



02

Befesa Profile

Our mission is to become a benchmark company worldwide in the industrial waste management and in the water sector, achieving sustainable development through our activities.

Befesa Profile

Profile of the company

Befesa is an international company specialized in the integral management of industrial waste and the management and generation of water, and is highly conscious of its social responsibility for contributing to the creation of a sustainable world. Its four activities are:

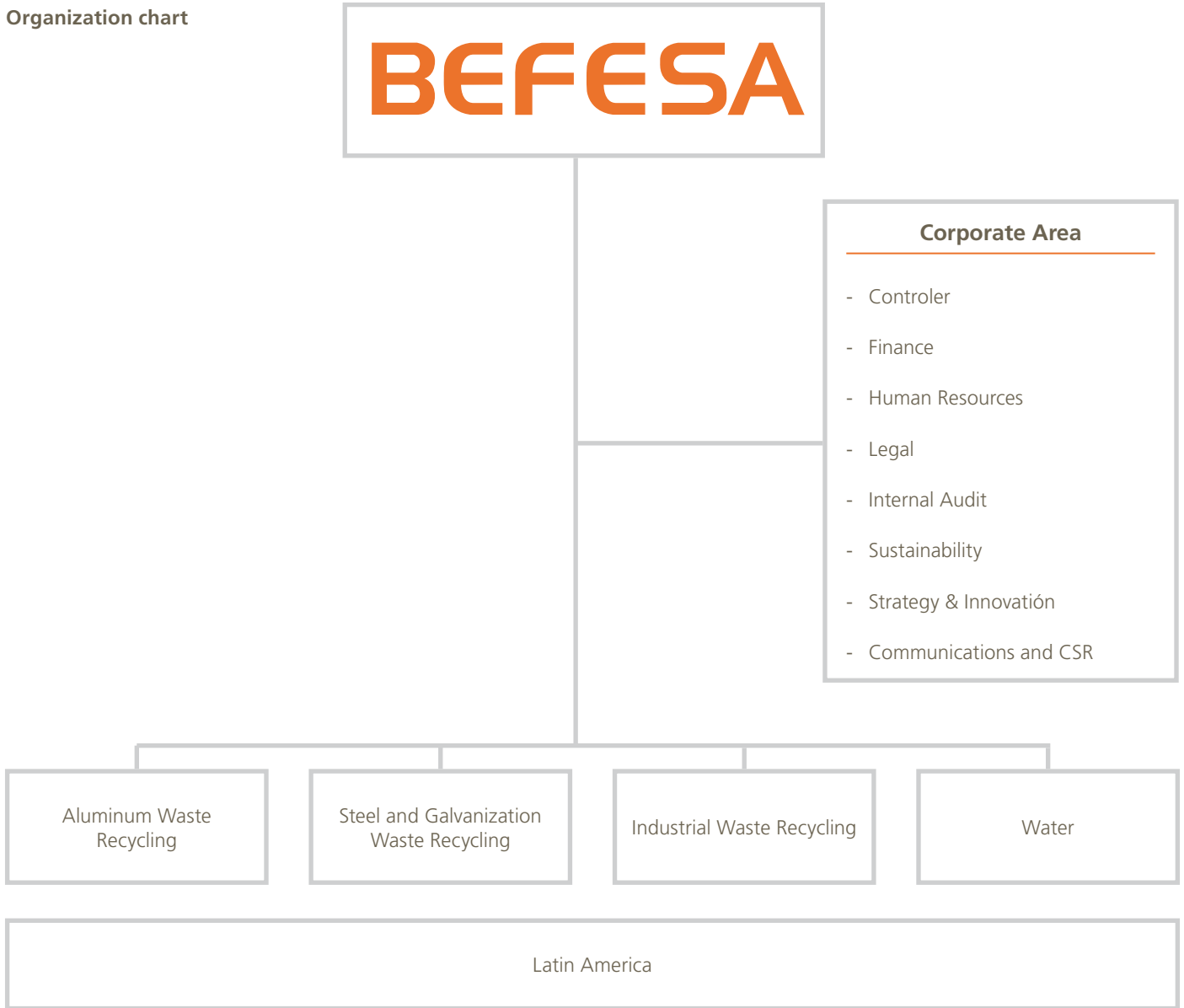
- Aluminum Waste Recycling
- Steel and Galvanization Waste Recycling
- Industrial Waste Management
- Water

Befesa manages 2.5 Mt of waste, dedicating more than 1.2 Mt to the production of new materials through recycling. It has a capacity to desalinate more than 1 Mm³ of water per day, the equivalent of the supply to 5 M people.

