

# BEFESA

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# BEFESA

## Fiscal Year 2016 Earnings Presentation

6<sup>th</sup> April 2017

## Wolf Lehmann

Chief Financial Officer

This presentation contains forward-looking statements and information relating to Befesa and its affiliates that are based on the beliefs of its management as well as assumptions made and information currently available to Befesa and its affiliates.

Such statements reflect the current views of Befesa and its affiliates with respect to future events and are subject to risks, uncertainties and assumptions.

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2016 numbers are not yet audited as the audit is still in process  
but no material changes expected.

## Javier Molina

**Chief Executive Officer**

### Stable revenues of €612m, Adj EBITDA of €133m / +7%, and Adj EBIT of €103m / +9%

-  Consecutive quarter by quarter recovery in EBITDA & EBIT
-  Completed non core divestitures
-  Strategic focus on high margin Steel Dust & Salt Slags Services
-  Zinc price recovery on track
-  Cost savings on target
-  Low alu prices have negatively impacted alu earnings and salt slag profits
-  Capacity utilization in Korea & Turkey still low ... but ramping up ... good room for volume growth


### Successfully completed divestiture of non-core low margin businesses

#### Divestiture highlights

- 1.5 years management effort to divest 4 non-core operations
- Signed and closed
  - Sulfuric acid business in 4Q 2015 ... to Ineos
  - IES Spain in 4Q 2016 ... to Ditecsa
  - Plastics in 4Q 2016 ... to GWE Plastics
  - IES LatAm (Peru, Chile) & Solarca in 1Q 2017 ... to Séché Environment
- Total proceeds €132 million used to pay down Non-Zinc debt
- Total EV/EBITDA multiple of x9
- Leverage reduced to x3,6 ... from historic high of ~x5

### Financial Reporting by Segments adjusted to reflect new business perimeter after divestitures ...

#### Previous Financial Segmentation

- **Zinc Business**
  - Crude Steel
  - Stainless Steel
  
- **Non Zinc Business**
  - Aluminium
  - IES 
  
- **Total Befesa Consolidated**

#### New Financial Segmentation

- **Steel Dust Recycling Services(\*)**
  
  
  
  
  
  
  
  
  
  
- **Aluminium Salt Slags Services**
  - Salt Slags
  - Secondary Aluminium
  
  
  
  
  
  
  
  
  
  
- **Total Befesa Consolidated(\*\*)**

(\*) Simplified to reflect both Crude Steel and Stainless Steel given limited financial contribution of the latter;

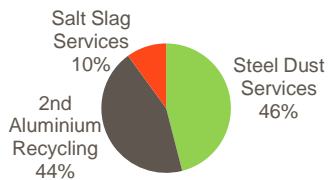
(\*\*) Including Corp and Argentina in Befesa Consolidated.

### Befesa is the market leader in providing hazardous waste recycling services to the steel production and aluminium recycling industries

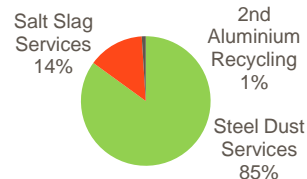
Employees: c.1,250

Headquarters: Ratingen (Germany)

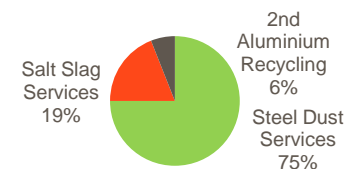
2016A Revenues: €612m



2016A Adj. EBIT: €103m



2016A Adj. EBITDA: €133m



>90% of EBITDA coming from +30% EBITDA margin business

#### Steel Dust Services



Position in Europe (c. 45-50% Market Share)

29% (35%)

Adj. EBIT(DA) Margin 2016<sup>1</sup>; Niche Market

680kt

Steel Dust Volume Collected and Treated in 2016<sup>1</sup>

Relationship >15yrs



Business Model

Service Provider to Steel Producers

Maint. Capex

Low Maintenance Capex

Strategy

Attractive Organic Growth Expansion

#### Aluminium Salt Slag Services



Position in Europe in Salt Slag (c. 45% Market Share)

23% (32%)

Adj. EBIT(DA) Margin in Salt Slag 2016<sup>2</sup>; Niche Market

492kt

Salt Slag Volume Recycled in 2016<sup>2</sup>

Relationship >15yrs



Business Model

Service Provider to Aluminium Recyclers

Maint. Capex

Low Maintenance Capex

Strategy

Attractive Organic Growth Expansion

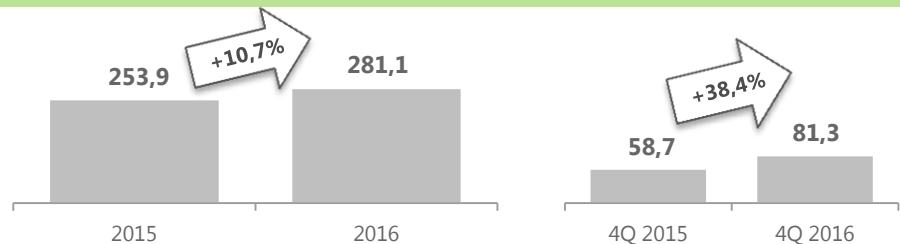


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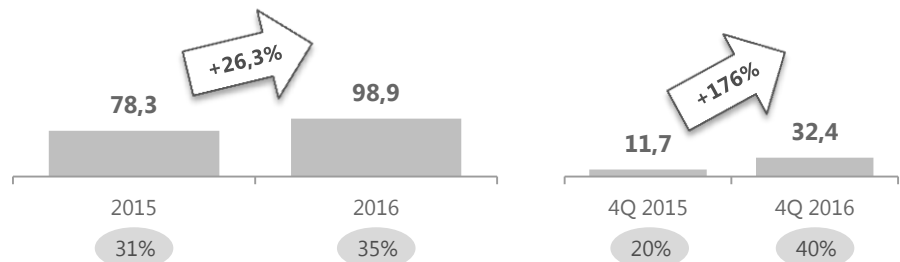
Managing Director of Steel Dust Recycling Services

YoY increase in revenues and earnings driven by higher zinc prices, higher volumes and operational excellence on track ...

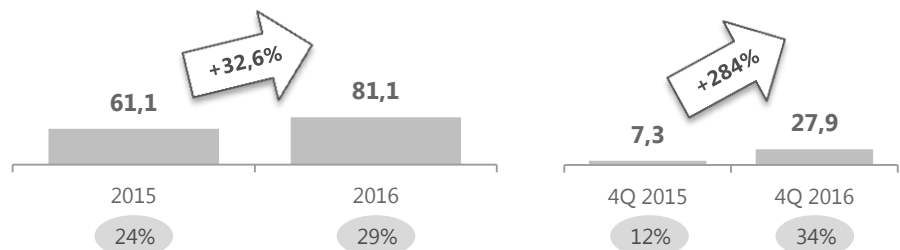
### Steel Dust Services – Revenues



### Steel Dust Services – Adj. EBITDA



### Steel Dust Services – Adj. EBIT



### Revenues Highlights

- YoY 4Q '16 vs. '15 the revenues **increased** by €23 million or **+38%** mainly driven by:
  - increase** in the **zinc blended price** by **+47%**; ~€2.162 in 4Q'16 vs. ~€1.470 in 4Q'15.
  - as well as the **increase** of **WOX tons sold** by **+3,9%**, and favorable treatment charges YoY.
  - partially offset by lower volumes of stainless steel dust treated (-27%)
- YoY '16 vs '15 revenues **increased** by €27 million or **+11%** mainly driven by:
  - the **increase** in the **zinc blended price** by **+11%**; ~€1.939 in FY'16 vs. ~€1.741 in FY'15.
  - as well as the **increase** of **WOX tons sold** by **+2%** or ~3.900 tons, and **favorable treatment charges** for 2016.
  - partially offset by lower volumes of stainless steel dust treated (-2,5%) as well as lower LME nickel average prices (-18%).

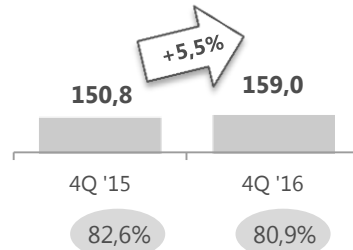
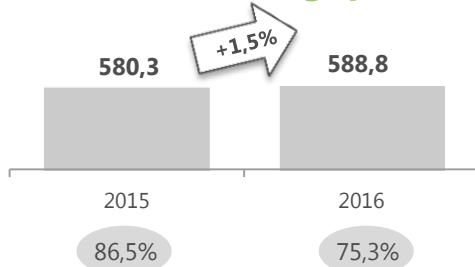
### Adj. EBITDA & EBIT Highlights

- The **earnings increase YoY** during 4Q as well as FY are mainly driven by the combined **favorable impact** of the **zinc price** increase, higher **volume** as well as **operational excellence** gains.

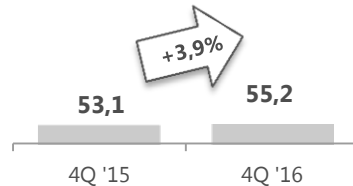
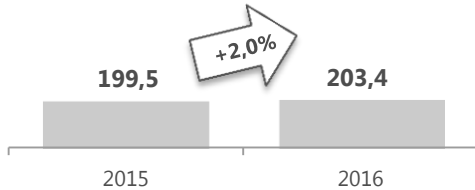
Crude steel volume in line with expectations and slightly up YoY ...

### Volumes & Capacity Utilization (K tons)

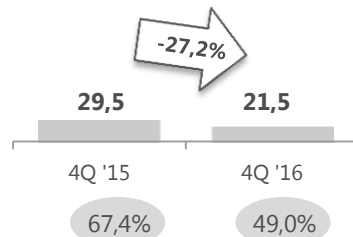
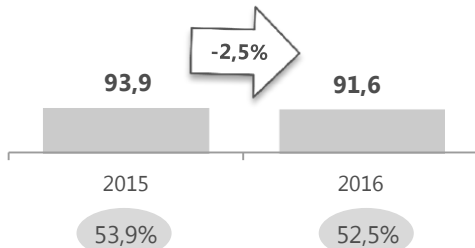
#### EAF Dust Throughput



#### WOX Sales



#### Stainless Steel Throughput:



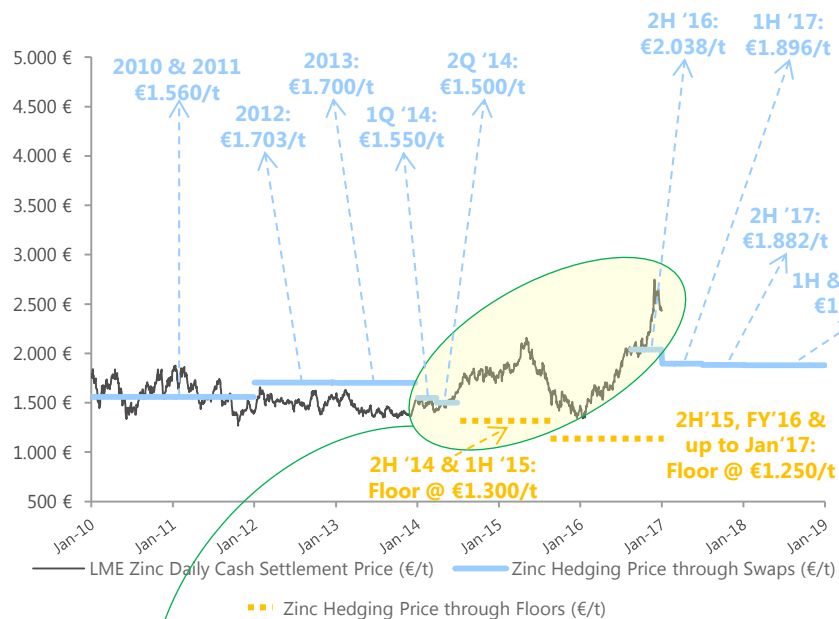
#### Highlights

- **Solid 4Q crude steel dust** volume. Total year slightly above 2015.
- **Good throughput levels** despite low Korea steel production.
- **Throughput in Korea plant up +23% or +18 kt YoY** mainly due to **successfully expanding recycling services to neighboring countries** primarily in South East Asia (e.g. Thailand, Taiwan).
- **WOX sales up YoY in all regions.**
- Capacity increased in 2016 by the addition of the 2<sup>nd</sup> Korea kiln.

**4Q'16 zinc prices maintained upward trend seen since begin of 2016 ... 4Q average at ~€2.340 or +60% higher YoY ... ending at ~€2.430**

### Zinc Prices

- During 4Q '16 LME zinc prices traded on avg \$904/t above 4Q' 15 (\$2.517/t vs \$1.613/t), and approx. \$262/t above 3Q '16 avg level.
- LME zinc prices ended the 4Q '16 at \$2.563/€2.432 ... approx. \$158/€289 above the maximum level seen in 2015.
- Higher LME Zinc average price compared to 3Q '16 additionally favored by favorable €/ \$ FX rate. US Dollar slightly depreciated against Euro (1,08 in 4Q '16 vs 1,12 in 3Q '16, on average).

