

**Befesa Medio Ambiente, S.A.
and Subsidiaries**

**Consolidated Financial Statements and
Consolidated Management Report for the
year ended 31 December 2009**

Consolidated balance sheets at 31 December 2009 and 2008
(thousands of euros)

Assets	Note	2009	2008
Non-current assets			
Intangible assets		488,308	392,981
Goodwill	7	388,039	387,439
Other intangible assets, net	8	100,269	5,542
Property, plant and equipment, net		469,077	353,219
Property, plant and equipment in use	9	292,393	250,145
Property, plant and equipment in the course of construction	9	176,684	103,074
Investments accounted for using the equity method	10	11,733	11,004
Non-current financial assets		63,027	130,789
Investment securities	11	25,031	28,823
Other financial assets	11	37,996	101,966
Deferred tax assets	20	92,396	68,135
Total non-current assets		1,124,541	956,128
Current assets			
Inventories	12	42,648	52,081
Trade and other receivables	13	192,366	213,981
Trade receivables from related companies	13	17,321	14,850
Tax receivables and payables	13, 21	35,138	38,856
Other receivables	13	19,991	19,606
Other current financial assets	11.c	37,944	101,696
Cash and cash equivalents	-	102,043	100,853
Total current assets		447,451	541,923
Total assets		1,571,992	1,498,051

Notes 1 to 31 in the accompanying Notes to financial statements and Appendix are an integral part of these consolidated financial statements

Consolidated balance sheets at 31 December 2009 and 2008
(thousands of euros)

	Note	2009	2008
Equity			
Of the Parent		311,616	386,532
Share capital	14	81,612	81,612
Unrealised asset and liability revaluation reserve and valuation adjustments	14	(14,646)	98,143
Other reserves	14	209,675	152,574
Translation differences	14	(5,890)	(4,505)
Net profit for the year	14	40,865	58,708
Of minority interests	14	64,209	48,057
Total equity		375,825	434,589
Non-current liabilities			
Long-term provisions	19	46,536	44,714
Long-term without recourse financing	15	459,913	344,149
Non-current bank borrowings	16	11,436	9,197
Non-current obligations under finance leases	16	1,919	1,907
Deferred tax liabilities	20	24,802	41,325
Other non-current liabilities	17	113,915	57,070
Total non-current liabilities		658,521	498,362
Current liabilities			
Short-term without recourse financing	15	49,009	44,498
Current bank borrowings	16	19,330	12,332
Current obligations under finance leases	16	583	613
Trade payables from related companies	27	17,643	15,838
Trade and other payables		377,499	423,554
Short-term provisions		1,904	734
Other payables	17	71,678	67,531
Tax payables	21	36,490	48,714
Other current liabilities		35,188	18,817
Total current liabilities		537,646	565,100
Total equity and liabilities		1,571,992	1,498,051

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Consolidated income statements for the years ended 31 December 2009 and 2008
(thousands of euros)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
<u>Continuing operations</u>			
Revenue		721,819	873,448
Changes in inventories of finished goods and work in progress		(20,382)	1,848
Procurements	23	(387,065)	(524,078)
Other operating income	23	59,921	60,531
Staff costs	23	(109,549)	(104,847)
Other operating expenses		(146,028)	(149,141)
Depreciation and amortisation charge and impairment losses	9	(34,736)	(42,809)
		<u>83,980</u>	<u>114,952</u>
Profit from operations			
Finance income		4,538	4,973
Other finance income	10	4,080	1,634
Finance costs	13,15,16,17	(38,267)	(39,399)
Net exchange differences		(1,427)	131
		<u>(31,076)</u>	<u>(32,661)</u>
Financial loss			
Result of companies accounted for using the equity method		729	1,234
		<u>53,633</u>	<u>83,525</u>
Profit before tax			
Income tax	21	<u>(13,389)</u>	<u>(20,781)</u>
		<u>40,244</u>	<u>62,744</u>
Profit for the year from continuing operations			
		<u>40,244</u>	<u>62,744</u>
Profit for the year			
Attributable to:			
Shareholders of the Parent		40,865	58,708
Minority interests		(621)	4,036
Earnings per share (in euros)	31		
Basic		1.51	2.17
Diluted		1.51	2.17

Notes 1 to 31 in the accompanying Notes to financial statements and Appendix are an integral part of these consolidated financial statements

Consolidated statements of comprehensive income for the years ended 31 December 2009 and 2008
(thousands of euros)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
Profit for the year		40,244	62,744
Other comprehensive income			
Cash flow hedges	14	(164,166)	113,617
Foreign exchange gains/(losses)	14	(1,385)	(3,422)
Tax effect	14	48,228	(32,670)
Total comprehensive income for the period net of taxes		<u>(77,079)</u>	<u>140,269</u>
Attributable to:			
- Shareholders of the Parent		<u>(73,309)</u>	<u>131,857</u>
- Minority interests		<u>(3,770)</u>	<u>8,412</u>
		<u>(77,079)</u>	<u>140,269</u>

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Consolidated statements of changes in equity for the years ended 31 December 2009 and 2008
(thousands of euros)

	Share capital	Unrealised asset and liability revaluation reserve and valuation adjustments	Other reserves				Translation differences	Profit for the year attributable to the Parent	Minority interests	Total equity
			Share premium	Legal reserve	Other voluntary reserves	Reserves of consolidated companies				
Opening balance 2008	81,612	21,572	11,593	5,160	14,294	74,749	(1,083)	47,640	12,920	268,457
Distribution of profit	-	-	-	3,519	31,670	12,451	-	(47,640)	-	-
Translation differences	-	-	-	-	-	-	(3,422)	-	-	(3,422)
Transfer of hedges to income	-	(30,522)	-	-	-	-	-	-	(1,258)	(31,780)
Change in value of hedges	-	107,093	-	-	-	-	-	-	5,634	112,727
Net profit for 2008										
attributable to the Parent	-	-	-	-	-	-	-	58,708	-	58,708
Net profit for 2008										
attributable to minority interests	-	-	-	-	-	-	-	-	4,036	4,036
Total comprehensive income for 2008	-	76,571	-	-	-	-	(3,422)	58,708	8,412	140,269
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	26,725	26,725
Other	-	-	-	-	-	(862)	-	-	-	(862)
Closing balance 2008	81,612	98,143	11,593	8,679	45,964	86,338	(4,505)	58,708	48,057	434,589
Distribution of profit	-	-	-	168	1,510	57,030	-	(58,708)	-	-
Translation differences	-	-	-	-	-	-	(1,385)	-	-	(1,385)
Transfer of hedges to income	-	(17,036)	-	-	-	-	-	-	(2,677)	(19,713)
Change in value of hedges	-	(95,753)	-	-	-	-	-	-	(471)	(96,225)
Profit for 2009 attributable to the Parent	-	-	-	-	-	-	-	40,865	-	40,865
Profit for 2009 attributable to minority interests	-	-	-	-	-	-	-	-	(621)	(621)
Total comprehensive income for 2009	-	(112,789)	-	-	-	-	(1,385)	40,865	(3,770)	(77,079)
Changes in the scope of consolidation (Note 2.2)	-	-	-	-	-	(1,607)	-	-	19,922	18,315
Closing balance 2009	81,612	(14,646)	11,593	8,847	47,474	141,761	(5,890)	40,865	64,209	375,825

Notes 1 to 31 in the accompanying Notes to financial statements and Appendix are an integral part of these consolidated financial statements

**Consolidated cash flow statements for the years ended 31 December 2009 and 2008
(thousands of euros)**

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities			
Profit for the year before tax attributable to the Parent		54,254	79,489
Profit for the year attributable to minority interests		(621)	4,036
Adjustments for:			
Depreciation and amortisation charge	8 and 9	34,736	36,679
Changes in allowances for financial assets	11	2,320	389
Net results of associates	10	(729)	(1,234)
Changes in long-term provisions	19	2,273	16,259
Transfer of hedges to income		-	(31,780)
Negative goodwill	2.2	(27,990)	-
Losses/(Gains) on disposal of non-current assets	8 and 9	7,439	(28,462)
Interest income		(4,538)	-
Other finance income		(4,080)	-
Interest expense	23.d	23,374	-
Other finance costs	23.d	14,893	-
Provisions for contingencies and expenses used		-	(1,188)
Changes in working capital:			
Trade receivables and other current assets		57,146	(42,056)
Inventories		9,433	(8,150)
Trade payables		(54,278)	40,427
Net change in deferred taxes/income tax paid		-	(2,584)
Cash generated from operations		113,632	61,825
Interest paid		(23,374)	-
Taxes paid		(1,082)	-
Net cash flows from operating activities		89,176	61,825
Cash flows from investing activities			
Investments in subsidiaries, net of existing cash items	2.2	(25,522)	(31,859)
Investments in intangible assets	8	(7,465)	(3,110)
Investments in equity instruments and other non-current financial assets	11	(20,748)	(14,529)
Investments in property, plant and equipment (*)	9	(166,672)	(56,412)
Proceeds from disposal of property, plant and equipment and intangible assets		-	47,636
Capital grants received	17	2,216	-
Interest earned		4,538	-
Proceeds from disposal of non-current financial assets		-	2,575
Net cash flows from investing activities		(213,653)	(55,699)
Cash flows from financing activities			
Cash inflows from non-current borrowings and other non-current liabilities (*)	15 and 16	177,910	82,261
Repayment of bank borrowings and other non-current borrowings	15 and 16	(57,443)	(40,260)
Capital increase in (minority-owned) subsidiaries		5,200	-
Other		-	(862)
Net cash flows from financing activities		125,667	41,139
Net increase/(decrease) in cash and cash equivalents		1,190	47,265
Cash and cash equivalents at beginning of year		100,853	53,588
Cash and cash equivalents at end of year		102,043	100,853

(*) The cash flows for 2009 do not include inclusions in the scope of consolidation (Notes 9 and 11) that entail the addition of approximately EUR 50 million, affecting Property, plant and equipment in the course of construction and without recourse financing and minority interests, and that, therefore, have not generated cash flows this year.

Notes 1 to 31 in the accompanying Notes to financial statements and Appendix are an integral part of these consolidated financial statements

Notes to the consolidated financial statements for the years ended 31 December 2009 and 2008 (thousands of euros)

1. Constitution of the Group and Group activities

On 9 September 1993, Befesa Medio Ambiente, S.A. acquired majority investments in various companies with similar company objects, thereby becoming on that date the head of an industrial group ("the Group" or "Befesa") operating in the environmental industry.

The Company's object is basically the acquisition, disposal and holding for its own account of shares, other equity investments, bonds and debentures and any other marketable securities and public and private debt securities, whether listed or not on organised markets; the promotion, participation in and management of business ventures and activities relating to the protection and restoration of the environment and to the rational use of natural resources; the recovery and treatment of all manner of raw materials and industrial residues and waste, including the recycling, recovery and disposal thereof; the prevention, treatment, control and elimination of industrial and urban emissions, effluents and waste; and the execution of designs and projects for all kinds of procedures and facilities relating to the aforementioned activities, as well as the operation thereof.

On 30 June 1998, there was a public offering of the Company's shares and the shares were subsequently admitted to listing on the Spanish Stock Market Interconnection System.

Befesa is the parent of an international industrial group (see Appendix) whose activities are centred on the management and treatment of industrial waste and the management and generation of water. The Befesa Group's activities are thus organised in two large business units, which are part of the Group's corporate purpose:

- Industrial waste
 - Steel Waste Recycling
 - Aluminium Waste Recycling
 - Industrial Waste Management

- Water
 - Engineering and Construction (EPC)
 - Concessions

Accordingly, most of the systems, equipment and facilities included in the Befesa Group's property, plant and equipment should be deemed to be assigned to the management and treatment of industrial waste, the provision of environmental cleaning and engineering services and, in general, to the protection and improvement of the environment, either because of the business activity carried on by the Group or because of their nature. Also, most of the expenses and revenue for 2009 and 2008 should be understood to have accrued in the normal course of the aforementioned activities. The information, if any, on the possible provisions for contingencies and charges and on the possible contingencies, liabilities and grants, if any, arising from the normal performance of the activities constituting the Group's company object 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 various Group companies, which are divided into three subgroups headed by the following investees of the Parent: MRH Residuos Metálicos, S.L., Alianza Medioambiental, S.L. and Befesa Agua, S.A., all of which are sole-shareholder companies (see Note 6).

Certain consolidated subsidiaries, basically Befesa Desulfuración, S.A. and Procesos Ecológicos Vilches, S.A., engage in activities including, among others, combined heat and power. This business activity is regulated by Royal Decree 2818/1998 on the production of electricity at hydroelectric combined heat and power plants and other facilities fed by renewable energy resources or sources. Pursuant to this Royal Decree, 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. Summary of principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of presentation

The consolidated financial statements of the Befesa Group for 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU-IFRS) and approved by European Commission Regulations, in force at 31 December 2009.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain items of property, plant and equipment in accordance with IFRS 1 and by the cases established by IFRS themselves in which certain items are valued at fair value.

The financial statements thus prepared present fairly the Befesa Group's consolidated equity and financial position at 31 December 2009 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The consolidated financial statements of the Befesa Group for 2008 were authorised for issue by the Board of Directors on 23 February 2009 and were approved by the shareholders at the Annual General Meeting of Befesa on 15 April 2009. The consolidated financial statements of the Group for 2009 were authorised for issue by the Board of Directors of the Parent on 22 February 2010 and are pending approval by the shareholders in General Meeting, although the Board of Directors expects them to be approved without amendment.

EU-IFRS

The IASB has recently approved and published certain accounting standards, amendments to standards already in force, and IFRIC interpretations, in regard to which the Group has adopted the following measures:

- a) Standards, amendments and interpretations with effective date 1 January 2009 applied by the group:
 - Amendment to IFRS 2, "Share-based Payments – Vesting Conditions and Cancellations".
 - Amendment to IFRS 7, "Financial Instruments: Disclosures". Befesa has included the corresponding information for 2009.
 - IFRS 8, "Operating Segments". IFRS 8 replaces IAS 14 to align segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires that segment information be presented on the same basis as that used internally by Management, i.e. segment information is presented in line with the internal information that is prepared and submitted to top management for corporate decision making.

The number of reportable segments was changed from the second half of 2009, but it was not necessary to substantially change the way the information is presented, in line with the internal information that is prepared and submitted to the decision-making bodies. Nor was it necessary to reassign goodwill to different segments.

The comparative figures for 2008 have been restated in line with this change.

- Amendments to IAS 32 and IAS 1, "Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation".
- Amendment to IAS 1, "Presentation of Financial Statements". The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.
- Amendment to IAS 27, "Consolidated and Separate Financial Statements".
- IAS 1 (revised) "Presentation of Financial Statements". This revised standard requires that items of income and expenses arising from transactions with non-shareholders, which are recorded directly in equity and which previously were presented in the statement of changes in equity, be presented separately in the statement of comprehensive income. Entities may elect to present a single statement ("Statement of comprehensive income") or two statements, one displaying components of profit or loss (separate "Income statement") and a second statement that begins with profit or loss and displays components of other comprehensive income ("Statement of comprehensive income"), disclosing for each of these latter two, either in the main statement or in the notes, the associated tax effect, as well as any reclassifications from one statement to the other made during the year. In addition, when an entity restates or reclassifies comparative information, it will be obliged to present in its consolidated financial statements a restated balance sheet at the start of the comparative period, as well as the balance sheet at the end of the current year and of the comparative period (i.e., it will present three balance sheets).

The Group has opted to present an income statement and a statement of comprehensive income.

- IAS 19 (Amendment), "Employee Benefits".
 - IAS 28 (Amendment), "Investments in Associates" (and consequential amendments to IAS 32, "Financial Instruments: Disclosures").
- IAS 39 (Amendment), "Financial Instruments: Recognition and measurement". This amendment clarifies that it is possible that there be movements from and towards the category of financial assets at fair value through profit or loss in cases where a derivative starts (or ceases) to be classified as a hedging instrument in a cash flow hedge or a hedge of a net investment.

The definition of financial asset or financial liability at fair value through profit or loss is also amended, insofar as it refers to items held for trading. A financial asset or financial liability that is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking is included in this portfolio upon initial recognition.

The current guidelines for designating and documenting hedging relationships establish that a hedging instrument must involve a party external to the reporting unit and cite as an example a segment of the entity. This means that in order to apply hedge accounting at segment level, the segment must meet the requirements for hedge accounting. The amendment eliminates the segment examples to make them consistent with IFRS 8, "Operating segments", which requires that segment information be based on the information that is presented to the members of management responsible for decision making.

The amendment clarifies that where the carrying amount of a debt instrument is measured again after fair value hedge accounting ceases, a revised effective interest rate must be calculated.

- Amendment to IAS 38, "Intangible Assets". The amendment provides guidelines for measuring the fair value of intangible assets acquired in a business combination and allows intangible assets to be recognised as a single asset if they have similar useful lives.
- IAS 23 (revised). This standard requires entities to include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that necessarily takes a substantial period of time to get ready for its intended use or sale) in the cost of that asset. The option of immediately recognising these costs as period expenses is eliminated. Befesa had already been capitalising interest in line with the requirements of this standard.

