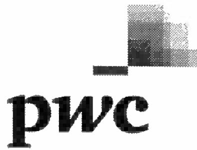
Befesa Holding S.à r.l.
and Subsidiaries

Consolidated Financial Statements and Consolidated Managements' Report for the year ended 31 December 2015

Societé à responsabilité limitée
2C, rue Albert Borschette L-1246, Luxembourg
Share Capital – EUR 12,500.03

R.S.C. Luxembourg B143916



Audit report

To the sole Shareholder of
Befesa Holding S.à r.l.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Befesa Holding S.à r.l., which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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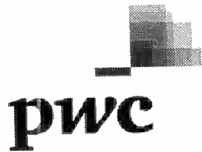

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Befesa Holding S.à r.l. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 26 April 2016

Markus Mees

Consolidated balance sheet as at 31 December 2015
(Euro thousand)

Assets	Note(s)	2015	2014
Non-current assets:			
Intangible assets			
Goodwill	**6**	379,990	373,860
Other intangible assets, net	**7**	18,009	22,176
		397,999	**396,036**
Property, plant and equipment, net	**8**		
Property, plant and equipment in use		346,536	364,447
Property, plant and equipment under construction		16,188	47,185
		362,724	**411,632**
Investments carried under the equity method	**9**	**1,526**	**1,650**
Non-current financial assets	**10**		
Investments in subsidiaries and associates		2,702	4,439
Other non-current financial assets		24,346	21,453
		27,048	**25,892**
Deferred tax assets	**19**	**81,400**	**78,128**
Total non-current assets		**870,697**	**913,338**
Current assets:			
Inventories	**11**	**48,489**	**41,900**
Trade and other receivables	**12**	**87,045**	**77,432**
Trade receivables from related companies	**12 – 25**	**2,856**	**1,835**
Accounts receivable from public authorities	**12 – 20**	**13,935**	**17,510**
Other receivables	**12**	**8,538**	**4,490**
Other current financial assets	**13**	**4,005**	**3,546**
Cash and cash equivalents	**4.1**	**57,253**	**78,615**
Total current assets		**222,121**	**225,328**
Total assets		**1,092,818**	**1,138,666**

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Befesa Holding S.à r.l. and Subsidiaries

Consolidated balance sheet as at 31 December 2015
(Euro thousand)

Equity and liabilities	Note	2015	2014
Equity:			
Parent Company	**14**		
Share capital		13	13
Share premium		450,092	400,495
Reserves		(220,527)	(240,921)
Translation differences		(2,857)	(1,534)
Net profit/(loss) for the year		(33,303)	17,198
		193,418	**175,251**
Non-controlling interests	**14**	**32,762**	**35,581**
Total equity		**226,180**	**210,832**
Non-current liabilities:			
Long-term provisions	**18**	**12,928**	**14,833**
Borrowings	**15**	**523,185**	**585,751**
Accounts payable for long-term finance leases	**15**	**7,535**	**2,151**
Deferred tax liabilities	**19**	**40,765**	**41,652**
Other non-current liabilities	**16**	**33,034**	**106,725**
Total non-current liabilities		**617,447**	**751,112**
Current liabilities:			
Short-term borrowings	**15**	**74,951**	**33,300**
Accounts payable for short-term finance leases	**15**	**2,621**	**1,329**
Trade payables to related companies	**25**	**1,688**	**1,935**
Trade and other payables		**115,898**	**106,627**
Short-term provisions		**139**	**152**
Other payables	**16**		
Accounts payable to Public Administrations		19,441	16,633
Other current liabilities		34,453	16,746
		53,894	**33,379**
Total current liabilities		**249,191**	**176,722**
Total equity and liabilities		**1,092,818**	**1,138,666**

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Consolidated income statement for the year ended 31 December 2015
(Euro thousand)

	Note	2015	2014
Continuing operations:			
Revenue	**5**	743,504	651,193
+/- Changes in stocks of finished products and work in progress		2,591	(6,625)
Procurements	**22**	(365,380)	(295,446)
Other operating income	**22**	12,273	19,476
Staff costs	**22**	(104,038)	(92,060)
Other operating expenses	**22**	(144,767)	(136,133)
Amortisation/Depreciation, impairment and provisions	**22**	(101,678)	(46,283)
Operating profit		**42,505**	**94,122**
Financial income		2,660	3,970
Financial expenses	**23**	(65,371)	(66,796)
Net Exchange differences		(563)	925
Financial income/(loss)		**(63,274)**	**(61,901)**
Share in results of investments carried under the equity method	**9**	175	299
Consolidated Profit/(loss) before tax		**(20,594)**	**32,520**
Corporate income tax	**20**	(15,135)	(11,580)
Profit/(loss) for the year		**(35,729)**	**20,940**
Attributable to:			
Parent company owners		(33,303)	17,198
Non-controlling interests		(2,426)	3,742

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2015
(Euro thousand)

	Notes	2015	2014
Consolidated profit/(loss) for the year		**(35,729)**	**20,940**
Items that may be subsequently reclassified to income statement			
Income and expense recognised directly in equity		**(1,322)**	**2,449**
- Cash flow hedges	**17**	743	(1,232)
- Translation differences		(1,821)	3,299
- Tax effect	**19**	(244)	382
Transfers to the income statement		**(599)**	**555**
- Cash flow hedges	**17**	(832)	786
- Tax effect	**19**	233	(231)
Other comprehensive income for the year		**(1,921)**	**3,004**
Total comprehensive income for the year		**(37,650)**	**23,944**
Attributable to:		**(37,650)**	**23,944**
Parent company owners		(34,720)	19,310
Non-controlling interests		(2,930)	4,634

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Befesa Holding S.à r.l. and Subsidiaries

Consolidated statements of changes in equity for years ended 31 December 2015 and 2014
(Euro thousand)

			Reserves					
	Share capital (Note 14)	Share premium (Note 14)	Unrealised asset and liability revaluation reserve (Note 14)	Other reserves (Note 14)	Translation differences (Note 14)	Net profit (loss) for the year	Non-controlling interests	Total equity
Balances at 31 December 2013	**13**	**400,495**	**9,632**	**(235,054)**	**(3,991)**	**6,771**	**36,392**	**214,258**
Net profit for 2014	-	-	-	-	-	17,198	-	17,198
Profit for the year attributable to non-controlling interests	-	-	-	-	-	-	3,742	3,742
Transfer of hedges to profit or loss (Note 17)	-	-	522	-	-	-	33	555
Changes in valuation of hedges (Note 17)	-	-	(799)	-	-	-	(51)	(850)
Translation differences	-	-	-	-	2,389	-	910	3,299
Total comprehensive income for 2014	-	-	(277)	-	2,389	17,198	4,634	23,944
Distribution profit/loss of 2013	-	-	-	6,771	-	(6,771)	-	-
Changes in the scope of consolidation (Note 2.5)	-	-	-	(5,606)	68	-	(4,705)	(10,243)
Other changes (Notes 2.5, 7 and 8)	-	-	-	(16,387)	-	-	(740)	(17,127)
Balances at 31 December 2014 (Note 14)	**13**	**400,495**	**9,355**	**(250,276)**	**(1,534)**	**17,198**	**35,581**	**210,832**
Net profit for 2015	-	-	-	-	-	(33,303)	-	(33,303)
Profit for the year attributable to non-controlling interests	-	-	-	-	-	-	(2,426)	(2,426)
Transfer of hedges to profit or loss (Note 17)	-	-	(563)	-	-	-	(36)	(599)
Changes in valuation of hedges (Note 17)	-	-	469	-	-	-	30	499
Translation differences	-	-	-	-	(1,323)	-	(498)	(1,821)
Total comprehensive income for 2015	-	-	(94)	-	(1,323)	(33,303)	(2,930)	(37,650)
Distribution profit of 2014	-	-	-	17,198	-	(17,198)	-	-
Changes in the scope of consolidation (Note 2.5)	-	-	-	-	-	-	111	111
Share premium increase(Note 14)	-	49,597	-	2,803	-	-	-	52,400
Other changes	-	-	-	487	-	-	-	487
Balances at 31 December 2013 (Note 14)	**13**	**450,092**	**9,261**	**(229,788)**	**(2,857)**	**(33,303)**	**32,762**	**226,180**

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

Consolidated cash flow statements for the year ended 31 December 2015
(Euro thousand)

	Notes	2015	2014
Cash flows from operating activities:			
Profit (loss) for the year before tax		**(20,594)**	**32,520**
Adjustments for:			
Depreciation and amortisation charge (Notes 7, 8 and 22)	7,8,22	42,175	35,886
Impairment losses (Note 22)		59,503	7,953
(Profit)/loss from assets disposals		-	2,622
Changes in provisions		(187)	(285)
(Profit)/loss from associates		(175)	(299)
Interest income		(2,660)	(3,970)
Finance costs	23	65,371	66,796
Other profit and loss		(1,563)	(1,503)
Exchange differences		563	(925)
Changes in working capital:			
Trade receivables and other current assets		(9,505)	(766)
Inventories		(6,967)	2,752
Trade payables		(1,262)	(13,043)
Other cash flows from operating activities:			
Interest paid		(58,579)	(49,543)
Other payments		(416)	(3,160)
Taxes paid		(12,109)	(13,734)
Net cash flows from operating activities		**53,595**	**61,301**
Cash flows from investing activities:			
Investments in Group and associated companies		(3,444)	-
Investments in intangible assets	7	(2,754)	(5,216)
Investments in property, plant and equipment (Note 8)	8	(47,435)	(44,927)
Other financial assets (Note 10)	10	-	(1,270)
Collections from disposals of Group and associated companies		29,792	-
Collections from sale of property, plant and equipment		1,051	1,324
Collections from sale of other financial assets		-	7,576
Dividends		260	458
Interest received		293	2,117
Net cash flows from investing activities		**(22,237)**	**(39,938)**
Cash flows from financing activities:			
Cash bank inflows from bank borrowings and other liabilities		13,479	21,470
Cash bank outflows from bank borrowings and other liabilities		(65,801)	(29,503)
Net cash flows from financing activities		**(52,322)**	**(8,033)**
Effect of foreign exchange rate changes on cash and cash equivalents		**(398)**	**273**
Net increase in cash and cash equivalents		**(21,362)**	**13,603**
Cash and cash equivalents at the beginning of year		**78,615**	**65,012**
Cash and cash equivalents at the end of the year		**57,253**	**78,615**

The accompanying Notes 1 to 28 and the Appendix are an integral part of the consolidated financial statements.

1. General information

Befesa Holding S.à r.l. (formerly Triton III No.14 S.à r.l.) (hereinafter the "Company" or "Befesa Holding") was incorporated in Luxembourg on 23 December 2008 as a "société à responsabilité limitée" subject to Luxembourg law for an unlimited period of time. The Company´s registered office is in 2c rue Albert Borschette, L-1246, Luxembourg.

The Company's purpose is the holding of shares, in any form whatsoever, in Luxembourg and foreign companies, and any other form of investment, the acquisition by purchase, subscription or in any other manner, as well as the transfer by sale, exchange or otherwise of securities of any kind, and the administration, control and development of its portfolio. The Company may further guarantee, grant loans or otherwise assist the companies in which it holds a direct or indirect shareholding or which form part of the same group of companies as the Company.

The Company may carry out any commercial, industrial or financial activities which it may deem useful in the accomplishment of its purpose.

The Company's financial year starts on 1 January and ends on 31 December.

On 26 July 2013, the Company increased its share capital, receiving in that operation the 76.2% of the shares of Befesa Medio Ambiente, S.L. and its subsidiaries (hereinafter "Befesa Medio Ambiente" or "Befesa"), held by Bilbao MidCo, S.à r.l. The Company and its subsidiaries are hereinafter referred to as the "Group". Prior to that date, no activity was performed by the Company, therefore 26 July 2013 is considered as the date of beginning of operations for the Company. As a consequence, Befesa Holding S.à r.l.'s consolidated financial statements are part of Bilbao Midco, S.à r.l.'s consolidated financial statements.

Befesa is an international industrial group (see Appendix) which engages mainly in the management and treatment of industrial residues. In this regard, the business activities of the Group are organised in three business segments: Steel, Aluminium and Industrial Environmental Solutions (see Note 5).

Most of the systems, equipment and facilities included in Group's property, plant and equipment should be deemed to be assigned to the management and treatment of industrial residues and, in general, to the protection and improvement of the environment, either because of the business activities carried on by the Group or because of their nature (Industrial environmental solutions). Also, most of the expenses and revenues for 2015 and 2014 should be understood to accrue in the normal course of the aforementioned activities. The information, if any, on possible provisions for contingencies and charges and on possible contingencies, liability and grants, if any, arising from the normal performance of the activities constituting the Group's company purpose, and other environmental measures are described, as and when appropriate, in the related notes to the consolidated financial statements.

These activities are carried on by the Group companies, which are divided into two subgroups headed by the following investees of the Parent: MRH Residuos Metálicos, S.L. and Alianza Medioambiental, S.L., both of which are sole-shareholder companies.
Befesa Valorización de Azufre, S.L. (Sole-Shareholder Company), a company included in the scope of consolidation until the date of transfer during 2015 (Note 2.5), engages in, among other operations, combined heat and power activities. This activity is regulated by Law 24/2013 on the Electricity Sector, by Royal Decree-Law 9/2013 on urgent measures to guarantee the financial stability of the electricity

system and Royal Decree 413/2014 on the remuneration parameters of standard facilities applicable to certain electricity production facilities using renewable sources, cogeneration and waste. Pursuant to regulation in force, the power produced and not consumed by the companies is acquired by the electric utility operating in each area, with which the related supply agreements are reached.

2. Basis of presentation of the consolidated financial statements and basis of consolidation

2.1 Fair presentation

The Company's consolidated financial statements for 2015 were formally prepared:

- In accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS), in conformity with the Regulation (EC) of the European Parliament and of the Council, including International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the accompanying consolidated financial statements are summarised in Note 3.

- The consolidated financial statements have been prepared on a historical cost basis modified by the fair valuation of assets and liabilities (financial assets and liabilities including derivatives) at fair value.

- Considering all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 3.

- So that they present fairly Group's consolidated equity and financial position at 31 December 2015 and the results of its operations, changes in consolidated equity and consolidated cash flows in the year then ended.

- On the basis of the accounting records kept by the Parent and by the other Group companies, which include the joint ventures (UTEs) in which they had interests at 31 December 2015. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements (IFRS) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards as adopted by the European Union.

- The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.4.

- The consolidated financial statements have been prepared in accordance with Luxemburg´s legal and regulatory framework.

2.2 Adoption of new standards and interpretations issued

The Group's consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31 December 2015, taking into account all accounting principles and standards and compulsory measurement criteria with a significant effect, as well as the alternatives that legislation allows.

With the entry into force in January 2015 of certain International Financial Reporting Standards (IFRS), the company adapted its consolidated financial statements to those standards, which are the following:

a) Mandatory standards, amendments and interpretations for all years starting on or after 1 January 2015

IFRIC 21 "Levies"

This interpretation addresses the accounting treatment of taxes imposed by the Public Administrations other than income taxes and fines and other penalties imposed for breaches of the legislation.

The new interpretation has not had an impact on the Group's consolidated financial statements.

Annual improvements, cycle 2011-2013

In December 2013 the IASB published the Annual Improvements to IFRS for the cycle 2011-2013. The changes added in these Annual Improvements generally apply to years beginning on or after 1 January 2015, although early adoption is permitted. The main amendments relate to:

- IFRS 3 "Business Combinations": Exceptions to the scope for joint ventures.

- IFRS 13 "Fair Value Measurement": Scope of the "exception portfolio" available in IFRS 13.

- IAS 40 "Investment Property": Interaction of IAS 40 and IFRS 3 when a property is classified as an investment property or owner occupied property.

These changes have not had a material effect on the Group's consolidated financial statements.

b) Standards, amendments and interpretations not yet effective but which may be adopted early in the years beginning on or after 1 January 2015.

At the signing date of these Consolidated Financial Statements, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations that will be detailed below, the application of which will be mandatory as from 2016, although the Group has not adopted them early.

Annual improvements, cycle 2010-2012

In December 2013 the IASB published the Annual Improvements to IFRS for the cycle 2010-2012. The amendments included in these Annual Improvements generally apply to the years beginning on or after 1 February although early adoption is permitted. The main amendments refer to:

- IFRS 2 "Share-based payments": Definition of "vesting conditions".
- IFRS 3 "Business combinations": Accounting for contingent consideration in a business combination.
- IFRS 8 "Operating segments": Disclosure of information about the aggregation of operating segments and reconciliation of total assets of all segments reported to the entity's assets.
- IFRS 13 "Fair Value Measurement": References to the ability to measure short-term receivables and payables at nominal value when the effect of discounting is not material.
- IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Proportional restatement of accumulated depreciation /amortisation when the revaluation model is used.
- IAS 24 "Disclosure of related parties": Entities that provide key management personnel services as related party.

These amendments are not expected to have a significant effect on the Group's consolidated financial statements.

IAS 19 (Amendment) "Defined benefit plans: Employee contributions"

IAS 19 (revised in 2011) distinguishes between employee service-related contributions and those not related to service. Moreover, the current amendment distinguishes between contributions linked to service only in the year in which they arise and those linked to service in more than one year. The amendment allows the contributions linked to service that do not vary based on the duration of the service to be deducted from the cost of benefits accrued in the year in which the related service is provided. Service-related contributions that vary depending on length of service should be extended over the service term using the same method of allocation applied to the provision of the service. This

amendment applies to years beginning on or after 1 February 2015 and will be applied retrospectively. Early adoption is permitted.

The Group is analysing the possible impacts of this amendment on its consolidated financial statements in the future although it does not expect the effects to be significant.

IAS 16 (Amendment) and IAS 41 (Amendment) "Agriculture: Bearer plants"

The Group has no assets that would be affected by this amendment.

IFRS11 (Amendment) "Accounting for acquisition of interests in joint operations"

This amendment requires the application of the principles of accounting for business combinations to an investor who acquires an interest in a joint operation that constitutes a business.

This amendment is not expected to have a significant effect on the Group´s consolidated financial statements.

IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable methods of depreciation and amortisation"

This amendment clarifies that revenue based methods are not sufficient to calculate the depreciation or amortisation of an asset because revenue generated by the business activity includes use of an asset, and generally, reflects factors other than the outflow of economic benefits attached to an asset.

This amendment is not expected to have a significant effect on the Group's consolidated financial statements.

Improvement project, cycle 2012-2014: the main amendments relate to:

- IFRS 5 "Non-current assets held for sale and discontinued operations": Changes in the methods of disposal.
- IFRS 7, "Financial instruments: Disclosure": Continuing involvement in management contracts.
- IAS 19, "Employee Benefits": Determination of the discount rate in obligations for post-employment benefits.
- IAS 34, "Interim Financial Reporting": Information presented elsewhere in the interim financial information.

These amendments are not expected to have a significant effect on the Group's consolidated financial statements.

IAS 1 (Amendment) "Presentation of Financial Statements"

The amendments of IAS 1 encourage enterprises to apply professional judgment to determine what information will be disclosed in the financial statements as well as where and in which order it should be presented. The amendments that have been made clarify that materiality applies to the set of financial statements and that the inclusion of immaterial information could impinge on the usefulness of the financial information.

This amendment may have an effect on the order in which information is presented in the Group's consolidated financial statements in the future.

IAS 27 (Amendment) "Equity method in separate financial statements"

The Group does not present separate financial statements under IFRS-EU.

c) Standards, amendments and interpretations of existing standards that cannot be adopted early or have not been adopted by the European Union:

At the date of these consolidated financial statements, the IASB and IFRS Interpretations Committee have published the following standards, amendments and interpretations that have not yet been adopted by the European Union.

