

# BEFESA

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# BEFESA

**First Quarter 2016** Earnings Presentation

31<sup>st</sup> May 2016

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## Rafael Pérez

**Head of Strategy & Investor Relations**

## Javier Molina

**Chief Executive Officer**

**1Q revenues of €165 million, down 12% YoY. Lower metal prices, sulfur divestiture partially offset by Solarca acquisition.**

**Consolidated 1Q EBITDA of €25 million, down 32% YoY with EBITDA% of Sales still at 15% ... Managing through down cycle.**

**Stable financing position. Leverage at x4,3 at 1Q'16 and solid liquidity of €56 million.**

**Ongoing implementation of cost reduction and productivity improvement on plan.**

## Asier Zarraonandia

**Managing Director of Zinc Business**

### Volume in crude steel in line with expectations and slightly below previous year

#### Operational Performance

##### ▪ EAF Throughput

- 138.121 tons of crude steel dust treated in 1Q 2016 (-**2,4%** vs 1Q 2015 and -8,4% vs 4Q 2015)

##### ▪ WOX Sales

- 48.687 tons of WOX sold in 1Q 2016 (+**2,0%** vs 1Q 2015 and -8,3% vs 4Q 2015)

##### ▪ Stainless Steel Throughput:

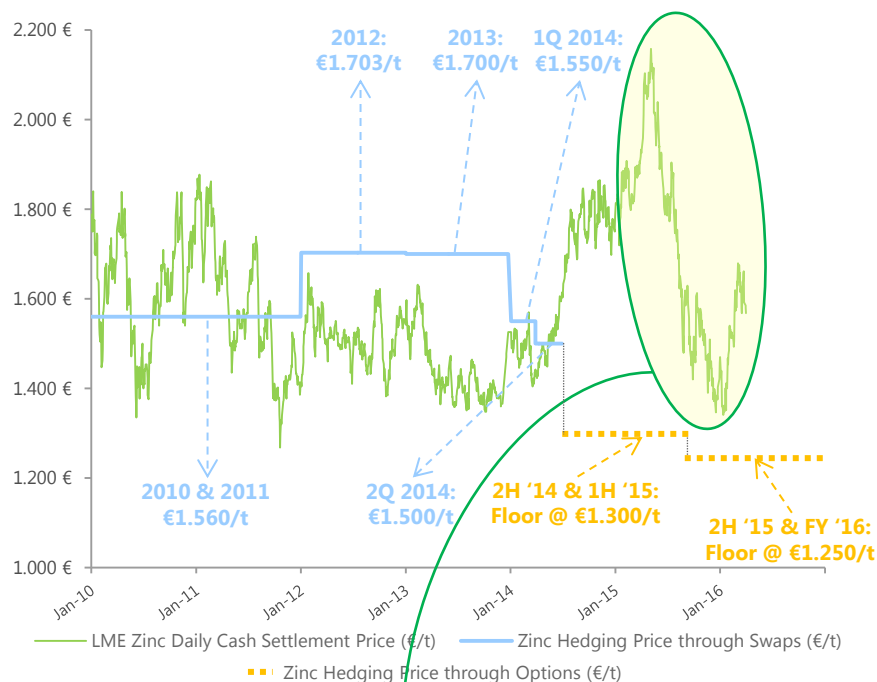
- 17.254 tons of stainless steel dust treated in 1Q 2016 (-**13,4%** vs 1Q 2015 and -41,6% vs 4Q 2015)

#### Highlights

- **Crude steel dust deliveries in line with expectations and slightly below last year**
- **Increase in WOX sales** compared to 1Q 2015 despite lower throughput levels
- **Lower performance of stainless steel** with decrease in throughput compared to 1Q 2015



After the downward trend seen during 2H 2015 in zinc prices ...  
2016 has started with a recovery ending 1Q 2016 around €1.570/t



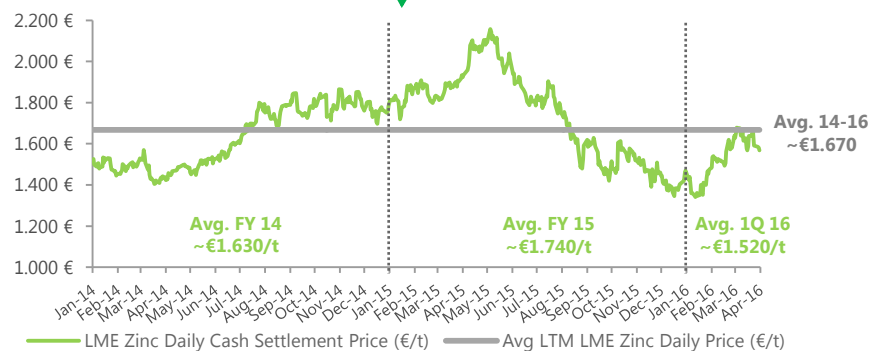
### Zinc Prices

- During the **1Q 2016** zinc prices **traded on average above 4Q 2015** (€1.520/t vs €1.470/t), and approx. €327/t below 1Q 2015 average level.
- The €/ \$ FX rate during 1Q 2016 remained at the same level of 1,10 as in 4Q 2015.

	1Q 2015	1Q 2016	% Var.	4Q 2015	1Q 2016	% Var.
Befesa Blended Zinc Price (€/t)	1.847	1.520	-18%	1.470	1.520	+3%

### Hedging Strategy

- Hedging strategy focused on ensuring minimum business earnings to meet our financial obligations and benefit from recovering zinc prices.
- Hedging **in place for full year 2016 and up to July 2017** through **floors and collars with floors @ €1.250/t**.





## Javier Molina

**Chief Executive Officer**

Performance mainly driven by stronger secondary aluminum volumes as well as salt slag volumes driven by new plant in Germany ...  
But LME aluminum alloy prices and metal margin depressed

### Operational Performance

#### ▪ Secondary Aluminum Alloys

- 47.070 tons of alloys produced in 1Q 2016 (+13% vs 1Q 2015 and +6% vs 4Q 2015)

#### ▪ Salt Slag / SPLs Recycled

- 117.540 tons of salt slag/SPL recycled in 1Q 2016 (+1% vs 1Q 2015 and +2% vs 4Q 2015)

#### Highlights

- **Strong secondary aluminum volumes** over the **1Q 2015** thanks to the successful ramp up of our **new plant in Bernburg** (operations started in Dec '14)
- **Salt slag and SPL volumes slightly higher** compared to 1Q 2015
- YoY **LME aluminum alloys prices down** from €1.598 to €1.420 or (11%)



**Bernburg ramp up completed. Acquisition and integration of Solarca into our IES segment completed. Gulf project progressing.**

### Aluminum Growth

#### New Secondary Alu Plant in Bernburg (Germany)

- 1Q '16 run rate at ~60 kton per year ... ramping up to 70 kton capacity per year during remaining 2016

#### Salt Slag & SPL Recycling in the Persian Gulf

- Continue **progressing on the JV project** to develop a **new salt slag / SPL recycling plant**
- Negotiations of contractual framework ongoing.