The application of these amendments and revisions, except for those expressly mentioned, has no material impact on the consolidated financial statements of the Group.

Other standards amended as a consequence of the 2008 improvements are not included, as they are not relevant for the purposes of the financial statements of Befesa.

- b) Standards, amendments and interpretations that are not yet effective and that Befesa has elected to early-adopt:
 - There are no standards that have been early-adopted by Befesa.
- c) Standards, amendments and interpretations to existing standards that are not yet effective and that the Group has not early-adopted:

At the date of preparation of these consolidated financial statements, the IASB and the IFRIC had published the standards, amendments and interpretations detailed below, which are applicable for periods beginning on or after 1 January 2010. Befesa is currently analysing the possible impacts they could have on its consolidated financial statements for 2010 and subsequent periods.

- IFRIC 12, "Service Concession Arrangements" (effective from 1 January 2010). This interpretation affects public-private service concession agreements where the grantor regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price and controls any significant residual interest in the infrastructure at the end of the term of the arrangement.
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation".
- Amendment to IFRIC 16, "Hedges of a Net Investment in a Foreign Operation". The amendment establishes that in a net investment in a foreign operation, qualified hedging instruments may be held by an entity or entities within the group, which includes the foreign operation itself, provided the designation, documentation and effectiveness requirements of IAS 39 are satisfied.
- Amendment to IAS 36, "Impairment of Assets". The amendment clarifies that the largest cash generating unit (or group of units) to which goodwill must be assigned for the purpose of carrying out impairment tests is the operating segment, as defined in paragraph 5 of IFRS 8, "Operating segments".
- Amendment to IFRIC 9, "Reassessment of Embedded Derivatives". This amendment changes the scope paragraph to clarify that the interpretation does not apply to the possible reassessment, at the date of acquisition, of contracts with embedded derivatives acquired in a combination of entities or businesses under common control or in the formation of a joint venture.
- IAS 27 (revised), "Consolidated and Separate Financial Statements". The revised standard requires that the effects of all transactions with non-controlling interests be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also establishes an accounting procedure for when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or a loss is recognised in profit or loss.

- IFRS 3 (revised), "Business Combinations". The revised standard continues to apply the purchase method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
- IFRIC 17 "Distribution of Non-Cash Assets to Owners". This interpretation provides guidance on accounting for arrangements where an entity distributes non-cash assets to its owners, either as a distribution of reserves or as dividends.
- IFRIC 18, "Transfers of Assets from Customers" (effective for annual periods beginning on or after 1 July 2009). This interpretation provides guidance on how to account for items of property, plant and equipment received from customers, or transfers of cash that is used to acquire or build specific assets. This interpretation is applicable only to assets that are used either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or both.
- Amendment to IFRS 2, "Share-based Payment". This amendment confirms that, besides the business combinations defined by IFRS 3 (revised), "Business combinations", the contributions of a business in the formation of a joint venture and transactions under common control are excluded from the Scope of IFRS 2.
- IFRIC 15, "Agreements for the Construction of Real Estate".
- IFRS 5 (Amendment), "Non-Current Assets Held-for-Sale and Discontinued Operations" (and consequential amendment to IFRS 1, "First-time Adoption of IFRS") (effective from 1 July 2009).
- IAS 32 (Amendment) on the classification of rights issues (applicable for annual periods beginning on or after 1 February 2010).

2.2 Basis of consolidation

The subsidiaries over which the Befesa Group has the capacity to exercise control are, in general, fully consolidated, unless they are scanty material with respect to presenting fairly Befesa. The effect of fully consolidating these companies is not material in relation to the consolidated financial statements of Befesa, and the information relating to these investments is detailed in Note 11.

Befesa considers that it has the capacity to exercise control over a subsidiary when it has sufficient power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. Such control is presumed to exist when Befesa owns, either directly or indirectly, more than 50% of the voting power of the investee or, even if this percentage is lower, there are agreements with other shareholders of the investee that give Befesa control.

"Joint ventures" are deemed to be ventures that are jointly controlled by two or more unrelated companies. Also, joint ventures are contractual agreements whereby two or more companies ("venturers") undertake operations, hold assets or have interests in an entity so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers. The financial statements of joint ventures, including the main unincorporated joint ventures, owned primarily through the Befesa Agua subgroup, are proportionately consolidated with those of the Company (unless they are classified as held for sale); therefore, the aggregation of balances and subsequent eliminations are only made in proportion to the Group's ownership interest in the capital of these entities. The proportionate consolidation of the aforementioned joint ventures in the consolidated financial statements

increased assets, liabilities, income and expenses by approximately EUR 241,330 thousand, EUR 194,261 thousand, EUR 165,791 thousand and EUR 146,812 thousand, respectively (at 31 December 2008: approximately EUR 216,945 thousand, EUR 189,687 thousand, EUR 146,195 thousand and EUR 130,003 thousand, respectively). Of these amounts, EUR 130,919 thousand and EUR 111,898 thousand relate to assets and liabilities in unincorporated joint ventures which, given their business activity (plant construction), generally classify as current assets and liabilities. The incorporated joint ventures consolidated proportionately will be listed in the Appendix.

Befesa has interests in 80 unincorporated joint ventures, mainly in the Water business, with ownership percentages ranging from 6% to 99%. The most significant for their contribution to the above parameters are the following:

Name	Activity	Location	% ownership
Honnaine	Desalination plant construction	Algeria	50%
Chennai	Desalination plant construction	India	80%
Tenés	Desalination plant construction	Algeria	80%
Retortillo	Water channels	Seville	70%
Bajo Almanzora	Desalination plant	Almería	40%
Saih Duero	Automatic System Construction	Valladolid	30%
Canal de Navarra	Irrigation modernisation	Navarra	20%
FontSanta	Wastewater treatment plant	Barcelona	40%
Xerta Senia	Water channels	Lérida	50%
Baix Llobregat	Desalination plant	Gerona	50%
Sant Celoni	Tubing	Gerona	50%
Cartagena	Desalination plant	Murcia	37.5%

No material commitments or risks have been assumed on account of the joint ventures beyond those indicated in Note 24.

The associates over which the Befesa 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 these consolidated financial statements, it was considered that the Befesa 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.

Given that Befesa applies IFRS 3 (revised) prospectively from 1 January 2010, transactions with minority interests are treated as transactions with parties external to the group. Disposals to minority interests result in gains and losses for Befesa and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the share acquired of the subsidiary's net assets. Befesa's investment in associates includes, where applicable, any goodwill (net of impairment losses) identified in the acquisition. The policy on impairment of non-financial assets, including goodwill, is described in Note 2.12.

A list of Befesa's subsidiaries and associates, together with the consolidation or measurement bases used in preparing the accompanying consolidated financial statements, and other relevant information are disclosed in the Appendix.

The operations of Befesa and of the consolidated subsidiaries were consolidated in accordance with the following basic principles:

- On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition of the subsidiary, including acquisition costs, over

the fair values of the aforementioned assets and liabilities relating to the Parent's ownership interest in the subsidiary is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the assets and liabilities is credited to the consolidated income statement.

- In accordance with IFRS 3, goodwill arising on acquisitions of companies during the year has not been amortised since 1 January 2004, the date of transition to IFRSs, although it is reviewed at least once a year in order to ascertain whether any impairment loss should be recognised under "Impairment losses" in the consolidated income statement. An impairment loss recognised for goodwill may not be reversed in a subsequent period.
- The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.
- The assets and liabilities in the financial statements of proportionately consolidated joint ventures, the assets and liabilities assigned to jointly controlled operations and the assets controlled jointly with other venturers are presented in the consolidated balance sheet classified according to their specific nature and in proportion to the Group's percentage of ownership of the capital of these companies. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of their nature.
- Investments in the capital of companies other than subsidiaries in which a holding of 20% or more is owned are valued at acquisition cost, increased or decreased, as appropriate, by the fraction of equity represented by these investments and generated after the date of acquisition, after taking into account any dividends received therefrom and other equity eliminations (equity method).
- The value of the interest of minority shareholders in the equity and results of the fully consolidated subsidiaries is presented under "Equity - Of Minority Interests" in the accompanying consolidated balance sheet and "Profit for the Year Attributable to Minority Interests" in the consolidated income statement.
- The financial statements of foreign companies were translated to euros using the year-end exchange rate method. 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), as appropriate.
- The accompanying consolidated financial statements include certain adjustments to bring the accounting policies and procedures applied by the subsidiaries and the unincorporated joint ventures in which the Group has interests into line with those of Befesa.
- All balances and transactions between fully or proportionately consolidated companies were eliminated on consolidation.

Changes in the scope of consolidation (Business combinations)

2009

On 2 June 2009, the subsidiary MRH Residuos Metálicos, S.L., having previously created two subsidiaries in Germany, Befesa Slazschlacke GmbH and Befesa Slazschlacke Sud, GmbH, acquired, for EUR 25.5 million, three production plants specialized in the treatment and recycling of salt slag and situated in the

German localities of Hannover, Lünen and Töging, equipped with the highest technology available in the market and with a combined processing capacity of 380,000 tonnes of waste per year.

These acquisitions did not entail the acquisition of the companies that previously owned the abovementioned assets but the direct acquisition of the assets themselves, though maintaining the personnel attached to said assets and with the purpose of supplying the existing market. The group has therefore treated this acquisition as a business combination.

Before the transaction was carried out it was cleared with the German competition authorities.

All the external financing was provided by Commerzbank on a without recourse basis (Note 15).

The details of the net assets acquired, basically property, plant and equipment, and the resulting negative goodwill are as follows:

	Thousands of euros
Price of acquisition	25,522
Fair value of the business (net assets)	<u>(53,512)</u>
Negative goodwill	<u>(27,990)</u>

This negative goodwill arising on the acquisition is recorded under "Other operating income" in the income statement for the year and a deferred tax in the amount of EUR 8.4 million is recognised to reflect the difference between the carrying and tax amounts of said assets, which is recorded in the income statement under the income tax heading. Although there are some clauses under which the cost of the business combination could be changed, Management does not expect there to be any significant changes that would need to be considered.

With regard to calculating the fair value of the net assets acquired, the Company has estimated the fair value of said businesses using discounted cash flows and has found it to be greater than the cost of the business combination. Additionally, this valuation has been compared with the in-use replacement cost of an investment in similar plants. As the value obtained in the calculation using discounted cash flows is less than the in-use replacement cost, the Group's management has considered the fair value of the businesses acquired to be the lower of the two and has assigned said amount in its entirety as an addition to the carrying value of property, plant and equipment used in the business (Note 9).

In calculating said fair value the most conservative assumptions were used for estimating the cash flows. The Group's management therefore does not expect any negative distortions in future cash flows.

The revenue and the result contributed by the businesses acquired in 2009 from the date of acquisition are not relevant compared with the consolidated figures.

In addition, the Group expanded the scope of consolidation to include its interests in the subsidiaries Befesa Agua Tenés, S.L., Shariket Tenes Lilmiyah, Spa., Geida Tlemcen, S.L. and Myah Bahr Honaine, Spa., all related to the construction and subsequent operation of desalination plants abroad (see Appendix). The companies Shariket Tenes Lilmiyah, Spa. and Myah Bahr Honaine, Spa., in which there are minority shareholders, are included at the value of their net assets at the date of consolidation (see Appendix).

On 12 March 2009, the Sole Shareholders of Befesa Aluminio Bilbao, S.L., Befesa Aluminio Valladolid, S.A., Alugreen, S.L. and Aluminio Catalán, S.L., drafted and signed a merger plan whereby Befesa Aluminio Valladolid, S.A., Alugreen, S.L. and Aluminio Catalán, S.L. were transferred to Befesa Aluminio Bilbao, S.L. For accounting purposes the operations of the transferors are understood to be carried out on behalf of the transferee from 1 January 2009.

2008

Acquisition of 60% of the share capital of Alugreen, S.L.

On 21 October 2007, the subsidiary MRH Residuos Metálicos, S.L. entered into an agreement with Qualitas Venture Capital, S.A. and three minority shareholders, for the integration of all the share capital of the subsidiary Befesa Aluminio Bilbao, S.L. and of Alugreen, S.L., which owns all of the shares of Aluminio Catalán, S.L., in a newly formed company.

After the required authorisation was granted by the Spanish competition authorities the transaction was performed on 17 January 2008. For this purpose, Befesa, through M.R.H. Residuos Metálicos, S.L., entered into an agreement to contribute all the share capital of Befesa Aluminio Bilbao, S.L. and subsidiaries ("Befesa Aluminio") to Befesa Reciclaje de Residuos de Aluminio, S.L. (newly formed company) in exchange for 60% of its shares. The remaining shares were subscribed by Qualitas Venture Capital, SCR S.A. (37.84%) and by minority shareholders (2.16%), which contributed the shares of Alugreen, S.L.U. and subsidiaries. Alugreen, S.L.U.'s activity is carried on through two operating companies engaging in the recycling of secondary aluminium waste, including production plants in Spain and Poland.

The transaction was accounted for by the purchase method of accounting, as follows:

	Thousands of euros		
	Carrying amount at the date of acquisition (*)	Fair value adjustments	Fair value
Net assets acquired:			
Intangible assets	(**) 16,651	-	(**) 16,651
Property, plant and equipment	21,519	-	21,519
Non-current financial assets	851	-	851
Current assets (***)	29,927	-	29,927
Non-current financial liabilities	(33,108)	-	(33,108)
Current financial liabilities	(5,260)	-	(5,260)
Trade and other payables	(14,022)	-	(14,022)
Total			16,558
Goodwill			7,402

(*) Including the consolidation of the ownership interest held by Befesa Aluminio Catalán, S.L. in Trinacria, S.P.Z.O.O.

(**) Including EUR 3,888 thousand and EUR 3,625 thousand relating to goodwill arising on consolidation of Befesa Aluminio Catalán, S.L. and Trinacria, S.P.Z.O.O. (company not consolidated at 31 December 2008 and 2009- see Note 10), respectively, and merger goodwill of EUR 8,849 thousand relating to Befesa Aluminio Catalán, S.L.

(***) Cash and cash equivalents acquired at the date of the acquisition amounted to approximately EUR 2,385 thousand.

The cash-generating unit relating to goodwill corresponds to the legal entities themselves (see Note 7).

Acquisition of NRS Consulting, Engineers, Inc., Waterbuild, Ltd. and Waterbuild GP, Inc.

On 1 October 2008, the subsidiary Befesa Agua, S.A.U. entered into an agreement to acquire NRS Consulting Engineers, Inc., Waterbuild, Ltd. and Waterbuild GP, Inc. Under the terms and conditions of the agreement, it acquired 51% of the companies for a total of EUR 5,153 thousand (equal to USD 6,400 thousand), giving rise to goodwill of EUR 5,078 thousand (see Note 7).

Other inclusions in the scope of consolidation during 2008

In 2008 the subsidiary Befesa Gestión de Residuos Industriales, S.L.U. acquired all the share capital of Limpiezas Industriales Robotizadas, S.A. for a total of EUR 2,746 thousand, giving rise to goodwill of EUR 2,156 thousand.

Also, the Group included in the scope of consolidation the shares of the subsidiaries Tratamiento y Concentración de Líquidos, S.L. and Geida Tlemcen, S.L. which were acquired but not consolidated in 2007 (see Notes 7 and 11) and the subsidiary Soluciones Ambientales del Norte, S.A., which was incorporated in 2008.

2.3 Non-current assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management of the Befesa Group must be committed to a sale plan, which should be expected to be completed within one year from the date of classification.

2.4 Intangible assets

2.4.1 Goodwill

This heading in the consolidated balance sheet reflects the difference between the price paid to acquire certain consolidated Befesa 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's 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 is tested for impairment. If its value is less than its carrying amount, impairment losses are recognised, which may not be reversed in subsequent periods.

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

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

2.4.2 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, Befesa 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 directors 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 stage of completion and the related order book.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the software product.
- The development cost of the asset, which includes, where appropriate, the staff costs of the Befesa Group personnel working on the projects, can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over the period over which they are expected to generate economic benefits, generally between five and ten 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.

Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the management of the Befesa 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 five years from the entry into service of each application.

Concessions, patents, licences and other

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

The concessions capitalised at 31 December 2009 have a maximum useful life of 25 years.

As a general rule, Befesa recognises the fair value of assets operated under concession as intangible assets, as it has a right to operate the assets.

Revenue and margins during the construction period until “receipt or acceptance” by the grantor of the infrastructure concerned are recorded and recognised in accordance with IAS 11 (Note 2.5.b) on construction contracts.

Costs incurred during the construction period, including related borrowing costs, are recognised as Property, plant and equipment in the course of construction until “acceptance”, when they are classified as Intangible assets, which are amortised on a straight-line basis over the concession period.

2.5 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 have been delivered and title thereto has been transferred, except as indicated in Note 2.6.b). Revenue is shown net of value added taxes, returns, rebates and discounts and after eliminating intra-group sales.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met 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 historical results, taking into account the type of customer, the type of transaction and the specific terms of each agreement.

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.

b) Construction contracts

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.