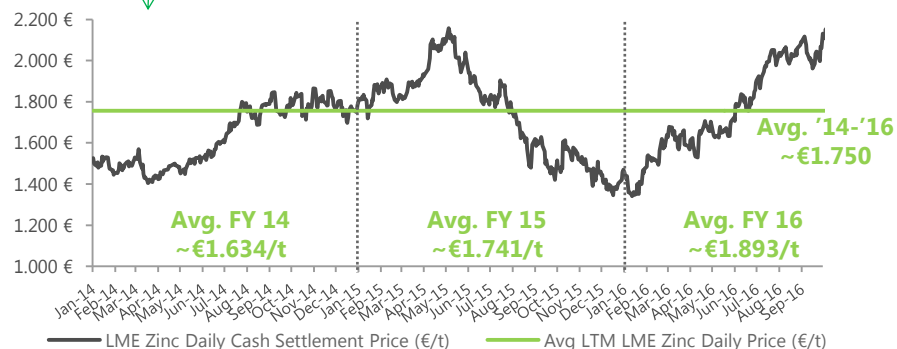


|                                    | FY 2015 | FY 2016 | % Var. | 4Q 2015 | 4Q 2016 | % Var. |
|------------------------------------|---------|---------|--------|---------|---------|--------|
| Befesa blended (*) zinc price(€/t) | 1.741   | 1.939   | +11%   | 1.470   | 2.162   | +47%   |
| LME avg price (€/t)                | 1.741   | 1.893   | +9%    | 1.470   | 2.338   | +59%   |

### Hedging

- Hedged through swaps until and including Dec '18 ... ~60% of volume hedged for '17 & '18.

| Period  | Swaps avg. price €/t | Zinc content tons hedged |
|---------|----------------------|--------------------------|
| 2H 2016 | €2.038               | 30.500 tons              |
| 1H 2017 | €1.896               | 36.600 tons              |
| 2H 2017 | €1.882               | 36.600 tons              |
| 1H 2018 | €1.879               | 36.600 tons              |
| 2H 2018 | €1.879               | 36.600 tons              |



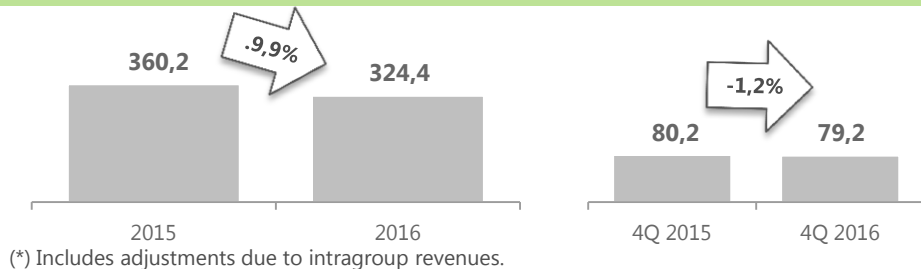
(\*) Blended includes impact of hedges as well as impact of volume weighting by month; Source: London Metal Exchange; Company data

## Javier Molina

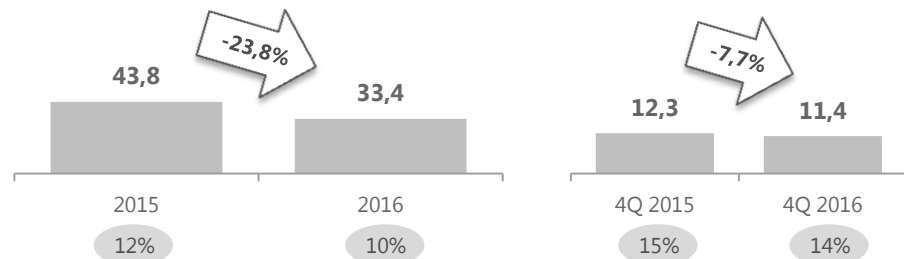
Chief Executive Officer

## Revenues and adjusted earnings in the Aluminium Salt Slags Services Business mainly impacted by weak alu alloy prices

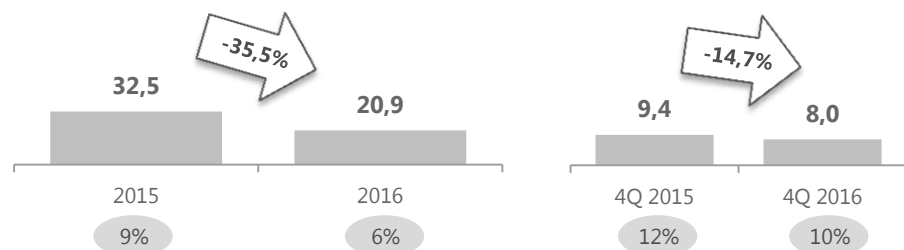
### Alu. Salt Slags Services Revenues(\*)



### Alu. Salt Slags Services Adj. EBITDA



### Alu. Salt Slags Services Adj. EBIT



### Revenues Highlights

- 4Q 2016 revenues in line with 4Q 2015 even though lower aluminium alloy average selling prices (-2% or approx. -€30/t decrease ... from avg. €1.477 during 4Q'15 to avg. €1.444 in 4Q'16).
- On an annual basis, revenues decreased by 10% compared to 2015 mainly explained by lower aluminium alloy average selling prices of -9% or approx. -€147/t decrease ... from avg. €1.553 during 2015 to avg. €1.406 in 2016.

### EBITDA & EBIT Highlights

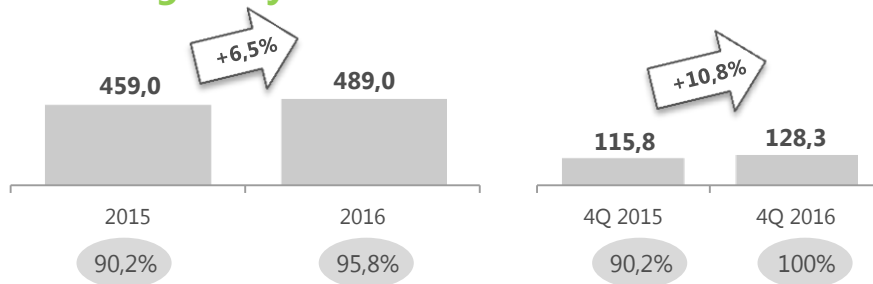
- Earnings decrease driven by the YoY weaker price levels which is having a negative impact on the margins of secondary aluminium.

Note: ~10% recovery in average alu alloy prices in 1Q 2017 vs 4Q 2016.

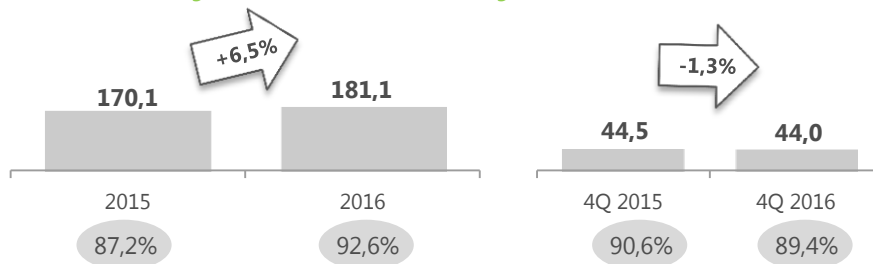
Aluminium with new record volume in both, Salt Slags & 2<sup>nd</sup> Alu ...  
 Bernburg ramp up completed ...  
 but aluminium prices YoY decreased

## Volumes & Capacity Utilization (K tons)

### ▪ Salt Slags Recycled



### ▪ Secondary Aluminium Alloys Produced



### ▪ Average LME Aluminium Alloy Prices (€/ton)

| FY 2015 | FY 2016 | % Var. | 4Q 2015 | 4Q 2016 | % Var. |
|---------|---------|--------|---------|---------|--------|
| 1.553   | 1.406   | -9%    | 1.477   | 1.444   | -2%    |

### Highlights

- **Strong salt slag and SPLs YoY volume growth** in 4Q 2016 as well as Total 2016.
- Secondary aluminium volumes with solid YoY growth for total 2016; ~flat 4Q YoY.
- **Bernburg ramp up completed** and running at full speed ... Closed 2016 at ~80% of plant capacity ... Note: Feb 2017 Bernburg volume output above 6.300 tons ... Annualized above nominal capacity (75.000 tons)
- **Aluminium alloys prices YoY average down** from ~€1.553 (avg 2015) to ~€1.406 (avg 2016) ... ~€147/t below on average or **9,4% decrease YoY**. Recovering in 2017.

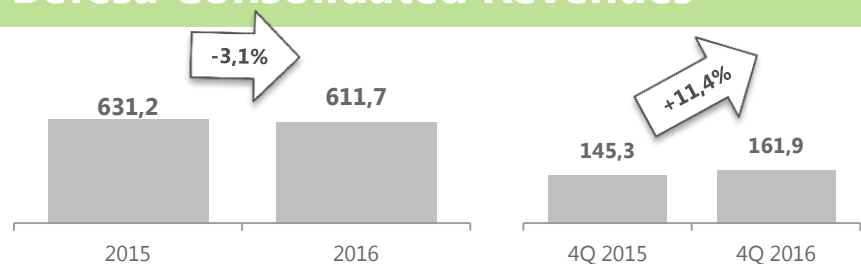
## Wolf Lehmann

Chief Financial Officer

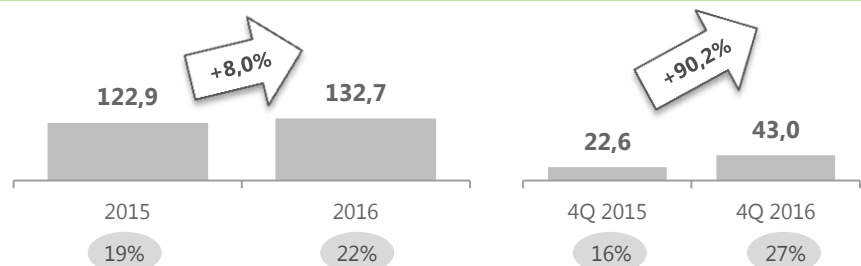


### Consecutive quarter over quarter recovery in 2016 continues ... 4Q16 financial results at solid earnings levels, in line with expectations

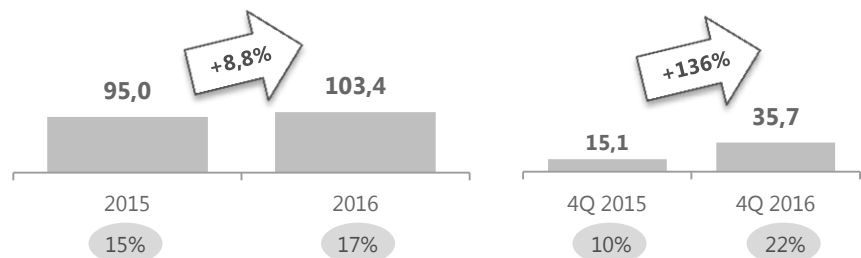
#### Befesa Consolidated Revenues



#### Befesa Consolidated Adj. EBITDA



#### Befesa Consolidated Adj. EBIT



#### Highlights

- Recovery from lows in 4Q'15 & 1Q'16 continuing ... Ending 2016 with solid earnings in 4Q'16.
- 4Q 2016 consolidated revenues at **€162 million**, **+11% or €17 million increase** compared to 4Q '15 (+6% or €9 million incl. Sulfur in 4Q'15); mainly driven by **+4% higher Steel Dust Wox tons** sold, **+11% higher Salt Slags tons** recycled, as well as **higher LME zinc prices** partially offset with **lower Alu prices** compared to the same period of 2015.
- **4Q 2016** consolidated Adj. **EBITDA** of **€43 million** and **27% of revenue** ... **EBIT** of **€36 million** and **22% of revenue** ... in line with expectations
- Implementation of cost reduction and **operational excellence** initiatives on track.