IFRS 15 "Revenue from contracts with customers"

In May 2014, the IASB and the FASB jointly issued a converged standard in relation to the recognition of revenue from contracts with customers. Under this standard, revenues should be recognized when a customer obtains control of the good or service sold, i.e. when it has the ability to direct the use and obtain the benefits of the good or service. This IFRS includes new guidance on determining whether revenues should be recognized over time or at a certain time. IFRS 15 requires extensive disclosure on revenue recognised as well as revenue expected to be recognize in the future in relation to existing contracts. It also requires quantitative and qualitative information about the significant judgments made by management in determining revenue to be recognized as well as changes in these judgements. IFRS 15 will be effective for annual periods beginning on or after 1 January 2018, although early adoption is permitted.

The Group is analysing the impact this standard may have on its consolidated financial statements if it is adopted by the European Union.

IFRS 9 "Financial Instruments"

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was published in July 2014 and replaces the guidance contained in IAS39 on the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three main measurement categories for financial assets: amortized cost, fair value through profit or loss and fair value through other comprehensive income. The classification basis depends on the entity's business model and the characteristics of the contractual cash flows from the financial assets. It requires equity investments to be measured at fair value through profit or loss with the irrevocable option at inception of presenting changes in fair value in non-recyclable other comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in the income statement. There have been no changes with respect to the classification and measurement of financial liabilities, except for the recognition of credit risk in other comprehensive income for liabilities at fair value through profit or loss. Under IFRS9, there is a new impairment loss model, the expected credit loss model, which replaces the loss incurred model under IAS 39 and which will lead to the recognition of losses earlier than under IAS 39. IFRS 9 relaxes the requirements for hedge effectiveness. Under IAS 39, the hedge must be highly effective both prospectively and retrospectively. IFRS 9 requires an economic relationship to exist between the hedged item and the hedging instrument and the hedge ratio to be the same as the ratio actually used by the entity in risk management. Current documentation is still necessary but it is different from the information which was prepared under the IAS 39. Finally extensive disclosure is required, including the reconciliation between the initial and final amounts of the provision for expected credit losses, assumptions and figures as well as the reconciliation regarding the transition between the original classification categories under IAS 39 and the new disclosure categories under IFRS 9.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, although early adoption is permitted. IFRS 9 will be applied retroactively but will not require comparative figures to be restated.

The Group is analysing the impact that the amendment may have on the Group's Consolidated Financial Statements if it is adopted by the European Union.

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or transfer of assets between an investor and its associates or joint ventures"

These amendments clarify the accounting treatment of sales and transfers of assets between an investor and its associates and joint ventures, which will depend on whether non-monetary assets sold or provided to an associate or joint venture constitute a "business". The investor will recognize the complete profit or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition of business, the investor recognizes a profit or loss to the extent of the interests of other investors.

These amendments are not expected to have a significant effect on the Groups' consolidated financial statements in the future.

IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 28 (Amendment) "Investment Entities: Applying the exception to consolidation"

These amendments clarify aspects of the implementation of the requirement for investment firms to measure a subsidiary at fair value rather than consolidate it.

These amendments are not expected to have an effect on the Group´s consolidated annual accounts in the future.

IFRS 16 "Leases"

In January 2016, the IASB published a new standard on leases which repeals IAS 17 "Leases", as a result of a joint project with the FASB. The IASB and the FASB have reached the same conclusions in many areas related to accounting for leases. The IASB and the FASB also agreed not to include significant changes in lessor accounting and retained similar requirements as under previous legislation. Differences persist between the IASB and the FASB regarding the recognition and disclosure of the expenditures related to leases within the income statement and cash flows statement.

Under IFRS-IASB, IFRS 16 takes effect on 1 January 2019; IFRS may be adopted early but only if IFRS 15 "Revenue from contracts with customers" is applied at the same time. IFRS 16 has not yet been approved by EU. The Group is assessing possible impacts on its consolidated Annual Accounts in the future, and only expects an impact on balance sheet items (intangible assets and borrowings), with no significant impact on equity.

2.3 Functional currency

These consolidated financial statements are presented in thousands of euros, since the euro is the currency used in the main economic area in which the Group operates. Foreign operations are recognised in accordance with the policies established in Note 3. The main currencies other than the euro in which the Group carries out its transactions are the US dollar, Korean won, Swedish krona, Argentine peso, Chilean peso and the Turkish lira.

2.4 Responsibility for information and estimates made

The information in these consolidated financial statements is the responsibility of the Board of Managers of the Parent Company.

In the Group's consolidated financial statements for 2015, estimates are occasionally made by the senior management of the parent company and of the consolidated companies, later ratified by the managers, in order to qualify certain of the assets, liabilities income, expenses and obligations reported herein. These estimates relate basically to the following:

Impairment losses on goodwill (see Notes 3.1 and 6).

The Group verifies annually whether there is an impairment loss in respect of goodwill, in accordance with the accounting policy described in Note 3.1. The recoverable amounts in cash-generating units (CGUs) have been determined based on calculations of value in use. These calculations require the use of estimates.

If the revised estimated discount rate which is applied to discounted cash flows were 50 basis points higher than management's estimates, the Group would continue not to need to reduce the carrying value of goodwill.

With respect to the assumptions used to determine EBITDA (operating profit plus depreciation and amortisation, essential to calculate free cash flow) of the CGUs and its future growth, the most conservative scenario has been used, such that negative variations in the gross margin are unlikely to arise.

Useful lives of property, plant and equipment and intangible assets (see Notes 3.2, 3.3, 7 and 8).

Management determines the estimated useful lives and related depreciation/amortisation charges for its fixed assets. This estimate is based on the actual decline in the asset´s valuedue to use, operation and possession. Management will increase depreciation/amortisation charges when the useful life is lower than the lifetime estimated previously or will depreciate or eliminate technically obsolete or non-strategic assets which have been abandoned or sold.

Estimated impairment loss on property, plant and equipment (Note 8)

The measurement of property, plant and equipment requires that estimates be made in order to determine their fair value, for the purpose of evaluating potential impairment. To determine this fair value, the Managers´estimate expected future cash flows from the assets or the cash generating units of which they form part, using an appropriate discount rate to calculate the present value of these cash flows.

Corporate income tax and deferred tax assets (Note 3.16, 19 and 20)

The Group is subject to income taxes in numerous jurisdictions. A major degree of judgement is required to determine the provision for income tax internationally. There are many transactions and calculations for which the ultimate determination of the tax is uncertain during the ordinary course of business. Tax is calculated based on Management's best estimates according to the current situation as regards tax legislation and taking into account expected developments in this area in the different instructions applied to the Group. The Group recognises liabilities in respect of possible tax claims on the basis of estimates concerning whether additional tax will be required. When the final tax result differs from the amounts initially recognised, such differences will have an impact on corporate income tax and provisions for deferred tax in the year in which the relevant calculation is made.

The Group only recognises assets up to the limit of estimated future taxable profits. These calculations require the use of estimates and a sensitivity analysis is performed of the most significant variables in such estimates. The results for 2015 confirm the fulfilment of the group's business plans, which have been used to analyse the recoverability of the tax credits.

Fair value of derivatives or other financial instruments.

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group uses judgement to select a series of methods and makes assumptions that are mainly based on the market conditions existing at each balance sheet date. The Group has used discounted cash flow analyses for various foreign exchange contracts that are not traded in active markets.

Amount of certain provisions and/or contingent liabilities

Provisions are recognised when it is likely that a present obligation, resulting from past events, will give rise to a future outflow of funds, and if the amount of the obligation can be reliably estimated. Significant estimates are required to fulfil the applicable accounting requirements. Group management makes estimates, evaluating all relevant information and events, of the probability of occurrence of a contingency and the amount of the liability to be settled in the future.

Revenue relating to the percentage of completion of contracts

For certain contracts, the Group uses the percentage-of-completion method to account for them. The use of this method requires the Group to estimate total forecast income and expenses over the term of the contracts and the level of completion of each contact at the closing date. This revenue recognition method is applied only when the outcome of the contract can be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract cannot be reliably estimated, revenue is recognised to the extent that costs are recovered. When it is likely that the costs of the contract exceed the revenues, the loss is recognised immediately as an expense. Such estimates are reviewed and assessed regularly in order to reestimate the forecast margin on a project or verify whether it has generated a loss.

Although these estimates were made on the basis of the best information available at 31 December 2015 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statement.

2.5 Consolidated Group and consolidation scope

Scope of consolidation

The accompanying consolidated financial statements for the year ended 31 December 2015 were prepared from the individual accounting records at that date of Befesa Holding, S.à r.l. (the Parent Company -see Note 1-) and of the subsidiaries, associates and joint operations listed in Appendix I.

Subsidiaries

"Subsidiaries" are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to or entitled to obtain variable income as a result of its involvement in the investee and has the capacity to use its power over it to influence such income. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Subsidiaries are fully-consolidated. Full consolidation requires the inclusion in the Parent´s consolidated balance sheet of all the assets, rights and obligations of the subsidiaries and the inclusion in the consolidated income statement of all the income and expenses taken into account in determining the subsidiaries' profit or loss, after making the corresponding adjustments for consistency and eliminations.

All balances, transactions and results among consolidated companies are eliminated at consolidation. Also, the main accounting policies are brought into line with those applied by the Parent by making the appropriate valuation adjustments for consistency.

When a subsidiary is acquired, the assets liabilities and contingent liabilities are measured at fair value on the aquisition date (fair value of assets transferred, liabilities incurred with the former owners of the acquiree and the equity interests issued by the Group). Any excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognised as goodwill. Any shortfall in the acquisition cost below the fair value of the identifiable net assets acquired (i.e. a discount on acquisition) is credited to profit or loss on the acquisition date. Related costs are expensed in the year in which they are incurred. For each business combination, the Group may opt to recognise any non-controlling interest in the acquiree at fair value or at the proportional part of the non-controlling interest of the amounts recognised in respect of the aquiree´s net identifiable assets. Third party equity interests in investees are presented in the Group's equity under "Non-Controlling Interests" in the consolidated balance sheet. The profit for the year is presented under "Profit Attributable to Non-Controlling Interests" in the consolidated income statement and, where appropriate, in the consolidated statement of comprehensive income or consolidated statement of changes in equity.

If the business combination is achieved in stages, the carrying amount on the acquisition date of the acquirer's previously-held equity interest in the acquiree is re-measured at fair value at the acquisition date. Any gain or loss arising on this subsequent measurement is recognised in profit or loss for the year.

Any contingent consideration to be transferred by the Group is recognised at fair value on the acquisition date. Subsequent changes in the fair value of the contingent consideration classified as an asset or a liability are recognised in accordance with IAS 39 in profit or loss or in other comprehensive income. Contingent consideration which is classified as equity is not remeasured and its subsequent settlement is recognised in equity.

Consolidation of the profits and losses generated by entities acquired during a year is carried out taking into consideration only the results relating to the period between the date of acquisition and the close of that year. In parallel, consolidation of the results generated by entities disposed of during a year is carried out taking into consideration only the results relating to the period between the beginning of the year concerned and the date of disposal.

Items recognised in the balance sheet and income statement of fully-consolidated foreign companies are translated to euros at the year-end exchange rates. This method consists of translating to euros all the assets, rights and obligations at the exchange rates prevailing at the date of the consolidated financial statements, the consolidated income statement items at the average exchange rates for the year, and equity at the historical exchange rates at the date of acquisition (or, in the case of retained earnings, at the average exchange rates for the year in which they were generated), and the differences are recognised with a charge or a credit, as appropriate, to "Equity of the Parent - Translation Differences" in the consolidated balance sheet.

All balances and transactions between fully consolidated companies are eliminated on consolidation.

None of the functional currencies of the subsidiaries, associates and joint operations located abroad relate to hyperinflationary economies as defined by IFRS (IAS 29). Accordingly, at the 2015 accounting close it was not necessary to adjust the financial statements of any of the subsidiaries or associates to correct for the effect of inflation.

The main aggregates of the fully-consolidated companies at 31 December 2015 are shown in the Appendix I.

Joint arrangements and joint ventures

The Group has applied IFRS 11 to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint ventures or joint operations, depending on the contractual rights and obligations or each investor.

The Group has assessed the nature of its joint arrangements and determined that they are all joint operations.

A joint operation takes place when the investors have rights over the assets and obligations with respect to the liabilities under an arrangement. Joint operations are accounted for using the proportionate method of consolidation. The Group includes its share of the assets, liabilities, revenues, expenses and cash flows of joint operation on a line-by-line basis, together with the items in its own accounts that are similar in nature. The Group recognises its share of the profit or loss deriving from the sale of Group assets to the joint operation in its consolidated annual accounts in the proportion corresponding to other members. The Group does not recognise its share of the profits or losses of a joint operation deriving from the purchase by the Group of assets from the joint operation until the assets are sold to an independent third party. However, a loss is recognised immediately on a transaction if it reveals a reduction in the net realisable value of current assets or any impairment loss.

Joint ventures are accounted for using the equity method of consolidation. Under the equity method, interests in joint ventures are initially recognised at cost and are adjusted subsequently to recognise the Group's share in profits and losses subsequent to the acquisition and movements in other comprehensive income. When the Group's share of the losses of a joint venture is equal to or exceeds its interests in joint ventures (including any long-term interest which, in substance, forms part of the Group's net investment in the joint ventures), the Group does not recognise any additional losses unless it has incurred liabilities or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated on the basis of the Group's interest in them. Unrealised losses are also eliminated unless the transaction provides evidence of a loss due to the impairment of the asset transferred.

The consolidation of the "joint operations" (in addition to the joint ventures, this includes Gestión y Valorización Integral del Centro S.L. (industrial environmental solutions segment) and Recytech S.A.S (steel segment)), in the consolidated financial statements increased assets, liabilities, income and expenses by approximately EUR 24,094 thousand, EUR 16,246 thousand, EUR 22,521 thousand and EUR 17,940 thousand, respectively (31 December 2014: approximately EUR 24,423 thousand, EUR 16,895 thousand, EUR 21,645 thousand and EUR 15,897 thousand, respectively). Of these amounts, EUR 8,247 thousand and EUR 8,238 thousand relate to assets and liabilities of UTEs (temporary consortia, UTEs being their acronym in Spanish) which, because of the nature of their business activities (construction or operation of facilities) are generally current assets and liabilities (31 December 2014: EUR 8,279 thousand and EUR 8,273 thousand, respectively). The joint operations which have the legal form of a company and which are proportionately consolidated are listed in the Appendix I.

The Group has interests in the following UTEs:

UTEs in 2015:

The detail of the UTEs in which the Group had interests at the end of 2015 is as follows:

Name	Activity	Address	% interest
Selectiva Poniente	Sorting of containers	Spain	50%
Lagunas de Arganda	Hazardous waste treatment	Spain	50%
Poniente Almeriense	Municipal waste	Spain	50%

UTEs in 2014:

The detail of the UTEs in which the Group had interests at the end of 2014 is as follows:

Name	Activity	Address	% interest
Selectiva Poniente	Sorting of containers	Spain	50%
Poniente Almeriense	Municipal waste	Spain	50%

No significant obligations or contingencies have been assumed on behalf of the joint operations.

Associates

The associates over which the group is in a position to exercise significant influence, but not control, were accounted for in the consolidated balance sheet using the equity method (unless they were classified as available for sale). For the purpose of preparing the consolidated financial statements, it was considered that the Group is in a position to exercise significant influence over companies in which it has an investment of 20% or more of the share capital, except in specific cases where, although the percentage of ownership is lower, the existence of significant influence can be clearly demonstrated.

Under the equity method, the investment is initially recognised at cost and the carrying value is increased or reduced to recognise the investor's interest in the results of the investee following the acquisition date.

The Group's investments in associates include the goodwill identified in the acquisition, net of any accumulated impairment losses.

The Group's share of the losses or profits subsequent to the acquisition of its associates is recognised in the consolidated income statement, and its share of changes subsequent to the acquisition is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investments. When the Group's share of the losses of an associate is equal to or exceeds its ownership interest therein, including any other unsecured account receivable, the Group does not recognise any additional losses unless it has incurred legal or constructive obligations or has made payments on behalf of the associate.

At each financial reporting date, the Group determines whether there is any objective evidence that the investment in the associate has become impaired. If impairment is detected, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the item share in profit /(loss) in associates in the consolidated income statement.

Gains or losses on upward and downward transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent that they relate to investments of other investors in the associates that are not related to the investor. Unrealised losses are eliminated unless the transaction discloses evidence of an impairment loss on the asset transferred. The accounting policies of the associates have been changed wherever necessary to ensure consistency with the policies applied by the Group.

Dilution losses and gains arising on investments in associates are recognised in the income statement.

Transactions with non-controlling interests

The Group recognises transactions with non-controlling shareholders as transactions with the Group's equity owners. In acquisitions of non-controlling interests, the difference between the consideration paid and the related proportion of the carrying amount of the subsidiary´s net assets is recognised in equity. Gains or losses on disposals of non-controlling interests are also recognised in full in equity.

When the Group ceases to exercise control or a significant influence, any interest retained in the entity is re-measured at its fair value and the increase in the carrying amount of the investment is recognised in profit or loss. Fair value is the initial carrying amount for the purposes of subsequently measuring the interest retained in the associate, joint venture or financial asset. In addition, any amount previously recognised in other comprehensive income in connection with the related entity is accounted for as if the Group had sold directly all the related assets and liabilities. This could mean that the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only the proportional part of the amounts previously recognised in other comprehensive income is reclassified to profit or loss.

Changes in the scope of consolidation (business combinations).

There follows a description of the main changes in the scope of consolidation in 2015 and 2014:

2015

Additions to the scope of consolidation

During 2015 the acquisition of Solarca, S.L. and its subsidiaries was completed for EUR 18.6 million. At 14 May 2015 the Group, through its subsidiary Alianza Medioambiental, S.L., signed a purchase agreement for Solarca, S.L., paying EUR 5 million in cash and the remainder on a deferred basis, every 31 March over the four years following the year of the sale. In view of the contractual conditions, the Group has recognised the purchase at 100% of the Solarca group recognizing a liability of EUR 13.9 million, corresponding to the best estimate of the contingent price payable on each payment date until 2019. This price will depend on the formula established in the contract and will take into account estimated future EBITDA. The addition of the Solarca Group contributed assets of EUR 18 million and liabilities of EUR 13 million, respectively. The Group has recognized goodwill amounting to EUR 14 million for the difference between the cost of the business combination, amounting to EUR 19 million and the fair value of the assets and liabilities added to the consolidation scope (EUR 5 million) (Note 27).

On 30 June 2015 the Group consolidated its subsidiaries Befesa Industrial Services USA Inc and Befesa Silvermet Dis Ticaret A.S. (former Befesa Silvermet Adana, A.S.) (Note 10). This has entailed the consolidation of assets of about EUR 6.4 million and liabilities of EUR 5.6 million, respectively.

De- consolidation

On 29 December 2015, the Group, through its subsidiary Alianza Medioambiental, S.L. (Sociedad Unipersonal), disposed of its stake in Befesa Valorización de Azufre, SL, amounting to EUR 4.9 million. In addition, the buyer has taken responsibility for the payment of the centralized treasury account held by the Company with Befesa Medio Ambiente, S.L., the total payment for the purchase amounting to EUR 33.2 million. The assets and liabilities sold amounted to EUR 39.3 and EUR 35.3 million, respectively.

In May 2015 the Group wound up Befesa Servicios Corporativos, S.A., this not having a significant impact on the consolidated financial statements.