Contract costs are recognised as an expense in the period in which they are incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

The profit recognised for contract work in progress is determined by applying the percentage of completion method to the difference between:

- The total revenue to be obtained on the basis of the contract selling price, plus the amount of the claims previously accepted by customers, and an estimate of the revenue from contractual price revisions and other applicable items; and
- The actual costs incurred to date plus an estimate of the costs to be incurred through the completion of the project.

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.

Variations in contract work, claims and incentive payments are included in contract revenue when they have been agreed with the customer and can be reliably measured.

The difference, if any, between the amount of the contract work executed and that certified until the date of the consolidated financial statements is included in the account "Work in progress" under "Trade and other receivables" in the accompanying consolidated balance sheet at 31 December 2009. The amounts corresponding to those certified in advance on account of various items are recognised in the "Advances received on orders" account under the "Trade and other payables" heading on the liability side of the accompanying consolidated balance sheet.

The amount recognised as revenue on construction contracts in 2009 and 2008 relates to sales made by the Water – engineering and construction (EPC) segment (see Note 1), totalling approximately EUR 288,568 thousand and EUR 226,759 thousand, respectively.

The cumulative amounts of costs incurred and revenue recognised in relation to contract work in progress at the closing date, recognised in the consolidated balance sheet at 31 December 2009, totalled approximately EUR 74,343 thousand (2008: EUR 78,507 thousand) and EUR 10,503 thousand (2008: EUR 11,671 thousand), respectively.

c) Concession contracts

Befesa works on certain projects in which the company that owns the Project (in association with other companies) has been awarded a concession, generally for a period of between 20 and 30 years. These contracts include both the construction of the infrastructure and future services associated with the operation and maintenance of the assets over the concession period.

Revenue is obtained from the payment by the grantor of certain amounts during the concession period.

The accounting for this type of project is described in Note 2.4.2.

The charges to the Income Statement during the period of the concession are as follows:

- Revenue: the annual concession fee.
- Operating costs: operating and maintenance costs and general overheads and administrative costs are charged to the income statement in accordance with the nature of the cost incurred (amount due) in each period.
The annual amortisation of the intangible asset associated with the concession is recorded as a period expense throughout the term of the concession.
- Finance costs: finance costs and exchange differences arising from the effect of fluctuations in the portion of the debt denominated in foreign currency.

At the end of each year, each project is reviewed to determine whether it is necessary to recognise any impairment to its value due to non-recovery of amounts previously invested.

2.6 Leased assets

Befesa 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. These assets are depreciated using similar criteria to those applied to the assets of a similar nature owned by Befesa.

Expenses arising from operating leases are charged to “Other operating expenses” in the consolidated income statement over the term of the lease on an accrual basis.

2.7 Borrowing costs

In accordance with IAS 23, borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready 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 borrowing costs eligible for capitalisation.

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

2.8 Foreign currency transactions

a) Functional currency

Items included in the financial statements of each of the Group’s companies are measured using the currency of the primary economic environment in which the company operates (“functional currency”), generally the euro, except for foreign companies, whose functional currency is their national currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as in the case of qualifying cash flow hedges, qualifying net investment hedges and translation differences on non-monetary items such as equity instruments classified as available-for-sale financial assets.

Foreign currency transactions in which Befesa has decided to reduce the foreign currency risk through the use of financial derivatives or other hedging instruments are accounted for as described in Note 2.14.

c) Translation of the financial statements of foreign companies

The results and financial position of all the Group companies that have a functional currency different from the presentation currency (Euro) are translated into the presentation currency as follows:

- 1) All assets, rights and obligations are translated at the closing rate at the date of the companies’ balance sheets.
- 2) The income and expenses of each foreign company are translated at average exchange rates, calculated as the arithmetic average of the closing rates of each of the twelve months of the year that do not differ materially from the rate on the date of the transaction
- 3) The difference between equity, including the result calculated as in the previous point, translated at the historical exchange rate and the net financial position resulting from the translation of the assets,

rights and obligations in accordance with section 1) above is recognised, with a plus or minus sign, as appropriate, under the "Translation differences" heading in equity in the consolidated balance sheet.

The results of companies accounted for by the equity method are translated to the national currency, where applicable, at the average exchange rate of the year, calculated as indicated in section 2) of this point c).

None of the functional currencies of the consolidated and associated entities located abroad is that of a hyper-inflationary economy.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.9 Current/Non-current classification

Debts are classified as non-current or current on the basis of the projected period to maturity, disposal or settlement. Therefore, non-current debts are amounts due to be settled within more than 12 months from the date of the consolidated balance sheet.

2.10 Income tax, deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill. Deferred tax assets are recognised for temporary differences and for tax loss and tax credit carryforwards to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed (see Note 30).

In view of the Group's international nature, there are several tax rates, depending on the applicable legislation, ranging from 25% to 30%.

As an integral factor in the export activity, in 2008 Befesa Medio Ambiente, S.A. and certain Spanish subsidiaries decided to recommence application of the tax benefits associated with the tax credit provided for in Article 37 of the Spanish Corporate Income Tax Law for export activities for both 2008 and prior tax periods for which the statute-of-limitations period has not expired.

Although the tax credit for export activities had been taken into consideration in the past as a conditioning factor in the taking of decisions to invest in certain projects, based on an assessment of its tax position Befesa did not consider it appropriate to avail itself of its right to this tax credit (as it had in 2004 and prior years), in view of the controversy existing in relation to the legal and tax interpretation which should be given to the requirements to be fulfilled in order to be entitled to the tax credit described in Article 37 of the Spanish Corporate Income Tax Law. For this reason it was decided, in certain cases, to apply other tax incentives the applicability of which was not in question.

In 2008 Befesa considered that the abovementioned tax credit was applicable, the conditions and prerequisites for entitlement having been resolved, as various decisions were handed down during the year by the Central Economic-Administrative Tribunal upholding the entitlement to the tax credit of other groups of companies operating in similar environments and under similar circumstances to those of Befesa, in opposition to the initial interpretation of the tax authorities. Accordingly, in 2008 an exhaustive analysis was carried out of the documentary evidence supporting the right to the tax credit, both for 2008 and for prior tax periods for which the statute-of limitations period had not expired, in respect of which the Group filed supplementary returns for income tax purposes. Consequently, Befesa has claimed in its tax returns tax credits from 2009 and previous years totalling EUR 20.7 million in this connection, which are recorded as deferred tax assets at 31 December 2009 (Note 20).

As regards the accounting treatment of the above-mentioned tax credits, the specific methods of accounting for investment tax credits fall outside the scope of both IAS 12 (on income taxes) and IAS 20 (on accounting for government grants). In this regard, IAS 20.19 states that grants are sometimes received as part of a package of fiscal aids equatable to an investment tax credit and acknowledges that at times it can be difficult to identify whether a grant component underlies an economic transaction and what the characteristics of such component are.

The lack of legislative clarity in both IAS 12 and IAS 20 in relation to investment tax credits makes it necessary for a company to examine, on a case by case basis, the situations that exist in order to determine the accounting rule that should reasonably be applied in each case. As a result of the examination, the Group considers that in some cases the tax credit is directly related to the investment in an asset, taking into account the concept of government assistance through fiscal policy, which reinforces its nature as a grant for accounting purposes. Accordingly, it is considered that this treatment as a grant most fairly reflects the economic substance of the transaction. In these cases, when it is concluded following an itemised analysis that the tax credit for export activities is a conditioning factor in the taking of decisions to invest, the Group recognises the income in accordance with IAS 20, recognising the related amount as "Other operating income". However, when it is considered that the aforementioned requirements are not met, the Group considers that the tax credit provided for by Article 37 of the Spanish Corporate Income Tax Law falls within the scope of IAS 12 and is therefore recognised as income tax.

2.11 Property, plant and equipment

Property, plant and equipment, which are all for own use, are stated in the balance sheet at acquisition cost less any accumulated depreciation and any recognised impairment losses, except for land, which is stated net of impairment losses. Cost includes any costs directly attributable to the acquisition of the items.

However, prior to 1 January 2004, Befesa revalued certain items of property, plant and equipment as permitted by the applicable legislation. In accordance with IFRS, Befesa considered the amount of the revaluations as part of the cost of the assets. The net amount of these revaluations is non-material.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency, or a lengthening of the useful lives of items of property, plant and equipment 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 2009 EUR 5,999 thousand (2008: EUR 10,036 thousand) were recognised in this connection as income under "Other operating income" in the consolidated income statement. The main work carried out in 2008 related to improvements to the leachate management ponds of the subsidiary Befesa Gestión de Residuos Industriales, S.L., amounting to EUR 5,162 thousand, and the work at the waste handling centre of Befesa Chile Gest. Amb. Limitada. The amounts recorded in 2009 consist mainly of EUR 1,892 thousand from the subsidiary Befesa Gestión de Residuos Industriales, basically for improvements to the leachate management ponds, and EUR 2,353 thousand from the subsidiary Befesa Agua, S.A., relating to construction work on the R&D&i centre.

Befesa generally depreciates property, plant and equipment using the straight-line method, distributing the cost of the assets over the following years of estimated useful life:

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

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

Based on their nature, the Group depreciates certain assets (waste safety tanks - see Note 9) on the basis of the volume of waste entering the facilities. Since the Befesa Group has to meet certain costs in relation to the closure of its facilities, the accompanying consolidated balance sheets at 31 December 2009 and 2008 include provisions in the amount of EUR 10,134 thousand and EUR 10,345 thousand, respectively, in this connection (see Note 19).

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

If an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount (Note 2.12).

2.12 Impairment of non-financial assets.

At each balance sheet date, Befesa reviews the non-current assets to determine whether there is any indication that those assets might have suffered 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, Befesa 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.

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 assessing value in use, the assumptions used in making the estimates include discount rates, growth rates and expected changes in selling prices and costs. The directors estimate 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 (Note 7).

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 charge 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.

2.13 Inventories

"Inventories" in the consolidated balance sheet includes the assets that Befesa:

- Holds for sale in the ordinary course of its business;
- Has in process of production, construction or development to this end; 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 is not materially different from FIFO cost.

Work in progress is measured on the basis of the stage of completion, which is measured by the proportion that the actual direct and indirect costs incurred to date bear to the estimated total direct and indirect costs. The costs incurred include materials, labour, subcontracting costs and other indirect and direct costs allocable thereto, measured as follows:

- Materials assigned to each project, at acquisition cost.
- Labour, at the standard cost of the actual hours incurred, which is not materially different from the actual cost.
- Subcontracting costs and other direct costs, at acquisition cost.
- Indirect costs, based on an absorption rate applied to production carried out.

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 realisable value.

2.14 Financial instruments

Financial assets

Befesa classifies its financial assets in the following categories, depending on the purpose for which they were acquired:

- a) Financial assets at fair value through profit or loss;
- b) Loans and receivables;
- c) Held-to-maturity investments;
- d) Available-for-sale financial assets.

Management determines the classification of the investments at initial recognition and reviews the classification at the end of each year.

a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, except where they are held for trading or are expected to be realised more than 12 months after the reporting date of each company, in which case they are classified as non-current assets.

They are recognised initially and subsequently at fair value, not including transaction costs. Subsequent changes in fair value are recognised in the income statement.

b) Loans and receivables

This category includes loans and receivables considered as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.

They are recognised initially at fair value plus transaction costs and subsequently recorded at amortised cost using the effective interest rate method. Interest, calculated using the effective interest method, is recognised in the income statement.

c) Held-to-maturity investments

This category includes investments in non-derivative financial assets with fixed or determinable payments and fixed maturity that Befesa has the positive intention and ability to hold to maturity.

They are recognised initially at fair value plus transaction costs and are subsequently recorded at amortised cost using the effective interest rate method. Interest, calculated using the effective interest method, is recognised in the income statement.

(d) Available-for-sale financial assets

This category includes non-derivative financial assets that are not included in any of the previous categories. They are recognised as non-current assets, unless Management intends to dispose of the investment within 12 months of the reporting date of each company.

They are recognised initially and subsequently at fair value, plus transaction costs. Subsequent changes in fair value are recognised in equity, except for the translation differences on monetary securities, which are recorded in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement as "Other income" when the Group's right to receive payment is established.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised are transferred to the income statement. A significant or prolonged decline in the fair value of the securities below their cost is considered to be an indicator that the securities are impaired. The accumulated loss will be the difference between the cost of acquisition and the current fair value less any impairment loss. As a general rule, impairment losses recognised in the income statement are not reversed through the income statement.

Purchases and sales of investments are recognised on the trade date, i.e. the date on which the commitment to purchase or sell the asset is made. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and substantially all risks and rewards of ownership have been transferred.

The fair values of quoted investments are based on current bid prices. For financial assets for which there is no active market (and for unlisted securities), fair value is established using valuation techniques, which include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Cash and cash equivalents

"Cash and cash equivalents" in the consolidated balance sheet includes cash, demand deposits and other highly liquid short-term investments that can be realised in cash quickly and are not subject to a risk of changes in value.

Debt instruments 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. Finance 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 "Obligations under finance leases" in the consolidated balance sheet.

Trade payables

Trade payables do not bear interest and are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Derivative financial instruments and hedge accounting

Befesa's activities expose it mainly to the risks of changes in foreign exchange rates and interest rates and of changes in the fair value of certain materials (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, Befesa uses foreign currency hedges, currency futures and zinc and aluminium futures to hedge highly probable transactions. Befesa does not use derivative financial instruments for speculative purposes (Note 4).

Financial derivatives are initially recognised at acquisition cost in the consolidated balance sheet and the required valuation 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 the 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, the 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 "Unrealised asset and liability revaluation reserve" 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 it is disposed of.
- If a hedge of a firm commitment or forecasted 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 forecasted transaction does not result in the recognition of an asset or a liability, the amounts credited or charged, respectively, to "Unrealised asset and liability revaluation reserve" in the consolidated balance sheet are recognised in the consolidated income statement in the same period as that in which the hedged item affects the net profit or loss.
- When hedge accounting is discontinued, any cumulative loss or gain at that date recognised under "Unrealised asset and liability revaluation reserve" is retained under that heading until the hedged transaction occurs, at which time the loss or gain on the 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 full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Amounts accumulated in equity are recycled in the income statement in the periods in which the hedged item affects profit or loss.

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 with unrealised gains or losses reported with a charge or a credit to the consolidated income statement.

The fair value of the various financial instruments is calculated as follows (see Note 3.2):

- The fair value of derivatives listed on an organised market is their market price at year-end.
- To measure derivatives not traded on an organised market (or traded derivatives with terms longer than those traded on organised markets), Befesa uses assumptions based on year-end market conditions, which are compared with the valuations issued by banks or by independent third parties.

The financial assets and liabilities recognised as a result of the measurement at fair value of the aforementioned hedging instruments affected "Other non-current assets", "Other current assets", "Other non-current liabilities" and "Other current liabilities", as described in Note 18.

2.15 Provisions, contingent assets and contingent liabilities

When preparing the consolidated financial statements, the directors made a distinction between:

- Provisions: credit balances covering present obligations at the balance sheet date arising from past events which 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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

Befesa 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

a) Termination benefits

Termination benefits are payable to employees when Befesa terminates their employment contract before the normal retirement date or an employee accepts voluntary redundancy in exchange for said benefits. Befesa recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

b) Other provisions

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

"Long-term provisions" also includes, where applicable, the estimated amounts required to settle any liability that might arise from litigation in process 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 whose existence 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 (see Note 19).

2.16 Discontinued operations

A discontinued operation is a line of business earmarked for closure or sale whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

Income and expenses of discontinued operations are presented separately in the consolidated income statement.

No line of business or business segment was considered as a discontinued operation in 2009 or 2008.

2.17 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

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 (Note 3.1.b). At 31 December 2009 and 2008, the unmatured balances receivable derecognised as a result of the aforementioned non-recourse factoring transactions amounted to EUR 65,579 thousand and EUR 97,894 thousand, respectively.

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Befesa 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 disposed of. 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.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the acquisition of property, plant and equipment are recognised as other non-current liabilities.

2.21 Environment

Costs arising from the company's actions to protect and improve the environment in the course of its activities are recognised as an expense in the year in which they are incurred. When said costs entail additions to property, plant and equipment whose purpose is to minimise the environmental impact of the activities, they are added to the carrying amount of property, plant and equipment.

3. Financial risk management policies

The activities carried on by Befesa through the five business segments are exposed to various financial risks: market risk (including 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 minimise the potential adverse effects on the Group's earnings.

Befesa's risk management 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 surplus liquidity. There were no changes in the risk management policy between 2008 and 2009.

3.1 Financial risk factors

a) Market risk

- (i) Exchange rate risk

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

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 other than the functional currency of the Company.

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 corporate level, external foreign currency hedges are designated as foreign currency risk hedges on certain assets, liabilities or future transactions.

The Befesa Group's risk management policy is to hedge collections or payments in currencies other than the functional currency projected over the following twelve months.

As regards the risk associated with the net investment in foreign operations, there is material risk associated with the investments in desalination plants in Algeria, both those under construction (Note 9) and the one in operation under a concession (Note 8), the total amount of which basically coincides with the non-recourse financing obtained (Note 15) and the contributions of the partners (see Appendix).