**4Q revenue +6%/€9 or +11%/€17 Normalized for `15 Sulfur divestiture ... Total 2016 revenue (7%)/(€49) or (3%)/(€20) Normalized; Slow 1H**

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

| BEFESA<br>Profit & Loss Statement ('000 euros)       | Reported        |                  |                 | Reported        |                  |                  |
|--|-----------------|------------------|-----------------|-----------------|------------------|------------------|
|  | 4Q 2015         | 4Q 2016          | Change          | 2015            | 2016             | Change           |
| Revenue  | 152.900         | 161.916          | 9.016           | 661.082         | 611.687          | (49.395)         |
| <b>EBITDA</b>  | <b>26.835</b>   | <b>40.604</b>    | <b>13.769</b>   | <b>132.953</b>  | <b>128.961</b>   | <b>(3.992)</b>   |
| Depreciation, amortisation and impairment provisions | (64.198)        | (19.652)         | 44.546          | (92.685)        | (44.496)         | 48.189           |
| <b>EBIT</b>  | <b>(37.363)</b> | <b>20.952</b>    | <b>58.315</b>   | <b>40.268</b>   | <b>84.465</b>    | <b>44.197</b>    |
| Financial result                                     | (16.959)        | (16.553)         | 406             | (57.034)        | (49.803)         | 7.231            |
| <b>Earnings Before Taxes</b>                         | <b>(54.322)</b> | <b>4.399</b>     | <b>58.721</b>   | <b>(16.766)</b> | <b>34.662</b>    | <b>51.428</b>    |
| Income tax expense                                   | 214             | (3.297)          | (3.511)         | (13.910)        | (13.736)         | 174              |
| <b>Result from continuing operations</b>             | <b>(54.108)</b> | <b>1.102</b>     | <b>55.210</b>   | <b>(30.676)</b> | <b>20.926</b>    | <b>51.602</b>    |
| <b>Result from discontinuing operations</b>          | <b>(3.453)</b>  | <b>(101.014)</b> | <b>(97.561)</b> | <b>(5.053)</b>  | <b>(108.231)</b> | <b>(103.178)</b> |
| <b>Net income</b>                                    | <b>(57.561)</b> | <b>(99.912)</b>  | <b>9.422</b>    | <b>(35.729)</b> | <b>(87.305)</b>  | <b>97.658</b>    |

### Comments

- 2016 **revenue** decreased (7%)/(€49) –or- (3%)/(€20) normalized for **4Q`15 sulfur divestiture**; slow 1H.
- 2016 **EBITDA** at €129 decreased (€4) YoY –or- up €1 if normalized for sulfur.
- 2016 **EBIT** at €84 increased +€44 YoY –or- up €1 if normalized for sulfur & book value write down.
- The improved **financial result** is mainly driven by lower interest charges after the **successful non zinc refinancing** (non zinc loan, Bernburg loan...).
- The **discontinued operations** result is due to the **divestiture of the IES Businesses** in 4Q`16 (IES Spain, Plastics) and subsequent Mar `17 (Solarca, IES Latam) and related book value write downs.

### Strong Cash Generation ... Cash Up €5 YoY after (€19) Taxes, (€56) Debt Service, (€33) CapEx and Korea Final 20% Share Acquisition ...

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

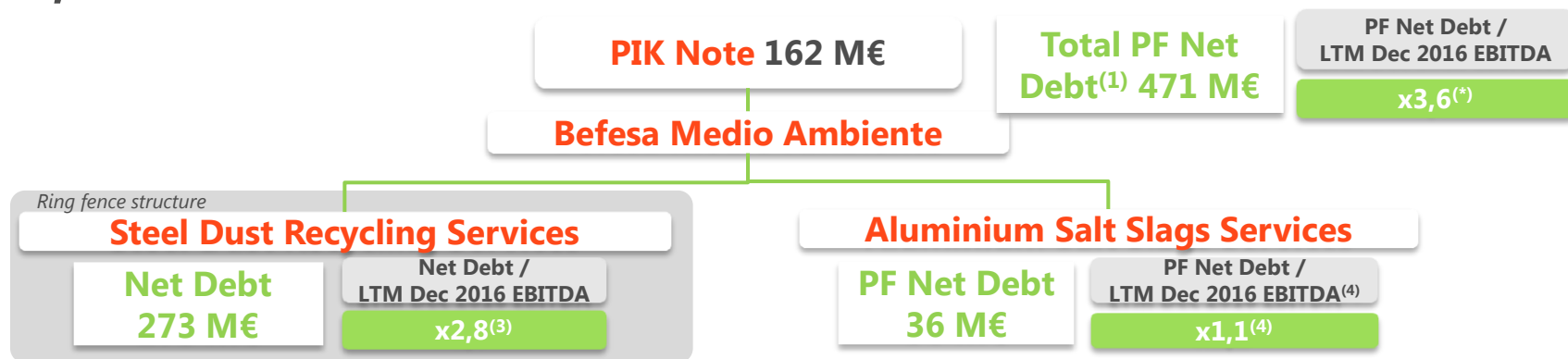
##### BEFESA

| Cash Flow Statement ('000)                                  | 4Q 2015         | 4Q 2016         | Change   | 2015            | 2016            | Change   |
|---|-----------------|-----------------|----------|-----------------|-----------------|----------|
| Cash flows from operations                                  | 29.386          | 47.699          | 18.313   | 124.283         | 130.811         | 6.528    |
| Taxes paid  | (4.681)         | (3.807)         | 874      | (12.109)        | (18.833)        | (6.724)  |
| Interest paid   | (26.464)        | (24.325)        | 2.139    | (58.579)        | (55.722)        | 2.857    |
| <b>Net cash flows from operating activities (I)</b>         | <b>(1.759)</b>  | <b>19.567</b>   | 21.326   | <b>53.595</b>   | <b>56.256</b>   | 2.661    |
| <b>Net cash flows from investing activities (II)</b>        | <b>16.931</b>   | <b>(8.020)</b>  | (24.951) | <b>(22.237)</b> | <b>(33.172)</b> | (10.935) |
| <b>Net cash flows from financing activities (III)</b>       | <b>(32.003)</b> | <b>(10.397)</b> | 21.606   | <b>(52.322)</b> | <b>(17.466)</b> | 34.856   |
| <b>Net increase in cash and cash equivalents (I+II+III)</b> | <b>(17.229)</b> | <b>852</b>      | 18.081   | <b>(21.362)</b> | <b>4.750</b>    | 26.112   |
| <b>Cash and cash equivalents at beginning of year</b>       | <b>74.482</b>   | <b>61.151</b>   | (13.331) | <b>78.615</b>   | <b>57.253</b>   | (21.362) |
| <b>Cash and cash equivalents at end of year</b>             | <b>57.253</b>   | <b>62.003</b>   | 4.750    | <b>57.253</b>   | <b>62.003</b>   | 4.750    |

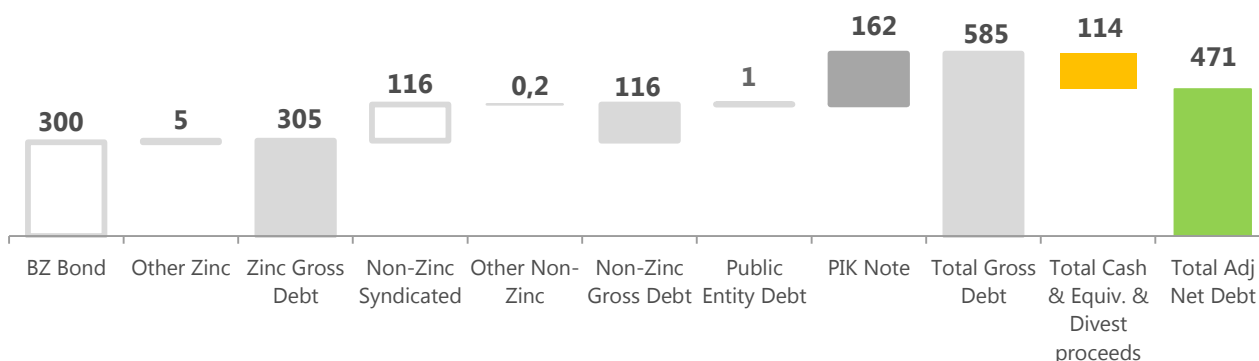
#### Comments

- 2016 net cash flows from **operating activities** at **€56 million**; up €3 million YoY mainly due to the better operational performance and less interest paid, partially offset by higher taxes paid.
- 2016 net cash flows used in **investing activities** were **(€33) million**, mainly driven by the annual **maintenance capex of ~€20 million** and capex invested for expansion / productivity projects.
- Net cash flows used for **financing activities** were **(€17) million** - mainly for the **acquisition of the remaining 20% stake** in Befesa Zinc **Korea** (€15m in 3Q'16).
- As of December 31st 2016, **liquidity** amounted to a solid **€62 million** including only cash on hand.

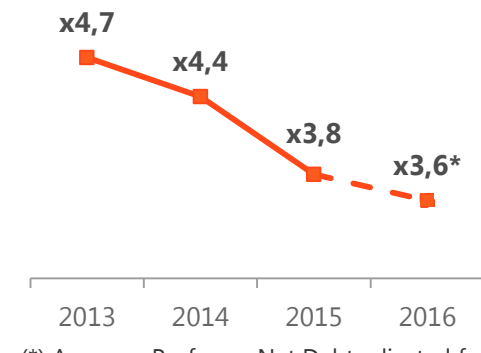
### Divestiture of non core IES businesses improve leverage to x3,6 Pro-Forma Year End '16 ...



### Total Net Debt (excl. Factoring/Confirming<sup>(1)</sup>): Dec YE 2016 (M€)



### Leverage Evolution



(\* ) Assumes Proforma Net Debt adjusted for IES divestiture proceeds and Total EBITDA reported of €129m, as of Dec 31, 2016.

### Strong Liquidity and Compliant with All Debt Covenants

(1) Excludes Factoring and Confirming of 42,6 M€ as of December 31<sup>st</sup> 2016  
 (2) Assuming as of December 31<sup>st</sup> 2016 Consolidated EBITDA of 129 M€  
 (3) Assuming as of December 31<sup>st</sup> Steel Dust Recycling Services EBITDA of 97 M€  
 (4) Assuming as of December 31<sup>st</sup> Alu. Salt Slags Services EBITDA of 32 M€

## Javier Molina

Chief Executive Officer

### Main Priorities for 2017

Focus on profitable growth in core markets (Steel Dust & Alu Salt Slags)  
... Continuing operational excellence

- **Maintain a leading** position in the **steel dust & alu salt slag** services in **Europe**
- **Cash focus** by managing capex, WC and operating cash flows adequately
- Sustain & further improve our **EH&S** performance across our global operations
- Further **increase and secure volumes** of our Steel Dust and Salt Slags plants
- Continue the **operational excellence culture** and rigor

### Business & Market Overview

2017 expected to be another good year for Befesa based on current market trends ...

- **Strong volume** expected in **steel dust** driven by **positive steel industry** in **Europe** as well as higher volume in **emerging** markets of **Korea and Turkey**
- **Volume increase** expected in **aluminium** driven by **higher production** in **Bernburg** as well as **strong performance** expected in the **auto** industry in **Europe**
- **Good zinc price fundamentals** and **hedging** policy in place to **secure a good blended price**
- New businesses perimeter (i.e. IES divested) allows management to **focus on core businesses** and **execute strategy**

Introduction

Business  
Highlights

Steel Dust  
Recycling Services

Aluminium Salt  
Slags Services

Financials

Business  
Outlook

Q&A

Appendix

## Q&A

## Appendix



|                                       |           | 1Q      | 2Q      | 3Q      | 4Q      | FY      | 1Q      | 2Q      | 3Q      | 4Q      | FY      | 4Q 2016 vs 2015<br>Change |           | 2016 vs 2015<br>Change |        |
|---------------------------------------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------------|-----------|------------------------|--------|
|                                       |           | 2015    | 2015    | 2015    | 2015    | 2015    | 2016    | 2016    | 2016    | 2016    | 2016    | (tons)                    | (%)       | (tons)                 | (%)    |
| <b>Crude steel dust recycling</b>     |           |         |         |         |         |         |         |         |         |         |         |                           |           |                        |        |
| Installed capacity <sup>1</sup>       | tons      | 670.300 | 670.300 | 670.300 | 670.300 | 670.300 | 780.300 | 780.300 | 780.300 | 780.300 | 780.300 | 110.000                   | 16,4%     | 110.000                | 16,4%  |
| Crude steel dust processed            | tons      | 141.535 | 136.916 | 151.038 | 150.763 | 580.253 | 138.121 | 138.167 | 153.516 | 159.040 | 588.843 | 8.277                     | 5,5%      | 8.590                  | 1,5%   |
| Waelz oxide produced                  | tons      | 48.461  | 47.969  | 51.897  | 53.108  | 201.435 | 47.502  | 48.210  | 52.881  | 56.419  | 205.012 | 3.312                     | 6,2%      | 3.577                  | 1,8%   |
| Waelz oxide sold                      | tons      | 47.715  | 47.364  | 51.367  | 53.088  | 199.534 | 48.687  | 47.516  | 52.075  | 55.165  | 203.443 | 2.077                     | 3,9%      | 3.909                  | 2,0%   |
| Zinc content in sale                  | tons      | 32.049  | 32.101  | 34.491  | 35.493  | 134.134 | 32.594  | 31.734  | 34.497  | 36.699  | 135.524 | 1.206                     | 3,4%      | 1.390                  | 1,0%   |
| Annual average zinc LME price         | EUR / ton | 1.847   | 1.988   | 1.659   | 1.470   | 1.741   | 1.520   | 1.699   | 2.018   | 2.336   | 1.896   | 865                       | 58,8%     | 155                    | 8,9%   |
| Utilization <sup>2</sup>              | %         | 85,6%   | 81,9%   | 89,4%   | 82,6%   | 86,5%   | 71,0%   | 71,0%   | 78,1%   | 80,9%   | 75,3%   |                           |           |                        |        |
| <b>Stainless steel dust recycling</b> |           |         |         |         |         |         |         |         |         |         |         |                           |           |                        |        |
| Installed capacity                    | tons      | 174.000 | 174.000 | 174.000 | 174.000 | 174.000 | 174.000 | 174.000 | 174.000 | 174.000 | 174.000 | 0                         | 0,0%      | 0                      | 0,0%   |
| Stainless steel dust processed        | tons      | 19.924  | 27.881  | 16.526  | 29.540  | 93.870  | 17.254  | 31.246  | 21.563  | 21.504  | 91.567  | (8.035)                   | -27,2%    | (2.304)                | -2,5%  |
| Sale of alloys                        | tons      | 319     | 1.444   | 897     | 2       | 2.662   | 3.126   | 894     | 1.663   | 7.026   | 12.710  | 7.024                     | 351211,0% | 10.048                 | 377,5% |
| Annual average nickel LME price       | EUR / ton | 12.733  | 11.791  | 9.487   | 8.599   | 10.652  | 7.714   | 7.815   | 9.195   | 10.025  | 8.695   | 1.426                     | 16,6%     | (1.957)                | -18,4% |
| Utilization <sup>2</sup>              | %         | 46,4%   | 64,3%   | 37,7%   | 67,4%   | 53,9%   | 39,8%   | 72,0%   | 49,2%   | 49,0%   | 52,5%   |                           |           |                        |        |

1 The installed crude steel dust recycling capacity consolidates 100% of the total annual recycling capacity of BZ Korea (since July 2016 we have a 100% stake in BZ Korea).