### Industry Environmental Solutions (IES) Growth

- **Acquisition of Solarca**, a global leader in the chemical cleaning and air and steam blowing industrial services. **Successful acquisition and full integration into our IES business completed.**



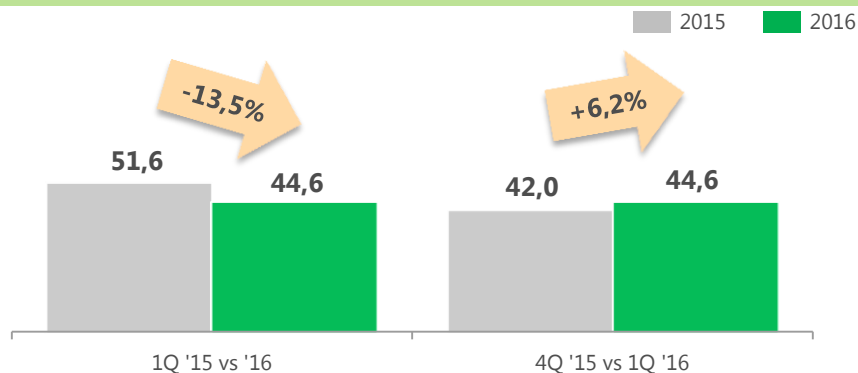
## Wolf Lehmann

**Chief Financial Officer**

## Zinc Financial Highlights

**Crude steel segment EBITDA bottomed in 4Q'15 and up +50% or +€5 QoQ in 1Q'16 driven by zinc price recovery as well as favorable TCs**

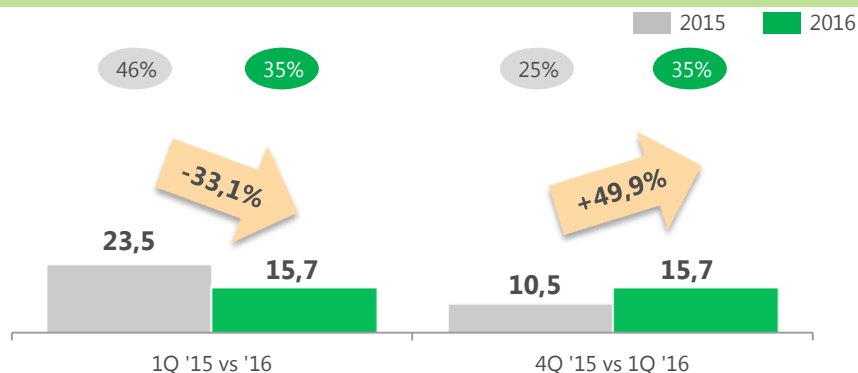
### Crude Steel Revenues (€m)



### Revenues Highlights

- **YoY 1Q'16 vs. '15** the revenues **decreased by 7 million or 13,5% YoY** mainly driven by:
  - **decrease in zinc average price (-18%);** €1.847 in 1Q'15 vs. €1.522 in 1Q'16
  - partially offset by the increase of WOX tons sold by +2%
- **QoQ 1Q'16 revenues increased by €3 million or +6,2% versus 4Q'15** mainly driven by:
  - **increase in zinc average price +3%;** €1.470 in 4Q'15 vs. €1.522 in 1Q'16
  - **favorable treatment charges** for 2016.

### Crude Steel EBITDA (€m)



### EBITDA Highlights

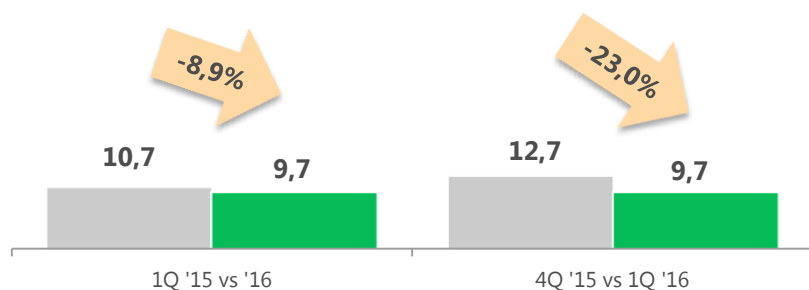
- The EBITDA reduction YoY during 1Q as well as the EBITDA improvement vs. 4Q'15 **is mainly driven by the zinc price development.**
- YoY EBITDA decreased by 33% mainly driven by a zinc price decrease of 18% as well as 2% less EAF dust throughput.
- **QoQ EBITDA bottomed in 4Q'15 and increased 50% or €5 million in 1Q'16** with improved zinc prices as well as favorable 2016 treatment charges.

% 2015 EBITDA margin    % 2016 EBITDA margin

**Challenging quarter for stainless steel mainly driven by decrease in volumes treated as well as lower nickel prices**

### Stainless Revenues (€m)

■ 2015 ■ 2016

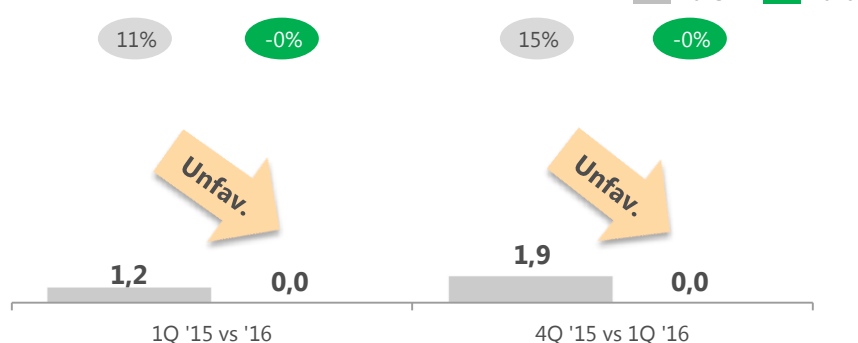


### Revenues Highlights

- Compared to 1Q'15, stainless steel segment revenues decreased by 9% mainly driven by lower volumes of stainless steel dust treated including timing of shutdowns (-13%), lower average nickel prices (€7.714 vs €12.733, or -39%), partially offset by higher tons of alloys sold (+2.807 tons vs 1Q 2015)

### Stainless EBITDA (€m)

■ 2015 ■ 2016



### EBITDA Highlights

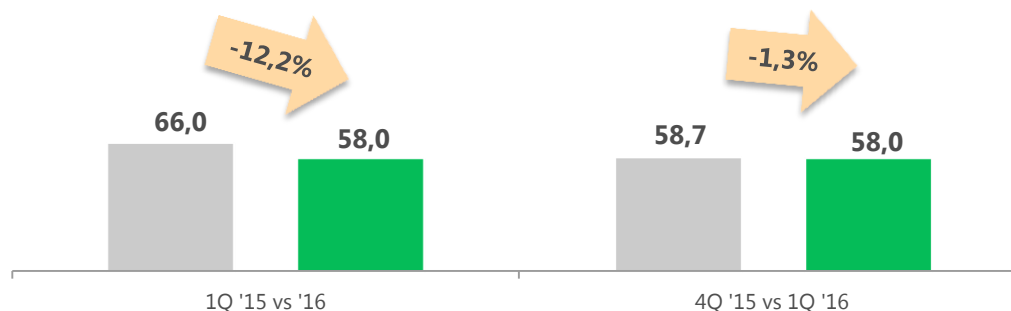
- The decrease in volume and price fell through to EBITDA and decreased earnings to a break even at 1Q'16.