If at 31 December 2009, or on average over the year, the euro had depreciated or appreciated by 10% against all the functional currencies other than the euro, holding all else constant, there would have been no material change in equity or in profit for the year.

(ii) 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.

If during 2009 the average of the interest rates of borrowings denominated in euros had been 10 basis points higher or lower, holding all else constant, there would have been no material change in profit after taxes, considering the interest rate hedges used.

(iii) Price risk

The results of the zinc and aluminium segments are exposed to the volatility of the price of these metals. Befesa has a policy of systematically using derivatives to reduce exposure to changes in zinc and aluminium prices in sales of products with zinc and aluminium content.

A list of the derivatives written on the spot prices of these metals is given in Note 18 of these Notes to the consolidated financial statements.

b) Credit risk

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

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

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

Thus, factored receivables are recognised off-balance-sheet only when all the conditions for derecognition stipulated by IAS 39 are met. In other words, the Company analyses whether the risks and rewards of ownership of the related financial assets has been transferred by comparing its exposure, before and after the transfer, to the change in the amounts and timing of the net cash flows of the transferred assets. Once the transferring company's exposure to these changes has been eliminated or is substantially reduced, the financial asset in question is considered to have been transferred.

Accordingly, the balance of trade and other receivables would not include the potential effect of amounts to be billed for work performed for which there are factoring agreements, the effect of other trade receivables that can be factored but which have not yet been sent to the factor at year-end, and any assets covered by credit insurance that are reflected in this balance. Through this policy Befesa minimises its credit risk exposure in relation to these assets.

The balances of trade and other receivables, other receivables, current financial assets and cash are Befesa's main financial assets and represent the Company's maximum exposure to credit risk, in the event that the counterparty does not meet the obligations it has undertaken to meet.

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 projections of the Group's liquidity reserve and changes in net bank borrowings, the calculation of which at 31 December 2009 and 2008 is as follows:

Thousands of euros	
2009	2008

Cash and cash equivalents	102,043	100,853
Other current financial assets (Note 11.c)	37,944	101,696
Undrawn credit facilities (Note 16)	3,304	4,402
Liquidity reserve	143,291	206,951
Non-recourse financing (Note 15)	508,922	388,647
Bank borrowings (Note 16)	30,766	21,529
Borrowings from Abengoa Group (Note 27)	80,982	54,173
Obligations under finance leases (Note 16)	2,502	2,520
Cash and cash equivalents	(102,043)	(100,853)
Other current financial assets (Note 11.c) (*)	(35,563)	(51,211)
Net borrowings	485,566	314,805

(*) Does not include the effect of derivative valuation nor the short-term guarantees and deposits.

The Group's Treasury Department does not anticipate liquidity constraints in the short term that cannot be covered with the financial resources available to the Group now or in the future. The cash expected to be generated in 2010 will be sufficient to meet payments during the year without any increase in borrowing.

One element of the Group's strategy is to optimise and saturate the resources assigned to the business. For that reason the Group pays special attention to net operating working capital invested in such resources. In this line, during 2009, as in previous years, major efforts were made to control and reduce collection times and optimise payment times, unifying policies and conditions across the Group.

The table below presents an analysis of the financial liabilities of Befesa that will be settled, grouped by remaining term to contractual maturity. The amounts shown in the table relate to the cash flows stipulated in the contract (not including the market rate interest to be paid).

	Thousands of euros			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2009				
With recourse financing	19,913	1,980	5,280	6,095
Without recourse financing	49,009	75,162	230,102	154,649
Trade and other payables	466,820	-	-	-
At 31 December 2008				
With recourse financing	12,495	1,414	4,403	5,287
Without recourse financing	44,498	53,218	223,275	67,656
Trade and other payables	506,923	-	-	-

Derivatives designated as hedges are netted and the maturities of the interest rate swaps are indicated in Note 18, it being expected that the hedging cash flows will be settled basically in the short term (Note 18).

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, whose approach centres on increasing the value of the business in the long term for shareholders and investors as well as for employees and customers. The aim is for subsidiaries to achieve constant, sustained results through organic and, where necessary, inorganic growth. For this purpose there has to be a balance in the businesses, with control of financial risks, and the necessary financial flexibility to reach that goal.

The Group's capital management is focused on achieving a financial structure that optimizes the cost of capital while maintaining a sound financial position. This policy makes it possible to create shareholder value while at the same time having access to the financial markets at a competitive cost in order to cover the needs, both for refinancing debt and for financing investments, that are not covered by the funds generated by the business.

3.2 Fair value measurement

The fair value of financial instruments traded in active markets (such as securities held for trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Befesa uses a variety of methods and makes assumptions that are based on the market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for non-current debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial

liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to Befesa for similar financial instruments.

3.3 Hedge accounting

IAS 39 is very strict regarding the documentation required to establish that an instrument meets the conditions to be considered a hedging instrument.

Accordingly, Befesa has established clear and specific criteria for preparing the document that states all the information needed in order to identify and monitor hedging relationships under this standard. At the beginning of the hedge, formal documentation of the hedging relationship, the scope of the hedge and its objective is prepared, identifying the hedging instrument, the hedged item or transaction and the nature of the risk being hedged, and explaining how hedge effectiveness will be assessed. A hedge will be effective if, at inception and throughout the life of the hedge, the enterprise can expect changes in the cash flows of the hedged item to be almost fully offset by the changes in the cash flows of the hedging instrument, and actual results are within the permitted range of 80% - 125%.

Sometimes, even though the aim is to hedge the flows perfectly, mismatches between the characteristics of the hedge and those of the hedged exposure may arise. As soon as any such mismatch is detected, the derivative is modified as necessary to match it to the new characteristics of the underlying, provided the costs of doing so are not disproportionate. This may occur where a hedge has been established in expectation of a highly probable underlying and at the time of confirmation a readjustment of the derivative is required to match it to the underlying to which it is assigned, maintaining hedge accounting if applicable and if the requirements are met. It may also occur both if the derivative was not designated as a hedge at inception and in the opposite case, i.e. if the underlying was a highly probable forecast transaction. Any ineffective portion of the hedge is recognised in financial profit or loss in the income statement.

Effectiveness test and measurement of the fair value of hedging derivatives

Effectiveness test: The valuation method adopted by Befesa is related to its risk management strategy. If the principal terms of the hedging instrument and of the hedged item match, any changes in the cash flows attributable to the hedged risk can be fully offset.

Befesa uses the offset method to test the effectiveness of cash flow hedges, both retrospectively and prospectively. The changes in the cash flows of the hedged item and of the hedging instrument are compared to verify that they offset one another, so as to reduce or eliminate the risk that is to be hedged in accordance with the established strategy and objectives. The changes in cash flows are calculated cumulatively.

For this purpose, the cash flows of the hedged item and those of the hedging derivative are analysed. Using the forward yield curve, the two flows are assessed to determine the degree of effectiveness of the hedge in accordance with the established objective.

Valuation of the hedging derivative: Befesa uses various tools to assess and manage its derivatives exposure. Where applicable, derivatives are valued internally. Professional market tools provided by platforms licensed by Reuters and Bloomberg and specialized financial analytics libraries are used for this purpose.

3.4 Valuation method (fair value measurement)

With effect from 1 January 2009 Befesa has adopted the amendment to IFRS 7 on financial instruments measured at fair value. This amendment requires disclosures about fair value measurements by levels, according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as 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 inputs) (Level 3).

The following table shows the assets and liabilities of the Group that are measured at fair value at 31 December 2009:

	<u>Level 2</u>	<u>Total 31.12.09</u>
<u>Assets</u>		
Assets measured at fair value:		
Marketable securities	27,190	27,190
Hedging derivatives	1,095	1,095
Total assets measured at fair value	<u>28,285</u>	<u>28,285</u>
<u>Liabilities</u>		
Hedging derivatives	33,702	33,702
Total liabilities measured at fair value	<u>33,702</u>	<u>33,702</u>

The fair value of financial instruments that are traded in active markets is based on the market prices at the balance sheet date. The quoted market price used for financial assets held is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods, including estimated discounted cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. It is assumed that the carrying amount of loans and receivables from commercial transactions approximates their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

If all the inputs needed for fair value measurement of a financial instrument are observable in the market, the financial instrument is included in Level 2.

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

4. Critical accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, the reported amounts of revenue and expenses, and the disclosure of contingent liabilities. Thus, in Befesa's consolidated financial statements for 2009 and 2008 occasional use has been made of estimates made by the senior executives of the Group and of the consolidated companies, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment loss on goodwill (see Note 7)
- Income tax (see Notes 2.10 and 22)
- The fair value of derivatives or other financial instruments (see Note 19)
- The recognition of revenue (see Note 2.6)
- The useful lives of items of property, plant and equipment and intangible assets (see Notes 2.11, 2.12 and 9)
- The fair value of assets and liabilities acquired in business combinations (see Note 2.3)
- The amount of certain provisions and/or contingent liabilities (see Note 20).

All the assumptions and estimates are based on the circumstances and forecasts prevailing at the reporting date. They are based on a realistic assessment of the overall economic situation of the industries and regions in which the Group operates, with regard to the possible future development of the businesses. The actual amounts may differ from the estimated amounts in the event of changes in the conditions affecting the abovementioned valuations. In these cases, the assumptions and the carrying amounts of the assets and liabilities are adjusted.

At the date of preparation of these consolidated financial statements no material changes in the estimates were expected and so there is no prospect of significant adjustments to the values of the assets and liabilities recognised at 31 December 2009.

Although these estimates were made on the basis of the best information available at the end of each year 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 statements.

5. Distribution of profit

At the Annual General Meeting the Parent's Board of Directors will propose to the shareholders the following distribution of the profit for the year ended 31 December 2009:

	Thousands of euros	
	2009	2008
Distributable profit		
Profit for the year	715	1,678
Total	715	1,678
Distribution		
Legal reserve	72	168
Voluntary reserves	643	1,510
Total	715	1,678

6. Segment reporting

Management has determined the operating segments and reports their results in the financial statements on the basis of the reports that are submitted to the strategic management committee and that are used for strategic decision making.

The operating segments are as follows:

- Industrial waste:
 - Steel Waste Recycling
 - Aluminium Waste Recycling
 - Industrial Waste Management

- Water:
 - Engineering and Construction (EPC)
 - Concessions

Although the concessions segment does not reach the quantitative limits stipulated in IFRS 8, Management has concluded that it is a reportable segment because it has been subject to close monitoring by the strategic management committee since the second half of 2009, as it is considered a potential growth segment that is expected to contribute significantly to Befesa's revenue in the future.

- a) Segmented information

6.1 The distribution, by segment, of consolidated revenue for the years ended 31 December 2009 and 2008 is as follows:

Segment	Thousands of euros	
	2009	2008
Steel Waste Recycling	195,819	253,570
Aluminium Waste Recycling	131,992	252,360
Industrial Waste Management	95,534	136,874
Engineering and Construction (EPC)	288,568	226,759
Concessions	9,906	3,885
Net sales	721,819	873,448

6.2 The breakdown, by segment, of the contribution to profit for the years ended 31 December 2009 and 2008 is as follows:

Segment	Thousands of euros	
	2009	2008
Steel Waste Recycling	44,114	70,569
Aluminium Waste Recycling	23,625	10,044
Industrial Waste Management	(4,182)	30,102
Corporate unit and consolidation adjustments	(2,150)	4,239
Engineering and Construction (EPC)	20,631	467
Concessions	1,942	(469)
Profit for the year	83,980	114,952

6.3 The breakdown, by segment, of the contribution to profit attributable to the Parent for the years ended 31 December 2009 and 2008 is as follows:

Segment	Thousands of euros	
	2009	2008
Steel Waste Recycling	24,004	31,843
Aluminium Waste Recycling	13,904	1,436
Industrial Waste Management	(1,437)	24,592
Corporate unit and consolidation adjustments	(7,046)	2,194
Engineering and Construction (EPC)	11,163	(958)
Concessions	277	(399)
Profit for the year attributable to the Parent	40,865	58,708

6.4 The detail, by segment, of the assets and liabilities at 31 December 2009 and 2008 is as follows:

	31 December 2009 (thousands of euros)							Total at 31.12.09
	Steel	Aluminium	Industrial waste	Engineering and construction (EPC)	Concessions	Corp.	Consol. adjustments	
Assets:								
Property, plant and equipment	100,725	83,165	90,349	16,336	150,133	1,241	27,128	469,077
Intangible assets	267,691	47,489	48,673	16,458	90,007	821	17,170	488,309
Investment in associates and other non-current assets	30,780	24,477	17,686	46,970	15,911	228,916	(197,585)	167,155
Current assets	97,154	43,459	129,704	268,629	28,533	229,001	(349,029)	447,451
Total assets	496,350	198,590	286,412	348,393	284,584	459,979	(502,316)	1,571,992
Equity and liabilities:								
Equity	137,108	56,261	125,832	(1,767)	25,637	153,354	(120,600)	375,825
Non-current liabilities	228,899	71,319	40,087	14,626	215,369	179,714	(91,492)	658,522
Current liabilities	130,344	71,003	110,449	331,214	14,059	126,911	(246,335)	537,645
Other liabilities	-	7	10,044	4,320	29,519	-	(43,890)	-
Total liabilities and equity	496,351	198,590	286,412	348,393	284,584	459,979	(502,317)	1,571,992

31 December 2008 (Thousands of euros)								
	Steel	Aluminium	Industrial waste	Engineering and construction (EPC)	Concessions	Corp.	Consol. adjustments	Total at 31.12.08
Assets:								
Property, plant and equipment	104,941	66,439	76,033	15,152	89,304	9	1,341	353,219
Intangible assets	267,446	43,729	48,795	12,007	7	52	20,945	392,981
Investment in associates and other non-current assets	108,101	17,498	10,058	44,647	8,221	239,315	(217,912)	209,928
Other assets	113,941	90,983	136,439	254,938	12,415	181,418	(248,211)	541,923
Total assets	594,429	218,649	271,325	326,744	109,947	420,794	(443,837)	1,498,051
Equity and liabilities:								
Equity	206,978	64,054	128,456	(157)	15,366	164,168	(144,276)	434,589
Non-current liabilities	229,896	37,174	7,414	5,050	80,108	-	138,720	498,362
Current liabilities	142,764	117,379	113,164	315,616	4,117	245,163	(373,103)	565,100
Other liabilities	14,791	42	22,291	6,145	10,356	11,463	(65,088)	-
Total equity and liabilities	594,429	218,649	271,325	326,654	109,947	420,794	(443,747)	1,498,051

The bases employed to obtain the figures for assets and liabilities by segment are described below:

1. The data were grouped together for each of the segments using the sub-consolidated groups of each of the heads of the Group's business segments, breaking the Water subgroup down into the two segments identified, depending on the construction and concession projects assigned to each segment.
2. The Corporate Unit includes the assets and liabilities of general use, which are not allocated to the other activities and which are presented mainly in the Parent's balance sheet.