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

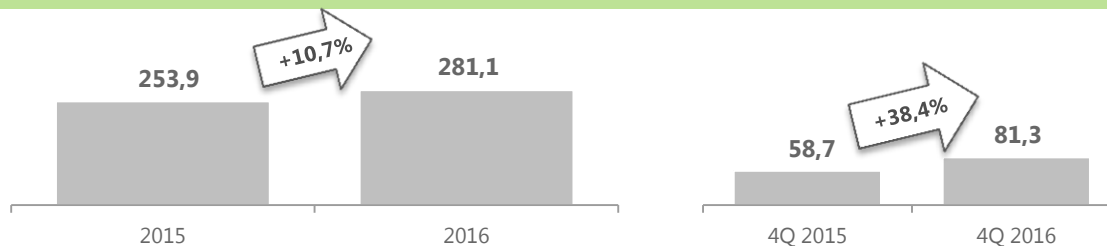
|   |           | 1Q      | 2Q      | 3Q      | 4Q      | FY      | 1Q      | 2Q      | 3Q      | 4Q      | FY      | 4Q 2016 vs 2015<br>Change |        | 2016 vs 2015<br>Change |        |
|---|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------------|--------|------------------------|--------|
|   |           | 2015    | 2015    | 2015    | 2015    | 2015    | 2016    | 2016    | 2016    | 2016    | 2016    | (tons)                    | (%)    | (tons)                 | (%)    |
| <b>Salt slags and SPLs recycling</b>              |           |         |         |         |         |         |         |         |         |         |         |                           |        |                        |        |
| Installed capacity <sup>6</sup>                   | tons      | 609.000 | 609.000 | 609.000 | 609.000 | 609.000 | 609.000 | 609.000 | 609.000 | 609.000 | 609.000 | 0                         | 0,0%   | 0                      | 0,0%   |
| Salt slags recycled                               | tons      | 110.644 | 119.897 | 100.642 | 112.312 | 443.495 | 108.414 | 126.011 | 104.047 | 114.753 | 453.225 | 2.441                     | 2,2%   | 9.730                  | 2,2%   |
| SPLs recycled                                     | tons      | 5.631   | 4.691   | 1.730   | 3.472   | 15.524  | 9.126   | 6.527   | 6.585   | 13.544  | 35.782  | 10.072                    | 290,1% | 20.258                 | 130,5% |
| Aluminium concentrate produced                    | tons      | 9.360   | 10.548  | 8.393   | 9.656   | 37.957  | 8.953   | 10.376  | 8.294   | 10.118  | 37.741  | 462                       | 4,8%   | (216)                  | -0,6%  |
| Aluminium salt produced                           | tons      | 41.214  | 44.809  | 40.393  | 44.331  | 170.747 | 35.997  | 45.537  | 39.006  | 45.752  | 166.292 | 1.421                     | 3,2%   | (4.455)                | -2,6%  |
| Utilization <sup>7</sup>                          | %         | 92,6%   | 98,2%   | 79,8%   | 90,2%   | 90,2%   | 92,6%   | 104,4%  | 86,2%   | 100,0%  | 95,8%   |                           |        |                        |        |
| <b>Secondary aluminium production</b>             |           |         |         |         |         |         |         |         |         |         |         |                           |        |                        |        |
| Installed capacity <sup>9</sup>                   | tons      | 195.000 | 195.000 | 195.000 | 195.000 | 195.000 | 195.000 | 195.000 | 195.000 | 195.000 | 195.000 | 0                         | 0,0%   | 0                      | 0,0%   |
| Scrap aluminium recycled <sup>10</sup>            | tons      | 61.118  | 65.523  | 55.366  | 63.136  | 245.143 | 68.798  | 72.688  | 47.372  | 65.520  | 254.378 | 2.384                     | 3,8%   | 9.235                  | 3,8%   |
| Secondary aluminium alloys produced <sup>11</sup> | tons      | 41.611  | 45.348  | 38.609  | 44.540  | 170.108 | 47.070  | 50.493  | 39.608  | 43.953  | 181.124 | (587)                     | -1,3%  | 11.016                 | 6,5%   |
| Annual avg. aluminium alloy LME price             | EUR / ton | 1.598   | 1.611   | 1.532   | 1.477   | 1.554   | 1.420   | 1.384   | 1.394   | 1.444   | 1.406   | (33)                      | -2,2%  | (148)                  | -9,5%  |
| Annual avg. high-grade aluminium LME price        | EUR / ton | 1.604   | 1.601   | 1.431   | 1.365   | 1.497   | 1.376   | 1.392   | 1.451   | 1.586   | 1.451   | 220                       | 16,1%  | (45)                   | -3,0%  |
| Utilization <sup>7</sup>                          | %         | 86,5%   | 93,3%   | 78,6%   | 90,6%   | 87,2%   | 96,8%   | 103,9%  | 80,6%   | 89,4%   | 92,6%   |                           |        |                        |        |

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

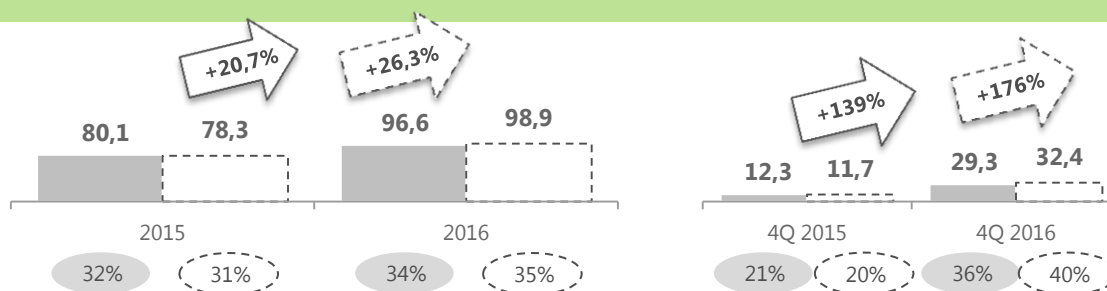
7 Utilization represents the volume of salt slag and SPLs received by our plants for recycling against annual installed recycling capacity (not including the 100.000 tons of capacity at our Töging (Germany) plant, which is currently idle), or secondary aluminium produced against annual installed production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

YoY increase in revenues and earnings driven by higher zinc prices, higher volumes and operational excellence on track ...

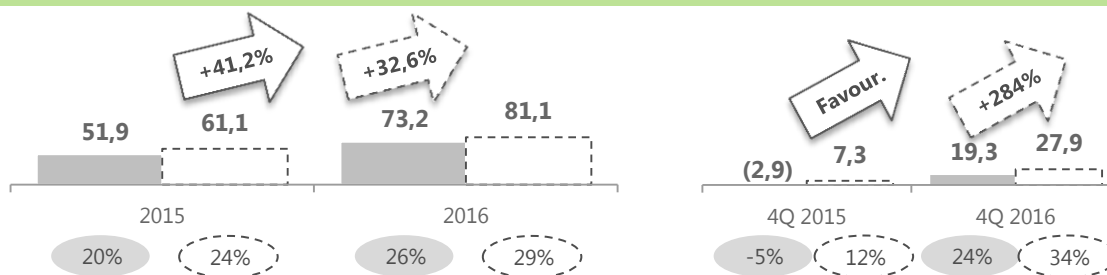
### Steel Dust Services – Revenues



### Steel Dust Services – EBITDA

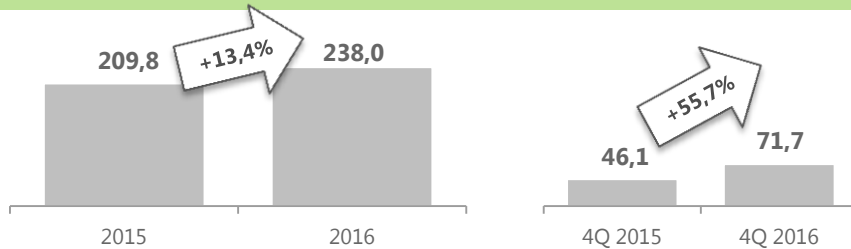


### Steel Dust Services – EBIT

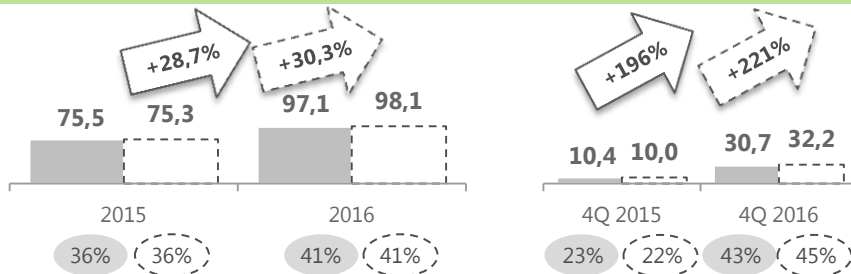


Higher EBITDA and EBIT YoY in our crude steel segment mainly due to recovering zinc prices and higher WOX volumes sold

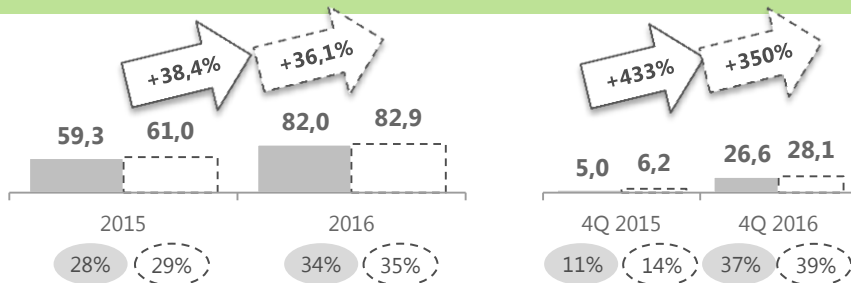
### Crude Steel Revenues



### Crude Steel EBITDA



### Crude Steel EBIT



### Revenues Highlights

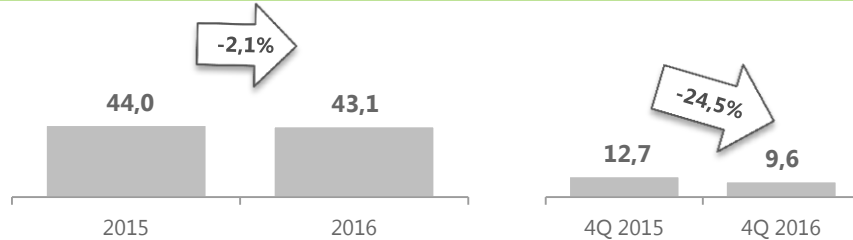
- YoY 4Q'16 vs. '15 the revenues **increased** by **€26** million or **+56%** mainly driven by:
  - **increase** in the **zinc blended price** by **+47%**; ~€2.162 in 4Q'16 vs. ~€1.470 in 4Q'15.
  - as well as the **increase** of **WOX tons sold** by **+3,9%**, and favorable treatment charges YoY.
- YoY '16 vs '15 revenues **increased** by **€28** million or **+13%** mainly driven by:
  - the **increase** in the **zinc blended price** by **+11%**; ~€1.939 in FY'16 vs. ~€1.741 in FY'15.
  - as well as the **increase** of **WOX tons sold** by **+2%** or ~3.900 tons, and **favorable treatment charges** for 2016.