The Befesa headquarters are in Erandio, Biscay (Spain), and it is present in 20 countries through subsidiaries, offices of representation, installations and projects.



Organization chart



For a sustainable world...
we recycle industrial waste,
we generate and manage water.

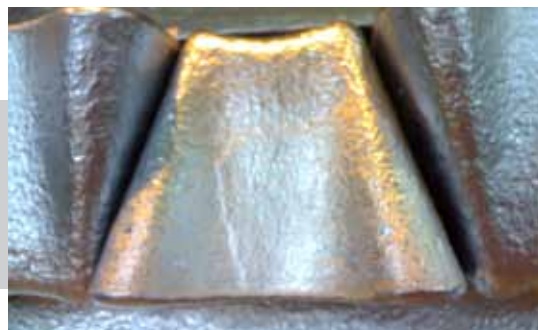
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Activities

- **Aluminum Waste Recycling.** This division provides services for the collection and treatment of waste with aluminum content, manufacturing and sale of aluminum alloys as well as the design, construction and assembly of equipment associated with the recycling of aluminum. The most significant use of the production and sale of aluminum alloys is the automobile industry and construction sector. In particular, this activity contributes to the reduction of CO₂ emissions as compared to the primary aluminum sector. It likewise deals with the recycling of salt slags, a hazardous toxic waste from the aluminum waste recycling process. The recovery of salt slags is the alternative to dumping and the purpose is to separate metallic aluminum, salt and aluminum oxide for reuse. This activity makes it possible to completely close the recycling cycle and the integral use of waste with aluminum content.
- **Steel and Galvanization Waste Recycling.** The activity of this division is the treatment and

recycling of waste generated in the manufacture of common and stainless steel, as well as waste produced in the galvanization process of the steel. Befesa has eight production plants in Europe for the performance of such activities. The recycling activities of Befesa play an essential role in the zinc recovery cycle, avoiding the useless waste of tons of zinc, decreasing its dumping and contributing to reducing extractions of zinc mineral, nickel and chrome from Nature. Befesa is one of the European leaders in the treatment and valorization of steel powder and the only one in Spain that offers the integral service for the collection and treatment of steel powder for valorization.

- **Industrial Waste Management.** This division carries out activities for the integral management of industrial waste, and is present throughout all stages of the industrial waste management cycle, from carriage, temporary storage, treatment and valorization through its recovery and ultimately controlled and safe deposit, in keeping with Spanish and European environmental legislation.



This division also provides a broad offer of industrial cleaning services of high added value in the majority of industry sectors. Another of its divisions provides efficient solutions to the collection, carriage and elimination of transformers, condensers and materials contaminated with PCB; as well as the recycling of film used as greenhouse covers. This business unit likewise undertakes desulphurization tasks, producing sulfuric acid from residual sulfur, while at the same time producing electrical energy that is sold and returned to the grid. Lastly, it offers integral solutions for soil decontamination.

- **Water.** The activities of Befesa Agua include the generation, management and carriage of water utilizing new technologies and by means of the design, construction and operation of infrastructures. Befesa Agua is specialized in the construction of large desalination plants utilizing reverse osmosis technology, and is one of the leaders of the international market in this area. Other product lines include the following: waste water and industrial water treatment, hydraulic

works and the management of hydraulic infrastructures. Befesa is thus present throughout the integral water cycle.

In the field of research, development and innovation (R&D&i), Befesa develops policies aimed at the creation of value and the sustainable undertaking of activities, without harming future generations.



