b>2Q 2014</b>	<b>Change</b>	<b>1H 2013</b>	<b>1H 2014</b>	<b>Change</b>
<b>Cash Flows From Operating Activities</b>						
<b>Profit for the period before tax</b>	<b>3.946</b>	<b>7.159</b>	3.213	<b>15.211</b>	<b>13.561</b>	(1.650)
<b>Adjustments due to:</b>						
Amortization/ Depreciation	3.168	4.115	947	7.377	8.168	791
Impairment Test	0	0	0	0	0	0
(Profit)/Loss on disposal of non-current assets	20	0	(20)	26	31	5
Change in provisions	0	(3)	(3)	(4.170)	105	4.275
Financial income	(1.249)	(77)	1.172	(2.473)	(117)	2.356
Financial expense	9.046	8.646	(400)	16.209	16.961	752
Income from government grants	(164)	(141)	23	(319)	(284)	35
Exchange differences	(279)	(68)	211	(231)	(178)	53
<b>Change in working capital:</b>						
Change in trade receivables and other receivables	3.026	(4.198)	(7.224)	1.936	(2.385)	(4.321)
Change in inventories	1.695	2.418	723	940	1.299	359
Change other current assets	(1.183)	552	1.735	(61)	628	689
Change in other current liabilities	(6.050)	(6.720)	(670)	(14.273)	(5.051)	9.222
<b>Cash generated from operations</b>	<b>11.976</b>	<b>11.683</b>	(293)	<b>20.172</b>	<b>32.738</b>	12.566
Taxes paid	(3.241)	(1.245)	1.996	(3.434)	(6.051)	(2.617)
Interest paid	(15.361)	(14.321)	1.040	(15.639)	(15.162)	477
Interest received	1.249	77	(1.172)	2.473	117	(2.356)
<b>Net Cash Flows From Operating Activities (I)</b>	<b>(5.377)</b>	<b>(3.806)</b>	1.571	<b>3.572</b>	<b>11.642</b>	8.070
<b>Cash Flows From Investing Activities</b>						
Purchase of intangible assets	(3.439)	(5)	3.434	(4.569)	(13)	4.556
Purchase of property, plant and equipment	(2.925)	(637)	2.288	(4.611)	(1.751)	2.860
Proceeds from disposal of assets	(29)	2	31	(10)	2	12
Acquisition/(disposal) of new subsidiaries	0	0	0	0	0	0
Other non-current financial assets	(1)	(1)	0	(2)	14	16
Capital grants received	0	0	0	0	0	0
<b>Net Cash Flows From Investing Activities (II)</b>	<b>(6.394)</b>	<b>(641)</b>	5.753	<b>(9.192)</b>	<b>(1.748)</b>	7.444
<b>Cash flows from financing activities</b>						
Repayment of borrowings and other long-term debt	(72)	(661)	(589)	(72)	(1.320)	(1.248)
Long Term borrowings	0	1.250	1.250	0	1.250	1.250
Distribution of dividends/capital reduction	(496)	(10.430)	(9.934)	(496)	(10.430)	(9.934)
<b>Net Cash Flows From Financing Activities (III)</b>	<b>(568)</b>	<b>(9.841)</b>	(9.273)	<b>(568)</b>	<b>(10.500)</b>	(9.932)
<b>Effect of change in the perimeter on cash and cash equivalents (IV)</b>	<b>0</b>	<b>0</b>	0	<b>0</b>	<b>25</b>	25
<b>Net Increase In Cash and Cash Equivalents (I+II+III+IV)</b>	<b>(12.339)</b>	<b>(14.288)</b>	(1.949)	<b>(6.188)</b>	<b>(581)</b>	5.607
Cash and cash equivalents at beginning of the period	74.575	45.876	(28.699)	68.424	32.169	(36.255)
<b>Cash and cash equivalents at end of the period</b>	<b>62.236</b>	<b>31.588</b>	(30.648)	<b>62.236</b>	<b>31.588</b>	(30.648)