% 2015 EBITDA margin    % 2016 EBITDA margin

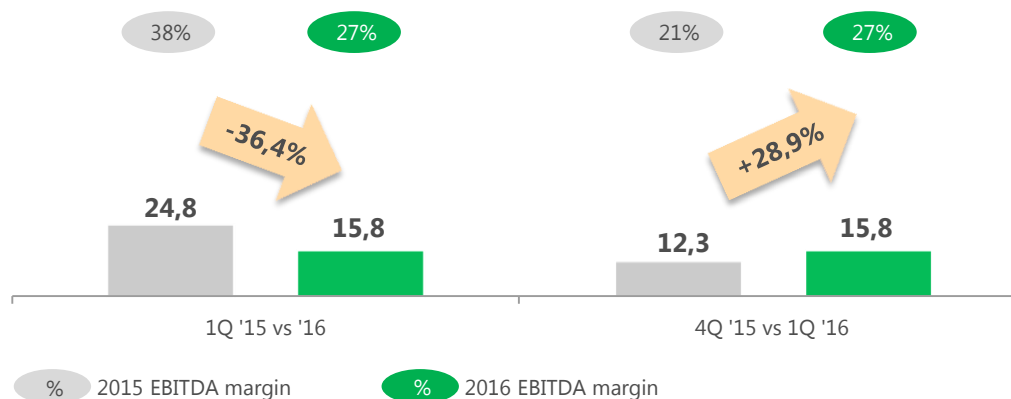
YoY decrease in revenues and EBITDA in the zinc business unit driven by lower LME zinc and nickel prices ...

QoQ EBITDA up +29% in 1Q'16 after leaving bottom in 4Q'15

### Zinc Revenues (€m)



### Zinc EBITDA (€m)





### 1Q'16 with positive cash flow driven by operating activities

- **Operating activities:** During 1Q 2016 the net cash flows generated by operating activities amounted to **€3,9 million**; a €11 million decrease vs 1Q 2015 and a €6 million increase vs. 4Q 2015.
- **Investing activities:** During 1Q 2016 the net cash flows used in investing activities were **€2,9 million** primarily due to regular maintenance as well as €0,8 million in the 2<sup>nd</sup> kiln in Korea.
- **Financing activities:** During 1Q 2016 there were **practically no cash flows used in financing activities**.
- **Liquidity:** As of March 31<sup>th</sup> 2016, our liquidity amounted to **€25,3 million** including cash on hand and short-term financial investments.

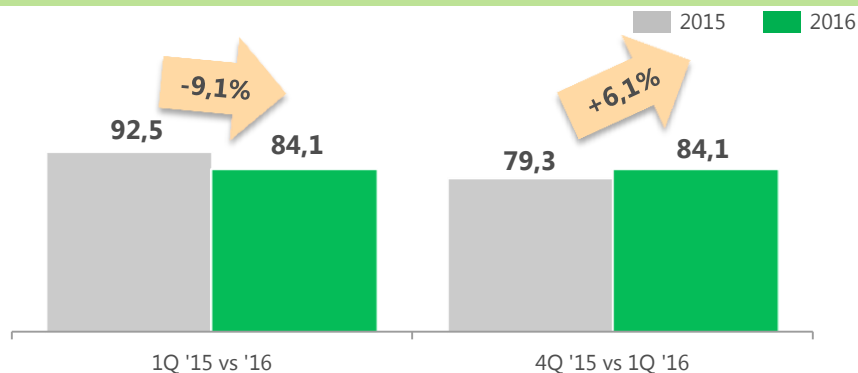
#### BEFESA ZINC

<i>Cash Flow Statement ('000 euros)</i>	1Q 2015	1Q 2016	Change	4Q 2015	1Q 2016	Change
Cash generated from operations	18.245	7.716	(10.529)	16.239	7.716	(8.523)
Taxes paid	(1.873)	(3.132)	(1.259)	(2.676)	(3.132)	(456)
Interest paid	(1.411)	(700)	711	(16.047)	(700)	15.347
Interest received	41	42	1	89	42	(47)
<b>Net cash flows from operating activities (I)</b>	<b>15.002</b>	<b>3.926</b>	(11.076)	<b>(2.395)</b>	<b>3.926</b>	6.321
<b>Net cash flows from investing activities (II)</b>	<b>(4.292)</b>	<b>(2.947)</b>	1.345	<b>(3.980)</b>	<b>(2.947)</b>	1.033
<b>Net cash flows from financing activities (III)</b>	<b>(795)</b>	<b>(14)</b>	781	<b>(8.498)</b>	<b>(14)</b>	8.484
<b>Effect in change of the perimeter (IV)</b>	<b>0</b>	<b>0</b>	0	<b>0</b>	<b>0</b>	0
<b>Net increase in cash and cash equivalents (I+II+III+IV)</b>	<b>9.915</b>	<b>965</b>	(8.950)	<b>(14.873)</b>	<b>965</b>	15.838
<b>Cash and cash equivalents BoP</b>	<b>49.001</b>	<b>24.348</b>		<b>39.221</b>	<b>24.348</b>	
<b>Cash and cash equivalents EoP</b>	<b>58.916</b>	<b>25.313</b>		<b>24.348</b>	<b>25.313</b>	

## Aluminum Financial Highlights

**1Q 2016 EBITDA decreased to €7 million driven mainly by lower LME aluminum alloy prices and compressed metal margins**

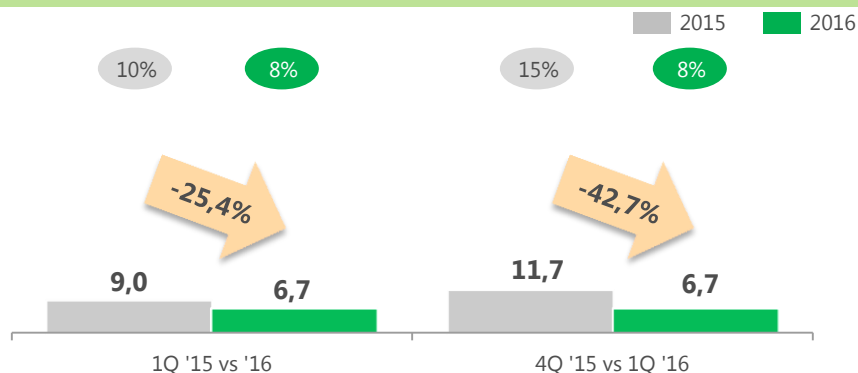
### Aluminum Revenues (€m)



### Revenues Highlights

- During **1Q 2016** revenues decreased by **9% vs 1Q 2015** mainly driven by:
  - the **aluminum alloy LME prices** which decreased by **-11%** (€1420 vs. €1598 per ton)
  - partially offset by better secondary aluminum alloys production volumes (+13%, explained by Bernburg ramp up) as well as higher volumes of salt slag and SPLs recycled (+1%)

### Aluminum EBITDA (€m)



### EBITDA Highlights

- EBITDA decreased by 25% from €9 to €7 million**, primarily driven by **lower LME aluminum alloys prices down 11%** and **compressed metal margins**.

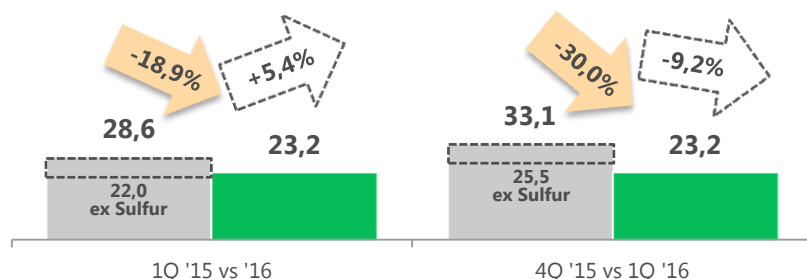
% 2015 EBITDA margin    % 2016 EBITDA margin

## IES Financial Highlights

**Normalized for the Sulfur divestiture IES up +24% or €0,5 million EBITDA vs 1Q '15 with acquisition and integration of Solarca ...**