2014

The Group included in the consolidation scope in 2014, the interests it held in the subsidiaries Befesa Steel R&D, S.L. (Sociedad Unipersonal), Befesa México, S.A. de C.V., Befesa Aluminio Comercializadora, S.L., Befesa Aluminium Germany GmbH and Befesa Colombia, S.A.S. and the joint operation Gestión y Valorización Integral del Centro, S.L., of which the Group owns 50%. These additions to the scope of consolidation contributed assets and liabilities amounting to EUR 36.0 million and EUR 39.4 million, respectively.

On 1 July 2014 the Group, through its subsidiary Befesa Zinc Germany, GmbH, acquired an additional 25% interest in the subsidiary Befesa Zinc Korea Ltd. amounting to USD 16.3 million, equivalent to approximately EUR 12.1 million.

The Group took control of the above subsidiary in 2013. Therefore this operation is a transaction with minority shareholders which caused an increase in the interests the Group holds in this subsidiary from 55% at 31 December 2013 to 80% at 31 December 2014. The impact of this transaction on the consolidated accounts is a reduction in the heading "Non-controlling interests" of approximately EUR 4 million charged to reserves. Following this operation, there is a put option which may be exercised by the minority shareholders during the following 2 years as from 17 July 2014 and for a three years period through which the Group would be obligated to purchase the remaining 20% if the minority shareholder so decided, at a fixed rate of USD 15 million, net of working capital and certain pre-existing debts. The Group recognised a liability amounting to EUR 6.1 million for this put option (Note 18), charged to reserves of the parent company, on the understanding that the risks and rewards had not been transferred to the parent company. This liability is measured at fair value and its value at 31 December 2015 amounts to EUR 9.1 million.

3. Accounting principles and policies and measurement methods applied

3.1 Goodwill

This heading in the consolidated balance sheet reflects the difference between the prices paid to acquire certain consolidated the Group companies and the Group's interest in the fair value of the net assets (assets, liabilities and contingent liabilities) of those companies at the date of acquisition.

Any excess of the Group interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the company acquired over the acquisition cost of the investment is allocated to income on the date of acquisition.

Goodwill is recognised as an asset and at the end of each reporting period it is estimated whether any impairment has reduced its value to an amount lower than its carrying amount. If so, impairment losses are recognised for the goodwill, which must not be reversed in a subsequent period.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The goodwill is allocated to the CGUs that are expected to benefit from the business combination in which the goodwill arises.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

The carrying amount of the goodwill arising on acquisitions prior to the date of transition to IFRS (1 January 2009) has not changed as compared with the amounts at which it was carried prior to that date.

3.2 Other intangible assets

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets - Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. In conformity with IFRS, the Group classifies as internally generated intangible assets the expenses incurred in the development of projects that meet the following conditions:

- The expenditure is specifically identified and controlled by project and its distribution over time is clearly defined.
- The Managers have well-founded reasons for believing that there are no doubts as to the technical success or the economic and commercial viability of the projects, on the basis of their level of completion and order book.
- The Group has the necessary technical, financial and other resources to complete the development work.
- The development cost of the asset, which includes, where appropriate, the staff costs of Group's personnel working on the projects, can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over the period that they are expected to generate income, which is generally in five years. The technical, economic and financial potential of each project is reviewed at each year-end. If a project is progressing negatively or there are no financing plans to assure effective completion, the related amount is charged to income in full.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

The Group has recognised the work performed on its intangible assets in relation to the development of new technologies for which there is a high probability of technical and economic success as a reduction in "Other Operating Expenses" in the consolidated income statement for the year ended 31 December 2015 for an amount of EUR 737 thousand (31 December 2014: EUR 731 thousand) (Note 22). The amounts capitalised during the year mainly relate to projects aimed at improving aluminium scrap treatment processes by the subsidiary Befesa Aluminio, S.L.

Computer applications

The acquisition and development costs incurred in relation to the basic computer systems used in the management of the Group are recognised with a charge to "Other Intangible Assets" in the consolidated balance sheet. Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

Computer software is amortised on a straight-line basis over the useful life of the assets.

On 2015 the Group has estimated the useful lives of computer systems, according to current technical reports, assigning a useful life of 5 years versus 10 years estimated in the previous years. This reassessment of the useful life has increased amortisation expense by EUR 1,914 thousand, approximately.

Concessions, patents, licences and similar items

In general, the amounts recognised by the Group in connection with concessions, patents, licences and similar items relate to the cost incurred in acquiring them, which is amortised on a straight-line basis over the estimated useful life based on the concession arrangement.

The capitalised concessions have a maximum estimated useful life of 25 years.

3.3 Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost less any accumulated depreciation and any recognised impairment losses. However, prior to the date of transition to IFRS, the Group revalued certain items of property, plant and equipment as permitted by the applicable legislation. In accordance with IFRS, the Group considered the amount of the restatements as part of the cost of the assets.

Costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Repairs that do not lead to a lengthening of the useful life of the assets and maintenance expenses are charged to the consolidated income statement for the year in which they are incurred.

In-house work on non-current assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house warehouse materials consumption and manufacturing costs allocated using hourly absorption rates similar to those used for inventory valuation). In 2015 EUR 4,546 thousand was recognised in this connection (2014: EUR 13,412 thousand) (Note 22.2). At 31 December 2015, the work performed by the Group on its property, plant and equipment was recognised under "Other Operating Income" in the consolidated income statement. This amount mainly related to work performed by Befesa Aluminio, S.L., Befesa Zinc Korea Ltd. and Befesa Aluminium Germany, GmbH (2014: work performed mainly by Befesa Silverment Turkey, S.L., Befesa Zink Korea, Ltd. and Befesa Aluminium Germany, GmbH (Note 8).

The Group generally depreciates property, plant and equipment using the straight-line method (land is not subject to depreciation), distributing the cost of the assets over the following years of estimated useful life:

	Average years of estimated useful life
Buildings	25 – 50
Plant and machinery	10 – 25
Other fixtures, tools and furniture	5 – 10
Computer hardware and other items of plant, property and equipment	4 – 10

In view of their nature, the Group depreciates certain assets (septic tanks) on the basis of the volume of waste entering the facilities. Since the Group has to meet certain costs in relation to the closure of its facilities, the accompanying consolidated balance sheet includes provisions related to this item.

Assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the items sold.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.4).

3.4 Asset impairment

At each reporting date, the Group reviews non-current assets to determine whether there is any indication that they might have undergone an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, at each balance sheet date, the possible impairment of goodwill and of any intangible assets which have not yet come into operation or which have an indefinite useful life is analysed.

The recoverable amount is the higher of fair value less costs to sell and value in use, which is taken to be the present value of the estimated future cash flows. In order to calculate value in use, the assumptions used include discount rates, growth rates and forecast changes in selling prices and costs. The managers estimate pre-tax discount rates which reflect the time value of money and the risks specific to the cash-generating unit. The growth rates and the changes in selling prices and costs are based on in-house and industry forecasts, and experience and future expectations, respectively.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference with a charge to "Depreciation and Amortisation and Impairment Losses" in the consolidated income statement. Impairment losses recognised for an asset in prior years are reversed with a credit to the aforementioned heading when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised, except in the case of the impairment of goodwill, which is not reversible.

3.5 Financial instruments

Financial investments

In accordance with the classification criteria established by IAS 39, the Group classifies its current and non-current financial assets in the following categories:

- Loans and receivables. These are financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor. Assets included in this category are initially recognised at fair value plus the transaction costs and are subsequently reflected at amortised cost in accordance with the effective interest method. However, the required measurement adjustments are made and the related losses are recognised on the basis of the risk of possible doubtful debts in respect of collection of the various balances. Interest calculated using the effective interest method is recognised in the consolidated income statement.

- Financial assets at fair value through profit or loss. Assets acquired with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices, and financial derivatives that qualify for fair value hedge accounting. The assets included in this category are stated in the consolidated balance sheet at fair value, and the gains and losses from changes in fair value are recognised in the net profit or loss for the year.

  The fair value of a financial asset on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price"). If this market price cannot be determined objectively and reliably for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or of the discounted present value of all the future cash flows (collections or payments), applying a market interest rate for similar financial instruments (same term, currency, interest rate and same equivalent risk rating).

- Held-to-maturity investments. These are financial assets with fixed or determinable payments and fixed maturities that the Group has the intention and ability to hold from the date of purchase to the date of maturity. Assets included in this category are initially recognised at fair value plus transaction costs, and are subsequently reflected at amortised cost in accordance with the effective interest method.

  Interest calculated using the effective interest method is recognised in the consolidated income statement.

  Amortised cost is understood to be the initial cost minus principal repayments, plus or minus, as appropriate, cumulative amortisation, using the effective interest method, on any difference between that initial amount and the total repayment amount upon maturity, and minus any reduction for impairment or non-collectability.

The effective interest rate is taken to be the discount rate that, at the acquisition date of the asset, exactly matches the initial carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life.

- Available-for-sale financial assets. These are financial assets not classified in any of the aforementioned three categories, nearly all of which relate to equity investments. These assets are also presented in the consolidated balance sheet at market value which, in the case of unlisted companies, is obtained using alternative methods, such as comparison with similar transactions or, if sufficient information is available, by discounting expected future cash flows. Changes in this market value are recognised with a charge or credit to "Unrealised Asset and Liability Revaluation Reserve" in the consolidated balance sheet until the investments are disposed of, when the accumulated balance under this heading relating to the investments is allocated in full to the consolidated income statement.

  Equity investments in unlisted companies, the market value of which cannot be measured reliably using alternative methods such as those indicated in the preceding paragraph, are measured at cost.

The Group's management determines the most appropriate classification for each asset on acquisition and reviews the classification at each balance sheet date.

Reverse factoring receivables

The Group derecognises trade receivables for the amount of the receivables sold to banks provided that the factor assumes in full the bad and past-due debt risk relating to non-recourse factoring agreements. At 31 December 2015 and 2014, the unmatured balances receivable derecognised as a result of the aforementioned non-recourse factoring transactions amounted to EUR 36,799 thousand and EUR 45,675 thousand, respectively. However, the Group does not derecognise collection rights factored when substantially all the risks associated with them are retained.

Cash and cash equivalents

This heading includes cash, current bank accounts and deposits, and if appropriate, deposits and asset repos which meet the following requirements:

- They are convertible into cash.
- On acquisition, they mature in less than three months.
- They are not subject to significant value fluctuation risk.
- They form part of the Company's normal cash management policy.

Bank overdrafts, if they arise, are included in borrowings in current liabilities on the consolidated balance sheet.

Debentures, bonds and bank borrowings

Loans, debentures and similar interest-bearing items are initially recognised at the amount received, net of direct issue costs, i.e. equal to the subsequent application of the amortised cost model using the effective interest rate. Financial costs are recognised on an accrual basis in the consolidated income statement using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they arise. Also, obligations under finance leases are recognised at the present value of the lease payments under "Creditors for Finance Leases" in the consolidated balance sheet (Note 15).

Trade and other payables

Accounts payable are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate.

Derivative financial instruments and hedge accounting

Group's activities expose it mainly to the financial risks of changes in foreign exchange rates and interest rates and of changes in the fair value of certain assets (mainly zinc and aluminium). To hedge this exposure to foreign exchange rate and to totally or partially hedge sales transactions of physical tonnes containing aluminium or zinc, the Group uses foreign currency hedges, currency futures and zinc and aluminium futures to hedge highly probable transactions. The Group does not use derivative financial instruments for speculative purposes (see Note 17).

Financial derivatives are initially recognised at acquisition cost in the consolidated balance sheet and the required measurement adjustments are subsequently made to reflect their fair value at all times. Gains and losses arising from these changes are recognised in the consolidated income statement, unless the derivative has been designated as a hedge which is highly effective, in which case it is recognised as follows:

- In the case of fair value hedges, if any, changes in the fair value of derivative financial instruments designated as hedges and changes in the fair value of a hedged item due to the hedged risk are recognised with a charge or credit, as appropriate, to the consolidated income statement.

- In the case of cash flow hedges and hedges of a net investment in a foreign operation, changes in the fair value of the hedging derivatives are recognised, in respect of the ineffective portion of the hedges, in the consolidated income statement, and the effective portion is recognised under "Reserve for the restatement of unrealised assets and liabilities" and "Translation Differences" in the consolidated balance sheet. The accumulated loss or gain under these headings is recognised in the consolidated income statement in the same period as that in which the hedged item affects net profit or loss or in the year of disposal.

If a hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, this balance is taken into account in the initial measurement of the asset or liability arising from the hedged transaction. If a hedge of a firm commitment or forecast transaction does not result in the recognition of an asset or a liability, the amounts credited or charged, respectively, to "Reserve for the restatement of unrealised assets and liabilities" in the consolidated balance sheet are recognised in the consolidated income statement in the same period as that in which the hedged item affects net profit or loss.

At the time of the discontinuance of the hedge, the accumulated gain or loss at that time in the "Reserve for the restatement of unrealised assets and liabilities" continues to be reflected under that heading until the transaction hedged is realised, at which time the profit or loss on that transaction will be adjusted. If a hedged transaction is no longer expected to occur, the gain or loss recognised under the aforementioned heading is transferred to the consolidated income statement.

The total fair value of a hedging derivative is classified in non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and in current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months.

Derivatives embedded in other financial instruments are treated as separate derivatives when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not carried at fair value unrealised gains or losses are charge or a credit to the consolidated income statement.

The fair value of financial instruments is calculated as follows (see Note 17):

- The market value of derivatives listed on an organised market is their market price at the year end;

- To measure derivatives not traded on an organised market (or traded derivatives with terms longer than those traded on organised markets), the Group uses assumptions based on year-end market conditions, which are compared with the valuations issued by banks or by independent third parties.

Financial assets and liabilities recognised as a result of the measurement at market of the aforementioned hedging instruments impacted "Current Financial Assets - Other Financial Assets", "Other Current Financial Assets", "Other Non-Current Liabilities" and "Other Payables - Other Current Liabilities", as described in Note 16.

3.6 Inventories

This heading in the consolidated balance sheet includes the assets that the Group:

- Holds for sale in the ordinary course of its business;
- Has in the process of production, construction or development for such sale; or
- Expects to consume in the production process or in the provision of services.

Raw materials and goods held for resale are measured at the lower of FIFO cost or market. Ancillary products, consumables and spare parts are measured at the lower of the price per the last invoice or market value, which does not differ significantly from FIFO cost.

Work in progress and finished goods are measured at the lower of market value and average production cost. Average production cost is calculated as the specific cost of the supplies and services plus the applicable portion of the direct and indirect cost of labour and general manufacturing expenses. Other warehouse materials are measured at the lower of average acquisition cost and market value.

Obsolete, defective or slow-moving materials have been reduced to their realisable value.

3.7 Classification between current and non-current

Assets and liabilities are classified as current when they relate to the Company's ordinary operations cycle, usually regarded as one year, and also assets expected to be sold, consumed, realised or settled in the short-term as from the year end, as well as financial assets held for trading, except for financial derivatives maturing in more than one year, and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished in the short-term. All other liabilities are classified as non-current liabilities.

3.8 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of taxes, from revenue obtained.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to equity holders of the Company until the shares are cancelled, reissued or sold. Where such shares are subsequently disposed of or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the Company.

3.9 Grants, donations and bequests received

The Group companies recognise grants received as follows:

- Capital grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group fulfils all the conditions attaching to them: they are recognised as other non-current liabilities and taken to the income statement on a straight-line basis over the useful lives of the assets that they fund.

- Grants related to income are credited to income when they are definitively granted and are recognised as income.

3.10 Provisions, contingent liabilities and contingent assets

In the preparation of the consolidated financial statements, the Parent’s Managers draw a distinction between:

- Provisions: credit balances covering present obligations at the balance sheet date arising from past events that could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing.

- Contingent liabilities: possible obligations arising from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies and which do not meet the requirements for recognition as provisions.

- Contingent assets: possible assets that arise from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the companies.

The Group recognises provisions for the estimated amount required to suitably meet its liability, whether it be legal or constructive, probable or certain, arising from contingencies, litigation in process or obligations, which arise as a result of past events, for which it is more probable than not that an outflow of resources will be required, provided that it is possible to make a reasonable estimate of the amount in question. Provisions are recognised when the liability or obligation arises with a charge to the relevant heading in the consolidated income statement based on the nature of the obligation, for the present value of the provision when the effect of discounting the obligation is material.

Provisions for pensions and similar obligations

Several Group companies have certain defined benefit obligations with respect to their employees to supplement social security retirement pensions. These obligations had been externalised at 31 December 2015 and 2014. Subsidiaries' obligations as pension plan promoters are established in the contribution of a percentage of employees' pensionable salaries. These commitments are not significant on a Group scale. In addition, the Group has an incentive scheme in place for executives (see Note 24).

Other provisions

In addition to the foregoing, "Long-term Provisions" in the accompanying consolidated balance sheet includes provisions for work to be carried out to cover tanks and, more specifically, to seal and close septic tanks, the charge for which is calculated on the basis of the number of tonnes managed (Note 3.3).

"Long-Term Provisions" also includes, where applicable, the estimated amounts required to settle any liability that might arise from litigations in progress and significant tax obligations, when it is considered more likely than not that these obligations will have to be met, while any contingent liabilities (possible obligations that arise from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group) are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37 (Note 21).

3.11 Revenue recognition

a) Revenue

Revenue from sales is measured at the fair value of the assets or rights received as consideration for the goods and services provided in the normal course of the Group companies' business, net of discounts and applicable taxes. Sales of goods are recognised when they are delivered and ownership is transferred. Revenue is shown net of value added taxes, returns, rebates and discounts, and after eliminating intra-group sales.

The Group recognizes revenue when the amount may be reliably estimated, it is likely that the future economic benefits will flow to the Group and the specific conditions are fulfilled for each of the Group's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on past results, taking into account the type of client, the type of transaction and the specific terms of each agreement.

b) Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

c) Income from dividends

Income from dividends is recognised when the shareholder's right to receive payment is established.

3.12 Recognition of contract revenue and costs

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the consolidated balance sheet date.

The Group presents as a debtor account, in the heading trade and other receivables, the gross amount of the difference between revenues recognised for the work on all projects under way and the progress billings made. The Group records as a creditor account on the liabilities side of the balance sheet the gross amount owing to customers for the work on the entire project under way in the amount by which the progress billings exceed recognised income.

Any losses on contract work in progress are recognised in full as an expense in the consolidated income statement when they become known or can be estimated.

3.13 Leases

The Group classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are classified in the appropriate non-current asset category based on their nature and function at the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus the price of exercising the purchase option, with a credit to "Obligations under Finance Leases" in the consolidated balance sheet. Each lease payment is distributed between the liability and financial charges. The interest part of the financial charge is charged to the income statement during the term of the lease, in order to obtain a constant regular interest rate on the debt pending repayment in each period. These assets are depreciated using similar criteria to those applied to the assets of the same nature owned by the Group.

Expenses arising on operating leases are allocated to "Other Operating Expenses" in the consolidated income statement over the term of the lease on an accrual basis.

3.14 Interest cost

Interest costs directly attributable to the acquisition, construction or production of assets, in accordance with IAS 23 for assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the interest costs eligible for capitalisation.

All other interest costs are recognised in the consolidated income statement in the year in which they are incurred.

3.15 Foreign currency

Items included in the financial statements of each of the Group entities are measured using a currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in thousands of euros, the euro being the functional and presentation currency. Consequently, all balances and dealings in currencies other than the euro are considered to be denominated in foreign currency.

Transactions in currencies other than the euro are translated to euros at the exchange rates prevailing at the date of the transaction. During the year, differences between the exchange rate used and the rate prevailing at the date of collection or payment are recognised with a charge or credit to income.

Also, foreign currency fixed-income securities and receivables and payables at 31 December of each year are translated at the exchange rates prevailing on the balance sheet date. Any exchange differences arising are recognised with a charge or a credit, as appropriate, to “Exchange Differences” in the consolidated income statement.