### EBITDA & EBIT Highlights

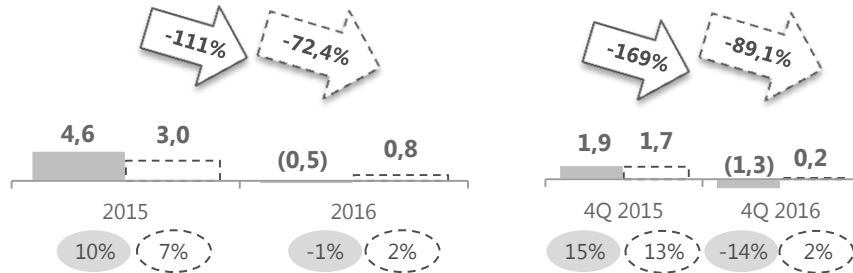
- The **earnings increase YoY** during 4Q as well as FY are mainly driven by the combined **favorable impact** of the **zinc price** increase, higher **volume** as well as **operational excellence** gains.

### Lower stainless steel volumes paired with LME nickel prices and margin in the sale of alloys still depressed

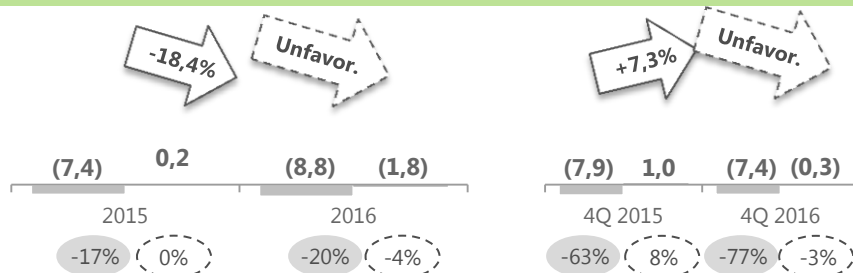
#### Stainless Revenues



#### Stainless EBITDA



#### Stainless EBIT



#### Revenues Highlights

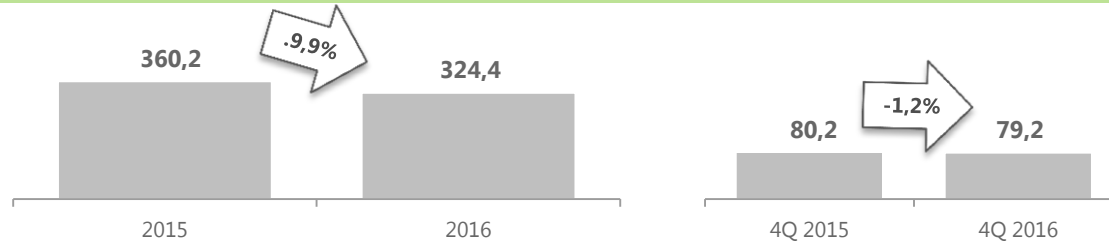
- The stainless steel segment revenues decreased by **-24,5% vs 4Q'15** and by **-2% vs FY'15** mainly driven by **lower volumes** of **stainless steel dust treated** of **-27%** and **-2,5%**, respectively.
- Revenue was also negatively impacted by **lower LME nickel average prices during 2016** vs same period of 2015 (~€8.695 vs ~€10.628, or **-18,2%** YoY) ... despite the recovery seen during the last part of the year (avg 4Q '16 of ~€10.025 vs avg 4Q '15 at ~€8.609, or **+16,4%** YoY).

#### EBITDA & EBIT Highlights

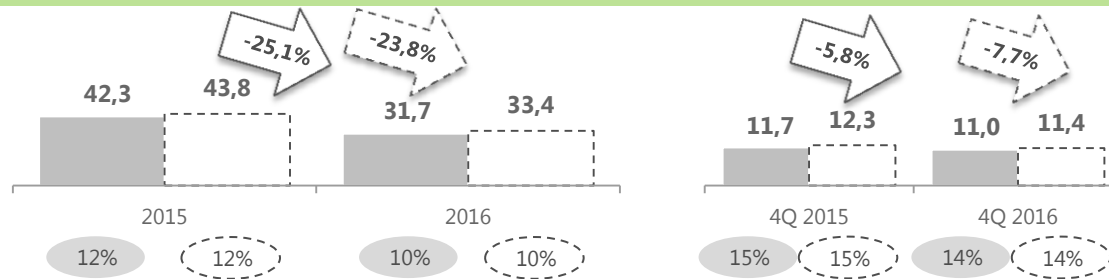
- Stainless EBITDA in 4Q'16 or FY'16 decreased compared to prior year periods mainly explained by lower margins in the sale of alloys.

## Revenues and earnings in the Aluminium Salt Slags Services Business mainly impacted by weak alu alloy prices

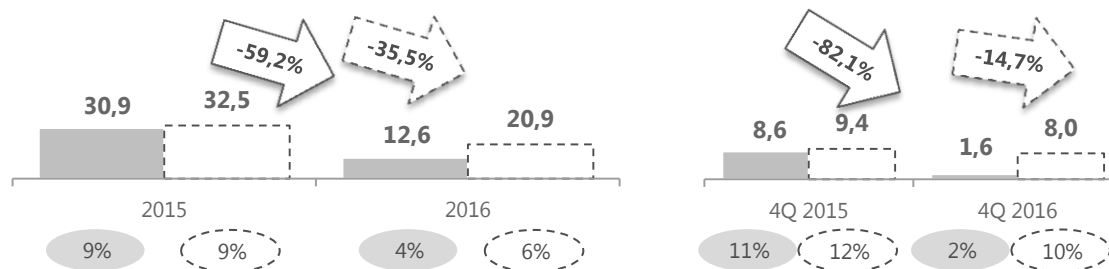
### Aluminium Salt Slags Services Revenues(\*)



### Aluminium Salt Slags Services EBITDA



### Aluminium Salt Slags Services EBIT



% EBITDA & EBIT margin

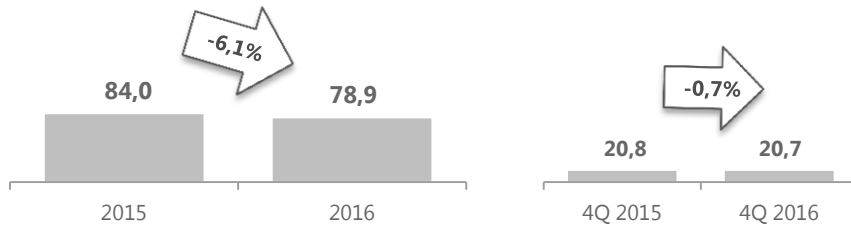
■ Reported (M€)

▤ Adjusted (M€)

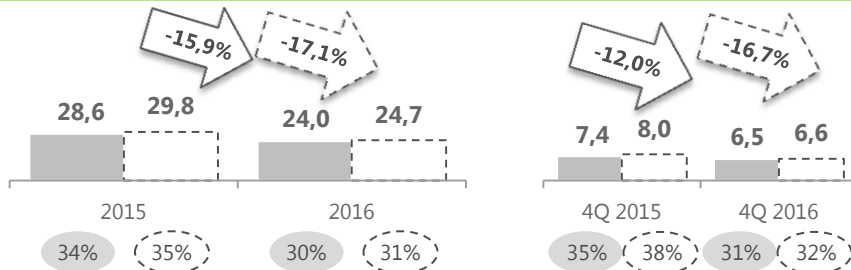
Note: Figures adjusted due to management unusual one-off items. (\*) Includes adjustments due to intragroup sales.

### Record volumes of salt slags ... But aluminium alloy prices still depressed

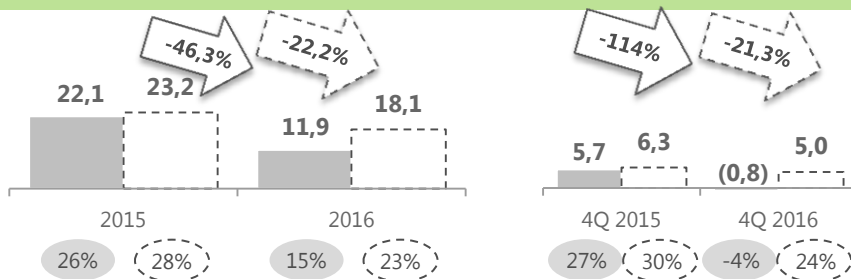
#### Salt Slags Revenues



#### Salt Slags EBITDA



#### Salt Slags EBIT



#### Revenues Highlights

- 4Q 2016 revenues in line with 4Q 2015 even though **lower aluminium alloy average selling prices (-2% or approx. -€30/t decrease ... from avg. €1.477 during 4Q'15 to avg. €1.444 in 4Q'16).**
- On an annual basis, **revenues decreased by 6%** compared to 2015 mainly explained by **lower aluminium alloy average selling prices of -9% or approx. -€147/t decrease ... from avg. €1.553 during 2015 to avg. €1.406 in 2016.**

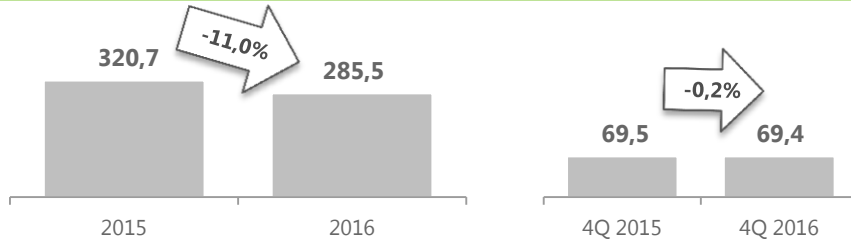
#### EBITDA & EBIT Highlights

- Earnings decrease driven by the YoY weaker price levels which is having a negative impact on the margins of secondary aluminium.
- The 46% decrease in 2016 reported EBIT vs 2015 is mainly due to a one-off non-cash ~€5m NBV adjustment of the Whitchurch operations.

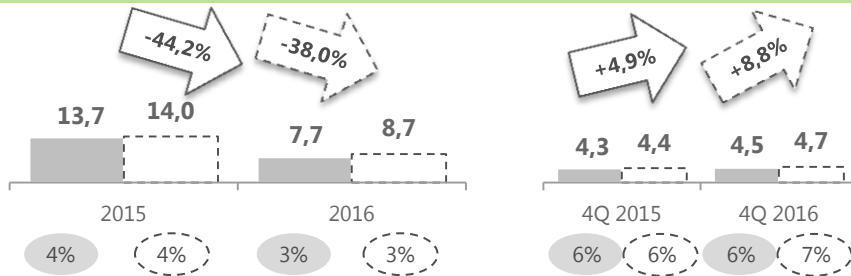
Note: In 2017 to date prices have recovered.

### Record volumes of aluminium alloys produced and sold ... But aluminium alloy prices still depressed

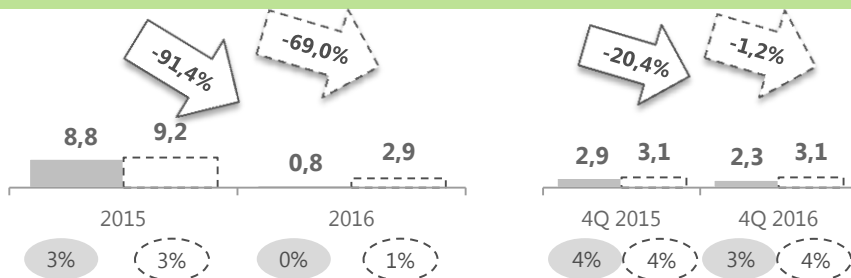
#### Sec. Aluminium Revenues



#### Sec. Aluminium EBITDA



#### Sec. Aluminium EBIT



#### Revenues Highlights

- 4Q 2016 revenues in line with same period of 2015 even though lower aluminium alloy average selling prices (-2% or approx. -€30/t decrease ... from avg. €1.477 during 4Q'15 to avg. €1.444 in 4Q'16).
- On an annual basis, revenues of the segment decreased by 6% compared to 2015 mainly explained by lower aluminium alloy average selling prices (-9% or approx. -€147/t decrease ... from avg. €1.553 during 2015 to avg. €1.406 in 2016).

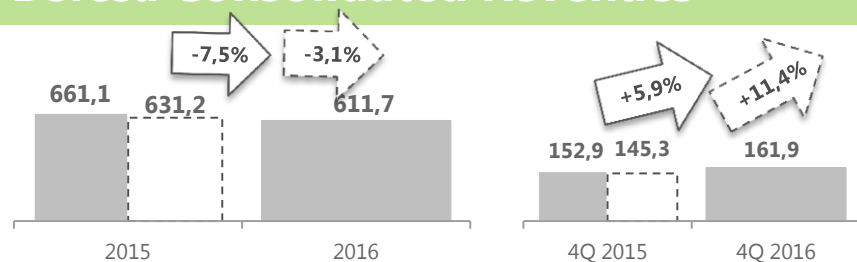
#### EBITDA & EBIT Highlights

- Earnings decrease driven by the current weak price situation which is having a negative impact on the margin of secondary aluminium.
- Note: In 2017 to date prices have recovered.