The amounts relating to the acquisition cost of assets and the depreciation and amortisation charge are as follows:

	Thousands of euros						Total
	Steel	Aluminium	Industrial waste	Engineering and construction (EPC)	Concessions	Corporate and eliminations	
2009:							
Acquisition cost of assets	9,646	111	11,592	8,538	137,294	222	167,402
Depreciation and amortisation charge	13,710	7,269	9,769	1,652	2,251	85	34,736
2008:							
Acquisition cost of assets	10,066	7,726	10,298	-	-	-	56,412
Depreciation and amortisation charge	12,930	5,659	22,271	1,448	516	22	42,846

b) Information about geographical areas

The detail of sales by geographical segment in 2009 and 2008 is as follows:

Geographical area	2009		2008	
	Thousands of euros	%	Thousands of euros	%
Spain	350,774	49	427,295	49
Abroad	371,045	51	446,153	51
Total	721,819	100	873,448	100

The detail of the net investments in property, plant and equipment by geographical segment at 31 December 2009 and 2008 is as follows:

Geographical area	Thousands of euros	
	Balance at 31-12-09	Balance at 31-12-08
Spain	195,317	185,649
Abroad (Note 9)	273,760	167,570
Total	469,077	353,219

7. Goodwill

The detail, by company, of the balance of "Goodwill" in the consolidated balance sheets at 31 December 2009 and 2008 and of the changes therein in the years then ended is as follows (see Note 7):

	Thousands of euros
Balance at 31 December 2007	354,804
Additions	33,960
Disposals/Transfers	(1,325)
Balance at 31 December 2008	387,439
Additions	600
Disposals/Transfers	-
Balance at 31 December 2009	388,039

	Thousands of euros						
	Balance at 31-12-07	Additions (Note 2.2)	Disposals/ Transfers	Balance at 31-12-08	Additions (Note 2.2)	Disposals/ Transfers	Balance at 31-12-09
Fully consolidated companies							
Befesa Aluminio Bilbao, S.L.	18,230	-	-	18,230	-	20,324	38,554
Befesa Aluminio Valladolid, S.A.	423	-	-	423	-	(423)	-
Befesa Aluminio Catalán, S.L.U. (*)	-	20,139	(238)	19,901	-	(19,901)	-
Befesa Argentina, S.A.	514	-	-	514	-	-	514
Tratamiento y Concentración de Líquidos, S.L.	-	3,317	-	3,317	-	-	3,317
Limpiezas Industriales Robotizadas, S.A.	-	2,156	-	2,156	600	-	2,756
Befesa Gestión de PCB, S.A.	180	-	-	180	-	-	180
Befesa Gestión de Residuos Industriales, S.L.	47,508	-	-	47,508	-	-	47,508
Construcciones y Depuraciones, S.A.	3,006	-	-	3,006	-	-	3,006
Befesa Agua, S.A. (formerly, Befesa Construcción y Tecnología Ambiental, S.A.)	10,060	-	-	10,060	-	-	10,060
Geida Skikda, S.A.	1,087	-	(1,087)	-	-	-	-
NRS Consulting Engineers, Inc.	-	4,611	-	4,611	-	-	4,611
Waterbuild, Ltd.	-	467	-	467	-	-	467
Befesa Zinc Aser, S.A.	4,268	-	-	4,268	-	-	4,268
Befesa Zinc Sondika, S.A.	1,228	-	-	1,228	-	-	1,228
Befesa Zinc Amorebieta, S.A.	4,460	-	-	4,460	-	-	4,460
Befesa Zinc Freiberg GmbH & Co. KG	144,216	-	-	144,216	-	-	144,216
Befesa Zinc Duisburg, GmbH	42,388	-	-	42,388	-	-	42,388
Befesa Scandust AB	25,757	-	-	25,757	-	-	25,757
Befesa Valera, S.A.S.	20,703	-	-	20,703	-	-	20,703
	324,028	30,690	(1,325)	353,393	600	-	353,993
Proportionately consolidated companies							
Recytech, S.A.	30,378	-	-	30,378	-	-	30,378
Geida Tlemcen, S.L.	-	3,270	-	3,270	-	-	3,270
	30,378	3,270	-	33,648	-	-	33,648
Companies accounted for by the equity method							
Deydesa 2000, S.L.	-	-	-	-	-	-	-
Intersplav	-	-	-	-	-	-	-
Agua y Gestión de Servicios Ambientales, S.L.	398	-	-	398	-	-	398
	398	-	-	398	-	-	398
Total	354,804	33,960	(1,325)	387,439	600	-	388,039

(*) Including EUR 8,849 thousand relating to goodwill from an earlier merger at Befesa Aluminio Catalán, S.A.U. that already existed when it was included in the scope of consolidation.

The goodwill detailed above, although identified by corporate entities, fully coincides with the associated cash generating unit, except in the case of Befesa Aluminio, which constitutes a single CGU, as it manages various plants globally depending on market and business conditions. The corporate entities holding these plants (Befesa Aluminio Bilbao, S.L., Befesa Aluminio Valladolid, S.A. and Befesa Aluminio Catalán, S.A.) were merged in 2009 and Befesa Aluminio Bilbao, S.L. absorbed the other two (Note 2.2).

The main changes in 2009 and 2008 are those referred to in Note 2.2 above.

Befesa has in place a procedure whereby at the end of each year goodwill is tested for impairment.

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.

The assumptions used in calculating the value in use of the main items of goodwill are as follows:

- Five-year projections of the cash flows of the company in question, calculating a residual value based on the flow of the last year projected, provided said flow is normalised to reflect margin and cash flow experience in those businesses as well as future expectations, and applying a constant growth rate that is never greater than the estimated long-term rate for the market in which the company operates, nor greater than 2%.
- To discount the cash flows, a discount rate based on the average weighted cost of capital for that asset class, corrected where necessary for any additional risk contributed by certain types of activities.
- Sensitivity analyses, especially with respect to the discount rate used and the residual growth rate, to ensure that any changes in the estimates of these rates do not affect the likelihood of recovery of recognised goodwill.

Applying the above valuation rules, the discount rates used for calculating the impairment test lie within a range of 6% to 10%.

The recoverable amount of the cash-generating units (CGU) to which goodwill has been assigned was estimated at year-end as described in Note 2.12, without it having been necessary to record any impairment losses.

8. Other intangible assets

The changes in "Other intangible assets" in the consolidated balance sheet in 2009 and 2008 were as follows:

	Thousands of euros						
	Develop. expenditure	Other	Industrial property	Computer software	Easements	Concessions	Total
Cost							
Balance at 31 December							
2007	2,262	201	512	4,163	639	5,135	<
Additions/ Disposals (net) due to change in scope of consolidation	-	-	-	701	-	-	701
Additions	722	-	-	2,388	-	-	3,110
Disposals	(23)	-	(1)	(113)	(75)	(464)	(676)
Balance at 31 December							
2008	2,961	201	511	7,139	564	4,671	16,047
Changes in the scope of consolidation	-	-	-	3	-	3	6
Additions	962	-	56	297	4	5,546	6,865
Transfers	-	(201)	-	34	201	92,135	92,169
Disposals	(1,393)	-	(216)	(1,163)	-	-	(2,772)
Translation differences	-	-	-	(9)	-	(465)	(474)
Balance at 31-12-09	2,530	-	351	6,301	769	101,890	111,841
Accumulated amortisation							
Balance at 31 December							
2007	(1,266)	(201)	(345)	(2,830)	(232)	(1,888)	(6,762)
Additions / Disposals (net) due to change in scope of consolidation	-	-	-	572	-	-	(572)
Charge for the year	(1,353)	-	(124)	(1,121)	(8)	(730)	(3,336)
Disposals	23	-	1	99	42	-	165
Balance at 31 December							
2008	(2,596)	(201)	(468)	(4,424)	(198)	(2,618)	(10,505)
Changes in the scope of consolidation	-	-	-	(1)	-	(1)	(2)
Charge for the year	-	-	(32)	(90)	(370)	(2,804)	(3,296)
Transfers	-	201	-	27	(201)	-	27
Disposals	1,393	-	216	581	-	-	2,190
Translation differences	-	-	-	3	-	11	14
Balance at 31 December							
2009	(1,203)	-	(284)	(3,904)	(769)	(5,412)	(11,572)
Net carrying amount							
Opening value	365	-	43	2,715	366	2,053	5,542
Closing value	1,327	-	67	2,397	-	96,478	100,269

In accordance with the rule described in Note 2.4.2, in 2009 EUR 92,135 thousand relating to the concession assets of a desalination plant in Algeria, called Aguas de Skikda, were transferred to the concessions account, as the plant went into operation under a 25-year concession.

9. Property, plant and equipment

The changes in "Property, plant and equipment" in the consolidated balance sheet in 2009 and 2008 were as follows:

	Thousands of euros					
	Land and buildings	Plant and machinery	Other fixtures, tools, furniture and computer hardware	Other property, plant and equipment	Property, plant and equipment in the course of construction	Total
Cost:						
Balance at 31 December 2007	103,623	330,631	41,398	12,027	77,565	565,244
Change in the scope of consolidation	25,028	15,354	4,819	565	976	46,742
Additions	4,161	19,151	2,607	443	30,050	56,412
Disposals	(3,801)	(1,141)	(1,244)	(11)	(210)	(6,407)
Transfers	1,613	2,690	46	-	(4,349)	-
Translation differences	(1,464)	(7,072)	(46)	(29)	(958)	(9,569)
Balance at 31 December 2008	129,160	359,613	47,580	12,995	103,074	652,422
Change in the scope of consolidation (Note 2.2)	16,635	44,217	322	-	51,797	112,971
Additions	5,577	10,536	2,101	5	149,183	167,402
Disposals	(4,426)	(2,569)	(2,035)	(4,071)	-	(13,101)
Transfers	1,890	(5,279)	5,217	85	(105,730)	(103,817)
Translation differences	1,525	1,692	15	-	(21,640)	(18,408)
Balance at 31 December 2009	150,361	408,210	53,200	9,014	176,684	797,469
Accumulated amortisation and provisions:						
Balance at 31 December 2007	(26,608)	(187,223)	(18,770)	(6,740)	-	(239,341)
Change in the scope of consolidation	(4,678)	(12,960)	(3,285)	-	-	(20,923)
Additions	(3,797)	(31,206)	(7,202)	(1,818)	-	(44,023)
Disposals	-	625	624	175	-	1,424
Translation differences	460	3,118	73	9	-	3,660
Balance at 31 December 2008	(34,623)	(227,646)	(28,560)	(8,374)	-	(299,203)
Change in the scope of consolidation	(50)	(2,033)	(85)	-	-	(2,168)
Additions	(4,341)	(17,994)	(8,585)	(520)	-	(31,440)
Disposals	4,362	369	299	1,213	-	6,243
Transfers	(60)	1,510	(2,006)	(62)	-	(618)
Translation differences	(322)	(872)	(12)	-	-	(1,206)
Balance at 31 December 2009	(35,034)	(246,666)	(38,949)	(7,743)	-	(328,392)
Net carrying amount						
Opening balance	94,537	131,967	19,020	4,621	103,074	353,219
Closing balance	115,327	161,544	14,251	1,271	176,684	469,077

Main changes

2009

The main changes in 2009 relate to the inclusion in the scope of consolidation of the subsidiaries Myah Bahr Honaine, Spa. and Shariket Tenes Lilmiyah, Spa., the operators of two desalination plants in Algeria currently under construction, which contribute property, plant and equipment whose cost at the time of inclusion amounts to EUR 50,391 thousand and EUR 1,406 thousand, respectively.

Additionally, the assets from a business combination of the companies Befesa Salzschlacke, GmbH and Befesa Salzschlacke Süd GmbH, constituted during the year, were included and recorded at fair value (Note 2).

The most significant additions in 2009 come from the construction of the abovementioned desalination plants, in the amounts of EUR 31,349 and EUR 75,273, respectively. These two plants were still under construction at 31 December 2009 (Note 2.4.2).

2008

The main changes in 2008 relate mainly to the inclusion in the scope of consolidation of Befesa Aluminio Catalán, S.A. (see Note 2-g), which contributed non-current assets with a total cost of approximately EUR 37.6 million, and the inclusion of the subsidiaries Soluciones Ambientales del Norte, S.A., Limpiezas Industriales Robotizadas, S.A. and Tratamiento y Concentración de Líquidos, S.L.

The main additions in 2008 relate to the new structures built at the subsidiary Befesa Aluminio Bilbao, S.L.U. and the new corporate building of the Parent, Befesa Medio Ambiente, S.A. New fixtures and machinery were also acquired by Befesa Escorias Salinas, S.L., Befesa Valera, S.A.S. and Befesa Scandust, AG for the purpose of improving their production.

Lastly, the subsidiary Befesa Agua, S.A. practically completed the construction of the Skikda desalination plant in Algeria, with additions amounting to approximately EUR 18 million.

On 31 January 2008, the transfer of the property owned by the subsidiary Befesa Desulfuración, S.A. in Barakaldo was executed for a total of EUR 44.9 million, and this amount was recognised under "Other Operating Income" in the accompanying consolidated income statement for 2008 (see Note 23). With a view to maintaining the current plant fully operational and ensuring the continuity of all of its activities, it was agreed with the buyer that the property be delivered with sufficient time (50 months after the execution of the private agreement) to ensure that the activity can be transferred to a new plant, in a different location, and be carried out by another Befesa Group company, for which land is reserved at the Port of Bilbao for this purpose and the proceedings for the obtainment of the required environmental authorisation are already underway.

a) Property, plant and equipment outside Spain

The net amount of property, plant and equipment owned by the Befesa Group at 31 December 2009 outside Spain totalled EUR 273,760 thousand (31 December 2008: EUR 167,570 thousand - see Note 6), relating mainly to B.U.S Group AB and its subsidiaries and the desalination plants, currently under construction, mentioned previously.

b) Commitments for acquisition

At 31 December 2009 and 2008 Befesa had no commitments for the acquisition of property, plant and equipment.

c) Fully depreciated assets

At 31 December 2009 and 2008 the gross cost of fully depreciated assets in use amounted to approximately EUR 91,133 thousand and EUR 58,551 thousand, respectively.

d) Impairment losses

In 2008 an analysis of the recoverability of the production assets of the subsidiary Befesa Desulfuración, S.A. was conducted, taking into consideration the period that would elapse until delivery of the property. As a result of the analysis, an impairment loss of approximately EUR 11 million was recognised for the property, plant and equipment, with a charge to "Depreciation and amortisation charge and impairment losses" in the accompanying consolidated income statement (see Note 9).

At 31 December 2009, the Group's directors considered that there were no indications of impairment of the Group's assets other than those referred to above, so no significant additional impairment losses were recognised in 2009.

e) Insurance

The Group has taken out various insurance policies to cover the risks to which its property, plant and equipment is subject. The cover provided is considered sufficient.

f) Capitalisation of interest

The borrowing costs capitalised during 2009 amount to EUR 7,002 thousand (2008: EUR 2,167 thousand).

g) Property, plant and equipment used as collateral

Land and buildings with a carrying amount of EUR 24,968 thousand is used as collateral for certain bank loans.

10. Investments accounted for using the equity method

The detail of the investments in associates of the Befesa Group at 31 December 2009 and 2008 is as follows:

Company	Thousands of euros	
	2009	2008
Agua y Gestión de Servicios Ambientales, S.A.	10,168	9,725
Ecología Canaria, S.A.	1,565	1,279
Total	11,733	11.004

In 2009 and 2008 there were no changes in the investments accounted for using the equity method.

The gross changes in 2009 and 2008 in this heading in the consolidated balance sheet were as follows:

	Thousands of euros	
	2009	2008
Opening balance	11,004	9,710
Profit of the companies	729	1,234
Other changes	-	60
Total	11,733	11.004

At 31 December 2009 and 2008, the total assets of associates accounted for using the equity method amounted to approximately EUR 34,375 thousand and EUR 33,586 thousand, respectively.

The revenue for 2009 and 2008 of associates accounted for using the equity method amounted to approximately EUR 55,349 thousand and EUR 64,455 thousand, respectively.

No contingent liabilities arising from the associated companies have been assumed.

The Appendix includes a list of the investments in associates, disclosing the most significant legal and financial information on them.

11. Financial assets

The detail of the various items that make up the non-current financial assets is as follows:

	Thousands of euros					Balance at 31-12-09
	Balance at 31-12-08	Changes in scope of consolidation, net	Additions/ (Charge for the year)	Disposals	Transfers (Notes 2.9 and 20)	
Available for sale						
Investments in Group companies	23,297	(13,494)	12,136	-	-	21,939
Investments in associates and other companies	11,000	(108)	110	-	-	11,002
Provisions	(5,474)	-	(2,706)	270	-	(7,910)
	28,823					25,031
Non-current loans						
Other non-current loans	20,444	5,258	8,502	(3,684)	7,017	37,537
Provisions	(2,714)	-	-	3,800	(4,114)	(3,028)
Derivative financial instruments (see Note 18)	81,438	-	689	-	(81,438)	689
Other non-current financial assets	2,798					2,798
	101,966					37,996

	Thousands of euros					
	Balance at 31-12-07	Changes in scope of consolidation, net	Additions/ (Charge for the year)	Disposals	Transfers (Notes 2.g and 20)	Balance at 31-12-08
Available for sale						
Investments in Group companies	12,888	5,401	4,981	-	27	23,297
Investments in associates and other companies	6,956	-	4,071	-	(27)	11,000
Provisions	(4,557)	(528)	(389)	-	-	(5,474)
	15,287					28,823
Non-current loans						
Other non-current loans	17,437	750	4,832	(2,575)	-	20,444
Provisions	(2,714)	-	-	-	-	(2,714)
Derivative financial instruments (see Note 18)	2,980	-	81,438	-	(2,980)	81,438
Other non-current financial assets	2,131	22	645	-	-	2,798
	19,834					101,966

a) Investment securities

Set forth below is certain significant information relating to the investments in Group and associated companies which are not accounted for using the equity method or the full consolidation method, as the case may be, because they are being liquidated, they have not commenced operations, they do not constitute a decision-making unit or their effect is not material:

2009	%	Thousands of euros				
		Direct and indirect ownership interest	Carrying amount	Impairment losses	Share capital	Reserves
Group companies						
Befesa CTA Qingdao	100%	8,355	(441)	8,355	(2)	(40)
Micronet Porous Fibers, S.L.	50%	1,250	(26)	900	800	133
Galdan, S.A.	60%	1,485	(319)	1,394	(209)	(20)
Acoleg Químicos, S.L.	100%	43	(35)	3	4	5
Aluminio en Discos, S.A.	60%	2,400	(2,655)	3,600	(4,092)	(39)
Trinacria, Spa. Z.o.o.	57.03%	4,584	(1,347)	747	(856)	(212)
Befesa Steel R&D, S.L.	100%	13	(1,148)	3	-	(1,137)
Derivados de Pinturas, S.A.	100%	3,770	-	60	370	191
Ecovedras, S.A.	78%	39	-	50	(23)	(8)
		21,939	(5,971)			
Associates and other companies						
Donsplav, Ll.	30.60%	980	(980)	1,721	(1,168)	(64)
Sociedad Concesionaria del Canal de Navarra, S.A.	10%	1,300	-	13,000	(269)	-
Betearte, S.A. (formerly ABG)	33.33%	1,121	(535)	2,750	(843)	(186)
Chennai Water Desalination, Ltd.	25%	7,086	-	26,229	-	-
Other		515	(424)			
		11,002	(1,939)			

2008	%	Thousands of euros				
	Direct and indirect ownership interest	Carrying amount	Impairment losses	Share capital	Reserves	Profit
Group companies						
Befesa Agua Tenes, S.L.	100%	3,175	-	3,175	-	(34)
Micronet Porous Fibers, S.L.	50%	1,250	-	900	800	(53)
Myha Bahr Honaine, S.P.A.	50%	8,089	-	31,933	-	-
Galdan, S.A.	60%	1,485	(282)	1,394	(191)	(18)
Acoleq Químicos, S.L.	100%	43	(35)	3	5	(1)
Aluminio en Discos, S.A.	60%	2,400	(2,590)	3,600	(3,975)	(24)
Trinacria, Spa.Z.o.o.	60%	4,583	(540)	738	(230)	(488)
Befesa Servicios, S.A.	51%	434	-	1,956	-	-
Befesa Steel R&D, S.L.	100%	3	-	3	-	(15)
Sistema de Desarrollo Sustentable, S.A. de C.V.	66.27%	1,796	-	4,437	348	6
Ecovedras, S.A.	78%	39	-	50	(7)	(16)
		23,297	(3,447)			
Associates and other companies						
Donsplav, Ll.	51%	980	(799)	1,721	(1,136)	(32)
Sociedad Concesionaria del Canal de Navarra, S.A.	10%	1,300	-	11,150	(106)	-
ABG Servicios Medioambientales, S.A.	33.33%	1,121	(683)	2,750	(954)	(863)
Chennai Water Desalination, Ltd.	25%	7,085	-	26,229	-	-
Other		514	(545)			
		11,000	(2,027)			

In 2009 the main changes consisted of the inclusion in the scope of consolidation of Befesa Agua Tenes, S.L. and Myha Bahr Honaine, S.P.A., which hold or have interests in water concessions, although at 31 December 2009 the assets (desalination plants to be operated under these concessions) were still under construction.