3.16 Income tax, deferred tax assets and deferred tax liabilities

Expense for income tax and other similar taxes applicable to the foreign consolidated entities is recognised in the consolidated income statement, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

Current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carry-forwards.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carry-forwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Also, deferred tax assets recognised for tax loss and tax credit carry-forwards and temporary differences are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

Deferred tax assets and liabilities recognised are reviewed at each balance sheet date in order to ascertain whether they still in effect, and the appropriate adjustments are made on the basis of the findings of the analyses performed (see Notes 19 and 20).

In view of the Group's international nature, there are several tax rates depending on the applicable legislation, ranging from 20% to 35%.

3.17 Severance indemnities

Under current labour legislation, the consolidated companies are required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

At 31 December 2015, managers do not expect any significant dismissals or terminations to arise and, accordingly, no provision was recognised in this connection in the accompanying consolidated balance sheet.

3.18 Environmental matters

The Group recognises environmental investments at acquisition or production cost, net of the related accumulated depreciation/amortisation, and classifies them by nature in the appropriate non-current asset accounts.

Expenses incurred in order to comply with the applicable environmental legislation are classified by nature under "Other Operating Expenses" in the accompanying consolidated income statement.

3.19 Related-party transactions

The Group performs all its transactions with related parties at fair value. Also, transfer prices are adequately supported and, therefore, the Parent's Managers consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

3.20 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company´s shareholders.

3.21 Segment reporting

The operating segments are presented consistently with the management approach, in accordance with the information used internally at the highest decision-making level. The maximum authority for decision making is responsible for assigning resources to operating segments and evaluating the segments' performance. Segment reporting is in Note 5.

3.22 Consolidated statements of cash flow

The following terms are used in the consolidated cash flow statement, which was prepared using the indirect method, with the meanings specified:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The principal revenue-producing activities of the Group companies and other activities that are not investing or financing activities.

- Investing activities. Acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

4. Financial risk management policy

The activities carried on by the Group through its business segments are exposed to several financial risks: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Risk Management Model used by the Group focuses on the uncertainty in financial markets and attempts to minimise the potential adverse effects on the Group's earnings.

Risk management is carried out by its Corporate Financial Department in accordance with internal management rules. This Department identifies, assesses and hedges financial risks in close cooperation with the different operating units. The internal management rules provide written policies for global risk management, as well as for specific areas such as foreign currency risk, interest rate risk, and liquidity risk, use of derivative and non-derivative instruments and investment of cash surpluses. There were no changes in risk management policies between 2015 and 2014.

4.1 Financial risk factors

a) Market risk

i) Foreign exchange risk

The Group companies operate internationally and, therefore, are exposed to foreign currency risks in foreign currency transactions (especially between the US dollar, Swedish krona and Turkish lira).

To control the foreign currency risk that arises from future commercial transactions and recognised assets and liabilities, the Group companies use forward contracts. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that it is not Group’s functional currency.

All the transactions, assets and liabilities are presented in foreign currency at the subsidiary located in a given country and, therefore, translation differences arise on consolidation.

For financial reporting purposes, each subsidiary designates hedges with the Corporate Financial Department as fair value hedges or as cash flow hedges, as appropriate. Additionally, at the corporate level, external foreign currency hedges are designated as foreign currency risk hedges on certain assets, liabilities or future transactions.

The detail of the most significant foreign currency transactions (basically in US dollars, Korean won and Swedish krona) having an impact on the consolidated income statement is as follows:

	2015	2014
Sales	130,233	136,547
Purchases	45,158	45,740

A part of the transactions in foreign currency have been covered, pursuant to the Group's policy, by hedging instruments.

The Group owns several foreign operations, whose net assets are exposed to the risk of foreign currency translation. Below are presented in thousands of euros major net assets by currency (including minority interests):

Currency	2015	2014
Swedish Krona	10,362	10,703
Korean Won	43,462	44,440
Turkish Lira	7,404	6,744
Argentinian Peso	3,236	2,011
Peruvian Sol	4,899	4,531
Chilean Peso	2,602	3,457

Had the average euro exchange rate for 2015 and 2014 depreciated / appreciated by 10% on all functional currencies other than the euro, with other variables remaining constant, both equity and profit for the year would not have changed significantly.

ii) Cash flow and fair value interest rate risk :

The Group's interest rate risk mainly arises from variable interest rate borrowings.

To manage interest rate risk, in certain situations, the Group uses floating-to-fixed interest rate swaps; either for the total amount or a portion of the loan and either for the full term or a portion thereof.

In 2015 and 2014 had the average interest rates on the borrowings denominated in euros increased/decreased by 10 basis points, with all other variables remaining constant, the profit after tax for the year would not have been significantly affected as a result of the hedging policies in place.

The exposure of the Group's borrowings to variations in interest rates is set out below:

	2015	2014
Total external borrowings (Note 15)	608,292	622,531
Fixed-rate borrowings (Note 15)	(478,752)	(461,197)
Effect of interest rate swaps	(81,750)	(90,750)
Risk	**47,790**	**70,584**

iii) Price risk

Segment earnings are exposed to the volatility of recycled metal prices (zinc and aluminium). From the end of 2013, the Group manages price risk through the acquisition of options in exchange for a premium to assures a minimum sale price. The Group's policy in the steel waste recycling segment is to hedge between 60% and 70% of sale transactions, which are exposed to changes in selling prices.

These financial instruments are initially analysed to assess whether they can be treated as hedging instruments and, if so, the accounting rules restricted to these instruments may be applied.

Note 17 contains a breakdown of derivative financial instruments arranged on the selling prices of these metals.

b) Credit risk

Most receivables and work in progress relate to several customers in various industries and countries. In most cases, the contracts provide for progress billings, billings at the beginning of the provision of service or billings upon delivery of the product.

It is standard practice for the Group to reserve the right to cancel projects in the event of any material breach and, in particular, of default on payment.

Additionally, under most contracts, the Group has a firm commitment from several banks for the acquisition, without recourse, of receivables. Under these agreements, the Group pays a fee to the banks for assuming its credit risk, plus interest and a spread on the financing received. In all cases, the Group assumes liability for the validity of the receivables.

In this regard, factored receivables are recognised off the balance sheet provided that all the conditions established in IAS 39 are met for their de-recognition from the consolidated balance sheet. An analysis is performed to determine whether the risks and rewards inherent to ownership of the related financial assets have been transferred, comparing the company's exposure to change in the amounts and timing of net cash flows from the transferred asset before and after the transfer. Once the exposure of the company factoring the receivables to these change has been eliminated or substantially reduced then the financial asset in question is deemed to have been transferred.

Additionally, some Group companies work with insurance companies, which establish the credit guaranteed, normally insuring around 95% of the risk hedged in case of insolvency. The Finance Department continually seeks to adjust the limits granted to business' needs. The Group allows for an acceptable level of commercial risk, which is established based on eachspecific customer, market and circumstances (history of non-payment, solvency etc).

Consequently, as regards the balance of trade and other receivables, the potential effect of trade receivables for which there are factoring agreements would have to be excluded, as well as the effect of other trade receivables that can be factored but which have not yet been sent to the factor the at year end and assets that are covered by credit insurance and that are reflected in this balance. Through this policy the Group minimises its credit risk exposure in relation to these assets.

Trade and other receivables, other receivables, current financial assets and cash are the Group's main financial assets and represent its maximum exposure to credit risk, in the event that the counterparty does not meet its obligations.

c) Liquidity risk

Prudent management of liquidity risk entails the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and the capacity to settle market positions. Given the dynamic nature of the core businesses, the Group's Treasury Department has the objective of maintaining flexible financing through the availability of committed credit lines.

Management monitors the Group's liquidity reserve projections and changes in net borrowings. calculated as follows at at 31 December 2015 and 2014:

	2015	2014
Cash and cash equivalents	57,253	78,615
Other current financial assets (Note 13)	4,005	3,546
Undrawn credit facilities and unused financing (Note 15)	6,868	15,056
Liquidity reserve	**68,126**	**97,217**
PIK Toggle Note (Note 15)	162,025	159,801
Borrowings (Note 15)	436,111	459,250
Obligations under finance leases (Note 15)	10,156	3,480
Group liabilities - Vendor note (Notes 16)	-	52,146
Cash and cash equivalents	(57,253)	(78,615)
Other current financial assets	(4,005)	(3,546)
Net borrowings	**547,034**	**592,516**
Less non-current borrowings	(530,720)	(640,048)
Current net borrowings	**16,314**	**(47,532)**

Cash and cash equivalents comprise:

	2015	2014
Cash on hand and at banks	57,253	78,615
Total	**57,253**	**78,615**

One of Group’s strategic objetives is the optimisation and most efficient possible use of its assets and resources assigned to the business. Therefore, the Group pays special attention to the net operating working capital invested in it. In this respect, as in previous years, during 2015 and 2014 the Group made significant efforts to control and reduce collection periods with customers and other debtors and to optimise payment terms, unifying policies and conditions across the Group.

Although at 31 December 2015 the Group has negative working capital, the Group's Treasury Department does not consider that there are short-term liquidity problems that cannot be covered through the current of future financial means which Group may have at its disposal. Expected cash generation for the following years will allow it to meet its obligations within the established deadlines, without increasing borrowings.

The table below presents an analysis of the financial liabilities that will be settled, grouped to reflect the term remaining from the balance sheet date to contractual maturity. This breakdown does not include long-term provisions (Note 18) since they do not have a contractual maturity date. However, the Parent's Managers consider that these liabilities will be settled in a period of more than five years. The amounts shown in the table relate to the cash flows stipulated in the contract (excluding interest at the market rate that will be paid).

	Within one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2015				
Borrowings (Note 15)	77,572	61,287	467,216	2,217
Trade and other payables (*)	171,480	4,159	13,921	3,156
At 31 December 2014				
Borrowings (Note 15)	34,629	33,492	553,851	559
Trade and other payables (*)	141,941	30,186	60,594	3,648

(*) It does not include capital grants amounting to EUR 11.8 and EUR 12.3 million in 2015 and 2014, respectively.

d) Capital risk

The Group manages its equity investments to ensure that its subsidiaries have a guarantee of continuity in terms of their assets and financial position, maximizing shareholder return by optimising the structure of equity and liabilities on the liabilities side of the subsidiaries' balance sheets.

Capital management is the responsibility of the Group's strategy committee, the approach of which focuses on increasing the value of the business in the long-term for shareholders and investors as well as for employees and customers. The objective is to achieve constant, sustained results through organic and, where necessary, inorganic growth. For this purpose, on the one hand, a balance in the businesses is required, with control of financial risks, combined with the necessary financial flexibility to achieve this goal.

The Group's capital management policy focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy makes the creation of value for the shareholder compatible with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business.

The detail of the debt/equity ratios (excluding balances with Group companies) at 31 December 2015 and 2014 is as follows:

	2015	2014
Total bank borrowings (Notes 15)	608,292	622,531
Vendor note (Note 16)	-	52,146
Less: Cash and cash equivalents	(57,253)	(78,615)
Other current financial assets	(4,005)	(3,546)
Net debt	**547,034**	**592,516**
Total equity	226,180	210,832
Total capital invested	**773,214**	**803,348**
Borrowing ratio	**70.7%**	**73.8%**

4.2 Estimating fair value

IFRS 13 establishes as fair value the value that would be received or paid for an asset or liability in an orderly transaction at the measurement date, whether it is observable or has been estimated using a valuation technique. For this purpose consistent data with features that market participants would consider in the transaction are selected.

IFRS 13 maintains the principles of the other standards while setting the full framework for fair value measurement when it is mandatory under other IFRS and establishes the additional information to be disclosed about fair value measurements.

The requirements of IFRS 13 are met by the Group in the fair value measurement of assets and liabilities when fair value is required by other IFRS.

Based on the content of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports on estimating the fair value hierarchy levels as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. reference prices) or indirectly (i.e. derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (unobservable market data) (Level 3).

The table below shows the Group's assets and liabilities that were measured at fair value at 31 December 2015 and 2014:

2015	Level 2	Level 3	2015
Assets			
- Derivatives (Note 17)	423	-	423
Total assets at fair value	**423**	**-**	**423**
Liabilities			
- Derivatives (Note 17)	690	-	690
- Other liabilities at fair value (Note 2.5)	-	13,993	13,993
Total liabilities at fair value	**690**	**13,993**	**14,683**

2014	Level 2	Level 3	2014
Assets			
- Derivatives (Nota 17)	1,432	-	1,432
Total assets at fair value	**1,432**	**-**	**1,432**
Liabilities			
- Derivatives (Note 17)	1,374	-	1,374
- Other liabilities at fair value	-	-	-
Total liabilities at fair value	**1,374**	**-**	**1,374**

a) Financial instruments level 2

The fair value of financial instruments not traded in an active market is determined using valuation techniques. The Group employs a variety of methods such as estimated discounted cash flows and uses assumptions based on the market conditions at each balance sheet date. If all significant data required to calculate the fair value of an instrument are observable, the instrument is included in level 2.

Specific techniques for measuring financial instruments include:

- The fair value of swap interest rates is calculated as the present value of future estimated cash flows.
- The fair value of forward contract exchange rates is determined using forward exchange rates quoted in the market at the balance sheet date.
- It is assumed that the book value of receivables and trade payables approximates their fair value.
- The fair value of financial liabilities for financial reporting purpose is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The instruments included in Level 2 relate to derivative financial instruments (Note 17).

b) Financial instruments level 3

If one or more of the significant inputs are not based on observable market data, the financial instrument is included in Level 3.

The instruments included in Level 3 correspond to the outstanding debt for the acquisition of Solarca, S.L. (Note 2.5).

Key assumptions for the measurement of these liabilities are based on expected future profits generated by the Company.

The Company has no netting agreements for financial assets and liabilities at 31 December 2015 and 2014.

5. Segment reporting

The Board of Managers is ultimately responsible for making Befesa Holding's operational decisions. The Board reviews the Group's internal financial information in order to assess its performance and allocate resources to the segments.

Accordingly, the Board of Managers analyses Group's business based on the three segments defined:

- Steel waste recycling
- Aluminium waste recycling
- Industrial environmental solutions

These segments relate to the Group’s principal activities (products and services), the sales of which (fee for the services or sales of recycled waste) determine the Group's revenue.

The Board of Managers assesses the performance of the operating segments, based mainly on operating income before interest, taxes, depreciations and provisions (EBITDA).

This measurement basis excludes the effects of non-recurring expenses and those incurred in atypical transactions. The segment information received by the Board of Managers also includes finance income and costs, and tax-related matters.

The accounting policies and measurement bases applied to the information furnished to the Board of Managers are consistent with those applied in the financial statements.

a) Segment reporting

The breakdown, by segment, of profit or loss for ended 31 December 2015 and 2014 is as follows (in thousands of euro):

	2015				
	Steel	**Aluminium**	**Industrial environmental solutions**	**Corporate and eliminations**	**Total**
Revenue	253,865	357,442	131,856	341	743,504
Other operating income/ expense (excluding amortisation/ depreciation)	(173,785)	(315,125)	(111,175)	764	(599,321)
Depreciation and provisions (*)	(28,228)	(11,419)	(57,200)	(4,831)	(101,678)
EBIT (Operating profit/(loss))	**51,852**	**30,898**	**(36,519)**	**(3,726)**	**42,505**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions)	**80,080**	**42,317**	**20,681**	**1,105**	**144,183**

(*) The line records impairment at 31 December 2015 in the steel segment of goodwill and intangible assets amounting to Eur 7.9 million (Note 6) and EUR 1.6 million, respectively, and damaged plant and equipment amounting to EUR 44.2 million in the industrial environmental solutions segment (Notes 8 and 22.5)

	2014				
	Steel	**Aluminium**	**Industrial environmental solutions**	**Corporate and eliminations**	**Total**
Revenue	262,252	281,245	109,720	(2,024)	651,193
Other operating income/ expense (excluding amortisation/ depreciation)	(169,607)	(250,849)	(93,182)	2,850	(510,788)
Depreciation and provisions	(19,553)	(9,276)	(9,403)	(8,051)	(46,283)
EBIT (Operating profit/(loss))	**73,092**	**21,120**	**7,135**	**(7,225)**	**94,122**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions)	**92,645**	**30,396**	**16,538**	**826**	**140,405**

The detail of sales by geographical segment for the years ended 31 December 2015 and 2014 is as follows:

Geographical area	**2015**	**%**	**2014**	**%**
European Union	**612,464**	**82%**	**546,027**	**84%**
-Spain	256,346	34%	235,504	36%
-Germany	81,614	11%	61,584	9%
-Rest of EU (*)	274,504	37%	248,939	38%
Rest of the world (**)	**131,040**	**18%**	**105,166**	**16%**
Total	**743,504**	**100%**	**651,193**	**100%**

(*) Rest of EU: mainly includes Italy, France, Netherland, Finland and the United Kingdom.

(**) Rest of the world: mainly includes South Korea, Argentina, Brazil and Japan.

The distribution of the property, plant and equipment and intangible assets (excluding goodwill) is as follows (Notes 7 and 8):

	2015	2014
European Union	**294,811**	**367,029**
-Spain	144,293	218,352
-Germany	91,205	87,635
-Rest of EU(*)	59,313	61,052
Rest of the world(**)	**85,922**	**66,769**
Total	**380,733**	**433,808**

(*) Rest of EU: mainly includes France, the United Kingdom and Sweden.

(**) Rest of the world: mainly includes South Korea, Turkey, Argentina, Chile and Peru.

Other segment items included in the consolidated income statement are as follows:

	2015				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Depreciation/ amortisation charges:					
- Property, plant and equipment (Notes 8 and 22)	(15,478)	(10,435)	(10,910)	(9)	(36,832)
- Intangible assets (Notes 7 and 22)	(1,252)	(894)	(1,249)	(1,948)	(5,343)
Reversal/(recognition) of impairment losses (Note 22)	(11,498)	(90)	(45,041)	(2,874)	(59,503)
Total	**(28,228)**	**(11,419)**	**(57,200)**	**(4,831)**	**(101,678)**

	2014				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Depreciation/ amortisation charges:					
- Property, plant and equipment (Notes 8 and 22)	(15,885)	(8,411)	(8,789)	(110)	(33,195)
- Intangible assets (Note 7 and 22)	(911)	(759)	(566)	(503)	(2,739)
Reversal/(recognition) of impairment losses (Note 22)	(2,757)	(106)	(48)	(7,438)	(10,349)
Total	**(19,553)**	**(9,276)**	**(9,403)**	**(8,051)**	**(46,283)**

The detail of the segment assets and liabilities is as follows:

	2015				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Assets					
Intangible assets	284,053	50,967	66,339	(3,360)	397,999
Property, plant and equipment	140,134	131,560	90,146	884	362,724
Investments in associates, other non-current assets and deferred tax assets	36,051	15,352	49,683	8,888	109,974
Current assets	89,055	69,168	63,008	890	222,121
Total assets	**549,293**	**267,047**	**269,176**	**7,302**	**1,092,818**
Equity and liabilities					
Equity	134,598	90,731	101,787	(100,936)	226,180
Non-current liabilities	326,572	87,627	115,696	87,552	617,447
Current liabilities	88,123	88,689	51,693	20,686	249,191

Total equity and liabilities	**549,293**	**267,047**	**269,176**	**7,302**	**1,092,818**

	2014				
	Steel	**Aluminium**	**Industrial environmental solutions**	**Corporate and eliminations**	**Total**
Assets					
Intangible assets	294,978	50,610	52,140	(1,692)	396,036
Property, plant and equipment	128,324	127,683	154,684	941	411,632
Investments in associates and other non-current assets	48,750	15,789	29,118	12,013	105,670
Current assets	115,446	67,558	43,049	(725)	225,328
Total assets	**587,498**	**261,640**	**278,991**	**10,537**	**1,138,666**
Equity and liabilities					
Equity	146,782	86,514	83,704	(106,168)	210,832
Non-current liabilities	370,696	116,427	25,686	238,303	751,112
Current liabilities	70,020	58,699	169,601	(121,598)	176,722
Total equity and liabilities	**587,498**	**261,640**	**278,991**	**10,537**	**1,138,666**

Investments in the corresponding year were as follows (excluding the effect of translation differences):

	2015				
	Steel	**Aluminium**	**Industrial environmental solutions**	**Corporate and eliminations**	**Total**
Additions to non-current assets (Notes 7 and 8)	26,897	14,779	16,941	239	58,856
Disposals of non-current assets (Notes 7 and 8)	(3,756)	(2,179)	(1,735)	(537)	(8,207)
Changes in the scope of consolidation (Notes 7 and 8)	86	-	(68,781)	-	(68,695)
Net investments in the year (Notes 7 and 8)	**23,227**	**12,600**	**(53,575)**	**(298)**	**(18,046)**

	2014				
	Steel	**Aluminium**	**Industrial environmental solutions**	**Corporate and eliminations**	**Total**
Additions to non-current assets (Notes 7 and 8)	14,417	29,464	5,876	1,899	51,656
Disposals of non-current assets (Notes 7 and 8)	(4,711)	(118)	(1,237)	-	(6,066)
Changes in the scope of consolidation (Notes 7 and 8)	75	5,593	5,255	44	10,967
Net investments in the year (Notes 7 and 8)	**9,781**	**34,939**	**9,894**	**1,943**	**56,557**

Investments in non-current assets include additions to property, plant and equipment (see Note 8) and intangible assets (see Note 7).