### IES Revenues (€m)

■ 2015 ■ 2016

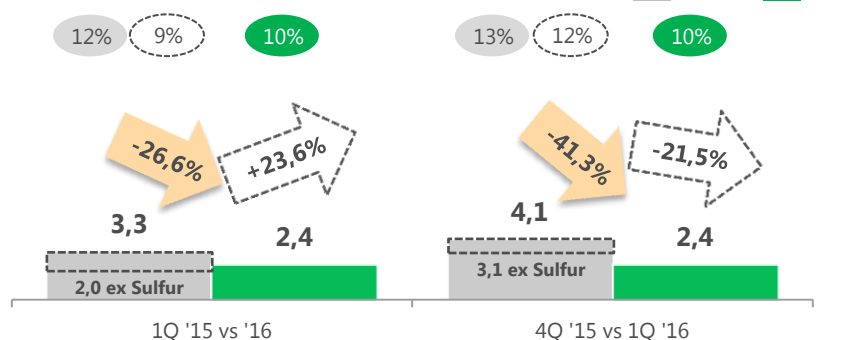


### Revenues Highlights

- During 1Q 2016 revenues decreased by 19% (compared to 1Q 2015) to €23 million, **driven by €6,6 million of revenue in Sulfur in 1Q '15 (divested in Dec 2015).**

### IES EBITDA (€m)

■ 2015 ■ 2016



### EBITDA Highlights

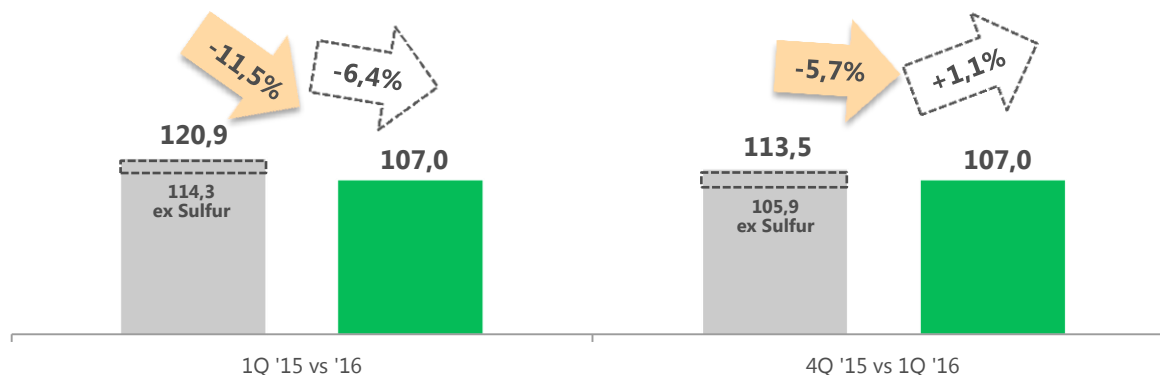
- 1Q 2016 EBITDA slightly decreased by approx. €0,9 million compared to the same period of 2015, **but normalized for the sulfur divestiture** (€1,3 million EBITDA in 1Q'15) **IES grew EBITDA by 24% or +€0,5 million** with Solarca fully integrated and delivering solid results.

% 2015 EBITDA margin    % 2016 EBITDA margin

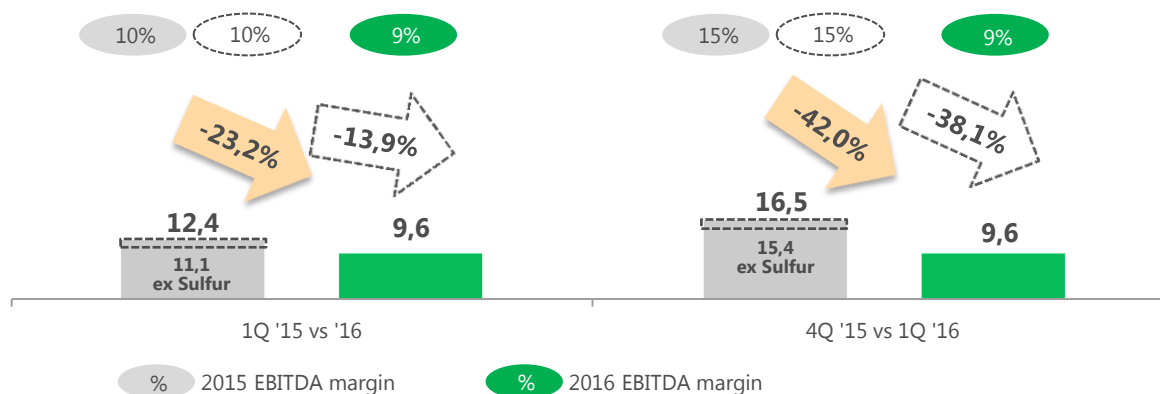
## Consolidated Non-Zinc Financial Highlights

**Decrease in revenues and EBITDA in the non-zinc business mainly driven by lower LME aluminum alloy prices and metal margins**

### Non-Zinc Revenues (€m)



### Non-Zinc EBITDA (€m)

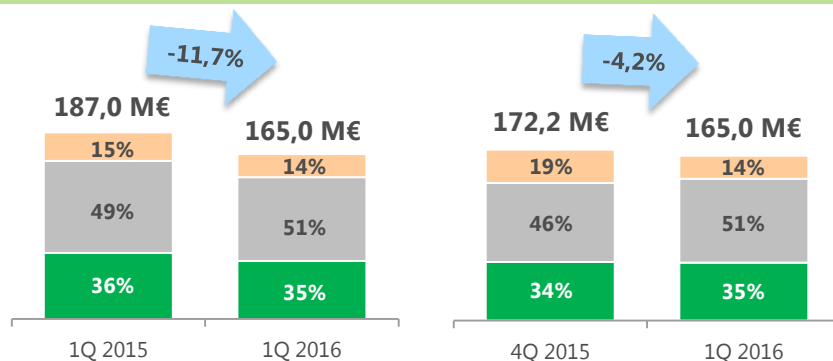


## Consolidated Financial Highlights

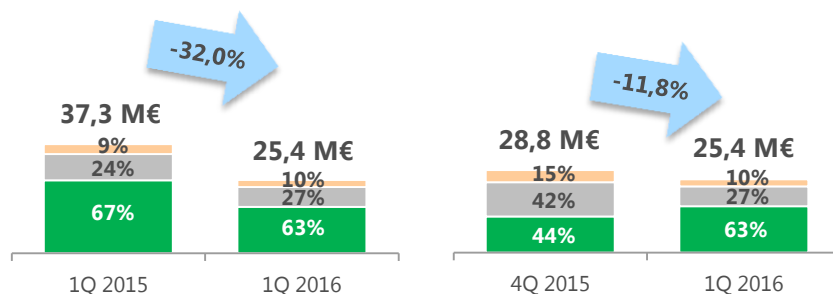


### 2016 revenues down 12% and EBITDA down 32% vs. 1Q 2015

#### Consolidated Revenues (€m)



#### Consolidated EBITDA (€m)



#### EBITDA Margin (% Revenues)

BEFESA	19,9%	15,4%
Steel	37,2%	27,3%
Alu	9,7%	7,9%
IES	11,6%	10,5%

	16,7%	15,4%
	20,9%	27,3%
	14,7%	7,9%
	12,5%	10,5%

#### Highlights

- 1Q 2016 **consolidated revenues** amounted to €165 million, -12% or **€22 million decrease** compared to 1Q 2015, mainly driven by **lower LME zinc and aluminum alloy prices**
- 1Q 2016 **consolidated EBITDA** amounted to €25 million, -32% or **€12 million decrease** vs 1Q 2015 following the revenue line and negative metal price trend YoY.
- Managing through down cycle ... 1Q 2016 EBITDA margin at 15%.**
- Ongoing implementation of **cost reduction** and **productivity improvement initiatives**