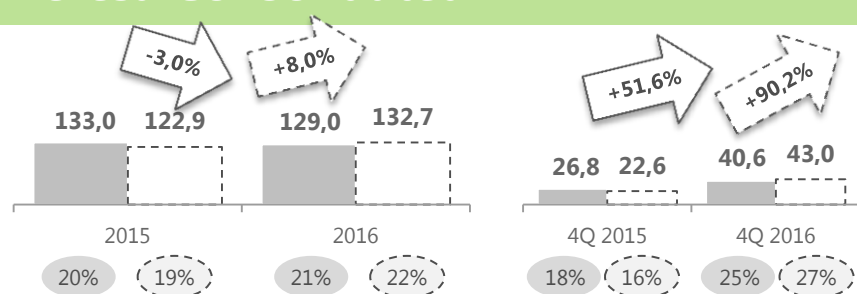


### Consecutive quarter over quarter recovery in 2016 continues ... 4Q16 financial results at solid earnings levels, in line with expectations

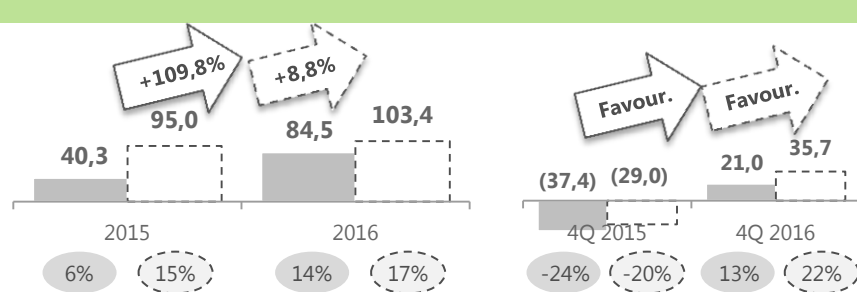
#### Befesa Consolidated Revenues



#### Befesa Consolidated EBITDA



#### Befesa Consolidated EBIT



#### Highlights

- Recovery from lows in 4Q'15 & 1Q'16 continuing ... Ending 2016 with solid earnings in 4Q'16.
- 4Q 2016 consolidated revenues at **€162 million, +6% or €9 million increase** compared to 4Q '15 (+11% or €17 million, if normalized for Sulfur); mainly driven by +4% **higher Steel Dust Wox tons** sold, +11% **higher Salt Slags tons** recycled, as well as **higher LME zinc prices** partially offset with **lower Alu prices** compared to the same period of 2015.
- 4Q 2016 consolidated Adj. **EBITDA** of **€43 million** and 26% of revenue ... **EBIT** of **€36 million** and 21% of revenue ... in line with expectations
- Implementation of cost reduction and **operational excellence** initiatives on track.

Notes: EBITDA & EBIT figures adjusted due to management unusual one-off items; Revenue, EBITDA & EBIT figures additionally adjusted in 2015 by Sulfur (divested in Dec'15).

| Steel Dust Recycling Services |       |           |       |       |           |       |       |           |       |       |           |       |
|-------------------------------|-------|-----------|-------|-------|-----------|-------|-------|-----------|-------|-------|-----------|-------|
| Operational data (Kt)         | 2013  |           |       | 2014  |           |       | 2015  |           |       | 2016  |           |       |
|                               | Crude | Stainless | Total | Crude | Stainless | Total | Crude | Stainless | Total | Crude | Stainless | Total |
| Financial data (M€)           |       |           |       |       |           |       |       |           |       |       |           |       |
| Steel dust treated            | 548   | 106       | 654   | 606   | 89        | 695   | 580   | 94        | 674   | 589   | 92        | 680   |
| WOX sold                      | 191   | --        | 191   | 209   | --        | 209   | 200   | --        | 200   | 203   | --        | 203   |
| Zinc content in sale          | 127   | --        | 127   | 140   | --        | 140   | 134   | --        | 134   | 136   | --        | 136   |
| Revenue reported              | 198   | 55        | 253   | 215   | 47        | 262   | 210   | 44        | 254   | 238   | 43        | 281   |
| EBITDA reported               | 78    | (1)       | 76    | 90    | 3         | 93    | 75    | 5         | 80    | 97    | (1)       | 97    |
| EBIT reported                 | 66    | (26)      | 40    | 73    | (0)       | 73    | 59    | (7)       | 52    | 82    | (9)       | 73    |
| EBITDA adjusted               | 70    | (1)       | 69    | 85    | 2         | 87    | 75    | 3         | 78    | 98    | 1         | 99    |
| EBIT adjusted                 | 59    | (6)       | 53    | 72    | (1)       | 71    | 61    | 0         | 61    | 83    | (2)       | 81    |
| Operating cash flow (*)       | --    | --        | --    | --    | --        | 76    | --    | --        | 64    | --    | --        | 71    |
| Maintenance capex (**)        | --    | --        | 7     | --    | --        | 5     | --    | --        | 6     | --    | --        | 8     |

| Aluminium Salt Slags Services |        |         |       |        |         |       |        |         |       |        |         |       |
|-------------------------------|--------|---------|-------|--------|---------|-------|--------|---------|-------|--------|---------|-------|
| Operational data (Kt)         | 2013   |         |       | 2014   |         |       | 2015   |         |       | 2016   |         |       |
|                               | SS/SPL | 2nd Alu | Total | SS/SPL | 2nd Alu | Total | SS/SPL | 2nd Alu | Total | SS/SPL | 2nd Alu | Total |
| Financial data (M€)           |        |         |       |        |         |       |        |         |       |        |         |       |
| Salt Slag / SPL treated       | 437    | --      | 437   | 432    | --      | 432   | 465    | --      | 465   | 492    | --      | 492   |
| 2nd alu alloys produced       | --     | 114     | 114   | --     | 126     | 126   | --     | 170     | 170   | --     | 181     | 181   |
| Revenue reported              | 68     | 231     | 263   | 69     | 235     | 283   | 84     | 321     | 360   | 79     | 285     | 324   |
| EBITDA reported               | 18     | 5       | 23    | 21     | 9       | 30    | 29     | 14      | 42    | 24     | 8       | 32    |
| EBIT reported                 | 12     | 2       | 14    | 15     | 6       | 21    | 22     | 9       | 31    | 12     | 1       | 13    |
| EBITDA adjusted               | 18     | 5       | 23    | 21     | 10      | 31    | 30     | 14      | 44    | 25     | 9       | 33    |
| EBIT adjusted                 | 12     | 2       | 14    | 15     | 7       | 22    | 23     | 9       | 32    | 18     | 3       | 21    |
| Operating cash flow (*)       | --     | --      | --    | --     | --      | 18    | --     | --      | 29    | --     | --      | 21    |
| Maintenance capex (**)        | --     | --      | 7     | --     | --      | 6     | --     | --      | 10    | --     | --      | 13    |

| Befesa Consolidated (***) |      |       |      |       |      |       |      |       |
|---------------------------|------|-------|------|-------|------|-------|------|-------|
| Operational data (Kt)     | 2013 |       | 2014 |       | 2015 |       | 2016 |       |
|                           |      | Total |      | Total |      | Total |      | Total |
| Financial data (M€)       |      |       |      |       |      |       |      |       |
| Revenue proforma          |      | 535   |      | 554   |      | 631   |      | 612   |
| EBITDA proforma           |      | 84    |      | 125   |      | 128   |      | 129   |
| EBIT proforma             |      | 38    |      | 88    |      | 83    |      | 84    |
| EBITDA adjusted           |      | 95    |      | 123   |      | 123   |      | 133   |
| EBIT adjusted             |      | 70    |      | 97    |      | 95    |      | 103   |
| Operating cash flow (*)   |      | --    |      | 91    |      | 101   |      | 99    |
| Maintenance capex (**)    |      | 15    |      | 14    |      | 16    |      | 21    |

(\*) Operating cash flow calculated as EBITDA +/- WC change - maintenance capex - taxes

(\*\*) Maintenance capex figures include maintenance, productivity, IT, and regulatory capex.

(\*\*\*) Befesa Consolidated includes Argentina and Corporate. Befesa proforma financial metrics are normalized of IES discontinued businesses.

(Figures in million euros)

|  | 2013         | 2014         | 2015         | 2016         |
|--|--------------|--------------|--------------|--------------|
| <b>EBITDA Proforma-Adjusted</b>                          |              |              |              |              |
| <b>Revenues</b>  | <b>535,2</b> | <b>554,5</b> | <b>631,2</b> | <b>611,7</b> |
| <b>EBITDA (Bilbao Midco)</b>                             | <b>45,7</b>  | <b>140,1</b> | <b>143,9</b> | <b>135,1</b> |
| 1H '13 Befesa EBITDA (1st Consolidation in Bilbao Midco) | 55,2         |              |              |              |
| IES divestitures - EBITDA impact                         | (16,8)       | (15,3)       | (15,9)       | (6,3)        |
| <b>EBITDA Proforma</b>                                   | <b>84,0</b>  | <b>124,9</b> | <b>128,0</b> | <b>128,8</b> |
| Adjustments to EBITDA:                                   |              |              |              |              |
| Zinc   | (7,2)        | (5,5)        | (1,8)        | 2,3          |
| Aluminium  | 0,0          | 0,6          | 1,5          | 1,7          |
| Corporate  | 18,0         | 2,8          | (4,9)        | (0,0)        |
| Total Adjustments to EBITDA                              | 10,8         | (2,1)        | (5,1)        | 3,9          |
| <b>EBITDA Proforma Adjusted</b>                          | <b>94,9</b>  | <b>122,8</b> | <b>122,9</b> | <b>132,7</b> |

|  |             |             |             |              |
|--|-------------|-------------|-------------|--------------|
| <b>EBIT Proforma-Adjusted</b>                          |             |             |             |              |
| <b>EBIT (Bilbao Midco)</b>                             | <b>27,1</b> | <b>93,9</b> | <b>42,2</b> | <b>87,4</b>  |
| 1H '13 Befesa EBIT (1st Consolidation in Bilbao Midco) | 39,3        |             |             |              |
| IES divestitures - EBIT impact                         | (28,2)      | (6,2)       | 40,9        | (3,1)        |
| <b>EBIT Proforma</b>                                   | <b>38,3</b> | <b>87,6</b> | <b>83,1</b> | <b>84,3</b>  |
| Adjustments to EBIT                                    |             |             |             |              |
| Zinc   | 20,4        | 3,3         | 11,1        | 5,6          |
| Aluminium  | 0,0         | 0,3         | 0,1         | 6,7          |
| Corporate  | 0,6         | 8,3         | 5,9         | 2,9          |
| Total Adjustments to EBIT                              | 21,0        | 11,8        | 17,0        | 15,1         |
| Total Adjustments to EBITDA                            | 10,8        | (2,1)       | (5,1)       | 3,9          |
| <b>EBIT Proforma Adjusted</b>                          | <b>70,1</b> | <b>97,4</b> | <b>95,0</b> | <b>103,4</b> |

# BEFESA Consolidated Steel Dust Recycling Services – Detailed P&L

## BEFESA ZINC

| <i>Profit &amp; Loss Statement ('000 euros)</i>       | 4Q 2015         | 4Q 2016        | Change  | FY 2015         | FY 2016         | Change  |
|---|-----------------|----------------|---------|-----------------|-----------------|---------|
| Revenue   | 58.738          | 81.288         | 22.550  | 253.865         | 281.081         | 27.216  |
| Cost of sales   | (42.747)        | (44.956)       | (2.209) | (156.868)       | (162.794)       | (5.926) |
| Other operating income                                | 1.616           | 942            | (674)   | 5.534           | 3.467           | (2.067) |
| <b>Gross profit</b>                                   | <b>17.607</b>   | <b>37.274</b>  | 19.667  | <b>102.531</b>  | <b>121.754</b>  | 19.223  |
| Depreciation and amortization charge                  | (5.707)         | (5.073)        | 634     | (18.733)        | (18.391)        | 342     |
| General and administrative expenses                   | (5.352)         | (7.938)        | (2.586) | (22.495)        | (25.147)        | (2.652) |
| Impairment losses                                     | (9.496)         | (5.000)        | 4.496   | (9.496)         | (5.000)         | 4.496   |
| <b>Income from operations</b>                         | <b>(2.948)</b>  | <b>19.263</b>  | 22.211  | <b>51.807</b>   | <b>73.216</b>   | 21.409  |
| Finance income  | 89              | 96             | 7       | 293             | 209             | (84)    |
| Finance costs   | (11.312)        | (7.477)        | 3.835   | (35.031)        | (29.440)        | 5.591   |
| Exchange differences (gains and losses)               | (530)           | 859            | 1.389   | (960)           | 1.563           | 2.523   |
| <b>Financial loss</b>                                 | <b>(11.753)</b> | <b>(6.522)</b> | 5.231   | <b>(35.698)</b> | <b>(27.668)</b> | 8.030   |
| <b>Profit before tax</b>                              | <b>(14.701)</b> | <b>12.741</b>  | 27.442  | <b>16.109</b>   | <b>45.548</b>   | 29.439  |
| Income tax  | (2.961)         | (11.438)       | (8.477) | (12.699)        | (22.532)        | (9.833) |
| <b>Profit for the year from continuing operations</b> | <b>(17.662)</b> | <b>1.303</b>   | 18.965  | <b>3.410</b>    | <b>23.016</b>   | 19.606  |
| <b>Profit for the year</b>                            | <b>(17.662)</b> | <b>1.303</b>   | 18.965  | <b>3.410</b>    | <b>23.016</b>   | 19.606  |
| <b>Attributable to:</b>                               |                 |                |         |                 |                 |         |
| Shareholders of the parent                            | (16.489)        | 468            | 16.957  | 4.120           | 21.220          | 17.100  |
| Minority interests                                    | (1.173)         | 835            | 2.008   | (710)           | 1.796           | 2.506   |
| <b>EBITDA</b>   | <b>12.255</b>   | <b>29.336</b>  | 17.081  | <b>80.036</b>   | <b>96.607</b>   | 16.571  |