Inter-segment transfers and transactions (if any) are arranged under the same usual commercial terms and conditions as those that should also be available to unrelated third parties.

b) Information on customers

Customer concentration, which is calculated based on the representativeness of the five most significant customers of the business unit's revenue of each segment, is as follows:

	%	
	2015	**2014**
Steel	71.6%	68.1%
Aluminium	19.9%	25.9%
Industrial environmental solutions	17.9%	20.3%

6. Goodwill

The detail of the "Goodwill" balance in the consolidated balance sheet at 31 December 2015 and 2014, and of movements in 2015 and 2014 is as follows:

	Thousands of euros
Balance at 1 January 2014	**373,860**
Impairment	-
Balance at 31 December 2014	**373,860**
Additions (Note 2.5)	14,060
Impairment	(7,930)
Balance at 31 December 2015	**379,990**

2015

	Balance at 31/12/14	**Additions**	**Impairment**	**Balance at 31/12/15**
Steel	288,005	-	(7,930)	280,075
Aluminium	38,554	-	-	38,554
Industrial environmental solutions	47,301	14,060	-	61,361
	373,860	**14,060**	**(7,930)**	**379,990**

2014

	Balance at 31/12/14	**Additions**	**Impairment**	**Balance at 31/12/15**
Steel	288,005	-	-	288,005
Aluminium	38,554	-	-	38,554
Industrial environmental solutions	47,301	-	-	47,301
	373,860	**-**	**-**	**373,860**

Impairment analysis

The Group has implemented a procedure whereby at each year end any impairment of goodwill is analysed.

The recoverable amount is the higher of fair value less costs to sell and value in use, which is taken to be the present value of estimated future cash flows.

When calculating the value in use of the principal items of goodwill, the assumptions used were as follows:

- Projections of the cash flows of the company in question are made for periods of between five and ten years, calculating a residual value based on flow for the last year projected, provided that this flow is representative of a normalised flow to reflect margin and cash flow experience in those businesses as well as future expectations. Perpetuity growth is not envisaged (g=0).

- The gross margins used in the calculation of the value for 2015 and 2014 are in line with the profit expected to be obtained based on past experience of profits of each of the segments and on new contracts existing in each case.

- To discount the flows, a discount rate is used based on the weighted average cost of capital for assets of this type, adjusted, where necessary, on the basis of the additional risk that could be contributed by certain types of activity.

- In any case further sensitivity analyses are conducted, particularly with regard to the discount rate used and the residual growth rate, to ensure that the effect of possible changes in estimates of these rates does not have an impact on the recoverability of the recognised goodwill.

The measurement methods indicated above led to discount rates used to perform the impairment test in a range of between 5.02% and 7.2% in 2015 and 2014. The discount rates used are net of taxes and reflect the risks specific to the significant CGU segments. The managers consider that changes in the discount rate used (approximately 50 basis points) would not have a significant impact on these consolidated financial statements.

The EBITDA budget is determined by Group management in their strategic plans, considering a similar activity structure as the present one and based on previous years' experience.

At the end of 2015 and 2014 estimates were made of the recoverable amounts of the cash-generating units to which goodwill had been allocated in accordance with Note 3.1 and the methods described above, recognising an impairment loss of EUR 7.9 million relating to the steel segment (no impairment was recognised in 2014).

The results of the sensitivity analyses carried out on the main assumptions were also taken into account in this conclusion.

The result of using cash flows before tax and a discount rate before tax does not differ significantly from the result of using cash flows after tax and a discount rate after tax.

7. Other intangible assets

Movements in "Other Intangible Assets" in the consolidated balance sheet for 2015 and 2014 are as follows:

	Development expenditure	Computer software	Administrative concessions and others	Intangible assets in progress	Total
Cost:					
Balance at 01/01/15	**8,230**	**24,713**	**3,572**	**2**	**36,517**
Changes in scope of consolidation	516	(580)	17	-	(47)
Additions	2,177	501	76	-	2,754
Disposals	(18)	(346)	(1,566)	-	(1,930)
Translation differences (net)	-	(175)	-	(2)	(177)
Balance at 31/12/15	**10,905**	**24,113**	**2,099**	**-**	**37,117**
Accumulated amortisation-					
Balance at 01/01/15	**(4,698)**	**(8,002)**	**(1,641)**	**-**	**(14,341)**
Changes in scope of consolidation	(139)	392	(7)	-	246
Additions	(1,120)	(4,150)	(73)	-	(5,343)
Disposals	18	178	103	-	299
Translation differences (net)	(5)	36	-	-	31
Balance at 31/12/15	**(5,944)**	**(11,546)**	**(1,618)**	**-**	**(19,108)**
Other intangible assets, net at 01/01/15	**3,532**	**16,711**	**1,931**	**2**	**22,176**
Other intangible assets, net at 31/12/15	**4,961**	**12,567**	**481**	**-**	**18,009**

Movements in "Other Intangible Assets" in the consolidated balance sheet in 2014 were as follows:

	Development expenditure	Computer software	Administrative concessions and others	Intangible assets in progress	Total
Cost:					
Balance at 01/01/14	**7,106**	**21,862**	**2,001**	**3,061**	**34,030**
Changes in scope of consolidation	2	15	-	-	17
Additions	1,126	2,517	1,571	2	5,216
Disposals	(2)	(2,670)	-	-	(2,672)
Transfers	-	3,061	-	(3,061)	-
Translation differences (net)	(2)	(72)	-	-	(74)
Balance at 31/12/14	**8,230**	**24,713**	**3,572**	**2**	**36,517**
Accumulated amortisation-					
Balance at 01/01/14	**(3,991)**	**(6,147)**	**(1,466)**	**-**	**(11,604)**
Changes in scope of consolidation	-	(2)	-	-	(2)
Additions	(709)	(1,855)	(175)	-	(2,739)
Translation differences (net)	2	2	-	-	4
Balance at 31/12/14	**(4,698)**	**(8,002)**	**(1,641)**	**-**	**(14,341)**
Other intangible assets, net at 01/01/14	**3,115**	**15,715**	**535**	**3,061**	**22,426**
Other intangible assets, net at 31/12/14	**3,532**	**16,711**	**1,931**	**2**	**22,176**

2015

The most significant additions for the year relate to capitalized development expenses in the subsidiaries Befesa Aluminio, S.L. and Befesa Plasticos, S.L. amounting to EUR 1.2 million and EUR 0.6 million respectively.

The most significant disposals relate to EUR 1.6 million in capitalised industrial property in Befesa Silvermet Turkey, S.L, which has been derecognised as its recoverability is not considered probable (Note 22).

2014

In 2014 the most significant additions relate to development expenses, patent development and costs related to the monitoring of work performed to separate servers from their former parent; and the improvement of computer software.

In the year, the Group recognised an impairment loss of EUR 2.6 million for computer software related to the German plant of the Steel subgroup, which will not be implemented.

Investment commitments

At 31 December 2015 and 2014 the Group had no significant investment commitments.

Befesa Holding, S.à r.l. and Subsidiaries

Notes to the Consolidated Financial Statements as at 31 December 2015 (Thousand euro)

8. Property, plant and equipment

Movements in the consolidated balance sheet caption in 2015 and 2014 are follows:

	Land and buildings	Plant and machinery	Other property, plant and equipment	Fixed assets in progress	Total
Cost:					
Balance at 01/01/14	**249,223**	**421,649**	**54,802**	**17,699**	**743,373**
Change in the scope of consolidation	-	1,863	106	8,981	10,950
Additions	1,491	4,764	2,145	38,040	46,440
Disposals	(331)	(2,334)	(682)	(47)	(3,394)
Transfers	1,197	14,739	1,982	(17,918)	-
Translation differences (net)	885	1,688	162	430	3,165
Balance at 31/12/14	**252,465**	**442,369**	**58,515**	**47,185**	**800,534**
Change in the scope of consolidation	(63,365)	1,294	(5,525)	(1,052)	(68,648)
Additions	3,279	27,408	4,087	21,328	56,102
Disposals	(203)	(3,298)	(2,524)	(252)	(6,277)
Transfers	15,223	35,749	52	(51,024)	-
Translation differences (net)	(202)	1,474	(336)	3	939
Balance at 31/12/15	**207,197**	**504,996**	**54,269**	**16,188**	**782,650**
Accumulated depreciation and provisions:					
Balance at 01/01/14	**(55,220)**	**(259,731)**	**(35,932)**	**-**	**(350,883)**
Change in the scope of consolidation	-	(87)	(32)	-	(119)
Additions	(7,228)	(23,011)	(2,956)	-	(33,195)
Disposals	2	1,600	513	-	2,115
Translation differences (net)	94	750	(48)	-	796
Balance at 31/12/14	**(62,352)**	**(280,479)**	**(38,455)**	**-**	**(381,286)**
Change in the scope of consolidation	6,555	(3,529)	(388)	-	2,638
Additions	(7,995)	(25,293)	(3,544)	-	(36,832)
Disposals	129	1,930	1,701	-	3,760
Translation differences (net)	97	(988)	301	-	(590)
Balance at 31/12/15	**(63,566)**	**(308,359)**	**(40,385)**	**-**	**(412,310)**
Impairment at 1 January 2014	**-**	**(7,616)**	**-**	**-**	**(7,616)**
Transfers	-	-	-	-	-
Impairment at 31 December 2014	**-**	**(7,616)**	**-**	**-**	**(7,616)**
Additions	(33,766)	(5,900)	(4,500)	-	(44,166)
Changes in the scope of consolidation (Note 2.5)	33,766	5,900	4,500	-	44,166
Impairment at 31 December 2015	**-**	**(7,616)**	**-**	**-**	**(7,616)**
Carrying amount at 31 December 2014	**190,113**	**154,274**	**20,060**	**47,185**	**411,632**
Carrying amount at 31 December 2015	**143,631**	**189,021**	**13,884**	**16,188**	**362,724**

2015

The main movements in 2015 are as follows:

The following were deconsolidated owing to the sale of Befesa Valorización de Azufre, S.L. :

	Cost	Accumulated depreciation	Impairment
Land and buildings	63,616	5,635	33,766
Plant and machinery	10,518	945	5,900
Other fixtures, tools, furniture and other equipment	224	46	-
Other fixed assets	8,982	1,092	4,500
	83,340	**7,718**	**44,166**

The main additions to the consolidation scope relate to the PPE of the Solarca Group with a cost of EUR 13.2 million and EUR 6 million in accumulated depreciation, mostly relating to machinery, plant, tools and furniture.

The main additions relate to the construction of the new furnace at Befesa Zinc Korea, Ltd. (EUR 20.4 million), the capacity expansion at the Befesa Aluminium Germany, GmbH plant (EUR 4.8 million) and the recognition of certain finance lease contracts in Befesa Gestión de Residuos, S.L., amounting to EUR 9.4 million.

Finally, the most important transfers for the year relate to the entry into operation of the Befesa Aluminium Germany GmbH plant and the expansion of Befesa Zinc Korea, Ltd.

2014

During 2014, the main additions related to the construction of the plant of Befesa Aluminium Germany GmbH (a company consolidated in 2014). These additions were recognised under Property, Plant and Equipment in Course of Construction at the year end. Additionally, other significant additions for the year related to the construction of a new furnace in Befesa Zinc Korea Ltd.

The main transfers in the year related to the launch of Befesa Plásticos' new plant.

Impairment losses

In 2015 the Group recognised impairment in respect of Befesa Valorización de Azufre, S.L. amounting to EUR 44.2 million, after estimating that future cash flows generated by this subsidiary would not be sufficient to recover the plant´s carrying amount. Subsequently, on 29 December 2015, this company was sold (Note 2.5).

Insurance

The Group takes out insurance policies to cover possible risks to which its property, plant and equipment are subject. The coverage is considered to be sufficient.

Capitalisation of borrowing costs

Borrowing costs capitalised in 2015 amounted to EUR 0.6 million (2014: EUR 1.1 million). Most of these relate to the Befesa Zinc Korea, Ltd. and Befesa Aluminium Germany GmbH plants to the commissioning date.

Property, plant and equipment subject to guarantees

At 31 December 2015 there were no bank borrowings significantly secured. In 2014 there were bank borrowings that were secured by land and buildings the carrying amount of which was EUR 1.3 million (Note 15 and 21).

9. Investments accounted for using the equity method

The detail of the investments in associates of the Group at 31 December 2015 and 2014 is as follows:

Company	Interest %	2015	2014
Ecología Canaria, S.A.	45%	1,526	1,650
Total		**1,526**	**1,650**

Gross changes in "Investments accounted for using the equity method" in the consolidated balance sheet in 2015 and 2014 were as follows:

	2015	2014
Opening balance	1,650	1,809
Results of investments accounted for using the equity method	175	299
Dividends paid	(299)	(458)
Closing balance	**1,526**	**1,650**

At 31 December 2015, the total assets and liabilities of associates accounted for using the equity method amounted to approximately EUR 4,590 thousand (EUR 5,384 thousand in 2014); and EUR 1,200 thousand (EUR 1,717 thousands in 2014), respectively.

The revenue for 2015 of associates accounted for using the equity method amounted to EUR 5,603 thousand (EUR 5,301 thousand). In addition, net profit for the year amounted to EUR 389 thousand (EUR 663 thousand in 2014) approximately.

10. Non-current financial assets

The detail of "Non-Current Financial Assets" is as follows:

2015

	Balance at 31/12/2014	Changes in scope of consolidation, net	Additions/ (Charge for the year)	Disposals	Transfers	Balance at 31/12/2015
Investments in Group companies and associates						
Investments in Group companies	10,484	(1,724)	-	(4,585)	-	4,175
Investments in associates and other companies	2,101	-	-	-	-	2,101
Provisions	(8,146)	(10)	(3)	4,585	-	(3,574)
	4,439	**(1,734)**	**(3)**	**-**	**-**	**2,702**
Long-term loans						
Other long-term loans	29,031	2,822	1,808	(376)	4,281	37,566
Provisions	(8,975)	-	(2,773)	-	(2,895)	(14,643)
Financial derivatives (Note 17)	464	-	-	(464)	-	-
Other non-current financial assets	933	453	128	(91)	-	1,423
	21,453	**3,275**	**(837)**	**(931)**	**1,386**	**24,346**
Total	**25,892**	**1,541**	**(840)**	**(931)**	**1,386**	**27,048**

2014

	Balance at 31/12/2013	Changes in scope of consolidation, net	Additions/ (Charge for the year)	Disposals	Transfers	Balance at 31/12/2014
Investments in Group companies and associates						
Investments in Group companies	12,989	(2,327)	1,743	(1,921)	-	10,484
Investments in associates and other companies	2,101	-	-	-	-	2,101
Provisions	(10,299)	1,485	(167)	835	-	(8,146)
	4,791	**(842)**	**1,576**	**(1,086)**	**-**	**4,439**
Long-term loans						
Other long-term loans	34,342	(2,199)	1,365	(3,440)	(1,037)	29,031
Provisions	(2,303)	-	(7,438)	766	-	(8,975)
Financial derivatives (Note 17)	-	-	464	-	-	464
Other non-current financial assets	956	10	49	(82)	-	933
	32,995	**(2,189)**	**(5,560)**	**(2,756)**	**(1,037)**	**21,453**
Total	**37,786**	**(3,031)**	**(3,984)**	**(3,842)**	**(1,037)**	**25,892**

a) Investments in Group companies and associates

Set forth below is certain significant information relating to the investments in Group companies and associates which are not accounted for using the equity method or fully consolidated, as the case may be, because they are being liquidated, they have not commenced operations or their effect is not material:

2015	% Direct and indirect ownership interest	Book Cost	Provision	Share capital	Reserves and translation differences	Profit/(loss) for the year
Group companies						
Befesa Projects LLC	70%	281	-	359	-	(55)
Befesa Silvermet Izmir A.S.	55.9%	1,122	-	2,066	(66)	99
Other	-	2,772	(2,594)	-	-	-
		4,175	**(2,594)**			
Associates and other companies						
Betearte, S.A.	33%	1,121	-	2,750	(1,623)	(586)
Other		980	(980)			
		2,101	**(980)**			

Net changes in the scope of consolidation for portfolio companies relate mainly to the consolidation of Befesa Silvermet Dis Ticaret, A.S. and Befesa Industrial Services USA, Inc. (Note 2.5).

In addition, in 2015 the Group has disposed of its investment in Trinacria Spa. Zoo., this having no impact on the Group’s equity.

2014	% Direct and indirect ownership interest	Book Cost	Provision	Share capital	Reserves and translation differences	Profit/(loss) for the year
Group companies						
Trinacria, Spa. Z.o.o.	100%	4,584	(4,584)	351	(1,007)	685
Befesa Silvermet Dis Ticaret A.S. (Note 2.5)	55.9%	1,799	-	1,799	(300)	(38)
Befesa Silvermet Izmir A.S.	55.9%	1,079	-	1,079	(8)	(390)
Other		3,022	(2,582)	-	-	-
		10,484	**(7,166)**			
Associates and other companies						
Betearte, S.A.	33%	1,121	-	2,750	(733)	(890)
Other		980	(980)			
		2,101	**(980)**			

2015

	Registered address	Activity
Group companies		
Befesa Projects LLC	Oman	Environmental services
Befesa Silvermet Izmir A.S.	Turkey	Recovery of metals
Associates		
Betearte, S.A.	Biscay	Performance of studies and projects

2014

	Registered address	Activity
Group companies		
Trinacria, Spa. Z.o.o.	Poland	Dormant
Befesa Silvermet Dis Ticaret A.S.	Turkey	Recovery of metals (full consolidated since 2015 –Note 2.5)
Befesa Silvermet Izmir A.S.	Turkey	Recovery of metals
Associates		
Betearte, S.A.	Biscay	Performance of studies and projects

The fair value of the investments under this heading is calculated, in general, on the basis of their underlying carrying amount or value in use, taking into account the circumstances related to each company.