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

#### BEFESA

Profit & Loss Statement ('000 euros)	1Q 2015	1Q 2016	Change	4Q 2015	1Q 2016	Change
Revenue	186.953	164.995	(21.958)	172.227	164.995	(7.232)
<b>EBITDA</b>	<b>37.278</b>	<b>25.363</b>	(11.915)	<b>28.753</b>	<b>25.363</b>	(3.390)
Depreciation, amortisation and impairment provisions	(9.454)	(10.425)	(971)	(67.362)	(10.425)	56.937
Financial result	(11.151)	(11.669)	(518)	(16.953)	(11.669)	5.284
Earnings before taxes	16.817	3.311	(13.506)	(55.647)	3.311	58.958
<b>Net income</b>	<b>11.607</b>	<b>1.254</b>	(10.353)	<b>(57.561)</b>	<b>1.254</b>	58.815

### Highlights

- During **1Q 2016** the **revenue of the Group** amounted to **€165 million** (€187 million in 1Q'15) and the **EBITDA** amounted to **€25 million** (€37 million in 1Q'15). A 32% EBITDA YoY decrease and a 12% revenue YoY decrease.
- Depreciation, amortization and impairment provisions** in **1Q 2016** are in line with historical quarterly levels of around **10 million euros**. The increase in 4Q 2015 was mainly driven by the **extraordinary write-down of book value** made in 2015 to the tangible assets of **Befesa Valorización de Azufre (BVA)**, as part of the **Sulfur operations divestiture process at the end of December '15**.

- **Operating activities:** During 1Q 2016 the net cash flows generated by operating activities amounted to **€12,6 million** (a €5,7 million decrease compared to 1Q 2015), due to the lower performance of the quarter.
- **Investing activities:** During 1Q 2016 the net cash flows used in investing activities were **€5,2 million**, mainly driven by the yearly **maintenance capex** invested.
- **Financing activities:** During 1Q 2016 the net cash flows used in financing activities were **€9 million** due basically to the reduction of the Revolving Credit Facility drawn (**€5 million**) and some factorings.
- **Liquidity:** As of March 31st 2016, our liquidity amounted to **€55,5 million** including only cash on hand.  
Befesa is **compliant with its debt covenants**

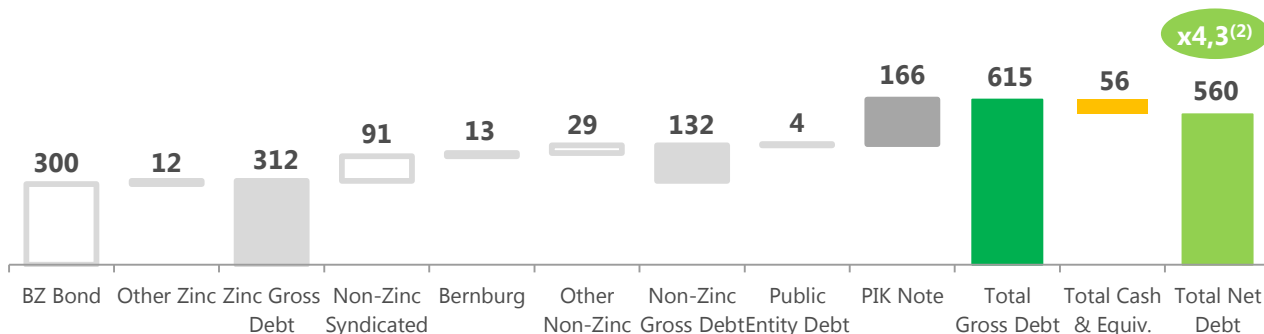
### BEFESA

Cash Flow Statement ('000)	1Q 2015	1Q 2016	Change	4Q 2015	1Q 2016	Change
Cash flows from operations	22.001	17.951	(4.050)	29.387	17.951	(11.436)
Taxes paid	(1.708)	(2.400)	(692)	(4.681)	(2.400)	2.281
Interest paid	(1.976)	(2.937)	(961)	(26.464)	(2.937)	23.527
<b>Net cash flows from operating activities (I)</b>	<b>18.317</b>	<b>12.614</b>	(5.703)	<b>(1.758)</b>	<b>12.614</b>	14.373
<b>Net cash flows from investing activities (II)</b>	<b>(7.799)</b>	<b>(5.239)</b>	2.560	<b>16.931</b>	<b>(5.239)</b>	(22.170)
<b>Net cash flows from financing activities (III)</b>	<b>4.678</b>	<b>(8.818)</b>	(13.496)	<b>(32.003)</b>	<b>(8.818)</b>	23.185
<b>Net increase in cash and cash equivalents (I+II+III+IV)</b>	<b>15.196</b>	<b>(1.735)</b>	(16.931)	<b>(17.229)</b>	<b>(1.735)</b>	15.494
<b>Cash and cash equivalents at begin of period</b>	<b>78.615</b>	<b>57.253</b>	(21.362)	<b>74.482</b>	<b>57.253</b>	(17.229)
<b>Cash and cash equivalents at end of period</b>	<b>93.811</b>	<b>55.518</b>	(38.293)	<b>57.253</b>	<b>55.518</b>	(1.735)

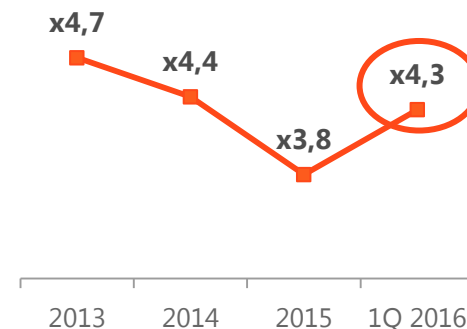
**Solid and stable financing position at 3 levels (Zinc, Non-Zinc and Corporate) with total leverage at x4,3**



**Total Net Debt (excl. Factoring/Confirming <sup>(1)</sup>): March YTD 2016 (€m)**



**Leverage Evolution**



**Managing through commodity down cycle with stable financing, leverage ~x4 and solid €56 million liquidity ... Compliant with all covenants.**

(1) Excludes Factoring and Confirming of 45,4 M€

(2) Assuming LTM as of March 31<sup>st</sup> 2016 Consolidated EBITDA of 129,1 M€

(3) Assuming LTM as of March 31<sup>st</sup> 2016 Zinc EBITDA of 71,1 M€

(4) Assuming LTM as of March 31<sup>st</sup> 2016 Non Zinc EBITDA of 58,1 M€

## Javier Molina

**Chief Executive Officer**

### Main priorities for 2016 - focus on parallel path of profitable growth for the next years and operational excellence

#### Main priorities for 2016

- Sustain and improve our **Health & Safety** performance across the entire organization
- **Preserve the cash position** by managing properly operating cash flows, working capital and capex
- Ensure we **maintain our leadership position in steel dust and salt slag in Europe**
- Sustain **full capacity** in our new secondary aluminum plant **in Bernburg**
- **Increase and secure the volume** of our plant **in South Korea**
- **Grow** our **services in IES** organically in the Americas and MENA incl. Gulf
- **Maintain** the **operational excellence culture**

