Nowadays, sustainable development has to confront three main problems:

- Water shortage
- Increase of industrial and domestic waste
- Increase of energy demand and its effect on climate change

Befesa provides solutions to industrial waste management and water management and supply, bearing in mind our corporate social responsibility, to help create a sustainable world. Therefore, in Befesa we are in a perfect position from which we can do our bit and hence pass on a world to the future generations, as our activities are specialized in providing innovative and feasible solutions to the two main problems of the world nowadays: water and waste. We can do this and, at the same time, we can create value for our shareholders as we have done in the last years.

In 1997, Befesa became a company listed on the Stock Exchange. During these ten years we changed from being a local company to being an international company with presence in twenty countries. Sales changed from M€ 159 to M€ 769.7, which means a constant increase average annual rate of 19.2%; the EBITDA was increased from M€ 29 to M€ 123.8, which entails an average annual growth of 17.5%, and the net result was increased from M€ 11 to M€ 47.6, therefore growing at an annual rate of 17.7%.

2007 was a particularly good fiscal year, with growth in sales, EBITDA and EAT of 38.6%, 113.3% and 102.3%, respectively. It was an excellent year, not only owing to the results reached but also because we carried on strengthening the basis which will allow us to carry on growing in the next years at the same rates as in the past.

Hence, our aluminum waste recycling activity this year treated 356,000 tons of waste with aluminum content, reaching sales of about M€ 218.1.

Also, we signed an agreement with the Investment Fund Qualitas Equity Partners to integrate our aluminum waste business with Aluminio Catalán (Alcasa), giving rise to a company with a turnover higher that M€ 300, which will occupy the third position in the European market of aluminum waste recycling and which will reach the necessary critical mass required to provide an integral service to its...
customers throughout Europe, as well as to carry on developing our sustained growth plan.

In steel and galvanization waste recycling, through the acquisition of B.U.S. Group AB at the end of 2006 and its successful integration during this fiscal year, we have created an international leader in steel powder recycling for valorization and provision of services to steel companies, with eight treatment plants located in Spain, France, Germany and Sweden. This business unit is located at an optimal location to carry out its integral service that entails collection and treatment for the steel industry in other geographical areas. In 2007, we treated a total amount of 496,000 tons of steel powder, which prevented the extraction of 216,000 tons of mineral and 120,000 tons of zinc were returned to the production process.

In the Iberian Peninsula we built a leading company in provision of integral services to the sector which covers from collection service of their waste to the full and technified cleaning of their industrial processes, reaching an amount that exceeds 1,330,000 tons of treated industrial waste.

Furthermore, we are taking this activity to Latin America, where we are leaders in industrial waste management in Argentina and Peru. This year we treated more than 253,000 tons and we are starting our operations in Mexico and Chile.

Our ongoing projects in water supply and management provide sufficient water to supply 4.5 million people in regions such as Algeria, India, China and Spain, and we have contributed to social development in disadvantaged regions in Latin America and Africa, by building supply and purification infrastructures, which will improve the health and sanitary conditions and the availability of drinking water for their inhabitants.

We opened offices in Maghreb, Latin America, India, China and the United States, based on the projects we are performing, which allows us to strengthen Befesa Agua as an international leader in the water market in general and in desalination in particular.

The international growth of our activities can be seen in the turnover figure, as 47% of the turnover is from outside Spain. This internalization model is basic for maintaining our future development.

In order to carry on with sustained growth in the next years creating value for our
shareholders, without putting the future generations at risk, we must carry on going for research, development and innovation. In this respect, our aims in R&D+i are focused on maintaining competitiveness in the aluminum and steel waste recycling processes, in developing new technologies for industrial waste management and in reaching international leadership in water desalination and reutilization.

Personal and social development in our staff is also essential to maintaining a strong growth. Ten years ago, Befesa had 456 employees and in 2007 our staff exceeded 2,000 people. In Befesa we consider that training our employees is an essential tool to increase people’s knowledge and skills, to make their work life richer and allow proper development of their aptitudes. We are aware that in an environment that is characterized by innovation and change, the action and capacity of our professionals are competitive and distinguishing elements. Therefore, every year we develop a full training program which this year entailed an investment of 74,956 hours.

As part of our transparency and credibility policy and in order to guarantee the reliability of all the financial information prepared by the company, this year we have adapted our internal control structure to the requirements of the Sarbanes-Oxley Act (SOX) and we have submitted this internal control system to an external audit, based on the auditing rules of the PCAOB (Public Company Accounting Oversight Board), which rendered a favorable opinion.

For Befesa, corporate social responsibility implies an active contribution to sustainable development and social, cultural, sports and economic development of the communities in which it operates, by applying innovative technological solutions and community action programmes. Our actions are not only done in the interest of the company and in reaching its strategic aims but also have an effect on the improvement of its social, work and environmental environment.
Finally, I would like to repeat that in 2007 Befesa managed more than 2,600,000 tons of industrial waste, of which 1,269,000 tons were recycled, we produced one million cubic meters of water per day, which supplied 4.5 million people and, through the aforesaid activities, we prevented the emission to the atmosphere of more than one million tons of CO₂. This must continue to be the aim in the future: to contribute to a more sustainable world, creating value for our shareholders.

Javier Molina Montes
Chairman of Befesa

This report was prepared according to the GRI, Global Reporting Initiative, Guide and it is a balanced and reasonable presentation of the economic, environmental and social performance of our organization.