The assets and liabilities of the companies classified as equity investments in which the Group retains control or joint control are not significant with respect to the consolidated assets and liabilities.

a) Other long-term loans

At 31 December 2015 and 2014, this heading included an account receivable from a non-consolidated Group company relating to prior-year input VAT vis-à- vis the Portuguese tax authorities on the purchase of aluminium scrap (Note 25). Last year, this balance was totally impaired (EUR 7.4 million), considering the time elapsed and the development of the ongoing litigation.

This heading also includes other loans to Group companies not consolidated, which correspond to Befesa Mexico S.A. de C.V. (EUR 2.8 million) and other companies in which Befesa Gestión de Residuos Industriales, S.L. (EUR 4.3 million) has an interest. In prior years, the current accounts of Befesa Gestión de Residuos Industriales, S.L. were recognised as short-term amounts; however, following the signing of new contracts, these balances have been reclassified to long-term in line with their new maturities. In 2015, the Group has fully impaired the balance receivable recorded with Befesa Mexico, S.A. de C.V. amounting to EUR 2.8 million. Other loans reclassified to long-term were already partially impaired up to the amount of EUR 2.9 million.

In 2015 this heading also includes long-term collection rights amounting to EUR 2.8 million (EUR 2.9 million in 2014) relating to the accounts receivable from various UTEs in which the Group has interests.

It also includes EUR 15.2 million relating to an upstream loan to Bilbao LuxCo S.A. (Note 26) granted by the Company, with a maturity date ending the 1 December 2018 and an interest rate of 11%, approximately. This loan has accrued interests amounting to EUR 1.3 million during the year.

11. Inventories

The detail of "Inventories" in the accompanying consolidated balance sheet at 31 December 2015 and 2014 is as follows:

	2015	2014
Finished goods	13,952	9,977
Work in progress and semi-finished goods	89	1,112
Work in progress	2,956	257
Raw materials	17,789	18,164
Other	13,211	12,282
Advance payments to suppliers	492	108
Total	**48,489**	**41,900**

The Group has taken out insurance policies to cover risks relating to inventories. The coverage provided by these policies is considered to be sufficient.

12. Accounts receivable

The breakdown of the accounts receivable in the accompanying consolidated balance sheet at 31 December 2015 and 2014 is as follows:

	2015	2014
Work completed not invoiced	2,173	3,493
Trade and other receivables	87,687	76,748
Trade receivables from related companies (Note 25)	2,856	1,835
Other receivables	8,538	4,490
Accounts receivable from public authorities (Note 20)	13,935	17,510
Less- Allowance for doubtful debts	(2,815)	(2,809)
Total	**112,374**	**101,267**

Accounts receivable are stated at their nominal value, which does not differ significantly from their fair value, based on related cash flows discounted at market rates.

The Group does not have any concentration of credit risk with regard to its trade receivables, since it has a large number of customers distributed among various segments and countries in which it operates (Note 5).

Balances that have exceeded the nominal maturity date but which are within the habitual terms of the collection arrangements with customers, ranging between 30 and 60 days, are not considered to be past due. At 31 December 2015 and 2014, there were no balances that had exceeded the agreed-upon collection terms or the habitual payment periods for which impairment losses had not been recognised. The trade receivables for which impairment losses were not recognised relate to independent customers which have no recent history of default. All the trade balances mature in less than twelve months.

All impaired accounts receivable are more than twelve months past due.

At 31 December 2015 and 2014, impairment losses had been recognised for all receivables, past due or otherwise, the recoverability of which was considered to be doubtful at those dates. Impairment losses were recognised on the basis of an estimate of the reasonable loss corresponding to each trade receivable.

Accounts receivable that are impaired loss mainly relate to balances with specific collection problems identified individually. Taking into account collection efforts in progress, a high (albeit undetermined date) percentage of those receivables is expected to recover.

Changes in the allowances for doubtful debts relating to Group's trade and other receivables were as follows:

	2015	2014
Opening balance	**(2,809)**	**(2,800)**
Allowance for doubtful accounts (Note 22.4)	(341)	(130)
Derecognised uncollectible accounts receivable and other transfers	(24)	-
Reversal of provisions (Note 22.4)	359	121
Closing balance	**(2,815)**	**(2,809)**

The credit quality of trade receivables that have not become impaired can be classified as highly satisfactory, since in substantially all of the cases the risks are accepted and covered by credit risk insurers and/or banks and financial institutions.

The maximum exposure to credit risk at the date of presentation of the financial information is the fair value of each of the accounts receivable disclosed above and, in all cases, taking into consideration the aforementioned credit insurance coverage.

The detail of the accounts receivable denominated in foreign currency and recognised at the end of 2015 and 2014 in the accompanying consolidated balance sheet is as follows (thousands euro):

	2015	2014
US dollars	4,676	5,730
Peruvian nuevo sol	5,668	4,638
Swedish krona	3,902	3,698
Argentinian peso	4,447	3,274
Chilean peso	831	1,501
Pound sterling	1,504	1,303
Korean won	1,511	933
Other	3,082	2,374
	25,621	**23,451**

13. Other current financial assets

The detail of "Other Current Financial Assets" in the accompanying consolidated balance sheet at 31 December 2015 and 2014 is as follows:

	2015	2014
Short-term deposits in financial institutions	712	1,322
Derivative financial instruments (Note 17)	423	968
Other short-term loans	2,378	743
Short-term guarantees and deposits	492	513
Total	**4,005**	**3,546**

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial instruments classified as available for sale and loans and receivables.

14. Equity

a) Share capital

As at 31 December 2015 and 2014, subscribed and fully paid up capital is represented by 1,250,002 ordinary shares with a par value of EUR 0.01 each, totalling EUR 12,500.02.

At 31 December 2015 and 2014 the Parent's shareholder structure was as follows:

	Percentage of ownership
Bilbao Midco, S.à r.l.	100%
Total	**100%**

b) Share premium and Reserves

The detail of "share premium and Reserves" in the consolidated balance sheet is as follows;

	2015	2014
Share premium	450,092	400,495
Unrealised asset and liability revaluation reserve	9,261	9,355
Other reserves	(229,788)	(250,276)
Total	**229,565**	**159,574**

c) Share premium

On February 2015, the Vendor note held by the Company's parent has been capitalised for an amount of EUR 49.6 million, including a principal amount of EUR 47.5 million and accrued interests amounting to EUR 2.1 million (Note 16).

The share premium may be used to provide for the payment of any shares which the Parent Company may repurchase from its shareholders, to offset any net realised losses, to make distributions to its shareholders, in the form of a dividend or to allocate funds to the Legal reserve, provide that any such repurchases or distribution out of the share premium.

d) Translation differences

The breakdown, by company, of "Translation Differences" at 31 December 2015 and 2014 is as follows:

Company or group of companies	2015	2014
Befesa Zinc Korea, Ltd.	3,533	2,394
Befesa Argentina, S.A.	(4,187)	(2,217)
Befesa Perú, S.A.	(313)	251
Befesa Salt Slags, Ltd.	289	(668)
Soluciones Ambientales del Norte Limitada S.A.	(1,496)	(888)
Befesa Scandust AB	(12)	(290)
Befesa Silvermet Iskenderum, A.S.	(898)	(437)
Other	227	321
Total	**(2,857)**	**(1,534)**

e) Profit/(Loss) for the year

The detail, by business segment, of the contribution to consolidated profit/(loss) attributable to the Parent for the years ended 31 December 2015 and 31 December 2014 is as follows:

	2015	2014
Steel	4,103	25,494
Aluminium	13,762	11,762
Industrial environmental solutions	(45,194)	(2,874)
Corporate and consolidation adjustments (*)	(5,974)	(17,184)
Total	**(33,303)**	**17,198**

(*) Consolidation adjustments, due basically to the elimination of dividends and changes in impairment losses on investments attributable to the Parent; and the profit or loss attributable to minority shareholders. In addition, the consolidation adjustments attributable to the other companies are included in their respective income statements.

f) Non-controlling interests

The detail of "Equity - Non-Controlling Interests" on the liabilities side of the accompanying consolidated balance sheet and of the changes therein in 2015 and 2014 is as follows:

	2015	2014
Corporate:		
Befesa Medio Ambiente, S.A.	15,833	17,744
Industrial Environmental Solutions:		
Befesa Plásticos, S.L.	15	320
Residuos Industriales de la Madera de Córdoba, S.A.	691	652
Solarca Qatar, W.L.L.	335	-
Steel:		
Befesa Silvermet Turkey, S.L.	7,196	7,977
Befesa Zinc Korea, Ltd.	8,692	8,888
	32,762	**35,581**

Summary information on subsidiaries with non-controlling interests material shareholdings:

Below are the main figures of the Befesa Medio Ambiente S.L., and its subsidiaries, Befesa Silvermet Turkey, SL. and its subsidiaries; and Befesa Zinc Korea Ltd., expressed in thousand euro.

2015

Subgroup/ Company	Befesa Medio Ambiente, S.L. and its subsidiaries	Befesa Silvermet Turkey S.L. and its subsidiaries	Befesa Zinc Korea, Ltd.
Assets	1,089,281	22,663	68,529
Liabilities	808,504	6,349	25,067
Equity	280,777	16,314	43,462
Sales	746,893	9,003	13,858
Profit before taxes	(14,573)	(367)	(2,346)
Profit after taxes	(30,129)	(548)	(2,424)

2014

Subgroup/ Company	Befesa Medio Ambiente, S.L. and its subsidiaries	Befesa Silvermet Turkey S.L. and its subsidiaries	Befesa Zinc Korea, Ltd.
Assets	1,127,428	25,242	58,053
Liabilities	814,323	7,153	13,613
Equity	313,105	18,089	44,440
Sales	655,925	12,015	21,412
Profit before taxes	40,237	4,551	4,412
Profit after taxes	26,241	3,628	3,441

The percentages of non-controlling interests for Befesa Medio Ambiente, S.L., Befesa Silvermet Turkey, S.L. and its subsidiaries and Befesa Zinc Korea Ltd. Amounted to 6%, 44.1% and 20%, respectively.

g) Capital management

The Group's capital management focuses on achieving a financial structure that optimises cost of capital while maintaining a solid financial position. This policy reconciles the creation of value for the shareholder with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business.

The Group management of the Group consider that the minimal leverage ratio is a good indicator of the degree to which the objectives set are being achieved. At 31 December 2015 and 2014, most of the debts are related to business acquisitions made in prior years.

15. Borrowings

The detail of the related headings in the accompanying consolidated balance sheet is as follows:

	2015		2014	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Bank loans	69,297	523,185	28,151	585,751
Accrued interest payable	5,654	-	5,149	-
Obligations under finance leases	2,621	7,535	1,329	2,151
	77,572	**530,720**	**34,629**	**587,902**

The main terms and conditions of non-recourse borrowings are as follows:

			2015		2014	
Limit in nominal currency (thousand currency)	**Effective interest rate**	**Maturity date**	**Current maturity**	**Non-Current maturity**	**Current maturity**	**Non-Current maturity**
a) EUR 300,000	8.875%	2018	3,328	297,704	3,328	296,737
b) EUR 150,976	10.50%-11.25%	2018	1,359	160,666	1,364	158,437
c) EUR 190,000	Floating	2017	37,790	58,386	25,030	109,000
d) EUR 20,000	6m-Euribor + floating	2017	-	-	360	19,119
KRW 14,000	6.035%	2015	-	-	1,331	-
e) EUR 15,000	10%	2016	15,695	-	-	-
f) Other			19,400	13,964	3,216	4,609
			77,572	**530,720**	**34,629**	**587,902**

a) On 6 May 2011, the Group, through Zinc Capital, S.A., initiated the placement of EUR 300 million in ordinary bonds with European qualified and institutional investors. Zinc Capital, S.A. is a non-Group special purpose vehicle without assets or business operations other than those relating to the bond issue. All the funds raised (EUR 300 million) have been lent to Befesa Zinc, S.A. (Sociedad Unipersonal) and mature in May 2018.

The borrower is the parent of a group of companies associated with specific zinc recycling projects (Befesa Zinc, S.A. (Sociedad Unipersonal) and subsidiaries). The joint and several guarantees given in relation to the bond were from the subsidiaries of Befesa Zinc (Befesa Zinc Comercial, S.A. (Sociedad Unipersonal), Befesa Zinc Aser, S.A. (Sociedad Unipersonal), Befesa Steel Services GmbH, Befesa Zinc Freiberg GmbH, Befesa Duisburg GmbH and Befesa Valera S.A.S.) together with a pledge on the shares of Befesa Zinc, S.A. itself. Befesa Zinc Gravelines, S.A.S.U. and Befesa Zinc Óxido, S.A. (Sociedad Unipersonal) were also included in 2014 as guarantors.

b) On 24 October 2013, the Bilbao Luxemburg, S.à r.l. issued EUR 150,000 thousand of its 10.50%/11.25% PIK Toggle Notes due 2018 pursuant to an indenture. The Notes were issued among Befesa Holding S.à r.l. as parent guarantor and Citibank, N.A., London Branch as Trustee, as Security Agent and as Principal Paying Agent, Transfer Agent and Registrar Agent. An amount of EUR 148,125 thousand was drawn under these Notes.

The Notes bear interest at a rate of 10.50% per annum with respect to Cash Interest (as defined in the agreement) and 11.25% per annum with respect to PIK Interest (as defined in the agreement). Interest will be payable semi-annually in arrears on 1 June and 1 December of each year, commencing on 1 June 2014. As at 31 December 2015, unpaid interests have been capitalised for a total amounting to EUR 12.6 million (2014: EUR 10.3 million).

c) On 27 September 2013, to standardize the Group´s financial structure, a syndicated financing contract amounting to EUR 190 million was signed, which includes two loans amounting to EUR 75 and 60 million, respectively, as well as a credit line and a guarantee line for EUR 30 and 25 million, respectively. The loan of EUR 75 million is repayable on a linear basis through six monthly instalments (except for the first and the last two instalments) and a final maturity on 30 June 2017. The loan of EUR 60 million, lines of credit and guarantees expire in four years as from the initiation of the loan. During 2015 an amount of EUR 31.7 thousand was repaid early.

The interest rate established for the funding is determined based on a floating rate plus a market spread. There are also financial ratios to meet based on various covenants on a consolidated basis as well as a capital expenditure limit established for the duration of the loan. At 31 December 2015 the Group properly complied with the covenants.

As part of this transaction, on 24 October 2013 the Group arranged interest rate swaps at an agreed fixed rate of 1% (Note 17).

The subsidiaries Befesa Aluminio, S.L. (Sociedad Unipersonal), Befesa Gestion de Residuos, S.L., Befesa Salt Slags, Ltd., Befesa Salzschlacke GmbH, Befesa Perú, S.A., Soluciones Ambientales del Norte Lmtda, S.A., Alianza Medioambiental, S.L. (Sociedad Unipersonal) and MRH Residuos Metálicos, S.L. (Sociedad Unipersonal), act as personal guarantors of the obligations undertaken by Befesa Medio Ambiente, S.L.

d) In addition, on 13 August 2013 the Group subsidiary Befesa Zinc, S.A., obtained a loan amounting to EUR 20 million with a final maturity in 2017 to finance the activity carried on by Befesa Zinc Korea Ltd. This loan has been repaid early by Befesa Zinc, S.A. in the current year.

e) At 31 December 2015 the debt recognised by Befesa Aluminium Germany, GmbH with Abengoa, S.A. to finance the plant recently built in Bernburg, amounting to EUR 15.7 million (including capitalised interest) is classified as bank borrowings (in 2014 this balance was classified as other liabilities). This balance due with Abengoa has been classified as borrowings because it be refinanced with banks in 2016.

f) At 31 December 2015, "Other" mainly includes debts with credit institutions related to factoring agreements amounting to EUR 11.7 million and leases amounting to EUR 10.1 million. In addition, following the consolidation of Solarca Group, borrowings have increased in EUR 2.9 million because of the loans granted by credit institutions and in EUR 3.2 million because of credit lines.

Every loan and credit line with variable interests accrue interests at market rates, basically Euribor rate plus a spread.

The repayment schedule for long-term loans is as follows:

	2015	2014
2016	-	33,492
2017	61.287	97,180
2018	462,759	456,015
2019	2,891	655
Subsequent years	3,783	560
Total	**530,720**	**587,902**

At 31 December 2015 and 2014, the Group has unused unsecured credit facilities totaling EUR 868 thousand and EUR 56 thousand respectively and approximately (Note 4.c). In addition, an amount of EUR 6 million has not been drawn yet from the syndicated financing arrangement (EUR 15 million in 2014).

15.1 Financing currencies

The carrying amount of the Group’s borrowings is denominated in the following currencies:

	2015	2014
Euro	603,886	619,307
Swedish krona	736	827
South Korean won	-	1,331
Others	3,670	1,066
	608,292	**622,531**

16. Other current and non-current payables

The detail of "Other Non-Current Liabilities" and "Other Payables" in the accompanying consolidated balance sheet at 31 December 2015 and 2014 is as follows:

	2015		2014	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Group liabilities - Vendor note (Note 14.c)	-	-	-	52,146
Other Group Liabilities		4,417	-	4,417
Payable to non-current asset suppliers	4,231	-	2,430	-
Derivative financial instruments (Note 17)	19	671	66	1,308
Accounts payable to public authorities (Note 20)	19,441	-	16,633	-
Remuneration payable	6,345	-	6,254	-
Other	23,858	27,946	7,996	48,854
Total	**53,894**	**33,034**	**33,379**	**106,725**

"Vendor note" referred to the amount pending of payment to Bilbao MidCo. This instrument issued by the Company to Bilbao MidCo, and this entity with the seller of Group as part of the settlement of the purchase price. On February 2015, "Vendor note" amounting to EUR 47,500 thousand from Bilbao Midco and the accrued interest until that date were capitalised into the equity of Befesa Holding S.á r.l after the purchase of the vendor note by a Group company.

"Other" mainly includes capital grants not yet released to income and debts with public institutions amounting to approximately EUR 15.8 million (2014 EUR 21.7 million), an amount due to the minority shareholders of the subsidiary Befesa Zinc Korea, Ltd. EUR 6.6 million (2014: EUR 6.3 million), the restated amount recognised on the measurement of the put option of minority shareholders (Note 2.5) in the amount of EUR 9.1 million (2014: EUR 6.1 million) and EUR 14 million recognised in respect of future payments to be made for the acquisition of the subsidiary Solarca, S.L. and its subsidiaries. The debt that was recognised at 31 December 2014 with Abengoa amounting to EUR 15 million in relation to the financing of the plant of Befesa Aluminium GmbH Germany has been classified as borrowings at 31 December 2015 (Note 15). The change in the fair value of the Korea put option has been recognized under financial results on the accompanying consolidated income statement.

17. Financial derivatives

The Group uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed, which are mainly risks arising from changes in exchange rates, interest rates and the market price of certain metals, mainly aluminium and zinc. The detail of the balances that reflect the measurement of derivatives in the accompanying consolidated balance sheets at 31 December 2015 and 2014 is as follows:

	2015	**2014**
Cash flow hedges non-current assets (Note 10):		
Zinc futures contract	-	464
	-	**464**
Cash flow hedges current assets (Note 13):		
Zinc futures contract	423	139
Aluminium futures contract	-	829
	423	**968**
Total assets	**423**	**1,432**
Cash flow hedges non-current liabilities (Note 16):		
Interest rate swap	671	1,308
	671	**1,308**
Cash flow hedges current liabilities (Note 16):		
Foreign currency cap	19	66
	19	**66**
Total liabilities	**690**	**1,374**

- Zinc and aluminium futures contracts

The detail of the tonnes sold, the selling price of which was hedged and of the maturity of the related contracts at 31 December 2015 and 2014 is as follows:

	Tons			
	31 December 2015		**31 December 2014**	
	2016	**2017 and subsequent years**	**2015**	**2016 and subsequent years**
Hedge (in tonnes)				
Zinc Contract Floors	73,200	-	73,200	36,600
Aluminium futures contract	-	-	1,980	-
	73,200	**-**	**75,180**	**36,600**

- Interest rate swaps (floating to fixed)

The notional amounts of the IRSs outstanding at 31 December 2015 totalled EUR 81,750 thousand (Note 15) (EUR 90,750 thousand in 2014); they were classified as fully-effective hedging instruments in both 2015 and 2014.