## Questions

Introduction

Business  
Highlights

Zinc Business  
Performance

Non-Zinc Business  
Performance

Financials

Business  
Outlook

Q&A

Appendix



		1Q 2015	1Q 2016	1Q 2016 vs 2015 Change		4Q 2015	1Q 2016	1Q 2016 vs 4Q 2015 Change	
				(tons)	(%)			(tons)	(%)
<b>Crude steel dust recycling</b>									
Installed capacity <sup>1</sup>	tons	670.300	780.300	110.000	16,4%	670.300	780.300	110.000	16,4%
Crude steel dust processed	tons	141.535	138.121	(3.415)	-2,4%	150.763	138.121	(12.642)	-8,4%
Waelz oxide produced	tons	48.461	47.502	(959)	-2,0%	53.108	47.502	(5.606)	-10,6%
Waelz oxide sold	tons	47.715	48.687	972	2,0%	53.088	48.687	(4.401)	-8,3%
Zinc content in sale	tons	32.049	32.594	545	1,7%	35.493	32.594	(2.899)	-8,2%
Annual average zinc LME price	EUR / ton	1.847	1.522	(325)	-17,6%	1.470	1.522	52	3,5%
Utilization <sup>2</sup>	%	85,6%	71,0%	n.a.	n.a.	82,6%	71,0%	n.a.	n.a.
<b>Stainless steel dust recycling</b>									
Installed capacity	tons	174.000	174.000	0	0,0%	174.000	174.000	0	0,0%
Stainless steel dust processed	tons	19.924	17.254	(2.671)	-13,4%	29.540	17.254	(12.286)	-41,6%
Sale of alloys	tons	319	3.126	2.807	878,8%	2	3.126	3.124	156218,0%
Annual average nickel LME price	EUR / ton	12.733	7.714	(5.019)	-39,4%	8.599	7.714	(885)	-10,3%
Utilization <sup>2</sup>	%	46,4%	39,8%	n.a.	n.a.	67,4%	39,8%	n.a.	n.a.

1 The installed crude steel dust recycling capacity consolidates 100% of the total annual recycling capacity of BZ Korea (since 3Q 2014 our current stake owned in BZ Korea amounts to 80%).

2 Utilization represents crude steel or stainless steel dust, as applicable, processed against annual installed recycling capacity.

		1Q 2015	1Q 2016	1Q 2016 vs 2015 Change (tons) (%)		4Q 2015	1Q 2016	1Q 2016 vs 4Q 2015 Change (tons) (%)	
Salt slags and SPLs recycling									
Installed capacity <sup>6</sup>	tons	609.000	609.000	0	0,0%	609.000	609.000	0	0,0%
Salt slags recycled	tons	110.644	108.414	(2.230)	-2,0%	112.312	108.414	(3.898)	-3,5%
SPLs recycled	tons	5.631	9.126	3.495	62,1%	3.472	9.126	5.654	162,8%
Aluminium concentrate produced	tons	9.360	8.953	(407)	-4,3%	9.656	8.953	(703)	-7,3%
Aluminium salt produced	tons	41.214	35.997	(5.217)	-12,7%	44.331	35.997	(8.334)	-18,8%
Utilization <sup>7</sup>	%	92,6%	92,6%	n.a.	n.a.	90,2%	92,6%	n.a.	n.a.
Secondary aluminium production									
Installed capacity	tons	195.000	195.000	0	0,0%	195.000	195.000	0	0,0%
Scrap aluminium recycled	tons	61.118	68.798	7.680	12,6%	63.136	68.798	5.662	9,0%
Secondary aluminium alloys produced	tons	41.611	47.070	5.459	13,1%	44.268	47.070	2.802	6,3%
Annual avg. aluminium alloy LME price	EUR / ton	1.598	1.420	(178)	-11,2%	1.477	1.420	(58)	-3,9%
Annual avg. high-grade aluminium LME price	EUR / ton	1.604	1.376	(228)	-14,2%	1.365	1.376	10	0,8%
Utilization <sup>7</sup>	%	86,5%	96,8%	n.a.	n.a.	90,1%	96,8%	n.a.	n.a.

<sup>6</sup> Includes the 100.000 tons of recycling installed capacity at our Töging (Germany) plant, which is currently idle.

<sup>7</sup> Utilization represents the volume of salt slag and SPLs received by our plants for recycling against annual installed recycling capacity (not including the 100.000 tons of capacity at our Töging (Germany) plant, which is currently idle), or secondary aluminum produced against annual installed production capacity.

### BEFESA

Profit & Loss Statement ('000 euros)	1Q 2015	1Q 2016	Change	4Q 2015	1Q 2016	Change
<b>From continuing operations:</b>						
Revenue	186.953	164.995	(21.958)	172.227	164.995	(7.232)
+/- Changes in inventories of finished goods and work in progress	(520)	(1.314)	(794)	4.202	(1.314)	(5.516)
Cost of sales	(91.839)	(81.698)	10.141	(88.447)	(81.698)	6.749
Other income	1.249	2.064	815	4.429	2.064	(2.365)
Employee benefits expense	(24.404)	(25.103)	(699)	(26.742)	(25.103)	1.639
Other expenses	(34.161)	(33.581)	580	(36.916)	(33.581)	3.335
Depreciation, amortisation and impairment provisions	(9.454)	(10.425)	(971)	(67.362)	(10.425)	56.937
<b>EBIT</b>	<b>27.824</b>	<b>14.938</b>	-12.886	<b>(38.609)</b>	<b>14.938</b>	53.547
Finance income	3.334	600	(2.734)	728	600	(128)
Finance costs	(15.296)	(11.780)	3.516	(19.189)	(11.780)	7.409
Exchange differences	811	(489)	(1.300)	1.508	(489)	(1.997)
<b>Financial result</b>	<b>(11.151)</b>	<b>(11.669)</b>	(518)	<b>(16.953)</b>	<b>(11.669)</b>	5.284
Share of profit of companies carried using the equity method	144	42	(102)	(85)	42	127
<b>EBT</b>	<b>16.817</b>	<b>3.311</b>	(13.506)	<b>(55.647)</b>	<b>3.311</b>	58.958
Income tax expense	(5.210)	(2.057)	3.153	(1.914)	(2.057)	(143)
<b>Result from continuing operations</b>	<b>11.607</b>	<b>1.254</b>	(10.353)	<b>(57.561)</b>	<b>1.254</b>	58.815
<b>From discontinuing operations:</b>						
Profit for the year from discontinued operations	-	-	-	-	-	-
<b>Net income</b>	<b>11.607</b>	<b>1.254</b>	(10.353)	<b>(57.561)</b>	<b>1.254</b>	58.815
Attributable to:						
Owners of the parent	<b>10.808</b>	<b>1.312</b>	(9.496)	<b>(53.189)</b>	<b>1.312</b>	54.501
Non-controlling interests	<b>799</b>	<b>(58)</b>	(857)	<b>(4.372)</b>	<b>(58)</b>	4.314