Befesa Profile

Presence in 20 countries



International presence

Geographic Area	2008 M€	%	2007 M€	%
Sales Spain	427.3	49	411.3	53
Foreign Sales	446.2	51	358.4	47
Total	873.5	100	769.7	100

Opening of offices by business unit in 2008

Aluminum Waste Recycling

Alcasa. Barcelona (Spain)

Industrial Waste Management

Tracel. Jaén (Spain)

LIRSA. Tarragona (Spain)

Water

Befesa Infrastructure India. Chennai (India) (*)

NRS Consulting Engineers. Harlingen, Austin and Dallas (Texas, U.S.A.)

Water Build. Harlingen (Texas, U.S.A.)

Micronet Porous Fiber. Bilbao (Spain)

Corporate

Befesa Medio Ambiente corporate headquarters. Erandio, Biscay (Spain)

Latin America

Soluciones Ambientales del Norte. Antofagasta (Chile)

(*) Change of location

Befesa Profile

Main figures

Financial Data (M€)	2008	2007	Variation (08-07)
Balance Sheet			
Total Assets	1,498.1	1,192.1	25.7%
Equity	434.6	268.5	61.9%
Net Financial Debt	-74.4	-44.6	66.8%
Profit and Loss Account			
Sales	873.5	769.7	13.5%
EBITDA	157.8	123.8	27.4%
EAT	58.7	47.6	23.2%
Net Cash Flow	107.2	81.1	32.2%
Significant Variables			
Margin (% EBITDA/ Sales)	18.1%	16.1%	
Profitability: % EAT on			
- Equity (ROE)	13.5%	17.7%	
- Total Assets (ROA)	3.9%	4.0%	
EBITDA / Staff (k€)	69.7	63.2	10.4%
Sales / Staff (k€)	386.0	392.7	-1.7%

Sales per business unit	2008 M€	2007 M€	2006 M€
Aluminum Waste Recycling	252.4	218.1	229.4
Steel and Galvanization Waste Recycling	253.6	251.8	76.3
Industrial Waste Management	136.9	124.3	110.2
Water	230.6	175.5	139.4
Total	873.5	769.7	555.3

Personnel (Average number of employees)					
By business unit	2008	2007	By professional category	2008	2007
Corporate	25	22	Managers	92	91
Aluminum Waste Recycling	338	275	Supervisors	178	145
Steel and Galvanization Waste Recycling	526	506	Engineers and other university graduates	386	288
Industrial Waste Management	728	731	Assistants and Professionals	394	334
Water	501	312	Operatives	1,214	1,111
Latin America	145	123			
Total	2,263	1,969		2,263	1,969

The distribution of the Befesa stockholding structure is 83.34% by Proyectos Inversiones Medioambientales, 14.04% by Abengoa and the rest of the stock is free float.

Stockholding structure	% Share Capital
Proyectos Inversiones Medioambientales	83.444%
Abengoa, S.A.	14.036 %
Total	97.380 %

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Befesa sales by country are set forth in the following table:

Sales by country	2008 M€	%	2007 M€	%
Spain	427.3	48.9	411.3	53.4
Germany	101.3	11.6	84.9	11.0
Algeria	54.2	6.2	23.9	3.1
Belgium	39.9	4.6	28.9	3.8
India	37.6	4.3	39.1	5.1
United Kingdom	24.7	2.8	14.8	1.9
Singapore	24.2	2.8	0.0	0.0
Finland	23.8	2.7	0.0	0.0
Portugal	18.5	2.1	17.1	2.2
Italy	16.5	1.9	11.0	1.4
Sweden	16.0	1.8	30.3	3.9
France	14.6	1.7	67.8	8.8
Switzerland	10.6	1.2	0.0	0.0
Others	64.2	7.3	40.6	5.3
Total	873.5	100	769.7	100

The following is a table containing those products or range of products in which the market share per country exceeds 25%.