The additions during 2009 relate mainly to the incorporation of Befesa CTA Qingdao, which will hold an interest in a water concession operator in China, the assets of which have made no significant progress in construction.

In 2008 the main changes related to the inclusion in the scope of consolidation of Tratamiento y Concentración de Líquidos, S.L. and Geida Tlemcen, S.L. Additionally, following the acquisition in January 2008 of a 60% ownership interest in Alugreen, S.L., the latter's joint ownership interest, together with Befesa Aluminio Catalán, S.L., in Trinacria, Spa. Z.o.o. was included in the scope of consolidation.

On 23 May 2008, the subsidiary Befesa Agua, S.A.U. incorporated Befesa Agua Tenes, S.L. with a share capital of EUR 3,010 thousand. On 30 December 2008, the share capital of this company was increased through the conversion of loans amounting to EUR 3,172 thousand into equity. Lastly, on 13 May 2008, Micronet Porous Fibers, S.L. increased its capital, which was subscribed by the subsidiary Befesa Agua, S.L. through the contribution of EUR 1,250 thousand, giving Befesa a 50% ownership interest therein.

The companies' lines of business and registered addresses are as follows:

2009	Registered office	Activity
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Group companies

Befesa CTA Qingdao	China	Environmental services
Micronet Porous Fibers, S.L.	Lejona (Biscay)	Environmental services
Galdan, S.A.	Alsasua (Navarra)	Inactive
Acoleq Químicos, S.L.	Baracaldo (Biscay)	Environmental services
Aluminio en Discos, S.A.	Sabiñanigo (Huesca)	Inactive
Trinacria, Spa. Z.o.o.	Poland	Environmental services
Befesa Steel R&D, S.L.	Asua (Biscay)	Environmental services
Derivados de Pinturas, S.A.	Montornés del Vallés (Barcelona)	Waste treatment
Ecovedras, S.A.	Portugal	Inactive

Associates

Donsplav, Ll. (*)	Ukraine	Waste treatment
Sociedad Concesionaria del Canal de Navarra, S.A.	Pamplona (Navarra)	Environmental services
Chennai Water Desalination, Ltd.	India	Environmental services
Betearte, S.A. (formerly ABG)	Biscay	Performance of studies and projects

2008**Registered office****Activity****Group companies**

Befesa Agua Tenes, S.L.	Seville (Seville)	Environmental services
Micronet Porous Fibers, S.L.	Lejona (Biscay)	Environmental services
Myha Bahr Honaine, S.P.A.	Algeria	Environmental services
Galdan, S.A.	Alsasua (Navarra)	Inactive
Acoleq Químicos, S.L.	Baracaldo (Biscay)	Environmental services
Aluminio en Discos, S.A.	Sabiñanigo (Huesca)	Inactive
Trinacria, Spa. Z.o.o.	Poland	Environmental services
Befesa Servicios, S.A.	Argentina	Environmental services
Befesa Steel R&D, S.L.	Asua (Biscay)	Environmental services
Sistema de Desarrollo Sustentable, S.A. de C.V.	Mexico	Environmental services
Ecovedras, S.A.	Portugal	Inactive

Associates

Donsplav, Ll. (*)	Ukraine	Waste treatment
Sociedad Concesionaria del Canal de Navarra, S.A.	Pamplona (Navarra)	Environmental services
Chennai Water Desalination, Ltd.	India	Environmental services
ABG Servicios Medioambientales, S.A.	Biscay	Performance of studies and projects

(*) The percentage of ownership in Donsplav, Ll. owned through Befesa Aluminio Bilbao, S.L., a company in the MRH Residuos Metálicos subgroup, is 51%; however, for the purposes of dividends and with regard to the assets that would correspond to it in the event of liquidation, the Company's percentage of ownership is 40%.

In general, the value of the interests held under this heading has been determined by reference to the companies' equity, given the circumstances in which they find themselves.

The assets and liabilities of the companies classified as investment securities and in which Befesa has control or shared management are not significant compared to the consolidated assets and liabilities.

b) Other non-current loans

At 31 December 2009 and 2008, "Other non-current loans" includes an account receivable amounting to EUR 10,242 thousand and EUR 8,722 thousand, respectively, recognised at its recoverable amount based on financial projections of the subsidiary Befesa Agua, S.A., relating to the construction of various mini-hydroelectric plants, which have been in operation since 1998 and 2000. However, the company that owns and operates these plants had not yet signed their provisional acceptance certificates in order to avoid paying the outstanding amounts, and the necessary legal steps had been taken to recover these amounts. To supplement the personal security of the company that owns the mini-hydroelectric plants, Befesa Agua, S.A. had a mortgage on the concession to operate the mini-hydroelectric plants. In 2009 an agreement was reached that will allow Befesa to have a 95% ownership interest, to be transferred in 2010, in the company that holds the abovementioned concessions to operate the mini-hydro plants. Consequently, based on the expected future cash flows of these concessions, Befesa does not expect to face any difficulty in recovering the receivable recorded in "Other non-current loans" at 31 December 2009 in the amount of EUR 10,242 thousand. This amount coincides basically with the value of the net tangible assets of the owning company, which Befesa in principle expects to continue to operate, having valued the business at this amount.

Also, "Other non-current loans" in the consolidated balance sheet includes the account receivable of one of the unincorporated joint ventures of which Befesa is a venturer for the amounts paid in the construction of an urban solid waste recovery and composting plant. This account receivable amounted to approximately EUR 4,361 thousand and EUR 3,521 thousand at 31 December 2009 and 2008, respectively (EUR 4,016 thousand and EUR 4,098 thousand falling due at short term at 31 December 2009 and 2008, respectively), which will be recovered through the operation of the plant by the unincorporated joint venture.

At 31 December 2009 and 2008 Befesa Agua, S.A. had long-term collection rights amounting to approximately EUR 5,694 thousand and EUR 4,692 thousand, respectively, relating to the accounts receivable associated with the various unincorporated joint ventures in which it has interests.

c) Other current financial assets

The detail of the various items that make up the current financial assets is as follows:

	Thousands of euros	
	2009	2008
Current loans to Group companies (Note 27)	6,933	6,295
Investment funds, fixed-income securities and short-term deposits	27,190	35,631
Derivative financial instruments (Note 18)	406	49,919
Other current loans	1,440	9,285
Short-term guarantees and deposits	1,975	566
Total	37,944	101,696

"Investment funds, fixed-income securities and short-term deposits" includes short-term deposits by different Group companies, the most significant being those held by Befesa Zinc, S.L. (EUR 20,630 thousand), Befesa Zinc Comercial, S.A. (EUR 3,120 thousand) and Iniciativas Hidroelécticas, S.A. (EUR 871 thousand). The amount recorded at 31 December 2008 related to deposits held by Befesa Zinc, S.L. (EUR 16,000 thousand) and Befesa Agua, S.A. (EUR 18,340 thousand). These investments earn interest at market rates and they all mature in 2010 (2009 in the case of the 2008 deposits), so their fair value is not materially different from their cost.

In 2008 the subsidiary Befesa Reciclaje Residuos de Aluminio, S.A. granted two loans totalling EUR 5,962 thousand to Qualitas Venture Capital and another minority shareholder of the Befesa Reciclaje Residuos de Aluminio, S.A. subgroup. These loans were formalised in an agreement and earned interest at Euribor plus 75 basis points. These loans were repaid at the beginning of 2009.

12. Inventories

The detail of "Inventories" in the accompanying consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Finished goods	8,620	16,280
Work in progress and semi-finished goods	4,054	5,030
Construction in progress (Note 9)	5,561	8,152
Raw materials	12,361	15,539
Other	6,951	3,596
Advances to suppliers	5,101	3,484
Total	42,648	52,081

13. Accounts receivable

The breakdown of "Accounts receivable" in the accompanying consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Trade and other receivables	203,177	221,457
Less- Allowance for bad debts	(10,811)	(7,476)
Trade receivables from related companies (Note 27)	17,321	14,850
Other receivables	19,991	19,606
Tax receivables (Note 21)	35,138	38,856
Total	264,816	287,293

Receivables are stated at their nominal values, which do not differ from their fair values, on the basis of their cash flows discounted at market rates.

There is no concentration of credit risk in the trade receivables, given that the Group has a large number of customers, spread across different segments and countries (Note 6).

Receivables that have passed their nominal due date but that are within the usual collection periods established with the different customers, which range from 30 to 60 days, are not considered past due. At 31 December 2009 there were no receivables that had exceeded the established collection agreements or usual payment terms that had not been provided for. Unimpaired receivables relate to independent customers that have no recent history of default. All these receivables are due within twelve months.

At 31 December 2009, all receivables, whether due or not, whose recoverability could be considered doubtful at that date were provided for. The amount of the corresponding impairment provision has been determined by estimating the loss that can reasonably be expected to be incurred with each customer.

The impaired receivables consist mainly of individually identified items with specific collection problems. Based on the steps being taken to ensure collection, a high (albeit at the reporting date indeterminate) percentage of the aforementioned receivables is expected to be recovered. The rest of the receivables in "Accounts receivable" do not contain assets that have suffered impairment.

The credit quality of the receivables that have not suffered impairment losses can be classified as very satisfactory, insofar as in practically all cases the risks have been accepted and are covered by credit risk insurance companies or by banks or other financial institutions.

The maximum exposure to credit risk at the reporting date is the fair value of each of the receivables detailed above, always bearing in mind the credit insurance cover mentioned previously.

The carrying amounts of the Group's foreign currency receivables are denominated in the following currencies:

	<u>Thousands of euros</u>
Rupee	7,231
Algerian dinar	5,771
Swedish krona	3,712
Argentine peso	3,085
Pound sterling	1,166
Other	2,131
	<u>23,096</u>

14. Equity of the Parent

a) Share capital

The share capital of Befesa Medio Ambiente, S.A. at 31 December 2009 and 2008 was represented by 27,113,479 fully subscribed and paid shares of EUR 3.01 par value each.

Since June 1998 the Parent's shares have been listed on the Madrid and Bilbao Stock Exchanges and have been traded on the Spanish Stock Market Interconnection System.

At 31 December 2009 and 2008 the Parent's shareholders were as follows (Note 27):

	<u>Ownership interest</u>
Proyectos de Inversiones Medioambientales, S.L. (*)	83.34%
Abengoa, S.A.	14.04%
Other	2.62%
Total	<u>100.00%</u>

(*) Majority owned by Abengoa, S.A.

b) Unrealised asset and liability revaluation reserve

The changes in this reserve during 2009 and 2008 were as follows:

<u>Thousands of euros</u>						
<u>31-12-07</u>	<u>Transfer to income</u>	<u>Change</u>	<u>31-12-08</u>	<u>Transfer to income</u>	<u>Change</u>	<u>31-12-09</u>

Revaluation of property, plant and equipment - Land	14,493	-	-	14,493	-	-	14,493
Cash flow hedges (Note 18)							
Metals futures	14,567	(45,275)	161,910	131,202	(27,764)	(137,140)	(33,702)
Interest rate futures (Note 18)	2,285	-	(3,018)	(733)	-	739	6
	31,345	(45,275)	158,892	144,962	(27,764)	(136,401)	(19,203)
Deferred taxes (Note 20)							
Revaluation of property, plant and equipment - Land	(4,806)	-	671	(4,135)	-	-	(4,135)
Cash flow hedges							
Metals futures	(4,326)	13,495	(47,683)	(38,514)	8,052	40,395	9,933
Interest rate futures (Note 18)	(641)	-	847	206	-	(219)	(13)
	(9,773)	13,495	(46,165)	(42,443)	8,052	40,176	5,785
Effect of minority interests on reserves	-	1,258	(5,634)	(4,376)	2,677	471	(1,228)
	21,572	(30,522)	107,093	98.143	(17,035)	(95,754)	(14,646)

c) Other reserves

The detail of "Other reserves" in the consolidated balance sheet is as follows:

	Thousands of euros	
	2009	2008
Share premium	11,593	11,593
Legal reserve	8,847	8,679
Voluntary reserves	47,474	45,964
Reserves of consolidated companies	141,761	86,338
Total	209,675	152,574

Share premium

The balance of the "Share premium" account arose from the capital increase carried out in 2001 at the Parent. The Consolidated Text of the Spanish Public Limited Companies Law (*Ley de Sociedades Anónimas*) expressly permits the use of the balance of the share premium account to increase capital and places no specific restrictions on the availability of said balance.

Legal reserve

Under article 214 of the Public Limited Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve may be used to increase capital in an amount such that after the increase the reserve still exceeds 10% of capital. Except for the purpose just described and until it exceeds 20% of capital, the legal reserve

may only be used to offset losses, always provided insufficient other reserves are available for this purpose.

Consolidation reserves

The detail, by company, of the balance of "Reserves of consolidated companies" at 31 December 2009 and 2008 is as follows:

Company	(*) Thousands of euros	
	2009	2008
Other reserves of the Parent	(8,129)	(7,040)
Befesa Servicios Corporativos, S.A.	(1,675)	(1,672)
Aluminium Waste Recycling	(3,498)	(4,934)
Steel Waste Recycling	90,270	58,426
Industrial Waste Management	59,658	35,066
Construction and Engineering	5,048	5,537
Concessions	87	955
Total	141,761	86,338

(*) The foregoing figures include the consolidation adjustments assigned in prior years to each of the companies and to the Parent.

Restricted reserves

The individual financial statements of the consolidated companies include reserves amounting to approximately EUR 48,808 thousand and EUR 43,223 thousand at 31 December 2009 and 2008, respectively, relating to the legal reserve, revaluation reserve, reserve for retired capital and other reserves which are restricted as to their use.

d) Translation differences

The breakdown, by company, of the balance of "Translation Differences" at 31 December 2009 and 2008 is as follows:

Company or group of companies	Thousands of euros	
	2009	2008
Befesa Argentina, S.A.	(865)	(583)
Befesa Perú, S.A.	30	24
Befesa México, S.A. de C.V.	(243)	(230)
Befesa Salt Slags, Ltd.	(970)	(1,135)
Befesa Chile Gest. Amb. Limitada	(148)	(358)
B.U.S Group AG	(1,405)	(2,665)
Aguas de Skikda, Spa.	(685)	437
Shaviket Tenes Liluniyah, S.P.A.	(301)	-
Myha Bahr Honaine, S.P.A.	(1,105)	-
Other	(198)	5
Total	(5,890)	(4,505)

e) Profit for the year

The detail, by company, of the contribution to consolidated profit for the years ended 31 December 2009 and 2008 is as follows:

Company (**)	Thousands of euros	
	2009	2008
Corporate unit and consolidation adjustments (*)	(7,046)	2,193
Aluminium Waste Recycling	13,904	1,436
Steel and Galvanisation Waste Recycling	24,004	31,844
Industrial Waste Management	(1,437)	24,592
Construction and Engineering	11,163	(488)
Concessions	277	(869)
Total	40,865	58,708

(*) Due basically to the elimination of dividends and changes in investment valuation allowances attributable to the Parent. In addition, the consolidation adjustments attributable to the other companies are included in their respective profit or loss.