At 31 December 2015 and 2014, the fixed interest rate was 1% and the main benchmark floating rate was Euribor rate.

- Foreign currency cash flow hedges

At 31 December 2015, currency swaps or forwards amounted to:

- US dollar sales: USD 2,467 thousand.

At 31 December 2014, currency swaps or forwards amounted to:

- US dollar sales: USD 10,347 thousand.

Highly probable future hedged transactions denominated in foreign currency are expected to take place on various dates within the next twelve months. The gains and losses recognised in the hedging reserve in equity (see Note 14) in connection with forward foreign currency contracts at 31 December 2015 and 2014 are recognised in profit or loss in the year in which the hedged transactions affect profit or loss. Increases and decrease recognised in equity in relation to foreign currency forwards at 31 December 2015 will be transferred to profit or loss over the next twelve months.

18. Long-term provisions

The detail of "Long-Term Provisions" on the liability side of the accompanying consolidated balance sheets and of movements in 2015 and 2014 is as follows:

	Provisions for litigation, pensions and similar obligations	Other provisions for contingencies and charges	Total long-term provisions
Balance at 1 January 2014	**4,885**	**38,608**	**43,493**
Period provisions charged to income	(374)	216	(158)
Provisions used	(2,722)	(438)	(3,160)
Transfers (Note 19)	-	(25,342)	(25,342)
Balance at 31 December 2014	**1,789**	**13,044**	**14,833**
Period provisions charged to income	381	272	653
Provisions used	(89)	(2,464)	(2,553)
Transfers	(48)	43	(5)
Balance at 31 December 2015	**2,033**	**10,895**	**12,928**

"Other Provisions for Contingencies and Charges" includes the provisions recognised by the subsidiary Befesa Gestión de Residuos Industriales, S.L. for the expenses arising from the sealing and closure of its septic tanks amounting to approximately EUR 7.8 thousand at 31 December 2015 (31 December 2014: EUR 8 million) (Note 8). In addition, the Group companies Befesa Valera, S.A.S. and Befesa Zinc Gravelines, S.A.S. recognised a provision of approximately EUR 2.3 million at 31 December 2015 and 2014 for the present value of the estimated costs of dismantling the concession for the performance of their activities in the Port of Dunkirk (France) once completed (Note 8).

In addition, the Group has recognised other provisions under "Other Provisions for Contingencies and Expenses" to meet liabilities, whether legal or constructive, probable or certain, arising from contingencies, litigations in process and tax obligations, which arise as the result of past events and are more likely than not to require an outflow of resources embodying economic benefits from the Group to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

19. Deferred taxes

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the income taxes levied by the same tax authority. At 31 December 2015 and 2014 there was no material offset of deferred tax assets and liabilities.

The Group recognises deferred tax assets, tax loss carry-forwards and unused tax credits and tax relief to the extent that their future realisation or utilisation is sufficiently assured.

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet for 2015 and 2014 is as follows:

	2015	2014
Deferred tax assets arising from:		
Tax loss carry-forwards and tax credits and tax relief	76,175	75,644
Revaluation of derivative financial instruments	415	675
Other deferred tax assets	4,810	1,809
Total deferred tax assets	**81,400**	**78,128**
Deferred tax liabilities arising from:		
Asset revaluation	11,264	11,817
Deferred tax liability arising from the tax deductibility of goodwill	21,517	21,611
Other deferred tax liabilities	7,984	8,224
Total deferred tax liabilities	**40,765**	**41,652**

Amounts corresponding to deferred tax assets are as follows:

	2015	2014
Deferred tax assets		
Deferred tax assets recoverable in more than 12 months	81,400	78,128
Deferred tax assets recoverable within 12 months	-	-
	81,400	**78,128**

Movements in deferred tax assets and liabilities in 2015 and 2014 relate to:

2015

	Balance at 31/12/14	Recognised in: Income statement	Recognised in: Equity	Consolidation change (Note 2.5)	Balance at 31/12/15
Deferred tax assets					
Credits	75,644	1,483	(347)	(605)	76,175
Derivatives	675	(531)	271	-	415
Others	1,809	2,928	(19)	92	4,810
Total deferred tax assets	**78,128**	**3,880**	**(95)**	**(513)**	**81,400**
Deferred tax liabilities					
Revaluations	11,817	(553)	-	-	11,264
Goodwill	21,611	(94)	-	-	21,517
Others	8,224	(554)	(31)	345	7,984
Total deferred tax liabilities	**41,652**	**(1,201)**	**(31)**	**345**	**40,765**

2014

	Balance at 01/01/14	Recognised in: Profit or loss	Recognised in: Equity	Consolidation change (Note 2.5)	Transfers	Balance at 31/12/14
Deferred tax assets						
Credits	96,863	2,706	(1,667)	3,084	(25,342)	75,644
Derivatives	340	283	52	-	-	675
Others	10,687	526	(9,404)	-	-	1,809
Total deferred tax assets	**107,890**	**3,515**	**(11,019)**	**3,084**	**(25,342)**	**78,128**
Deferred tax liabilities						
Revaluations	12,385	(568)	-	-	-	11,817
Derivatives	99	-	(99)	-	-	-
Goodwill	23,084	(189)	(1,284)	-	-	21,611
Others	6,903	(860)	2,181	-	-	8,224
Total deferred tax liabilities	**42,471**	**(1,617)**	**798**	**-**	**-**	**41,652**

The main amounts and changes in deferred tax assets and liabilities in 2015 and 2014, in addition to those arising from the revaluation of derivatives disclosed in Note 17, were as follows:

2015

- The Group has recognised EUR 6.9 million in tax credits and deductions on tax loss carryforwards, mostly originating in the Basque Tax Group, as the Managers of the parent company understand that they may be recovered within a reasonable timeline.

- In 2015 impairment has been recognised in respect of tax assets in Befesa Valera, S.A.S., as they are considered not recoverable within a reasonable timeline. This impairment has had a negative impact on corporate income tax expense for the year of EUR 2.5 million.

- Exclusions from the consolidation scope relate to tax credits recognised by Befesa Valorización de Azufre S.L.

2014

- As a result of the inclusion of Befesa Steel R&D, S.L., in the consolidation scope, tax credits increased by EUR 3.1 million.

- Additionally, tax credits were regularised against reserves in the amount of approximately EUR 11.8 million.

20. Public authorities

The detail of "Tax Receivables" and "Tax Payables" on the asset and liability sides, respectively, of the accompanying consolidated balance sheet at 31 December 2015 and 2014 is as follows:

	2015		2014	
	Receivable (Note 12)	Payable (Note 16)	Receivable (Note 12)	Payable (Note 16)
VAT	9,787	5,563	13,530	5,439
Withholdings and interim-payments	1,200	2,332	1,133	2,058
Corporate income tax	2,399	8,272	2,349	5,700
Social Security bodies	50	2,699	98	2,754
Other	499	575	400	682
Total	**13,935**	**19,441**	**17,510**	**16,633**

"Accounts Payable to Public Authorities" on the liability side of the accompanying consolidated balance sheet includes the liability relating to applicable taxes, mainly personal income tax withholdings, VAT and projected income tax relating to the profit for each year, mainly net of tax withholdings and pre-payments made each year.

The Group's Parent Company, Befesa Holding, S.à r.l., is subject to the Luxembourg Law (Note 1).

Befesa Medioambiente HoldCo, S.L. heads the fiscal Group of companies subject to the Biscayne tax regulation. That tax group comprises Befesa Medioambiente HoldCo, S.L., Befesa Medio Ambiente, S.L.U., MRH Residuos Metálicos, S.L.U., Alianza Medioambiental, S.L.U, Befesa Aluminio, S.L., Befesa Aluminio Comercializadora, S.L.U, Befesa Zinc, S.A.U., Befesa Zinc Comercial, S.L.U., Befesa Zinc Óxido, S.L.U., Befesa Zinc Aser, S.L.U. Befesa Steel R&D, S.L.U. and Befesa Zinc Sur, S.L.U.

It was reported that Bilbao LuxCo, SA, with tax residence at Albert Borschette, 2c L-1246 (Luxembourg) and tax identification number 2214795, acknowledged being the parent company of consolidated tax group 00914/BSC, in accordance with Article 85.2 NFIS.

Given the consideration of Bilbao LuxCo, S.A. as a non-resident in Spain, Befesa Medioambiente HoldCo, S.L. was designated at the entity representing group 00914/BSC, in accordance with the provisions of the third paragraph of Article 83.2 NFIS. In this regard it should be noted that all companies belonging to tax group 00914/BSC are subject to the same regional regulations for income tax purposes, namely, that of Biscay.

The German companies Befesa Zinc Germany GmbH, Befesa Steel Services GmbH, Befesa Zinc Freiberg GbmH and Befesa Zinc Duisburg GmbH file consolidated tax returns under the tax legislation applicable to them in Germany; and Befesa Zinc Gravelines, S.A.S.U. and Befesa Valera S.A.S. file consolidated tax returns under the tax legislation applicable to them in France.

The other companies file individual income tax returns in accordance with the tax legislation applicable to them.

The Group companies subject to Biscay tax legislation and to the tax legislation applicable to the rest of Spain (excluding Navarre and the Basque Country), including those which form part of the tax group, generally have the years that have not become statute-barred, 2011 onwards, open for review by the tax authorities for income tax and the last four years for the other main taxes and tax obligations applicable to them, in accordance with current legislation.

The difference between the tax charge allocated to each year and the tax payable for that year, recognised in “Deferred Tax Assets” and “Deferred Tax Liabilities” on the asset and liability sides, respectively, of the consolidated balance sheets at 31 December 2015 and 2014, arose as a result of the following noteworthy circumstances:

- Temporary differences arising from the differences between the carrying amounts of certain assets and liabilities and their tax bases. The main differences arose from the measurement of assets and liabilities arising from the measurement of derivatives in relation to which the difference between the tax base and the carrying amount is not tax deductible and the deductibility of the amortisation of certain items of goodwill in accordance the regulations applicable to each company. In this regard, the tax deductibility of goodwill is conditional on the companies recognising a restricted reserve in the terms established by Spanish corporate tax law for at least the tax deductible amount calculated on the basis of the original acquisition cost.

- Different accounting and tax methods for recognising certain provisions.

Income tax is calculated on the basis of the accounting profit determined by applying generally accepted accounting principles, which does not necessarily coincide with the taxable profit.

Also, in calculating income tax expense for 2015 of the companies located in Spain, on the basis of the various applicable regulations the different income tax rates in force (28% under the Basque Country and Navarre tax regime and 28% for the tax regime for the rest of Spain), applied to the profit or loss before tax, adjusted for the amount of permanent differences and reduced by the application of the tax losses of companies not included in the consolidated Tax Group that were not recognised, were also taken into account.

The fully-consolidated foreign subsidiaries calculate income tax expense and tax charges for the taxes applicable to them in conformity with the legislation of, and at the tax rates in force in, their respective countries (Note 3.16).

The reconciliation of accounting profit/(loss) for the year to income tax expense for the year is as follows:

	2015	2014
Profit/(Loss) before tax from continuing operations	(20,594)	32,520
Total accounting profit/(loss) before tax	**(20,594)**	**32,520**
Non-deductible expenses and non-computable income:		
- Other permanent differences	(367)	1,140
Adjusted accounting profit/(loss)	**(20,961)**	**33,660**
Tax charge in the Parent Company’s territory	6,124	(9,835)
Income tax rate regularisations	-	(1,669)
Tax credits generated in the year and not capitalised	(16,894)	-
Recognition of unused tax credits, tax relief and tax loss carryforwards, net of provisions	(2,527)	(76)
Other	(1,838)	-
Income tax expense	**(15,135)**	**(11,580)**

At the 2015 year-end the tax credit carried forward amounted to EUR 25.4 (2014: EUR 25.7 million) relating mainly to export activities and receivables arising from deductions for double taxation. Non-capitalised deductions amount to EUR 23.7 million at 31 December 2015 (EUR 23.3 million in 2014)

The tax loss carryforward recognised at 31 December 2015 amounted to EUR 50.7 million (31 December 2014: EUR 50.0 million). Unrecognised tax loss carryforwards amounted to EUR 29 million at 31 December 2015 (31 December 2014: EUR 5.2 million).

At 31 December 2015 there are also temporary differences amounting to EUR 0.8 million, due to the ceiling on the deductibility of interest expense (EUR 0 thousand as of 2014).

At 31 December 2015 and 2014, there are unrecognised tax assets for temporary differences amounting to EUR 33.7 million corresponding to differences between the carrying amount of assets and liabilities and their tax bases arising as a result of the Group’s accounting entries on consolidation.

The Managers of the Group companies and of the Parent consider that the tax assets recognised in all the circumstances described above will be offset in the income tax returns of the various Group companies taken individually or of the companies forming the consolidated tax group, as appropriate, within the applicable deadlines and limits.

21. Guarantee commitments to third parties and contingencies

At 31 December 2015, a number of Group companies had provided guarantees for an overall amount of approximately EUR 35.4 million (31 December 2014: EUR 36.3 million) was required to guarantee their operations vis-à-vis customers, banks, government agencies and other third parties.

All of these guarantees are additional to those described in Notes 8 and 15.

The Group has contingent liabilities for litigation arising in the ordinary course of business from which no significant liabilities are expected to arise other than those for which provisions have already been recognized.

22. Income and expenses

22.1 Raw materials and consumables

	2015	2014
Cost of raw materials and other supplies used	344,310	280,882
Changes in goods held for resale, raw materials and other inventories	(1,020)	(3,643)
Subcontracted work	22,090	18,207
Total	**365,380**	**295,446**

22.2 Other operating income

	2015	2014
In-house work on non-current assets (Note 3.3)	4,546	13,412
Income from income-related grants	1,708	1,403
Services and other operating income	6,019	4,563
Excessive provisions for contingencies and charges	-	98
Total	**12,273**	**19,476**

22.3 Staff costs

	2015	2014
Wages and salaries	81,860	72,140
Employer social security contributions	18,503	16,913
Other welfare costs	3,675	3,007
Total	**104,038**	**92,060**

The average number of employees at the Group in 2015 and 2014, by professional category, was as follows:

	Average number of employees	
	2015	**2014**
Management	63	59
Experts	175	147
Professionals	336	295
Operators and assistants	1,395	1,350
Total	**1,969**	**1,851**

Of the Group's average headcount in 2015, 514 had temporary employment contracts (2014: 478 employees).

The number of employees at 2015 and 2014 year-end, by gender, was as follows:

	2015		2014	
	Men	**Women**	**Men**	**Women**
Management	54	8	52	7
Experts	136	35	120	31
Professionals	233	99	209	92
Operators and assistants	1,243	127	1,243	124
Total	**1,666**	**269**	**1,624**	**254**

The workforce of the various UTEs and joint operations in which the Group holds ownership interests is included in full when calculating the average number of employees and the status of the workforce at the year end, by gender, shown above.

22.4 Other operating expenses

	2015	**2014**
Research and development expenditure (*)	358	430
External services	132,954	125,703
Taxes other than income tax	3,875	3,631
Losses on, impairment of and changes in allowances (Note 12)	(18)	9
Other current operating expenses	7,598	6,360
Total	**144,767**	**136,133**

(*) 2015 includes EUR 737 thousand (2014: EUR 731 thousand) net of research and development expenditure for in-house work on non-current assets (see Note 3.3).

22.5 Amortisation/depreciation, impairment and provisions

The breakdown of this balance in the 2015 and 2014 consolidated income statements is as follows:

	2015	2014
Amortisation of intangible assets (Note 7)	5,343	2,739
Depreciation of property, plant and equipment (Note 8)	36,832	33,195
Impairment of fixed assets (Notes 8 and 9)	45,732	2,668
Impairment of receivables from related parties	2,873	7,557
Impairment of goodwill (Note 6)	7,930	-
Other	2,968	124
Total	**101,678**	**46,283**

23. Financial expense

The breakdown of this balance in the 2015 and 2014 consolidated income statements is as follows:

	2015	2014
Interest expense (Notes 15)	55,655	57,524
Other finance costs (Note 15)	9,608	7,567
Impairment losses	108	1,705
Total	**65,371**	**66,796**

24. Remuneartion of the Board of Managers

a) Managers´ remuneration and other benefits

In 2015 the members of the Parent´s Board of Managers earned approximately EUR 9 thousand for salaries and attendance fees for discharging their duties in the Group companies (2014: EUR 12 thousand).

Also, at the date of preparation of these consolidated financial statements, the Parent had not granted any loans, advances or other benefits to its former or current Managers.

The parent company had no pension or guarantee obligations with the former or present members of that Board of Managers.

b) Senior management remuneration

The annual remuneration (mainly wages and social security) of the managing managers of Befesa Holding S.à r.l. industrial groups (see Note 1), and of persons discharging similar duties in 2015 amounted to EUR 1,360 thousand (2014: EUR 1,086 thousand).

The Group companies have not assumed any obligations relating to pensions or other types of supplementary retirement benefits with senior executive personnel.

Incentives to executives and other matters

In 2015 and 2014 there were no other transactions with senior executives outside the normal course of business.

In 2011 an incentive scheme was introduced in the Group accruing for five years (2011-2015) with percentages vesting each year subject to the achievement, on a personal level, of the targets established in the Strategic Plan of the industrial Group headed by Befesa Medio Ambiente, S.A. and to their remaining at the Group during this five-year period, among other conditions. The stated incentive scheme was extended to new beneficiaries in 2013, with identical conditions to those of the initial participants. Additionally, and with the aim to incentivize the sale of the Company, a change in control clause was included in the contracts.

As a result of the change in control in the Group during 2013, the amount of the consolidated scheme until that date became redeemable by all the beneficiaries, and consequently credited. The remaining amount which may be generated from that time totals EUR 3,740 thousand, to be consolidated until the end of the period covered by the plan. As the necessary conditions for the plan's consolidation have not been met, there will be no additional payment to that already made.

25. Balances and transactions with related parties

All the significant balances at year-end between the consolidated companies and the effect of the transactions between them during the year were eliminated on consolidation.

The detail of the balances with shareholders and Group and related companies at 31 December 2015 and 2014 and of the transactions effected with them in then ended is as follows:

2015

	Accounts receivable and other current financial assets (Notes 12 and 13)	Long-term loans	Accounts payable	Other non-current liabilities (Note 16)	Sales and other income	Purchases and other expenses	Financial income	Financial cost
Bilbao MidCo, S.à r.l.	1,364	-	381	3,220	-	-	-	253
Bilbao Lux.Co S.A.	278	15,165	-	-	-	-	1,498	-
Triton IV Managers Limited	-	-	-	1,125	-	-	-	-
Ecología Canaria, S.A.	116	-	123	-	227	783	-	-
Recytech, S.A.	268	-	839	-	1,404	7,142	-	-
Betearte, S.A.	206	1,432	121	-	120	83	24	-
Gestión y Valorización Integral del Centro, S.L.	99	1,241	52	-	123	106	69	-
Other	525	210	172	72	-	211	375	-
Total	**2,856**	**18,048**	**1,688**	**4,417**	**1,874**	**8,325**	**1,966**	**253**

<u>2014</u>

	Accounts receivable and other current financial assets (Notes 12 and 13)	Long-term loans	Accounts payable	Other non-current liabilities (Note 16)	Sales and other income	Purchases and other expenses	Financial cost	Financial income
Triton IV Managers Limited	-	-	-	1,125	-	-	-	-
Bilbao MidCo, S.à r.l.	-	-	360	55,365	-	-	1,879	-
Bilbao Lux.Co S.A.	-	13,796	-	-	-	-	-	1,343
Ecología Canaria, S.A.	109	-	267	-	68	970	-	-
Recytech, S.A.	193	-	1,053	-	1,286	6,704	-	-
Betearte, S.A.	169	1,432	228	-	90	177	-	27
Gestión y Valorización Integral del Centro, S.L.	1,048	-	-	-	162	10	-	51
Other	316	14	27	73		216	-	324
Total	**1,835**	**15,242**	**1,935**	**56,563**	**1,606**	**8,077**	**1,879**	**1,745**

The balances and transactions of Group companies relate to sale and purchase transactions and other commercial operations, loans and credits, which are carried out on an arm's length basis.