Products or range of products in which the market share in Spain exceeds 25%	2008	2007	Country
Production of secondary aluminum	42%	40%	Spain
Treatment of salt slags *	100%	100%	Spain
Treatment of salt slags *	100%	100%	United Kingdom
Treatment of refined sulfur	38%	38%	Spain
Decontamination of equipment with PCB	50%	50%	Spain
Transformation of greenhouse plastics	45%	45%	Spain
Treatment of steel dust *	100%	100%	Spain
Treatment of steel dust *	100%	100%	France
Treatment of steel dust *	77%	77%	Germany
Treatment of steel dust *	100%	100%	Sweden

* The percentage corresponds to recycled waste only.

Awards and distinctions in 2008

Befesa Agua Highly Commended by the Global Water Awards 2008 to the "Best Environmental Contribution 2008" for the MDL project for the reduction in consumption of electrical energy in the desalination plant in Chennai (India).

Befesa Agua Highly Commended by the Global Water Awards 2008, in the category of "Best desalination project of 2007", for the desalination plant in Tlemcen Hounaine (Algeria).

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The Befesa Corporate Social Responsibility policy

In Befesa corporate social responsibility is considered a strategic factor. It is one of the fundamental pillars of its present and future strategy; and is integrated into its general strategy by means of the environmental, quality and human resources policy and, in general, in each of the management systems of the company. Therefore this corporate responsibility entails the following for the company:

- A legal dimension: scrupulous respect for legislation in force in each and every one of the actions of the Company
- An economic dimension: generation of sustained value
- A human dimension: absolute respect for and protection of human rights
- A social dimension: support for the development of the societies in which Befesa is present
- An environmental dimension: respect for and protection of the environment

The company business is based on sustainable development, around which its activities and

strategies revolve, which is why the vision, the mission and the values of Befesa reflect its firm commitment with economic and social progress, the preservation of the environment and the respect for Fundamental Rights.

By means of this business model, Befesa positions its activity toward:

- The creation of long-term value for its stockholders
- Service to its customers
- The professional and human development of its employees
- The growth of the societies where it develops its activities

The activities undertaken by the company are carried out in consideration of its model for sustainable development; with a balance that maximizes profits for its stockholders and stakeholders, fully respecting legislation in force and with the utmost transparency.

Furthermore, and in order to clearly show this commitment with sustainable development, the Company supports initiatives relative to the protection of rights.

In 2005 Befesa signed the act of adherence to the United Nations World Pact, or Global Compact.

The United Nations Global Compact is an initiative of ethical commitment so that companies from all countries incorporate, as an integral part of their strategy and operations, ten principles of conduct and action concerning human rights, employment, environment and the fight against corruption. Its purpose is to promote the creation of a global corporate citizenship that permits the reconciliation of interests and processes of business activities with the values and demands of civil society, as well as with UN projects, sectoral international organizations, unions and NGOs. In 2007 Befesa presented its first progress report, which is published on the website of the association (www.pactomundial.org).

The social responsibility policy is based on:

- The Befesa professional Code of Conduct
- The corporate governance structure
- A policy for support of the communities where Befesa is present
- The Befesa sustainable development model
- The internal and external audit of all its business units and actions

For Befesa, the adoption of a strategic approach to stimulate the CSR has multiple benefits: improvement in risk anticipation and management, the most suitable reputation management, the attraction and retention of talent, greater competitiveness and positioning on the market, greater operational efficiency and cost reduction, improved relations with the chain of suppliers, improved relations with the community where we develop our activities, access to a greater number of sources of capital or improved relations with regulators, among others.

In 2008 Befesa prepared a Master Plan for Corporate Social Responsibility, which shall be implemented in 2009 and which involves all company divisions and shall be integrated into all of its businesses, adapting the CSR strategy to the social reality of the various communities in which Befesa is present. Basically, this master plan includes strategic actions that will allow Befesa to develop their distinguishing capabilities in a setting of innovation and sustainable development, anticipating new business challenges relative to sustainability.