(**) The Appendix shows the contribution to consolidated profit of the other companies, taking into account the percentage of ownership and, where applicable, consolidation adjustments.

f) Minority interests

The detail of "Equity - Of minority interests" on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2009 and 2008 is as follows:

	Thousands of euros
Balance at 31 December 2007	12,920
Profit attributable to minority interests	4,036
Changes in the scope of consolidation	26,725
Transfer of hedges to income	(1,258)
Changes in the value of hedges	5,634
Balance at 31 December 2008	48,057
Profit attributable to minority interests	(621)
Changes in the scope of consolidation	19,921
Transfer of hedges to income	(2,677)
Changes in the value of hedges	(471)
Balance at 31 December 2009	64,209

The breakdown of minority interests by Group company is as follows:

Company	Thousands of euros	
	2009	2008

MRH Subgroup-		
Befesa Reciclaje Residuos del Aluminio, S.A.	20,327	25,631
	20,327	25,631
AMA Subgroup-		
Befesa Desulfuración, S.A.	8,965	8,559
Befesa Plásticos, S.A.	129	245
Befesa Argentina, S.A.	(69)	(66)
Befesa Servicios, S.A.	649	-
Residuos Industriales de la Madera de Córdoba, S.A.	371	342
	10,045	9,080
Befesa Agua Subgroup-		
Iniciativas Hidroeléctricas, S.A.	1,119	1,035
Procesos Ecológicos, S.A. (*)	(181)	(772)
Geida Skikda Subgroup	12,616	13,011
Shaviket Tenes Liluniyah, S.P.A.	12,020	-
Myha Bahr Honaine, S.P.A.	8,044	-
NRS Consulting Engineers, Inc.	197	195
Waterbuild, Ltd.	22	(123)
	33,837	13,346
Total	64,209	48,057

(*) Including the effect of the direct and indirect minority interests of Procesos Ecológicos Vilches, S.A.

15. Without recourse financing

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

	Thousands of euros			
	2009		2008	
	Non-current maturity	Current maturity	Non-current maturity	Current maturity
Loans from banks	459,608	48,278	343,608	43,922
Unmatured accrued interest	-	484	-	263
Obligations under finance leases	305	247	541	313
Total	459,913	49,009	344,149	44,498

In project finance agreements, the basis of the financing agreement between the company and financial institution involves allocating the cash flows generated by the project in order to repay the financing and pay the related interest, with the exclusion or quantified reduction of any other security, so that the bank can only recover its investment through the cash flows from the projects financed, with the subordination of any other debt derived from the project financing until such financing has been repaid in full.

On 8 April 2008, with the aim of unifying the financial structure of the companies in the Aluminium Subgroup, the subsidiary Befesa Reciclaje de Residuos de Aluminio, S.L. entered into a financing agreement for EUR 120 million, comprising a EUR 40 million loan and EUR 80 million of guarantees to secure reverse factoring facilities. There are financial covenants to be met which are based on various ratios and a limit on investment in non-current assets has been established over the term of the loan. On 10 June 2009 an agreement was signed to renew and modify (but not discharge) the abovementioned agreement, splitting the guarantee tranche (Tranche B) in two: a EUR 60 million tranche (Tranche B1) with the original characteristics and a EUR 20 million tranche (Tranche B2) to secure two EUR 10 million credit lines. The prices and covenants have been adapted to current market and business circumstances. As of

the end of the year the covenants had been properly complied with. The amount drawn down under the abovementioned loan and credit lines at 31 December 2009 was EUR 33.8 million (EUR 36.8 million at 31 December 2008). The interest rate is Euribor plus a market spread. This loan is secured by the assets detailed in Note 9.

In 2006 the subsidiary Befesa Zinc, S.L. entered into a project finance agreement with a bank for a total amount of EUR 355.5 million to finance the acquisition of B.U.S. Group AB and subsidiaries and to replace the finance leases held by the subsidiary Befesa Zinc Aser, S.A.

The amount granted consisted of two tranches:

- Tranche A amounting to EUR 335,500 thousand to finance the acquisition of the shares of the B.U.S. Group AB, refinance and repay the existing debt of the B.U.S. Group or the Zinc Aser Subgroup and finance hedging costs (see Note 18). The term of this tranche is set at 7 years, with partial annual repayments of a variable percentage of between 1.3% and 35% of the principal, EUR 44,622 thousand having been transferred to short term.
- Tranche B amounting to EUR 20,000 thousand to finance working capital requirements. The term of this tranche is set at less than 5 years or maturity on the date on which tranche A is repaid in full. No amount had been drawn down at 31 December 2009.

The amount drawn at 31 December 2009 under the tranches described above totalled EUR 229 million (EUR 270 thousand at 31 December 2008).

The interest rate is Euribor plus a market margin. In order to hedge the risk of interest rate fluctuations, the Group has arranged derivatives with a bank relating to an interest rate cap on 75% of the amount drawn under this loan and for the entire term of the transaction. This hedge was arranged on 13 November 2006 for a nominal amount of EUR 251.6 million and the rate of interest established on the derivative varies each year, with an annual limit of 4.16% over its term (see Note 18).

There are certain cases in which early repayment would be required, including the failure to achieve certain ratios relating to solvency levels (Net debt/EBITDA), (EBITDA/Net interest) or (Cash flow to debt service/total debt service). The shares of Befesa Zinc, S.L. are securing this loan. Also, Befesa Zinc Aser, S.A. and Befesa Zinc Comercial, S.A. are the joint guarantors.

In relation to compliance with said ratios, on 21 December 2009 Befesa received a bank notification accepting an increase in the ratios to be met at 31 December 2009. Considering this new situation, Befesa is complying with the conditions stipulated in the financing agreement.

On 31 July 2005, the subsidiary Aguas de Skikda, Spa entered into a dollar-denominated financing agreement in the amount of USD 109 million with Banque Nationale d'Algérie. The amount drawn under this agreement, relating to the financing of the construction of a desalination plant in Algeria, was EUR 75 million at 31 December 2009 (EUR 72 million at 31 December 2008).

This financing agreement includes a financial covenant, based on an annual debt service coverage ratio, which at year-end had been properly complied with. The interest rate is established at a fixed rate of 3.75% per year.

On 3 November 2008, the subsidiary Myah Bahr Honaine, Spa entered into a dollar-denominated financing agreement with Crédit Populaire d'Algérie in the amount of USD 233 million (100%, Befesa's interest is 50%). At year-end 2009, the company had drawn only EUR 121 million (Befesa's share of which was EUR 60 million).

This financing agreement includes a financial covenant, based on an annual debt service coverage ratio. At 31 December 2009 this covenant was not applicable under the contract, which stipulates that the ratio must be met throughout the loan repayment period, beginning once construction is completed. The interest rate is established at a fixed rate of 3.75% per year.

On 18 November 2008, the subsidiary Shariket Tenes Limiyah, Spa entered into a dollar-denominated financing agreement with Crédit Populaire d'Algérie in the amount of USD 185 million. At year-end 2009 the company had drawn only EUR 74 million.

This financing agreement includes a financial covenant, based on an annual debt service coverage ratio, which at 31 December 2009 was not applicable under the contract, which stipulates that the ratio must be met throughout the loan repayment period, beginning once construction is completed. The interest rate is established at a fixed rate of 3.75% per year.

A project finance agreement in the amount of EUR 24 million has been signed with Commerzbank. The purpose of the agreement is to finance the acquisition of the three production plants in Germany specialized in the treatment and recycling of salt slag (Note 2). At 31 December Befesa had drawn the full amount of the loan. The agreement contains covenants requiring Befesa to hold an ownership interest of more than 50% and to enter into an interest rate hedge for the nominal amount of the loan with the financial institution that is a signatory to the agreement. All the conditions stipulated in the contract were being met at the end of 2009. The interest rate applicable to the loan is six-month Euribor plus a market spread.

The repayment schedule for the non-current loans is as follows:

	Thousands of euros	
	2009	2008
2010	-	53,218
2011	75,162	60,302
2012	48,029	33,000
2013	149,644	129,973
2014	32,429	31,000
Subsequent years	154,649	36,656
Total	459,913	344,149

The carrying amount of the Group's without recourse financing is denominated in the following currencies:

	Thousands of euros	
	2009	2008
Euro	296,434	314,061
U.S. dollar	208,883	71,675
Chilean peso	3,605	2,911
	508,922	388,647

The carrying amount of the without recourse financing is not materially different from its fair value, having been arranged at market rates.

16. Bank borrowings

The detail of "Bank borrowings" in the accompanying consolidated balance sheet is as follows:

	Thousands of euros			
	2009		2008	
	Non-current maturity	Current maturity	Non-current maturity	Current maturity
Loans and credit facilities from financial institutions	11,436	19,282	9,197	12,201
Unmatured accrued interest	-	48	-	131
Obligations under finance leases (Note 9)	1,919	583	1,907	613
Total	13,355	19,913	11,104	12,945

All the loans and credit facilities bear interest at market rates, tied mainly to Euribor plus a spread.

The repayment schedule for the non-current loans is as follows:

	Thousands of euros	
	2009	2008
2010		1,414
2011	1,980	1,417
2012	1,824	1,495
2013	1,710	1,491
2014	1,746	1,490
Subsequent years	6,095	3,797
Total	13,355	11,104

The carrying amount of current borrowings approximates their fair value, given that the amounts owed bear interest at market rates.

At the end of 2009 Befesa had unused credit lines totalling EUR 3,304 thousand (2008: EUR 4,402 thousand).

17. Other current and non-current payables

The detail of "Non-current liabilities - Other non-current liabilities" and "Current liabilities - Other payables" in the accompanying consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of euros			
	2009		2008	
	Non-current maturity	Current maturity	Non-current maturity	Current maturity
Fixed asset suppliers (Note 9)	-	2,285	-	1,555
Derivative financial instruments (Note 18)	19,000	14,702	364	-
Payable to related parties (Note 27)	80,982	-	54,173	-
Tax receivables (Note 21)	-	36,490	-	48,714
Accrued wages and salaries	-	5,678	-	4,735
Other	13,933	12,523	2,533	12,527
	113,915	71,678	57,070	67,531

“Other” includes capital grants that have not yet been transferred to income.

18. Derivative financial instruments

Befesa 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 represent the valuation of derivatives in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Cash flow hedges – current assets (Note 11.c):		
Zinc futures contract	-	42,281
Aluminium futures contract	-	7,638
Exchange rate cap	391	-
Interest rate cap (Note 15)	15	-
	406	49,919
Cash flow hedges – non-current assets (Note 11):		
Zinc futures contract	-	78,029
Aluminium futures contract	-	3,255
Interest rate cap (Note 15)	689	154
	689	81,438
Total assets	1,095	131,357
Cash flow hedges – current liabilities (Note 17):		
Zinc futures contract	14,690	-
Aluminium futures contract	12	-
	14,702	-
Cash flow hedges – non-current liabilities (Note 17):		
Zinc futures contract	19,000	-
Interest rate cap	-	364
	19,000	364
Total liabilities	33,702	364

The detail of tonnes hedged and the maturity of the related contracts at 31 December 2009 and 2008 is as follows:

	Tonnes			
	31 December 2009		31 December 2008	
	2010	2011 and subsequent years	2009	2010 and subsequent years
Hedge (in tonnes)				
Zinc futures contract	60,892	70,026	60,866	130,918
Aluminium futures contract	3,085	-	7,445	3,480
Total	63,977	70,026	68,311	134,398

These derivatives are designated to hedge highly probable forecast transactions (sales) and no ineffective portion was detected in the effectiveness tests, the full effect of the hedge being recognised in equity, net of tax effect. The portion transferred to income each year is recorded in revenue at each settlement date.

19. Long-term provisions

The composition of “Long-term provisions” on the liability side of the accompanying consolidated balance sheet and the changes therein in 2009 and 2008 are as follows:

	Provisions for litigation, pensions and similar obligations	Other provisions for contingencies and expenses	Total long-term provisions
Balance at 31 December 2007	1,829	24,814	26,643
Period provisions charged to income	1,121	18,138	19,259
Transfers	1,596	(1,596)	-
Provisions used	(869)	(319)	(1,188)
Balance at 31 December 2008	3,677	41,037	44,714
Period provisions charged to income	482	1,791	2,273
Provisions used	(60)	(391)	(451)
Balance at 31 December 2009	4,099	42,437	46,536

2009

In 2009 there were no material changes in long-term provisions.

2008

In 2008 a provision of approximately EUR 3,000 thousand was recognised to cover the estimated dismantling and restoration costs relating to the land on which the subsidiary Befesa Desulfuración, S.A. currently operates (see Note 9).

Also, “Other Provisions” includes the provisions made by the subsidiary Befesa Gestión de Residuos Industriales, S.L. for the expenses arising from the sealing and closure of its waste safety tanks, amounting to approximately EUR 7,134 thousand and EUR 7,345 thousand, respectively, at 31 December 2009 and 2008 (see Note 2.11).

In addition, the Befesa Group has recognised provisions under “Other provisions for contingencies and expenses” to meet liabilities, whether legal or constructive, probable or certain, arising from contingencies, litigation 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 (see Note 24).

20. Deferred taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority. At 31 December 2009 no deferred taxes have been offset.

Befesa recognises deferred tax assets, tax loss carryforwards and unused tax credits and tax relief to the extent that their future realisation or utilisation is sufficiently assured.

The detail of the balances of “Deferred tax assets” and “Deferred tax liabilities” in the accompanying consolidated balance sheets for 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Non-current deferred tax assets arising from (Note 21)-		
Tax loss carryforwards and tax credits and relief	71,889	60,975
Measurement of derivative financial instruments (Note 18)	10,063	-
Write-down of recognised assets and provisions	5,472	6,920
Other deferred tax assets	4,972	240
	92,396	68,135
Non-current deferred tax liabilities arising from (Note 21)-		
Asset revaluation	4,135	4,135
Measurement of derivative financial instruments	142	26,516
Deferred tax liability arising from the tax deductibility of goodwill (Note 2.2)	1,309	-
Other deferred tax liabilities	19,216	10,674
	24,802	41,325

The movements in the most significant deferred tax items in 2009, additional to those resulting from the measurement of the derivatives already detailed in Note 14.b, are as follows;

- Recognition of tax relief for exporting activities in 2009 in the amount of approximately EUR 1.5 million.
- Use of tax loss carryforwards in the amount of approximately EUR 1 million.
- Generation during the year of tax loss carryforwards in the amount of approximately EUR 6 million.
- Classification as “Other deferred tax assets” or “Other deferred tax liabilities” of balances that at 31 December 2008 were classified as current in the amount of approximately EUR 4 million.
- Recognition of the deferred tax liability in the amount of EUR 8.4 million arising from the business combination described in Note 2.2.

21. Tax receivables and payables

Current assets

The detail of “Current assets – Tax receivables” and “Current liabilities – Tax payables” on the asset and liability sides, respectively, of the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	2009		2008	
	Receivable (Note 13)	Payable (Note 17)	Receivable (Note 13)	Payable (Note 17)
VAT	23,612	2,879	27,665	19,809
Deferred income tax	-	6,055	1,357	21,275
Tax withholdings and prepayments	2,888	10,561	2,653	2,710
Income tax payable	2,906	13,991	2,088	1,082
Social Security taxes	84	2,310	67	2,831
Other	5,648	694	5,026	1,007
Total	35,138	36,490	38,856	48,714

“Tax payables” on the liability side of the accompanying consolidated balance sheet includes the liability relating to the various applicable taxes, basically VAT and the provision for income tax relating to the profit for each year, mainly net of tax withholdings and prepayments made each year.

On 22 March 2005, the Biscay tax authorities assigned the group of companies headed by Proyectos de Inversiones Medioambientales, S.L. the tax number 13/05/B for the purpose of application of the tax consolidation regime regulated by Chapter IX, Title VIII of Provincial Law 3/1996, of 26 June, on Corporate Income Tax in the Historical Territory of Biscay.

In this respect, on 19 December 2007 the Parent notified the Biscay tax authorities of changes to the Tax Group with respect to 2007 and the definitive composition of the Tax Group in 2008:

The following companies remained within the Tax Group: Proyectos de Inversiones Medioambientales, S.L., the parent of the abovementioned Tax Group number 13/05/B, and the subsidiaries Befesa Medio Ambiente, S.A., MRH Residuos Metálicos, S.L., Befesa Zinc, S.L., Befesa Zinc Comercial, S.A., Befesa Zinc Aser, S.A., Alianza Mediambiental, S.L., Befesa Desulfuración, S.A. and Acoleg Químicos, S.L.

The following companies were excluded from the Tax Group: Befesa Aluminio Bilbao, S.L., as the ownership interest of the Tax Group’s parent in this company had decreased from 100% to 60% following the transfer of this interest from the previous shareholder, MRH Residuos Metálicos, S.L., to the newly created company Befesa Reciclaje de Residuos de Aluminio, S.L.

The following companies were included in the Tax Group: Befesa Zinc Amorebieta, S.L., Befesa Zinc Sondika, S.L. and Befesa Steel R&D, S.L., a company formed in 2008.