All transactions are commercial and do not accrue interest, except for loans and the above credit facilities with the Group, carried out on an arm's length basis, the maturity of which are ordinary for these types of transactions.

The parent company's Managers do not consider, taking into account that transactions with related parties are carried out on an arm's length basis, that they could give rise to significant liabilities in the future.

26. Environmental information

The Parent and the subsidiaries maintain their production facilities in such a way as to meet the standards established by the environmental legislation of the countries in which the facilities are located.

Property, plant and equipment include investments made in assets intended to minimise environmental impact and protect and improve the environment. In 2015 and 2014 no significant environmental investments were made.

In 2015 and 2014, the Group did not incur any significant expenses relating to environmental activities.

27. Business combinations

Changes in the scope of consolidation have been described in Note 2.5.

During 2015 Solarca, S.L. and its subsidiaries were acquired for an amount of EUR 18.6 million. On 14 May 2015 the Group, through its subsidiary Alianza Medioambiental, S.L., signed a purchase agreement for Solarca, S.L., paying EUR 5 million in cash and the remainder under deferred terms, on

31 March over the following four years. In view of the contractual conditions, the Group has recognized the purchase of 100% of the Solarca group together with a liability of EUR 13.6 million, relating to the best estimate of the contingent price the Group will pay on each payment date until 2019. This price will depend on the formula established in the contract which takes into account estimated future EBITDA, among others items.

As a consequence of this, the business combination for the takeover of Solarca Group in May 2015 relating to the 100% stake, is summarised below:

	Amount
Purchase price:	18,633
• Cash paid	5,000
• Contingent consideration	13,633
Fair value of net assets acquired	(4,573)
Goodwill (Note 6)	**14,060**

This goodwill has been attributed to the future profitability of the acquired business and the synergies to be obtained after the acquisition by the Group.

The assets and liabilities arising from the acquisition are as follows;

	Fair value of net assets acquired
Intangible assets and PPE	7,576
Deferred tax assets	132
Long-term receivables	322
Inventories	1,248
Receivables	6,877
Other current assets	156
Cash and equivalents	1,656
Assets acquired	**17,967**
Provisions	43
Financial liabilities	7,313
Accounts payable and other liabilities	6,038
Acquired liabilities	13,394
Total net assets acquired	**4,573**

The fair value of the net assets acquired does not differ from the accounting figures of Solarca Group, S.L. There were no other intangible assets that met the conditions for recognition separately or contingent liabilities or other assets and financial liabilities whose fair value differed from the carrying value. At the date of preparation of these consolidated financial statements, the 12 month period to re-estimate the results of the business combination is ongoing.

The acquired business contributed to the Group revenues of EUR 15,708 thousand and net profits of EUR 2,732 thousand in the period since the takeover. If the acquisition had taken place on 1 January 2015, revenues and results contributed to the Group would have been EUR 19,908 and 3,129 thousand, respectively. These amounts have been calculated using the Group's accounting policies.

Movements of cash funds in the operation were as follows:

	Amount
Paid amount	5,000
Cash and equivalents in acquired subsidiary	(1,656)
Cash outflow on acquisition	3,344

28. Auditor's fees

In 2015 and 2014 the fees for financial audit services and other professional services provided to the various companies composing the Befesa Holding and Subsidiaries Group by the principal auditor in Luxembourg and abroad, and by other entities related to the principal auditor, were as follows:

	2015	2014
Audit services	584	452
Other services	98	128
Tax counselling services	-	-
Total	**682**	**580**

The detail of the fees for financial audit services and other services provided by auditors other than the main auditor is as follows:

	2015	2014
Audit services	83	40
Tax counselling and other services	50	-
Other services	24	239
Total	**157**	**279**

Befesa Holding, S.à r.l.and Subsidiaries

Appendix I

Entity	Address	Activity	% Interest	Auditor	Thousand Euros (31/12/15)				
					Capital	Reserves	Translation differences	Prior	Interim dividend
Bilbao (Luxemburg), S.A.	Luxemburg	Holding	100%	PwC	31	215	-	(235)	-
Befesa Medioambiente HoldCo, S.L.	Biscay	Holding	100%	(1)	77.870	351,779	-	(5,461)	-
Befesa Management Services	Germany	Holding	100%	PwC	25	86	-	285	-
Befesa Medio Ambiente, S.L.U.	Biscay	Holding	100%	PwC	150,003	255,915	-	(6,629)	-
1. AMA subgroup									
Alianza Medioambiental, S.L.	Biscay	Holding	100%	PwC	104,359	50,023	-	(37,756)	-
- Befesa Gestión de PCB, S.A.	Murcia	Decontamination of transformers	100%	PwC	211	512	-	74	-
- Befesa Plásticos, S.L.	Murcia	Plastic recycling	99.89%	PwC	15,297	(2,974)	-	(1,420)	
- Befesa Argentina, S.A.	Argentina	Industrial cleaning and waste treatment	100%	PwC	8,328	2,501	(10,167)	2,547	-
- Befesa Gestión de Residuos Industriales, S.L.	Seville	Industrial cleaning and waste treatment	100%	PwC	4,804	30,728	-	(7,296)	
. Residuos Industriales de la Madera de Córdoba, S.A.	Córdoba	Waste treatment	70.09%	(1)	869	1,386	-	136	
Befesa Industrial Services USA, Inc	USA	Industrial cleaning	100%		1		(45)	(175)	
- Befesa Perú, S.A.	Peru	Waste treatment	100%	PwC	639	3,703	111	446	
- Soluciones Ambientales del Norte Lmtda, S.A.	Chile	Waste treatment	100%	PwC	6,587	(2,390)	(1,065)	(530)	-
- Befesa Colombia S.A.S.	Colombia	Industrial cleaning	100%	(1)	627	(68)	4	(510)	-
- Solarca S.L.	Tarragona	Chemical cleaning and steam and air blowing	100%	PwC	343	5,178		2,151	
Solarca CLM, S.L.	Castilla la Mancha	Chemical cleaning and steam and air blowing	100%	(1)	186	9		245	
Sabsco UK, Ltd	Great Britain	Chemical cleaning and steam and air blowing	100%	DSH	407	210		19	
Solarca France, Sarl	France	Chemical cleaning and steam and air blowing	100%	PwC y Aldo Franceschi	43	130		361	
Sabsco Asia	Singapore	Chemical cleaning and steam and air blowing	100%		130	(119)		73	
Solarca USA, Corp	USA	Chemical cleaning and steam and air blowing	100%	(1)	1	705	(10)	128	
Sabsco Malasia	Malasia	Chemical cleaning and steam and air blowing	100%		21		(1)	18	
Solarca Qatar, WLL	Qatar	Chemical cleaning and steam and air blowing	49%	Morison Menon	51	316	6	285	
Solarca Portugal, S.L.	Portugal	Chemical cleaning and steam and air blowing	100%	(1)	100	(31)		(3)	
2. MRH Residuos Metálicos S.L.U.	Biscay	Holding	100%	(1)	15,600	60,863	-	23,834	-
- Befesa Salzschlacke Gmbh	Germany	Aluminium waste treatment	100%	PwC	25	72	-	7,664	(4,000)
- Befesa Aluminium Germany GmbH	Germany	Aluminium waste treatment	100%	(1)	25	210	-	415	-
- Subgrupo Zinc Befesa Zinc, S.A.U.	Biscay	Holding	100%	PwC	25,010	43,276	-	11,729	-
. Befesa Zinc Comercial, S.A. (Sociedad Unipersonal)	Biscay	Sale of recycled residues	100%	PwC	60	8,665	-	(18)	-
. Befesa Zinc Aser, S.A. (Sociedad Unipersonal)	Biscay	Recovery of metal and mineral containing waste	100%	PwC	4,260	25,442	-	19,910	(18,000)
. Befesa Zinc Sur, S.L. (Sociedad Unipersonal)	Badajoz	Recovery of metal and mineral containing waste	100%	(1)	605	(28)	-	(26)	-
. Befesa Zinc Óxido, S.A. (Sociedad Unipersonal)	Biscay	Recovery of metal and mineral containing waste	100%	PwC	1,102	5,620	-	(372)	-
. Befesa Steel R&D, S.L. (Sociedad Unipersonal)	Biscay	Development of projects and technology innovation	100%	(1)	3	2,061	-	(105)	-

Befesa Holding, S.à r.l.and Subsidiaries

Appendix I

Entity	Address	Activity	% Interest	Auditor	Thousand Euros (31/12/15)				
					Capital	Entity	Address	Activity	% Interest
. Befesa Valera, S.A.S.	France	Recovery of metals	100%	PwC	4,000	9,266	-	(11,227)	-
. Befesa Zinc Gravelines, S.A.S.	France	Waelz oxide treatment	100%	PwC	8,000	415	-	528	-
. Befesa ScanDust AB	Sweden	Recovery of metals	100%	PwC	5,310	2,829	357	1,866	-
. Befesa Silvermet Turkey, S.L.	Biscay	Holding	55.90%	(1)	10,301	2,468	-	(1,263)	
. Befesa Silvermet Iskenderun	Turkey	Recovery of metals	100%	PwC	6,788	1,303	(1,709)	1,021	-
Befesa DisTicaret	Turkey	Recovery of metals	100%	PwC	1,198	(245)	19	(306)	
. Befesa Zinc Germany GmbH	Germany	Holding	100%	PwC	25	(2,228)	-	13,746	(19,500)
. Befesa Steel Services GmbH	Germany	Sales and logistics	100%	PwC	2,045	66,396	-	381	-
. Befesa Zinc Duisburg GmbH	Germany	Recovery of metals	100%	PwC	5,113	17,440	-	(155)	-
. Befesa Zinc Korea Ltd.	South Korea	Recovery of metal and mineral waste	80%	Nexia Sanduk	14,446	26,744	4,703	(2,424)	-
. Befesa Zinc Freiberg GmbH & Co. KG	Germany	Recovery of metals	100%	PwC	1,000	18,459	-	(457)	-
- Befesa Aluminio, S.L.U.	Biscay	Recovery of metal and mineral waste	100%	PwC	4,767	53,670	-	8,886	-
. Befesa Aluminio Comercializadora, S.L	Biscay	Sales	100%	PwC	90	21	-	-	-
. Befesa Salt Slags, SLtd.	Great Britain	Recovery of metals	100%	PwC	21,399	(12,092)	(1,435)	(1,428)	-
Joint arrangements									
- Gestión y Valorización Integral del Centro S.L.	Madrid	Industrial cleaning and waste	50%	(1)	3	438	-	(223)	-
- Recytech, S.A.	France	Recovery of metals	50%	Deloitte	6,240	926	-	8,302	-
Associates									
-Ecología Canaria	Las Palmas	Waste treatment	45%	(1)	150	2,854		387	

(1) Companies not subject to statutory audit.

Befesa Holding, S.à r.l.and Subsidiaries

Management's report as at 31 December 2015
(Thousand euro)

1. Introduction

Befesa Holding S.á.r.l. is an intermediate shareholder company of an international industrial group (Befesa Group) engaging in the management and processing of industrial waste (steel, aluminium and industrial waste management). Its Parent company is Bilbao MidCo, S.a.r.l.

In this regard, the Befesa Group carries out its activities in three differentiated lines of business that form part of the Group's company:

The companies composing Befesa, together with their respective business activities and locations and the related percentages of ownership, are listed in the tables and the appendix included in the consolidated financial statements.

Befesa currently carries out its business activities in Spain, Germany, France, Sweden, Turkey, UK and Portugal, and is gradually increasing its presence in America (where it already operates in Argentina, Mexico, Peru, Chile, USA and Colombia) and Asia (Korea, Singapore, Malaysia and Qatar).

On 15 July 2013, Abengoa notified the Spanish National Securities Market Commission of the completion of the agreement reached to transfer Befesa in full to certain investments funds managed by Triton. As a result of this transfer, Befesa Holding, S.à.r.l. became an intermediate holding company between Befesa Group and its shareholders.

2. Business performance

The most noteworthy aggregates achieved by Befesa Holding S.á.r.l and subsidiaries (hereinafter "the Group") in the year ended 31 December 2015 and changes with respect to 31 December 2014 are as follows:

	2015	2014	% Change
Balance sheet (thousands of euros)			
Total assets	1,092,818	1,138,666	-4.0%
Equity	226,180	210,832	7.3%
Net borrowings	547,034	592,516	-7.7%

Befesa Holding, S.à r.l.and Subsidiaries

Management's report as at 31 December 2015
(Thousand euro)

Income statement (thousands of euros)		
Sales	743,504	651,193
Ebitda	144,183	140,405
Ebit	42,505	94,122
Ebitda / Sales	19.39%	21.56%
Ebit / Sales	5.72%	14.45%
Profit after tax	-35,729	20,940
Profit after tax attributable to the Parent	-33,303	17,198

The breakdown of revenue between the German and Spanish market and sales made abroad is as follows:

Geographical area	2015	2014
European Union	**612,464**	**546,027**
-Spain	256,346	235,504
-Germany	81,614	61,584
-Rest of EU(*)	274,504	248,939
Rest of the world(**)	**131,040**	**105,166**
Total	**743,504**	**651,193**

(*)Rest of EU: mainly includes Italy, France, Netherland, Finland and the United Kingdom.
(**)Rest of the world: mainly includes South Korea, Argentina, Brazil and Japan.

The breakdown of revenue by line of business and related movements is as follows:

Revenue (thousands of euros)	2015	2014
Steel	253,865	262,252
Aluminium	357,442	281,245
Industrial environmental solutions	131,856	109,720
Corporate unit and eliminations	341	-2,024
	743,504	**651,193**

In 2015 the Group's sales increased with respect to the previous year by EUR 92 million representing and increase of 14.2% on 2014.

With respect to EBITDA, Befesa reached EUR 144.2 million, an increase compared to 2014 of EUR 3.8 million, or 2.7%. It should be noted that the EBITDA/sales ratio is over 19%, as a result of the robustness and stability of the Group´s business model, combined with the weight of the Company´s sales abroad.

In 2015 approximately EUR 56.1 million was invested in property, plant and equipments.

The average headcount in 2015 was 1,969 employees although at the year end there were 1,935 employees.

3. Outlook

Befesa carries out its activity in the recycling area through three different business units: recycling of steel waste, recycling of aluminium waste and industrial waste management. Befesa is highly diversified both in terms of business activity and geography, and is the European leader in niche markets such as the recycling of steel dust and recycling of aluminium salt slags. It is also present in more than fifteen countries in Europe, the Americas and Asia.

The fundamental principles governing the activity carried out by Befesa are based on sustainable development and an increase in environmental regulation that favours the recycling of industrial waste generated. This is where Befesa plays an essential role in the industry.

In this sense, we can draw a distinction between two types of markets in which Befesa operates. On the one hand, mature markets in which environmental regulations require recycling of industrial waste, as in the case of Europe, where Befesa will most probably continue to maintain its consolidated leadership position. And, on the other, those markets where environmental regulations are developing or changing and therefore require recycling capability. Accordingly, the Turkish, South Korean and Persian Gulf markets are strategic for Befesa, as well as certain areas of Asia and the US in the medium term.

In addition to the foregoing, Befesa has a solid financial structure and efficient management systems which, together with the characteristics of the businesses in which it operates, points to a positive outlook for the Company's businesses.

4. Events after the reporting period

No events occurred after the reporting period that might significantly affect the information shown in the consolidated financial statements formally prepared by the Managers on this same date or thatshould be highlighted due to their significance for the companies or for the Group as a whole.

5. Acquisition of treasury shares

In 2015 the Company did not own, either directly or through its subsidiaries, any treasury shares, and this was also the case at the end of the reporting period. Similarly, no shares of Befesa Holding, S.á.r.l. were owned by third parties that might have been acting in their own name but on behalf of the Group's companies.

6. Research and development activities

R&D+i plays an essential role in Befesa´s business, not only from the standpoint of improving the efficiency of current production processes but also developing new waste processing technologies.

In 2015 Befesa invested EUR 1.1 million in this activity.

7. Financial risk management policies. Use of financial instruments

The activities carried on by Befesa through its two business units are exposed to various financial risks: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Befesa's Risk Management Model focuses on the uncertainty in financial markets and attempts to minimize the potential adverse effects on the Group's earnings.

Risk management at Befesa is controlled by the Group's Corporate Finance Department in accordance with the internal management rules. This Department identifies, assesses and hedges financial risks in close cooperation with the Group's operating units. The internal management rules provide written policies for global risk management, as well as for specific areas such as foreign currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and investment of cash surpluses.

a) Market risk

The Befesa Group companies operate internationally and, therefore, are exposed to foreign exchange risks in foreign currency transactions (especially between the US dollar and the euro). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To control the foreign currency risk that arises from future commercial transactions and recognized assets and liabilities, the Group companies use forward contracts. Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than the functional currency of the company in question.

For financial reporting purposes, each subsidiary designates hedges with the Corporate Finance Department as fair value hedges or as cash flow hedges, as appropriate. Additionally, at the corporate level, external foreign currency hedges are designated as foreign currency risk hedges on certain assets, liabilities or future transactions.

b) Credit risk

Most receivables and work in progress correspond to several customers in various industries and countries. In most cases, the contracts provide for progress billings, billings at the beginning of the provision of service or billings upon delivery of the product.

It is standard practice for the Group to reserve the right to cancel projects in the event of any material breach and, in particular, of default on payment.

Additionally, under most contracts, the Group has a firm commitment from banks for the acquisition, without recourse, of receivables. Under these agreements, the Group pays a fee to the banks for assuming its credit risk, plus interest and a spread on the financing received. In all cases, the Group assumes liability for the validity of the receivables.

c) Liquidity risk

Prudent management of liquidity risk entails the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and the capacity to settle market positions. Given the dynamic nature of the core businesses, the Group's Treasury Department has the objective of maintaining flexible financing through the availability of committed credit lines.

d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from non-current borrowings. Debt issued at floating rates exposes the Group to cash flow interest rate risk.

The Group manages cash flow interest rate risk through the acquisition of options in exchange for a premium through which the Group assures the payment of a maximum fixed interest rate. Also, and in certain situations, the Company uses floating-to-fixed interest rate swaps.

As indicated in the notes to the consolidated financial statements, the Group's activities expose it mainly to the financial risks of fluctuations in foreign exchange rates and interest rates and of changes in the fair value of certain assets (mainly zinc and aluminium). To hedge this exposure to foreign exchange rate changes and to totally or partially hedge sales transactions of physical tonnes containing aluminium or zinc, the Group uses foreign currency hedges, currency futures and zinc and aluminium futures. The Group does not use derivative financial instruments for speculative purposes.

8. The Company administrative bodies

At the date of preparation of these consolidated financial statements the composition of the Company's Board of Managers was as follows:

Managers: Mr. Javier Molina Montes
Mr. Wolf Lehmann
Mr. Antonis Tzanetis
Mr. Michiel Kramer
Mr. Heiko Dimmerling