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Likewise in 2008, in Befesa was implemented a Reporting System that makes it possible to place at the disposal of Company management, efficiently and on an annual basis, reliable consolidated data on the group relative to relevant quantitative indicators on matters of corporate social responsibility for the suitable management thereof and for inclusion in the Sustainability report. The reliability of the information requires consistency in the consolidated data, which must be traceable or reconstructible, precise and thorough in the identification and consideration of data sources.

This is why the Reporting System should also have effective internal controls to assist in the prevention, detection and correction of significant errors in the data reported.

Furthermore in 2009 an Environmental Sustainability Indicator System shall be developed, to contribute toward improving the management of the company business, allowing it to gauge and compare the sustainability of its activities, and to establish objectives for future improvement.



The 10 Principles of the Global Compact

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights, within their scope of influence.

Principle 2. Businesses should make sure that they are not complicit in human rights abuses.

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor.

Principle 5. Businesses should uphold the effective abolition of child labor.

Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Principle 7. Businesses should support a precautionary approach to environmental challenges.

Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Principle 10. Businesses should work against corruption in all of its forms, including extortion and bribery.

Mission, vision and values of Befesa

Mission

Befesa Medio Ambiente focuses its activity on the rendering of environmental services to industry and on the construction of environmental infrastructures in the development of its activities of Aluminum Waste Recycling, Steel and Galvanization Waste Recycling, Industrial Waste Management and the Integral Water Cycle.

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Vision

Befesa furnishes solutions to the management of industrial waste and the management and generation of water, highly conscious of its social responsibility for contributing to the creation of a sustainable world.

Values

Befesa has developed a series of principles on which its code of ethics is based. By means of all the channels available to it, the awareness and application of those values is encouraged and control and revision mechanisms are established to guarantee their proper monitoring and updating. Among these values, the following are worthy of emphasis given their importance:

- Integrity. Honesty in professional performance forms a part of the Befesa identity, and should be revealed in all actions of its personnel, both inside and out. Verified integrity turns to credibility before its customers, suppliers, stockholders and other third parties with which Befesa has a relationship, and creates value in of itself for

both the person and the entire organization.

- Legality. Compliance with legality is not just an external requirement and an obligation of the organization itself and its personnel. The law provides security in the actions of the company and reduces business risks.
- Professional rigor. The concept of professionalism in Befesa is intimately tied to the aim to serve in the performance of its activity and to the contribution toward the development of the business project. All actions undertaken by Befesa in the exercise of the functions entrusted should be presided over by professional responsibility, and governed by the principles established in its common management systems.
- Confidentiality. Befesa expects the people who work in the company to maintain criteria of discretion and prudence in their communications and relations with third parties. The adequate safeguarding of the information held by the Company requires that all Befesa

employees maintain strict control of themselves, appropriately caring for all documents and not disclosing such information to any person, inside or outside the organization, who is not authorized to know it.

- **Quality.** Befesa has a commitment with quality in all of its actions, internal as well as external. This is not a task of any isolated group or management and instead requires the participation of the entire organization and its placement into practice on a daily basis.

Risks and future opportunities

The activity of Befesa is the integral management of industrial waste, and the management and generation of water, highly conscious of its social

responsibility for contributing to the creation of a sustainable world. These activities are a great opportunity for creating value, not just for stockholders, but for the rest of its stakeholders as well. As the concept of sustainable development has permeated social awareness, those companies that have shown a firm commitment are being rewarded by the market. This tendency is increasingly strong, so that any organizations that deviate from this path are destined to disappear if they are not able to rectify their course.

This year Befesa has created a team in the company that shall be exclusively responsible for designing the strategies to achieve more sustainable economic, social and environmental development.



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Recently an inventory of greenhouse gases was begun, in order to determine in full detail the environmental impact of its activities. On the basis of the results obtained in this inventory, Befesa will proceed to establish some quantitative objectives for the upcoming years, with which the appropriate actions shall be carried out, aimed at minimizing the negative effects linked to such emissions.

The Befesa objectives for the future are increasingly ambitious. On the basis of the emissions inventory, it will be possible to define and implement measures that enable the company to continue progressing in its commitment to create a sustainable world.