Note: 2015 figures include Sulfur

**BEFESA**  
Balance Sheet ('000 euros)

Assets	31.03.16	31.12.15	Equity and liabilities	31.03.16	31.12.15
<b>Non-current assets</b>			<b>Equity:</b>		
<b>Intangible assets</b>			<b>Attributable to owners of the parent -</b>		
Goodwill	379.990	379.990	Share capital	13	13
Other intangible assets	17.006	18.009	Reserve for valuation adjustments deferred in equity	9.749	9.261
	<b>396.996</b>	<b>397.999</b>	Share premium	450.092	450.092
<b>Property, plant and equipment -</b>			Other reserves	(262.963)	(229.788)
Property, plant and equipment in use	336.736	346.536	Translation differences	(5.492)	(2.857)
Property, plant and equipment in progress	20.595	16.188	Net profit for the period	1.312	(33.303)
	<b>357.331</b>	<b>362.724</b>		<b>192.711</b>	<b>193.418</b>
<b>Investments carried under the equity method</b>	<b>1.568</b>	<b>1.526</b>	<b>Non-controlling interests</b>	<b>32.391</b>	<b>32.762</b>
<b>Non-current assets -</b>			<b>Total equity</b>	<b>225.102</b>	<b>226.180</b>
Securities portfolio	2.632	2.702			
Other financial assets	24.084	24.346	<b>Non-current liabilities:</b>		
	<b>26.716</b>	<b>27.048</b>			
<b>Deferred income tax assets</b>	<b>81.442</b>	<b>81.400</b>	<b>Provisions</b>	12.874	12.928
<b>Total non-current assets</b>	<b>864.053</b>	<b>870.697</b>	<b>Finance debt</b>	522.704	523.185
			<b>Finance lease payables</b>	7.858	7.535
<b>Current assets:</b>			<b>Deferred income tax liabilities</b>	40.737	40.765
<b>Inventories</b>	43.469	48.489	<b>Other non-current liabilities</b>	33.443	33.034
<b>Trade and other receivables</b>	95.491	87.045	<b>Total non-current liabilities</b>	<b>617.616</b>	<b>617.447</b>
<b>Trade receivables, related parties</b>	3.470	2.856			
<b>Tax receivables</b>	16.376	13.935	<b>Finance debt</b>	76.084	74.951
<b>Other receivables</b>	8.143	8.538	<b>Finance lease payables</b>	2.418	2.621
<b>Other current financial assets</b>	3.475	4.005	<b>Trade payables, related parties</b>	1.833	1.688
<b>Cash and cash equivalents</b>	55.518	57.253	<b>Trade and other accounts payable</b>	118.499	115.898
<b>Total current assets</b>	<b>225.942</b>	<b>222.121</b>	<b>Provisions</b>	124	139
			<b>Other payables -</b>		
<b>Total Assets</b>	<b>1.089.995</b>	<b>1.092.818</b>	Taxes payable	18.741	19.441
			Other current liabilities	29.578	34.453
				<b>48.319</b>	<b>53.894</b>
			<b>Total current liabilities</b>	<b>247.277</b>	<b>249.191</b>
			<b>Total equity and liabilities</b>	<b>1.089.995</b>	<b>1.092.818</b>

BEFESA

Cash Flow Statement ('000)	1Q 2015	1Q 2016	Change	4Q 2015	1Q 2016	Change
<b>Cash flows from operating activities:</b>						
Profit (loss) for the period before tax	16.817	3.311	(13.506)	(55.647)	3.311	58.958
Adjustments due to:						
Depreciation and amortisation charge	9.454	10.425	971	7.865	10.425	2.560
Impairment losses	-	-	-	59.497	-	(59.497)
Share of profit (loss) of associates	(144)	(42)	102	85	(42)	(127)
Changes in long-term provisions	(155)	-	155	(264)	-	264
Interest income	(4.145)	(600)	3.545	(728)	(600)	128
Finance costs	15.296	12.269	(3.027)	17.681	12.269	(5.412)
Other income/expenses	(167)	(399)	(232)	(1.087)	(399)	688
<b>Changes in working capital:</b>						
Trade receivables and other current assets	(25.167)	(8.112)	17.055	12.087	(8.112)	(20.198)
Inventories	(774)	5.020	5.794	(581)	5.020	5.601
Trade payables	10.986	(3.921)	(14.907)	(9.521)	(3.921)	5.599
<b>Other cash flows from operating activities:</b>						
Interest paid	(1.976)	(2.937)	(961)	(26.464)	(2.937)	23.527
Taxes paid	(1.708)	(2.400)	(692)	(4.681)	(2.400)	2.281
Other payments	-	-	-	-	-	-
<b>Net cash flows from operating activities (I)</b>	<b>18.317</b>	<b>12.614</b>	<b>(5.703)</b>	<b>(1.758)</b>	<b>12.614</b>	<b>14.373</b>
<b>Cash flows from investing activities:</b>						
Investments in intangible assets	-	(98)	(98)	(2.288)	(98)	2.190
Investments in property, plant and equipment	(6.856)	(5.853)	1.003	(13.573)	(5.853)	7.720
Proceeds from disposal of assets	-	-	-	29.792	-	(29.792)
Investments in subsidiaries and other non-current financial assets	-	-	-	1.656	-	(1.656)
Investments in other current financial assets	(943)	-	943	791	-	(791)
Disbursement due to other current financial assets	-	712	712	-	712	712
Interests collected	-	-	-	293	-	(293)
Dividends	-	-	-	260	-	(260)
<b>Net cash flows from investing activities (II)</b>	<b>(7.799)</b>	<b>(5.239)</b>	<b>2.560</b>	<b>16.931</b>	<b>(5.239)</b>	<b>(22.170)</b>
<b>Cash flows from financing activities:</b>						
Net financial account with Group companies	-	-	-	-	-	-
Bank borrowings and other non-current borrowings	5.526	13.669	8.143	5.800	13.669	7.869
Repayment of bank borrowings and other long term debt	(848)	(22.487)	(21.639)	(37.803)	(22.487)	15.316
<b>Net cash flows from financing activities (III)</b>	<b>4.678</b>	<b>(8.818)</b>	<b>(13.496)</b>	<b>(32.003)</b>	<b>(8.818)</b>	<b>23.185</b>
Effect of foreign exchange rate changes on cash and cash equivalents (IV)	-	(292)	(292)	(398)	(292)	106
<b>Net increase in cash and cash equivalents (I+II+III+IV)</b>	<b>15.196</b>	<b>(1.735)</b>	<b>(16.931)</b>	<b>(17.229)</b>	<b>(1.735)</b>	<b>15.494</b>
Cash and cash equivalents at beginning of year	78.615	57.253	(21.362)	74.482	57.253	(17.229)
<b>Cash and cash equivalents at end of year</b>	<b>93.811</b>	<b>55.518</b>	<b>(38.293)</b>	<b>57.253</b>	<b>55.518</b>	<b>(1.735)</b>