### BEFESA ZINC

#### Balance Sheet ('000 Euros)

| Assets   | 31.12.2016     | 31.12.2015     | Equity and liabilities                           | 31.12.2016     | 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                                  | 2.684          | 4.038          | Unrealized asset & liability revaluation reserve | (40.477)       | 6.767          |
|  | <b>281.041</b> | <b>282.395</b> | Other reserves                                   | 74.536         | 78.821         |
| <b>Property, plant and equipment:</b>                    |                |                | Translation differences                          | 2.089          | 2.040          |
| Property, plant and equipment in use                     | 120.696        | 133.961        | Net profit for the year                          | 21.220         | 4.120          |
| Property, plant & equipment in course of construction    | 5.383          | 6.813          |  | <b>82.378</b>  | <b>116.758</b> |
|  | <b>126.082</b> | <b>140.774</b> | <b>Of minority interests</b>                     | <b>7.819</b>   | <b>15.662</b>  |
| <b>Investments accounted for using the equity method</b> |                |                | <b>Total equity</b>                              | <b>90.197</b>  | <b>132.420</b> |
| <b>Non-current financial assets:</b>                     |                |                | <b>Non-current liabilities:</b>                  |                |                |
| Investments securities                                   | 1.721          | 1.670          | Provisions for contingences and expenses         | 4.560          | 4.351          |
| Other financial assets                                   | 523            | 607            | Bank borrowings and finance leases               | 299.333        | 298.469        |
|  | <b>2.244</b>   | <b>2.277</b>   | Capital grants                                   | 1.619          | 1.678          |
| <b>Derivative financial instruments</b>                  | <b>0</b>       | <b>0</b>       | Other non-current liabilities                    | 115            | 152            |
| <b>Deferred tax assets</b>                               | <b>52.380</b>  | <b>32.592</b>  | Derivative financial instruments                 | 30.987         | 217            |
|  |                |                | Deferred tax liabilities                         | 20.347         | 21.104         |
| <b>Total non-current assets</b>                          | <b>461.747</b> | <b>458.038</b> | <b>Total non-current liabilities</b>             | <b>356.961</b> | <b>325.971</b> |
| <b>Current assets:</b>                                   |                |                | <b>Current liabilities:</b>                      |                |                |
| Inventories  | 13.126         | 13.881         | Bank borrowings and finance leases               | 7.819          | 3.591          |
| Trade and other receivables                              | 36.760         | 25.216         | Trade payables, related companies                | 14.122         | 6.677          |
| Trade receivables, related companies                     | 2.441          | 2.970          | Trade and other payables                         | 30.935         | 28.813         |
| Tax receivables  | 3.471          | 3.447          | Derivative financial instruments                 | 36.397         | 1.392          |
| Other receivables  | 4.248          | 2.622          | Other payables:                                  |                |                |
| Derivative financial instruments                         | 0              | 423            | Tax payables                                     | 8.874          | 8.006          |
| Other current financial assets                           | 0              | 6              | Other current liabilities                        | 9.360          | 24.081         |
| Cash and cash equivalents                                | 32.872         | 24.348         |  | <b>18.234</b>  | <b>32.087</b>  |
| <b>Total current assets</b>                              | <b>92.918</b>  | <b>72.913</b>  | <b>Total current liabilities</b>                 | <b>107.507</b> | <b>72.560</b>  |
| <b>Total assets</b>                                      | <b>554.665</b> | <b>530.951</b> | <b>Total equity and liabilities</b>              | <b>554.665</b> | <b>530.951</b> |

### 2016 with positive cash flow driven by operating activities

- **Operating activities:** During the year 2016 the net cash flows generated by operating activities amounted to **€48,9 million** (a €14m increase vs 2015), **driven by the EBITDA improvement and offset by an increase in taxes paid.**
- **Investing activities:** During the year 2016 the net cash flows used in investing activities were **€9,2 million**, mainly driven by the annual **maintenance capex** and capex invested in selected operational improvement projects.
- **Financing activities:** During the year 2016 the net cash flows used in financing activities were **€31,2 million**; mainly i) the **acquisition** of the **remaining 20%** stake in Befesa Zinc Korea (**€15m in 3Q'16**), and ii) a **dividend paid to its Befesa parent** as contribution to the **PIK interest payment.**
- **Liquidity:** As of December 31<sup>st</sup> 2016, our liquidity amounted to **€32,9 million** including cash on hand and short-term financial investments.

#### BEFESA ZINC

| <i>Cash Flow Statement ('000 euros)</i>                        | 4Q 2015         | 4Q 2016         | Change  | FY 2015         | FY 2016         | Change  |
|--|-----------------|-----------------|---------|-----------------|-----------------|---------|
| Cash generated from operations                                 | 16.239          | 31.884          | 15.645  | 76.117          | 94.010          | 17.893  |
| Taxes paid   | (2.676)         | (3.055)         | (379)   | (8.232)         | (15.822)        | (7.590) |
| Interest paid  | (16.047)        | (14.159)        | 1.888   | (33.158)        | (29.469)        | 3.689   |
| Interest received  | 89              | 96              | 7       | 293             | 209             | (84)    |
| <b>Net cash flows from operating activities (I)</b>            | <b>(2.395)</b>  | <b>14.766</b>   | 17.161  | <b>35.020</b>   | <b>48.928</b>   | 13.908  |
| <b>Net cash flows from investing activities (II)</b>           | <b>(3.980)</b>  | <b>(2.192)</b>  | 1.788   | <b>(23.332)</b> | <b>(9.172)</b>  | 14.160  |
| <b>Net cash flows from financing activities (III)</b>          | <b>(8.498)</b>  | <b>(10.957)</b> | (2.459) | <b>(36.341)</b> | <b>(31.232)</b> | 5.109   |
| <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>(14.873)</b> | <b>1.617</b>    | 16.490  | <b>(24.653)</b> | <b>8.524</b>    | 33.177  |
| <b>Cash and cash equivalents BoP</b>                           | <b>39.221</b>   | <b>31.255</b>   |         | <b>49.001</b>   | <b>24.348</b>   |         |
| <b>Cash and cash equivalents EoP</b>                           | <b>24.348</b>   | <b>32.872</b>   |         | <b>24.348</b>   | <b>32.872</b>   |         |

### BEFESA ZINC

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

|  | 4Q 2015         | 4Q 2016         | Change         | FY 2015         | FY 2016         | Change        |
|--|-----------------|-----------------|----------------|-----------------|-----------------|---------------|
| <b>Cash flows from operating activities</b>                                |                 |                 |                |                 |                 |               |
| Profit for the period before tax   | (14.701)        | 12.741          | 27.442         | 16.109          | 45.548          | 29.439        |
| <b>Adjustments due to:</b>   |                 |                 |                |                 |                 |               |
| Amortization / depreciation  | 5.707           | 5.073           | (634)          | 18.733          | 18.391          | (342)         |
| Impairment test  | 9.496           | 5.000           | (4.496)        | 9.496           | 5.000           | (4.496)       |
| (Profit) / loss on disposal of non-current assets                          | (8)             | 42              | 50             | 6               | 39              | 33            |
| Change in provisions   | 141             | 200             | 59             | 311             | 244             | (67)          |
| Financial income   | (89)            | (96)            | (7)            | (293)           | (209)           | 84            |
| Financial expense  | 11.312          | 7.477           | (3.835)        | 35.031          | 29.440          | (5.591)       |
| Income from government grants  | (85)            | (80)            | 5              | (466)           | (330)           | 136           |
| Exchange differences   | 530             | (859)           | (1.389)        | 960             | (1.563)         | (2.523)       |
| <b>Change in working capital:</b>  |                 |                 |                |                 |                 |               |
| Change in trade receivables and other receivables                          | 5.875           | (6.038)         | (11.913)       | 3.823           | (10.860)        | (14.683)      |
| Change in inventories  | 1.008           | 717             | (291)          | (1.972)         | 643             | 2.615         |
| Change other current assets  | 1.869           | (2.114)         | (3.983)        | (4.730)         | (1.121)         | 3.609         |
| Change in other current liabilities  | (4.816)         | 9.821           | 14.637         | (891)           | 8.788           | 9.679         |
| <b>Cash generated from operations</b>                                      | <b>16.239</b>   | <b>31.884</b>   | <b>15.645</b>  | <b>76.117</b>   | <b>94.010</b>   | <b>17.893</b> |
| Taxes paid   | (2.676)         | (3.055)         | (379)          | (8.232)         | (15.822)        | (7.590)       |
| Interest paid  | (16.047)        | (14.159)        | 1.888          | (33.158)        | (29.469)        | 3.689         |
| Interest received  | 89              | 96              | 7              | 293             | 209             | (84)          |
| <b>Net cash flows from operating activities (I)</b>                        | <b>(2.395)</b>  | <b>14.766</b>   | <b>17.161</b>  | <b>35.020</b>   | <b>48.928</b>   | <b>13.908</b> |
| <b>Cash flows from investing activities</b>                                |                 |                 |                |                 |                 |               |
| Purchase of intangible assets  | (37)            | (15)            | 22             | (113)           | (27)            | 86            |
| Purchase of property, plant and equipment                                  | (3.951)         | (2.396)         | 1.555          | (23.947)        | (9.683)         | 14.264        |
| Proceeds from disposal of assets   | 8               | 170             | 162            | 1.059           | 205             | (854)         |
| Acquisition / (disposal) of new subsidiaries                               | 0               | 0               | 0              | 0               | (22)            | (22)          |
| Other non-current financial assets   | 0               | (31)            | (31)           | (331)           | 84              | 415           |
| Capital grants received  | 0               | 80              | 80             | 0               | 271             | 271           |
| <b>Net cash flows from investing activities (II)</b>                       | <b>(3.980)</b>  | <b>(2.192)</b>  | <b>1.788</b>   | <b>(23.332)</b> | <b>(9.172)</b>  | <b>14.160</b> |
| <b>Cash flows from financing activities</b>                                |                 |                 |                |                 |                 |               |
| Repayment of borrowings and other long-term debt                           | (63)            | 10              | 73             | (21.668)        | (8.417)         | 13.251        |
| Transactions with non controlling interest                                 | 0               | 0               | 0              | 0               | (6.756)         | (6.756)       |
| Long-term borrowings   | 0               | 0               | 0              | 0               | 158             | 158           |
| Distribution of dividends / capital reduction                              | (8.435)         | (10.967)        | (2.532)        | (14.673)        | (16.217)        | (1.544)       |
| <b>Net cash flows from financing activities (III)</b>                      | <b>(8.498)</b>  | <b>(10.957)</b> | <b>(2.459)</b> | <b>(36.341)</b> | <b>(31.232)</b> | <b>5.109</b>  |
| <b>Effect of change in the perimeter on cash and cash equivalents (IV)</b> | <b>0</b>        | <b>0</b>        | <b>0</b>       | <b>0</b>        | <b>0</b>        | <b>0</b>      |
| <b>Net increase in cash and cash equivalents (I+II+III+IV)</b>             | <b>(14.873)</b> | <b>1.617</b>    | <b>16.490</b>  | <b>(24.653)</b> | <b>8.524</b>    | <b>33.177</b> |
| Cash and cash equivalents at beginning of the period                       | 32.221          | 31.255          | (7.966)        | 49.001          | 24.348          | (24.653)      |
| <b>Cash and cash equivalents at end of the period</b>                      | <b>24.348</b>   | <b>32.872</b>   | <b>8.524</b>   | <b>24.348</b>   | <b>32.872</b>   | <b>8.524</b>  |