The company R&D&i strategy is aimed at the creation of value and the development of new technologies for the sustainable performance of its activities. This means a permanent commitment and is utilized as a vehicle for continuous improvement and consolidation in technological leadership, in waste treatment and in the generation and management of water.

Transparency

Transparency and good governance

Befesa is a company comprised of more than 90 firms, between subsidiaries and investee companies, with presence in more than 20 countries and more than 2,362 employees, with a firm commitment to transparency in management and good governance. It is on these bases that it establishes relations with its stakeholders and practices successful business relationships.

The application of good governance practices, which contribute to increasing the informative transparency of Befesa, generate added value and improve communications with third parties, minimizing risks and maximizing profits.

New technologies are changing the communication channels and models among listed companies and stakeholders. This is why Befesa wagers for fluid communications with all its stakeholders and for the new communication channels as part of its commitment to transparency and proper management.

Befesa has implemented some Common

Management Systems that enable its collaborators to work in an organized, coordinated and coherent manner, allowing them to identify potential risks as well as any control activities necessary to mitigate these. Any procedure aimed at identifying and eliminating business risks is orchestrated through this system, which represents a common culture in the management of the businesses that form a part of Befesa. Compliance with the Common Management Systems is obligatory for the entire organization, which is why they are known by all members. They are furthermore continuously updated.

In Befesa it is understood that a suitable internal control system must ensure that all relevant financial information is reliable and known by management. This is why Befesa considers that the model developed in the Sarbanes Oxley Act, which establishes increased procedures for the control of financial information, completes our Common Management Systems, whose main objective is the control and mitigation of business risks.

Following the doctrine of the Institute of Internal Auditors and its Spanish chapter, the ultimate purpose of this structure is to endow Befesa Management and each one of its business groups

with a “control” information line, in addition and parallel to the normal hierarchical line, with criteria for clarity and transparency as well as for safeguarding the confidential information involved. Those responsible for each one of the rules comprising the Common Management Systems should verify and certify the fulfillment of such procedures. Certification for each year is issued and presented to the Auditing Committee in February of the following year, on the occasion of the formulation and auditing of the Annual Accounts.

This common structure makes it possible to achieve and certify the following objectives:

- Prevent auditing risks of the companies, projects and activities, as well as fraud, equity losses, operating ineffectiveness and, in general, risks that may affect proper business progress.
- Control the application and promote the development of suitable and efficient management rules and procedures, in accordance with corporate Common Management Systems.
- Create value for Befesa, promoting the construction of synergies and the monitoring of optimum management practices.

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- Coordinate the criteria and approaches to the tasks with external auditors, seeking the greatest efficiency and profitability in the functions of both teams.
- Guarantee the security and reliability of the financial information, verifying and ensuring the proper operation of the controls established for such purpose.
- Guarantee that the information disseminated to the market is truthful, complete and unabridged, ensuring the informational transparency in all distribution channels and types of information.

In 2008 no fine or non-monetary sanction was imposed for any breach of laws and regulations.

Transparency and fight against corruption

Befesa was resolved to include in the Professional Code of Conduct the express declaration of adherence of the company to the United Nations Convention Against Corruption, approved by the General Assembly of the United Nations in 2003.

The purpose of the aforementioned text is to promote and strengthen the measures to prevent and more efficiently combat corruption; to promote, facilitate and support international cooperation and

technical assistance in the prevention and fight against corruption, including the recovery of assets; to promote integrity, the obligation to render accounts and the due management of public affairs and goods.

Together with the provisions of this Code of Conduct and other Befesa policies, those employees who work with any Public Administration agency of any country are obligated to know, understand and observe the laws and regulations applicable to the development of business with those agencies. If any national, State or local Administration authority has a more restrictive policy than that of Befesa on matters of gifts and bonuses, Befesa employees and representatives shall comply with such stricter policy. Specifically, the United States Foreign Corrupt Practices Act (hereinafter, «FCPA») typifies as a crime that any companies and their managers, board members, employees and representatives pay, promise, offer or authorize the payment of any item of value to any foreign official, foreign political policy, official of foreign political parties, candidates to foreign political office or officials of international public organizations, for the purpose of obtaining or retaining business with them.