Note: 2015 figures include Sulfur

### BEFESA ZINC

#### Balance Sheet ('000 Euros)

Assets	31.03.2016	31.12.2015	Equity and Liabilities	31.03.2016	31.12.2015
<b>Non-Current Assets:</b>			<b>Equity:</b>		
<b>Intangible assets:</b>			<b>Of the Parent:</b>		
Goodwill	278.357	278.357	Share capital	25.010	25.010
Other intangible assets	3.708	4.038	Unrealized Asset and Liability Revaluation Reserve	7.261	6.767
	<b>282.065</b>	<b>282.395</b>	Other reserves	82.942	78.621
<b>Property, plant and equipment:</b>			Translation differences	1.616	2.240
Property, plant and equipment in use	130.255	133.961	Net profit for the year	1.751	4.120
Property, plant and equipment in the course of construction	7.592	6.813		<b>118.580</b>	<b>116.758</b>
	<b>137.847</b>	<b>140.774</b>	<b>Of Minority Interests</b>	<b>15.352</b>	<b>15.662</b>
<b>Investments accounted for using the equity method</b>			<b>Total Equity</b>	<b>133.932</b>	<b>132.420</b>
<b>Non-current financial assets:</b>			<b>Non-Current Liabilities:</b>		
Investments securities	1.670	1.670	Provisions for contingences and expenses	4.341	4.351
Other financial assets	462	607	Bank borrowings and finance leases	775	765
	<b>2.132</b>	<b>2.277</b>	Non Recourse Finance	297.946	297.704
<b>Derivative financial instruments</b>	<b>0</b>	<b>0</b>	Capital Grants	1.599	1.678
<b>Deferred tax assets</b>	<b>34.381</b>	<b>32.592</b>	Other non-current liabilities	134	152
<b>Total Non-Current Assets</b>	<b>456.425</b>	<b>458.038</b>	Derivative financial instruments	0	217
			Deferred tax liabilities	21.776	21.104
<b>Current Assets:</b>			<b>Total Non-Current Liabilities</b>	<b>326.571</b>	<b>325.971</b>
Inventories	13.626	13.881	<b>Current Liabilities:</b>		
Trade and other receivables	31.183	25.216	Non Recourse Finance	<b>9.984</b>	<b>3.328</b>
Trade receivables, related companies	2.465	2.970	Bank borrowings and finance leases	<b>233</b>	<b>263</b>
Tax receivables	3.975	3.447	Trade payables, related companies	<b>4.445</b>	<b>6.677</b>
Other receivables	2.976	2.622	Trade and other payables	<b>25.364</b>	<b>28.813</b>
Derivative financial instruments	786	423	Derivative financial instruments	<b>1.190</b>	<b>1.392</b>
Other current financial assets	7	6	Other payables:		
Cash and cash equivalents	25.313	24.348	Tax payables	10.672	8.006
	<b>80.331</b>	<b>72.913</b>	Other current liabilities	24.366	24.081
<b>Total Current Assets</b>	<b>80.331</b>	<b>72.913</b>		<b>35.038</b>	<b>32.087</b>
			<b>Total Current Liabilities</b>	<b>76.254</b>	<b>72.560</b>
<b>Total Assets</b>	<b>536.756</b>	<b>530.951</b>	<b>Total Equity and Liabilities</b>	<b>536.756</b>	<b>530.951</b>

### BEFESA ZINC

<b>Profit &amp; Loss Statement ('000 euros)</b>	<b>1Q 2015</b>	<b>1Q 2016</b>	<b>Change</b>	<b>4Q 2015</b>	<b>1Q 2016</b>	<b>Change</b>
Revenue	66.047	57.980	(8.067)	58.738	57.980	(758)
Cost of sales	(36.121)	(36.889)	(768)	(44.174)	(36.889)	5.858
Other operating income	694	459	(235)	1.616	459	(1.157)
<b>Gross Profit</b>	<b>30.620</b>	<b>21.550</b>	(9.070)	<b>16.180</b>	<b>21.550</b>	3.943
Depreciation and amortization charge	(4.072)	(4.354)	(282)	(5.707)	(4.354)	1.353
General and administrative expenses	(5.825)	(5.750)	75	(3.925)	(5.750)	(398)
Impairment losses	0	0	0	(9.496)	0	9.496
<b>Income From Operations</b>	<b>20.723</b>	<b>11.446</b>	(9.277)	<b>(2.948)</b>	<b>11.446</b>	14.394
Finance income	41	42	1	89	42	(47)
Finance costs	(7.946)	(7.520)	426	(11.312)	(7.520)	3.792
Exchange differences (gains and losses)	(196)	(487)	(291)	(530)	(487)	43
<b>Financial Loss</b>	<b>(8.101)</b>	<b>(7.965)</b>	136	<b>(11.753)</b>	<b>(7.965)</b>	3.788
<b>Profit Before Tax</b>	<b>12.622</b>	<b>3.481</b>	(9.141)	<b>(14.701)</b>	<b>3.481</b>	18.182
Income tax	(3.853)	(1.919)	1.934	(2.961)	(1.919)	1.042
<b>Profit for the year from continuing operations</b>	<b>8.769</b>	<b>1.562</b>	(7.207)	<b>(17.662)</b>	<b>1.562</b>	19.224
<b>Profit for the year</b>	<b>8.769</b>	<b>1.562</b>	(7.207)	<b>(17.662)</b>	<b>1.562</b>	19.224
<b>Attributable to:</b>						
Shareholders of the parent	8.607	1.752	(6.855)	(16.489)	1.752	18.241
Minority interests	162	(190)	(352)	(1.173)	(190)	983
<b>EBITDA</b>	<b>24.795</b>	<b>15.800</b>	(8.995)	<b>12.255</b>	<b>15.800</b>	3.545

### BEFESA ZINC

#### Cash Flow Statement ('000 euros)

#### Cash Flows From Operating Activities

	1Q 2015	1Q 2016	Change	4Q 2015	1Q 2016	Change
<b>Profit for the period before tax</b>	<b>12.622</b>	<b>3.481</b>	(9.141)	<b>(14.701)</b>	<b>3.481</b>	18.182
<b>Adjustments due to:</b>						
Amortization/ Depreciation	4.072	4.354	282	5.707	4.354	(1.353)
Impairment test	0	0	0	9.496	0	(9.496)
(Profit)/Loss on disposal of non-current assets	13	13	0	(8)	13	21
Change in provisions	77	(3)	(80)	141	(3)	(144)
Financial income	(41)	(42)	(1)	(89)	(42)	47
Financial expense	7.946	7.520	(426)	11.312	7.520	(3.792)
Income from government grants	(140)	(79)	61	(85)	(79)	6
Exchange differences	196	487	291	530	487	(43)
<b>Change in working capital:</b>						
Change in trade receivables and other receivables	(5.563)	(5.970)	(407)	5.875	(5.970)	(11.845)
Change in inventories	(2.025)	217	2.242	1.008	217	(791)
Change other current assets	(539)	(377)	162	1.869	(377)	(2.246)
Change in other current liabilities	1.627	(1.885)	(3.512)	(4.816)	(1.885)	2.931
<b>Cash generated from operations</b>	<b>18.245</b>	<b>7.716</b>	(10.529)	<b>16.239</b>	<b>7.716</b>	(8.523)
Taxes paid	(1.873)	(3.132)	(1.259)	(2.676)	(3.132)	(456)
Interest paid	(1.411)	(700)	711	(16.047)	(700)	15.347
Interest received	41	42	1	89	42	(47)
<b>Net Cash Flows From Operating Activities (I)</b>	<b>15.002</b>	<b>3.926</b>	(11.076)	<b>(2.395)</b>	<b>3.926</b>	6.321
<b>Cash Flows From Investing Activities</b>						
Purchase of intangible assets	(9)	0	9	(37)	0	37
Purchase of property, plant and equipment	(4.401)	(3.167)	1.234	(3.951)	(3.167)	784
Proceeds from disposal of assets	1	75	74	8	75	67
Other non-current financial assets	117	145	28	0	145	145
Capital grants received	0	0	0	0	0	0
<b>Net Cash Flows From Investing Activities (II)</b>	<b>(4.292)</b>	<b>(2.947)</b>	1.345	<b>(3.980)</b>	<b>(2.947)</b>	1.033
<b>Cash flows from financing activities</b>						
Repayment of borrowings and other long-term debt	(795)	(63)	732	(63)	(63)	0
Long Term borrowings	0	49	49	0	49	49
Distribution of dividends/capital reduction	0	0	0	(8.435)	0	8.435
<b>Net Cash Flows From Financing Activities (III)</b>	<b>(795)</b>	<b>(14)</b>	781	<b>(8.498)</b>	<b>(14)</b>	8.484
<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>0</b>	0
<b>Net Increase In Cash and Cash Equivalents (I+II+III+IV)</b>	<b>9.915</b>	<b>965</b>	(8.950)	<b>(14.873)</b>	<b>965</b>	15.838
Cash and cash equivalents at beginning of the period	49.001	24.348	(24.653)	39.221	24.348	(14.873)
<b>Cash and cash equivalents at end of the period</b>	<b>58.916</b>	<b>25.313</b>	(33.603)	<b>24.348</b>	<b>25.313</b>	965