### BEFESA

| Profit & Loss Statement ('000 euros)                              | 4Q 2015         | 4Q 2016         | Change          | 2015            | 2016            | Change          |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>From continuing operations:</b>                                |                 |                 |                 |                 |                 |                 |
| Revenue   | 152.900         | 161.916         | 9.016           | 661.082         | 611.687         | (49.395)        |
| +/- Changes in inventories of finished goods and work in progress | 2.019           | (1.269)         | (3.288)         | (1.047)         | (3.595)         | (2.548)         |
| Cost of sales   | (80.300)        | (74.744)        | 5.556           | (336.170)       | (297.163)       | 39.007          |
| Other income  | 3.214           | 4.537           | 1.323           | 10.085          | 9.344           | (741)           |
| Employee benefits expense   | (19.215)        | (17.728)        | 1.487           | (75.287)        | (72.136)        | 3.151           |
| Other expenses  | (31.783)        | (32.108)        | (325)           | (125.710)       | (119.176)       | 6.534           |
| Depreciation, amortisation and impairment provisions              | (64.198)        | (19.652)        | 44.546          | (92.685)        | (44.496)        | 48.189          |
| <b>EBIT</b>   | <b>(37.363)</b> | <b>20.952</b>   | <b>58.315</b>   | <b>40.268</b>   | <b>84.465</b>   | <b>44.197</b>   |
|   | <i>26.835</i>   | <i>40.604</i>   | <i>13.769</i>   | <i>132.953</i>  | <i>128.961</i>  | (3.992)         |
| Finance income  | 1.814           | 468             | (1.346)         | 6.757           | 6.335           | (422)           |
| Finance costs   | (18.566)        | (18.317)        | 249             | (62.871)        | (58.098)        | 4.773           |
| Exchange differences  | (207)           | 1.296           | 1.503           | (920)           | 1.960           | 2.880           |
| <b>Financial result</b>   | <b>(16.959)</b> | <b>(16.553)</b> | <b>406</b>      | <b>(57.034)</b> | <b>(49.803)</b> | <b>7.231</b>    |
| Share of profit of companies carried using the equity method      | -               | -               | -               | -               | -               | -               |
| <b>EBT</b>  | <b>(54.322)</b> | <b>4.399</b>    | <b>58.721</b>   | <b>(16.766)</b> | <b>34.662</b>   | <b>51.428</b>   |
| Income tax expense  | 214             | (3.297)         | (3.511)         | (13.910)        | (13.736)        | 174             |
| <b>Result from continuing operations</b>                          | <b>(54.108)</b> | <b>1.102</b>    | <b>55.210</b>   | <b>(30.676)</b> | <b>20.926</b>   | <b>51.602</b>   |
| <b>From discontinuing operations:</b>                             |                 |                 |                 |                 |                 |                 |
| Profit for the year from discontinued operations                  | (3.453)         | (101.014)       | (97.561)        | (5.053)         | (108.231)       | (103.178)       |
| <b>Net income</b>   | <b>(57.561)</b> | <b>(99.912)</b> | <b>(42.351)</b> | <b>(35.729)</b> | <b>(87.305)</b> | <b>(51.576)</b> |
| Attributable to:  |                 |                 |                 |                 |                 |                 |
| Owners of the parent  | <b>(53.111)</b> | <b>(94.897)</b> | (41.786)        | <b>(33.303)</b> | <b>(84.160)</b> | (50.857)        |
| Non-controlling interests   | <b>(4.450)</b>  | <b>(5.015)</b>  | (565)           | <b>(2.426)</b>  | <b>(3.145)</b>  | (719)           |



**BEFESA**

Balance Sheet ('000 euros)

| Assets   | 31.12.16       | 31.12.15         | Equity and liabilities                               | 31.12.16       | 31.12.15         |
|--|----------------|------------------|--|----------------|------------------|
| <b>Non-current assets</b>                          |                |                  | <b>Equity:</b>                                       |                |                  |
| <b>Intangible assets</b>                           |                |                  | <b>Attributable to owners of the parent -</b>        |                |                  |
| Goodwill   | 319.143        | 379.990          | Share capital  | 13             | 13               |
| Other intangible assets                            | 10.153         | 18.009           | Reserve for valuation adjustments deferred in equity | (34.748)       | 9.261            |
|  | <b>329.296</b> | <b>397.999</b>   | Share premium  | 450.092        | 450.092          |
| <b>Property, plant and equipment -</b>             |                |                  | Other reserves                                       | (255.362)      | (229.788)        |
| Property, plant and equipment in use               | 240.183        | 346.536          | Translation differences                              | (4.320)        | (2.857)          |
| Property, plant and equipment in progress          | 12.352         | 16.188           | Net profit for the period                            | (84.160)       | (33.303)         |
|  | <b>252.535</b> | <b>362.724</b>   |  | <b>71.515</b>  | <b>193.418</b>   |
| <b>Investments carried under the equity method</b> |                | <b>1.526</b>     | <b>Non-controlling interests</b>                     | <b>17.205</b>  | <b>32.762</b>    |
| <b>Non-current assets -</b>                        |                |                  | <b>Total equity</b>                                  | <b>88.720</b>  | <b>226.180</b>   |
| Securities portfolio                               | 1.309          | 2.702            | <b>Non-current liabilities:</b>                      |                |                  |
| Other financial assets                             | 20.523         | 24.346           | <b>Provisions</b>                                    | 5.245          | 12.928           |
|  | <b>21.832</b>  | <b>27.048</b>    | <b>Finance debt</b>                                  | 552.411        | 523.185          |
| <b>Deferred income tax assets</b>                  | <b>93.626</b>  | <b>81.400</b>    | <b>Finance lease payables</b>                        | 166            | 7.535            |
| <b>Total non-current assets</b>                    | <b>697.289</b> | <b>870.697</b>   | <b>Deferred income tax liabilities</b>               | 36.154         | 40.765           |
|  |                |                  | <b>Other non-current liabilities</b>                 | 53.040         | 33.034           |
|  |                |                  | <b>Total non-current liabilities</b>                 | <b>647.016</b> | <b>617.447</b>   |
| <b>Current assets:</b>                             |                |                  | <b>Liabilities related to assets held for sale</b>   | <b>7.209</b>   | <b>-</b>         |
| <b>Assets held for sale</b>                        | <b>65.797</b>  | <b>-</b>         | <b>Finance debt</b>                                  | <b>29.137</b>  | <b>74.951</b>    |
| <b>Inventories</b>                                 | <b>30.410</b>  | <b>48.489</b>    | <b>Finance lease payables</b>                        | <b>170</b>     | <b>2.621</b>     |
| <b>Trade and other receivables</b>                 | <b>62.113</b>  | <b>87.045</b>    | <b>Trade payables, related parties</b>               | <b>1.598</b>   | <b>1.688</b>     |
| Trade receivables, related parties                 | 2.246          | 2.856            | <b>Trade and other accounts payable</b>              | <b>98.052</b>  | <b>115.898</b>   |
| Tax receivables                                    | 10.358         | 13.935           | Provisions   | 2.971          | 139              |
| Other receivables                                  | 10.441         | 8.538            | <b>Other payables -</b>                              |                |                  |
| Other current financial assets                     | 1.758          | 4.005            | Taxes payable  | 14.720         | 19.441           |
| Cash and cash equivalents                          | 59.048         | 57.253           | Other current liabilities                            | 49.867         | 34.453           |
| <b>Total current assets</b>                        | <b>242.171</b> | <b>222.121</b>   |  | <b>64.587</b>  | <b>53.894</b>    |
|  |                |                  | <b>Total current liabilities</b>                     | <b>203.724</b> | <b>249.191</b>   |
| <b>Total Assets</b>                                | <b>939.460</b> | <b>1.092.818</b> | <b>Total equity and liabilities</b>                  | <b>939.460</b> | <b>1.092.818</b> |

**BEFESA**

| Cash Flow Statement ('000)   | 4Q 2015         | 4Q 2016         | Change          | 2015            | 2016            | Change          |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Cash flows from operating activities:</b>                       |                 |                 |                 |                 |                 |                 |
| <b>Profit (loss) for the period before tax</b>                     | <b>(55.647)</b> | <b>(94.709)</b> | <b>(39.062)</b> | <b>(20.594)</b> | <b>(71.000)</b> | <b>(50.406)</b> |
| From continuing operations:  | (54.322)        | 4.399           | 58.721          | (16.766)        | 34.662          | 51.428          |
| From discontinuing operations:                                     | (1.325)         | (99.108)        | (97.783)        | (3.828)         | (105.662)       | (101.834)       |
| <b>Adjustments due to:</b>   |                 |                 |                 |                 |                 |                 |
| Depreciation and amortisation charge                               | 7.864           | 9.723           | 1.859           | 42.180          | 40.533          | (1.647)         |
| Impairment losses  | 59.497          | 55.386          | (4.111)         | 59.497          | 57.828          | (1.669)         |
| (Profit)/loss from assets disposals                                | -               | 54.986          | 54.986          | -               | 54.986          | 54.986          |
| Share of profit (loss) of associates                               | 85              | -               | (85)            | (175)           | (163)           | 12              |
| Changes in long-term provisions                                    | (264)           | 2.896           | 3.160           | (187)           | 2.896           | 3.083           |
| Interest income  | (728)           | 378             | 1.106           | (2.660)         | (2.090)         | 570             |
| Finance costs  | 17.681          | 16.792          | (889)           | 65.934          | 59.009          | (6.925)         |
| Other income/expenses  | (1.087)         | 259             | 1.346           | (1.563)         | (1.133)         | 430             |
| <b>Changes in working capital:</b>                                 |                 |                 |                 |                 |                 |                 |
| Trade receivables and other current assets                         | 12.088          | (12.143)        | (24.231)        | (9.504)         | (16.375)        | (6.871)         |
| Inventories  | (581)           | 413             | 994             | (6.967)         | 3.474           | 10.441          |
| Trade payables   | (9.106)         | 13.801          | 22.907          | (1.262)         | 2.929           | 4.191           |
| <b>Other cash flows from operating activities:</b>                 |                 |                 |                 |                 |                 |                 |
| Interest paid  | (26.464)        | (24.325)        | 2.139           | (58.579)        | (55.722)        | 2.857           |
| Taxes paid   | (4.681)         | (3.807)         | 874             | (12.109)        | (18.833)        | (6.724)         |
| Other payments   | (416)           | (83)            | 333             | (416)           | (83)            | 333             |
| <b>Net cash flows from operating activities (I)</b>                | <b>(1.759)</b>  | <b>19.567</b>   | <b>21.326</b>   | <b>53.595</b>   | <b>56.256</b>   | <b>2.661</b>    |
| <b>Cash flows from investing activities:</b>                       |                 |                 |                 |                 |                 |                 |
| Investments in intangible assets                                   | (2.288)         | (1.599)         | 689             | (2.754)         | (2.262)         | 492             |
| Investments in property, plant and equipment                       | (13.573)        | (7.694)         | 5.879           | (47.435)        | (30.208)        | 17.227          |
| Proceeds from disposal of assets                                   | -               | 170             | 170             | 1.051           | 205             | (846)           |
| Proceeds from disposal of subsidiaries, net of cash                | 29.792          | 752             | (29.040)        | 29.792          | 752             | (29.040)        |
| Investments in subsidiaries and other non-current financial assets | 1.656           | (210)           | (1.866)         | (3.444)         | (3.160)         | 284             |
| Investments in other current financial assets                      | 791             | -               | (791)           | -               | -               | -               |
| Disbursement due to other current financial assets                 | 293             | 615             | 322             | 293             | 1.327           | 1.034           |
| Dividends collected  | 260             | (54)            | (314)           | 260             | 174             | (86)            |
| <b>Net cash flows from investing activities (II)</b>               | <b>16.931</b>   | <b>(8.020)</b>  | <b>(24.951)</b> | <b>(22.237)</b> | <b>(33.172)</b> | <b>(10.935)</b> |
| <b>Cash flows from financing activities:</b>                       |                 |                 |                 |                 |                 |                 |
| Bank borrowings and other non-current borrowings                   | 5.800           | (9.278)         | (15.078)        | 13.479          | 5.142           | (8.337)         |
| Repayment of bank borrowings and other long term debt              | (37.803)        | (1.119)         | 36.684          | (65.801)        | (15.852)        | 49.949          |
| Transactions with non controlling interest                         | -               | -               | -               | -               | (6.756)         | (6.756)         |
| <b>Net cash flows from financing activities (III)</b>              | <b>(32.003)</b> | <b>(10.397)</b> | <b>21.606</b>   | <b>(52.322)</b> | <b>(17.466)</b> | <b>34.856</b>   |
| Effect of foreign exchange rate changes on cash and cash           | (398)           | (298)           | 100             | (398)           | (868)           | (470)           |
| <b>Net increase in cash and cash equivalents (I+II+III+IV)</b>     | <b>(17.229)</b> | <b>852</b>      | <b>18.081</b>   | <b>(21.362)</b> | <b>4.750</b>    | <b>26.112</b>   |
| Cash and cash equivalents at beginning of year                     | 74.482          | 61.151          | (13.331)        | 78.615          | 57.253          | (21.362)        |
| <b>Cash and cash equivalents at end of year</b>                    | <b>57.253</b>   | <b>62.003</b>   | <b>4.750</b>    | <b>57.253</b>   | <b>62.003</b>   | <b>4.750</b>    |