Similar laws have been or are being adopted by other countries. Payments of this nature are directly contrary to the policy of Befesa, even when the refusal to pay them involves the loss of a business opportunity. The FCPA also demands that companies keep precise books, records and accounts, and that they design an internal auditing control system that is sufficient to ensure, among other things, that the books and files of the company reflect, in reasonable detail, the transactions and transfers of its assets. Befesa shall neither deliver nor encourage anyone to deliver any type of incentive to any Administration employee, or to any supplier subject to a government or non-government contract or subcontract, for the purpose of attaining any contract or commercial advantage whatsoever.

The honesty, integrity and good judgment of Befesa employees, managers and board members is fundamental for the reputation and success of the Company. Its Professional Code of Conduct governs the working actions and relations of its employees, managers and board members with its customers and possible customers, with colleagues, the competition, the Governing Boards, the media and with all other persons or institutions with which the

company maintains contact. These relations are fundamental to the continued success of all Befesa companies.

The Befesa Code of Conduct demands the highest standards of honesty and ethical conduct, including suitable and ethical procedures for handling real or possible conflicts of interest among professional and personal relations; it demands full, precise, timely and intelligible communication in all periodic reports that Befesa should present to the Managerial boards or in any other communications made. It demands compliance with any applicable laws, rules and regulations; it addresses real or possible conflicts of interest and provides guidance so that employees, managers and board members notify such conflicts to the Company; it addresses the poor use or poor application of goods and business opportunities of the Company; it demands the same level of confidentiality and fair treatment inside Befesa and out. Lastly, it demands the immediate internal communication of any breaches of the Code of Conduct, as well as the appropriate communication of any illegal conduct.

Gifts or leisure activities are common practices utilized in many sectors and countries to reinforce

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commercial relations. The position of Befesa to this respect is clear throughout the world. No gifts, favors or any leisure activities whatsoever should be accepted or furnished, if they obligates or appear to obligate the person who receives them. It is not permitted to ever receive or deliver gifts in cash or in assets of high liquidity. Befesa employees may accept or grant gifts, favors and leisure activities exclusively if they adapt to the following criteria: if they are not contrary to the Law or the policy of the other party; if they are coherent with customary business practices of the country or sector; if they are reasonably consistent with the commercial relations; if they are coherent with existing commercial guidelines; if they cannot be interpreted as a bribe, suborn or inappropriate influence and if they do not in any other way

violate the values or commercial ethics of Befesa. All of this is supervised by the Internal Auditing Department.

During this year, the Internal Auditing Department issued a total of 51 auditing reports which include, among other aspects, the results of risk reviews and analyses regarding corruption in those companies classified as material.

During this period, no specific training courses on anticorruption policies and procedures in the organization were performed. However training courses were carried out on the Common Management Systems of the Company in which specific procedures were demonstrated for the management of corruption risks and for the



establishment of anticorruption policies in the companies of Befesa with a total of more than 616 attendees.

A computer application exists based on these Common Management Systems which may be consulted by all users at any time and in which knowledge may be increased on anticorruption policies and procedures of the organization. The Befesa Professional Code of Conduct is also

available for consultation via the intranet, to which all employees have access, as well as on the external website of the Company. Any changes that may take place to such code are notified to the entire organization without exception or delay.

During this year there has not been registered that has produced any incident related to the corruption in Befesa.



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Management model

The growth of Befesa is based on five strategic hubs:

1. Development of businesses that provide solutions for the creation of a sustainable world
2. Maintenance of a highly-competitive human team
3. Permanent strategy for the creation of value by means of the generation of new options, defining the current and future businesses according to a structured procedure.

4. Geographic diversification in markets with greater potential
5. Investment effort in research, development and innovation activities

These hubs are supported by a management model characterized by three elements:

1. Corporate social responsibility
2. Management transparency and rigor
3. Promotion of the entrepreneurial spirit