During 2009 the Biscay tax authorities assigned the companies Befesa Reciclaje de Residuos de Aluminio, S.L. and Befesa Aluminio, S.L. (Note 2.2) the tax number 00109BSC for the purpose of application of the tax consolidation regime regulated by Chapter IX, Title VIII of Provincial Law 3/1996, of 26 June, on Corporate Income Tax in the Historical Territory of Biscay.

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

The Group companies subject to the provincial laws of the Historical Territory of Biscay and the laws of Spain, including the companies belonging to the Tax Group, generally have the following years open for review by the tax authorities, generally because the statutory limitation period has not yet expired: 2005 onwards for income tax and the last four years for the main taxes and tax obligations applicable to said companies under applicable legislation.

The difference between the tax charge allocated to each year and the tax payable for such year, which is presented in “Deferred tax assets” and “Deferred tax liabilities” on the asset and liability sides, respectively, of the consolidated balance sheets at 31 December 2009 and 2008, arose as a result of the following noteworthy circumstances:

- Temporary differences arising from the difference between the carrying amount of certain assets and liabilities and their tax base. The main differences arose from the measurement of assets and liabilities arising from the valuation 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 taken 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 law for at least the tax-deductible amount, calculated on the basis of the original acquisition cost (Note 14.c)

- The different timing for accounting and tax purposes of the recognition of certain provisions and/or impairment losses.

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

In calculating the income tax expense for 2009 taking account of the different laws and regulations applicable, the various income tax rates in force (28% - 30% for the Spanish companies) have been applied to the profit or loss before tax, adjusted by the amount of any permanent differences and reduced by the amount of any unrecognised tax losses of companies not included in the Tax Group that have been used.

Fully consolidated foreign subsidiaries calculate the income tax expense and the amounts payable for the various taxes applicable to them in accordance with the legislation and using the tax rates in force in their respective countries.

The calculation of income tax expense based on accounting profit for the year is as follows:

	Thousands of euros	
	2009	2008
Consolidated profit before tax	53,633	83,525
Non-deductible expenses and exempt income:		
- Of the individual companies	(9,999)	(31,742)
- Consolidation adjustments	-	28,314
Adjusted accounting profit (*)	43,634	80,097
Gross tax calculated at the tax rate applicable in each country	22,419	24,029
Recognition of unused tax credits and tax relief and tax loss carryforwards, net of provisions	(9,030)	(3,248)
Income tax expense	13,389	20,781

(*) This amount is net of losses that generated tax loss carryforwards in the year.

On 31 January 2008, Befesa Desulfuración, S.A. disposed of the property on which its production facilities were situated for a selling price of EUR 44,940 thousand. In accordance with the conditions agreed on in the public deed of sale, the company must dismantle the desulphurization plant and restore the land prior to its delivery. As a result of the foregoing, the company availed itself of a tax exemption benefit for the reinvestment of extraordinary gains of EUR 28,462 thousand relating to the net gain on the dismantling and restoration costs that will have to be incurred prior to the effective delivery of the property. The aforementioned tax benefit is subject to any of the companies forming part of Tax Group 13/05/B reinvesting the proceeds of the sale in qualifying assets in the period between one year prior to the date on which the property is delivered or made available and the three years following that date. Group management considers that the reinvestment requirements will be met by the deadline and in accordance with the conditions established by current legislation.

In the projected tax return for 2008, Management used tax credits for double taxation and other tax credits recognised in previous years totalling approximately EUR 2,794 thousand.

In the projected tax return for 2009, Management used tax credits not recognised in previous years totalling EUR 2,186 thousand.

Of the tax assets recorded in previous years, EUR 13,000 thousand relate to the tax credit arising from the capital increase of EUR 65,000 thousand at the investee Alianza Medioambiental, S.L. This company was formed for an indefinite period of time on 26 January 2000. Its company object is the promotion or fostering of companies through temporary ownership interests in their share capital under the terms and conditions established in Article 60 of Provincial Law 3/1996, of 26 June, on Corporate Income Tax in the Historic Territory of Biscay. In accordance with said Article 60 of Provincial Law 3/1996, per the wording in force in 2004, taxpayers may deduct from their net tax payable 20% of the amount of the monetary contributions to the equity of private equity companies.

Additionally, in 2008 the subsidiary Befesa Zinc, S.L. claimed tax credits for export activities of EUR 11,951 thousand relating mainly to part of the investment made in previous years in the acquisition of the BUS Group through the direct acquisition of all the share capital of BUS Group AB, to the extent that there is a direct relationship between the aforementioned investment and the export activities of the Befesa Group companies. Also, the Befesa Aluminio subgroup claimed tax credits for export activities in previous years totalling EUR 5,265 thousand. In 2009 and 2008 the subsidiary Befesa Agua, S.A. claimed tax credits for export activities of EUR 1,048 thousand and EUR 2,120 thousand, relating mainly to part of the investments made in 2009 and previous years in the incorporation of non-resident companies (see Note 2.10).

At 31 December 2009 there were EUR 11,066 thousand of tax credits for other deductions from tax payable, additional to those already mentioned.

The unused tax losses recognised at 31 December 2009 amount to EUR 17,758 thousand, of which EUR 6,844 thousand were generated in 2009. At 31 December 2009 and 2008, there were no unrecognised tax losses of any material amount. In accordance with the legislation in force since 1 January 2002, after the amendment introduced by Law 24/2002, of 27 December, tax losses can be offset against the taxable profits of the tax periods ending in the following 15 years. With regard to the companies subject to the laws and regulations of the Historic Territory of Biscay, Provincial Law 7/2008, of 10 December, of the Historic Territory of Biscay abolished generally the 15-year time limit for the offset of tax losses and the application of unused tax credits existing at the beginning of the first tax period commencing on or after 1 January 2009. The tax losses generated under said provincial law were non-material.

The directors of the various Group companies and of the Parent consider that the tax assets recognised as described will be offset in the income tax returns of the various Group companies taken individually or of the companies that make up the Tax Group, as appropriate, within the applicable deadlines and limits.

The applicable law for the payment of corporate income tax for 2009 in the Historic Territory of Biscay is Provincial Law 3/1996 of 26 June, as amended by Provincial Law 6/2007 of 27 March, which is in force, although various appeals have been filed against it.

The Directors of the companies that make up Befesa have calculated the amounts corresponding to this tax for 2009, and for the years they have open to inspection in accordance with the provincial laws and regulations in force at the end of each year, and consider that the final outcome of the various legal proceedings and appeals filed in this respect will not have a significant impact on the financial statements taken as a whole.

22. Guarantee commitments to third parties

At 31 December 2009 and 2008, several Befesa Group companies had provided guarantees totalling approximately EUR 245.0 million and EUR 359.9 million, respectively, of which approximately EUR 162 million and EUR 191 million had been required upon the award of construction contracts, as is standard practice in the industry in which the subsidiaries composing the Befesa Agua subgroup operate, and as guarantees provided to customers, banks, government agencies and other third parties to secure these companies' transactions.

On 20 July 2005, 29 June 2006 and 24 July 2008, Abengoa, S.A. arranged three long-term syndicated loans of EUR 600 million each. In these transactions, Befesa Medio Ambiente, S.A. and certain Befesa Group companies provided a personal guarantee for the obligations assumed by Abengoa, S.A. The guarantee provided by Befesa applies exclusively to the amount of each loan drawn down in excess of the first EUR 280 million, up to the limit of EUR 600 million and, therefore, is limited to a maximum of EUR 320 million. The purpose of these loans is to finance investments in projects and companies that will make it possible to expand the operations and lines of business of Abengoa as a group.

In addition, Befesa has granted a personal guarantee for the obligations of Abengoa, S.A. arising from the issue of bonds on 1 December 2009, maturing on 25 February 2015, in the amount of EUR 300 million euros.

Also, Befesa Medio Ambiente has provided a personal guarantee for Abengoa in a financing agreement that it entered into with Instituto de Crédito Oficial (ICO) for an amount of EUR 150 million and in a financing agreement that it entered into with the European Investment Bank for an amount of EUR 49 million.

All of these guarantees are additional to those described in Note 15.

23. Income and expenses

a) Other operating income

	Thousands of euros	
	2009	2008
In-house work on non-current assets	5,999	10,036
Grant income	4,146	1,207
Income from services rendered and other operating income (Notes 2.2 and 9)	49,040	49,288
Excess of provisions for contingencies and expenses	736	-
	59,921	60,531

b) Procurements

The detail of "Procurements" in the consolidated income statements for 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Purchases of raw materials and other supplies	196,711	330,071
Change in goods held for resale, raw materials and other inventories	3,081	748
Other external expenses	187,273	193,259
Total	387,065	524,078

c) Staff costs

The detail of "Staff costs" in the consolidated income statements for 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Wages and salaries	88,465	84,417
Employer social security costs	20,039	19,199
Other employee benefit costs	1,045	1,231
Total	109,549	104,847

The average number of employees at the Group in 2009 and 2008, by professional category, was as follows:

	Average number of employees	
	2009	2008
Management	114	91
Graduates and other line personnel	751	564
Clerical staff	453	394
Operatives and first class professionals	1,363	1,214
Total	2,681	2,263

Of the Group's average headcount in 2009, 1,134 had temporary employment contracts (2008: 870 employees).

The number of employees by gender at the end of each year was as follows:

	2009		2008	
	Men	Women	Men	Women
Management	111	13	89	6
Graduates and other line personnel	606	214	487	135
Clerical staff	196	237	191	228
Operatives and first class professionals	1,387	69	1,196	30
Total	2,300	533	1,963	399

The Board of Directors of the Parent is made up of 8 men and 2 women.

d) Finance costs

The detail of "Finance costs" in the consolidated income statements for 2009 and 2008 is as follows:

	Thousands of euros	
	2009	2008
Interest expense	23,374	34,284
Other finance costs	12,723	4,126
Impairment losses	2,170	989
Total	38,267	39,399

24. Risks

Befesa has contingent liabilities for litigation arising in the normal course of business, which are not expected to give rise to material liabilities other than those already provided for (Note 19).

In particular, the contract between the unincorporated joint venture Riesgos del Guadalquivir, in which Befesa has a 99% ownership interest, and the Marismas del Guadalquivir Irrigation Community has been terminated by the Irrigation Community, which alleges certain contract violations and claims EUR 26.5 million from Riesgos del Guadalquivir, in addition to the EUR 23.3 million that have not yet been paid under said contract.

In the opinion of Befesa and its legal advisers the contract termination and the claims filed cannot succeed, given that the alleged grounds have no substance and are not consistent either with the contract or with applicable law. Consequently, on 11 February 2010 Riesgos del Guadalquivir filed a counterclaim for EUR 30.9 million in the Court of First Instance against the termination notified by the Irrigation Community.

The Mexican subsidiary Sistemas de Desarrollo Sustentable, S.A. de C.V. holds tangible assets in the amount of EUR 16 million (based on Befesa's share of ownership) in a leachate plant the start-up and operation of which has been halted by the local authorities. The group has started an arbitration procedure at ICSID in Washington, under the Agreement on reciprocal protection of investments between Spain and Mexico, to claim compensation for the damages resulting from the plant closure, estimated at EUR 31 million but not yet definitively determined. In the opinion of Befesa's legal advisers, there is good reason to expect a decision favourable to the company's interests.

25. Board of Directors

a) Remuneration and other benefits of directors

In 2009 and 2008 the members of the Board of Directors of the Parent earned approximately EUR 1,236 thousand and EUR 1,254 thousand, respectively, of salaries and attendance fees for discharging their duties at the various Group companies.

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 directors.

The Parent did not have any pension or guarantee obligations to its former or current directors.

b) Detail of the investments in companies engaged in similar activities and of the performance by the directors, as independent professionals or as employees, of similar activities

Since 19 July 2003, the date of entry into force of Law 26/2003, which amended Spanish Securities Market Law 24/1988, of 28 July, and the Consolidated Spanish Companies Law, in order to reinforce the transparency of corporations, the former and current members of the Board of Directors have not owned any investments in the share capital of companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of the Parent. Also, they have not performed and are not currently performing any activity, as independent professionals or as employees, at companies other than those in the Group to which Befesa Medio Ambiente, S.A. belongs, which is identical, similar or complementary to the activity that constitutes the corporate purpose of Befesa Medio Ambiente, S.A., except for those performed at the Group companies.

The posts held by the directors in the different companies of the Befesa Group are listed below.

Name or company name of the Director	Name of Group entity	Position
Javier Molina	ASA Environment & Energy Holding AG	Chairman
	Acolec Químicos, S.L.U.	Chairman
	Alianza Medio Ambiental, S.L.	Chairman
	Befesa Agua, S.A.U.	Chairman
	Befesa Aluminio, S.L.U.	Chairman
	MRH Residuos Metálicos, S.L.	Chairman
	Proyectos de Inversiones Medioambientales, S.L.	Chairman
	Befesa Gestión de Residuos Industriales, S.L.	Chairman
	Befesa Medio Ambiente, S.A.	Chairman
	Befesa Reciclaje de Residuos de Aluminio, S.L.	Chairman
	Befesa Servicios Corporativos, S.A.U.	Chairman
	Befesa Zinc Gravelines, S.A.S. (France)	Chairman
	Befesa Desulfuración, S.A.	Director
	B.U.S Group AB (Sweden)	Director
	Befesa Steel R&D, S.L.U.	Director
	Befesa Zinc Amorebieta, S.A.U.	Director
	Befesa Zinc Aser, S.A.U.	Director
	Befesa Zinc Comercial, S.A.U.	Director
	Befesa Zinc Sondika, S.A.U.	Director
	Befesa Zinc Sur, S.L.U.	Director
Befesa Zinc, S.L.U.	Director	

Name or company name of the Director	Name of Group entity	Position
Manuel Barrenechea Guimón	Befesa Desulfuración, S.A.	Chairman
	Befesa Medio Ambiente, S.A.	Vice-Chairman

	Alianza Medio Ambiental, S.L.	Director
	Befesa Servicios Corporativos, S.A.U.	Director
	Proyectos de Inversiones Medioambientales, S.L.	Director
Antonio Marín Hita	Befesa Agua, S.A.U.	Director
	Acoleg Químicos, S.L.U.	Director
	Alianza Medio Ambiental, S.L.	Director
	B.U.S Group AB (Sweden)	Director
	Befesa Aluminio, S.L.U.	Director
	Befesa Gestión de Residuos Industriales, S.L.	Director
	Befesa Medio Ambiente, S.A.	Director
	Befesa Reciclaje de Residuos de Aluminio, S.L.	Director
	Befesa Servicios Corporativos, S.A.U.	Director
	Befesa Steel R&D, S.L.U.	Director
	Befesa Zinc Amorebieta, S.A.U.	Director
	Befesa Zinc Aser, S.A.U.	Director
	Befesa Zinc Comercial, S.A.U.	Director
	Befesa Zinc Sondika, S.A.U.	Director
	Befesa Zinc Sur, S.L.U.	Director
	Befesa Zinc, S.L.U.	Director
	MRH Residuos Metálicos, S.L.	Director

On the other hand, according to the notifications of significant equity investments sent to the CNMV and to the register of significant investments kept by the Company pursuant to the Internal Code of Conduct in relation to the Securities Market, the percentages of ownership by the directors of the share capital of the Parent at 31 December 2009 and 2008 were as follows (see Note 14):

2009	Thousands of euros		
	Direct	Indirect	Total
Javier Molina Montes	0.1020	-	0.1020
Manuel Barrenechea Guimón	0.0037	-	0.0037
Manuel Blanco Losada	0.0030	-	0.0030
Mercedes Sundheim Losada	0.0004	-	0.0004
Rafael Escuredo Rodríguez	0.0004	-	0.0004

2008	Thousands of euros		
	Direct	Indirect	Total
Javier Molina Montes	0.1020	-	0.1020
Manuel Blanco Losada	0.0030	-	0.0030
Rafael Escuredo Rodríguez	0.0004	-	0.0004

26. Remuneration of senior executives

The annual remuneration (mainly salaries and social security) of the General Managers of the Parent and people who perform similar functions –excluding those who were simultaneously directors (whose remuneration is explained above)– in 2009 and 2008 amounted to EUR 1,889 thousand and EUR 1,816 thousand, respectively.

The Group companies do not have any pension or complementary retirement benefit obligations to their senior executives.

Incentives to executives and other matters

In 2009 and 2008 there were no other transactions with executives outside the normal course of business.

In 2007 an incentive scheme was introduced for 47 executives which consists of special variable remuneration accruing over five years (between 2007 and 2011) with percentages vesting each year subject to the achievement, on a personal level, of the targets established in Befesa's Strategic Plan and to their remaining at the Group during this five-year period, among other conditions. The payments that would have to be made in the event of the targets and conditions being met total EUR 11,605 thousand.

In addition, the managers of Befesa are included in a Share Purchase Plan for Executives of the whole Abengoa Group. Under this Plan, executives have access to a bank loan, guaranteed by Abengoa and free of personal liability, for the purchase at market value of Abengoa shares in issue, in accordance with the Securities Market Law, for a total amount of EUR 87 million (including costs, commissions and interest). The loan repayment date is 7 August 2011. The plan sets out certain requirements regarding individual annual goal achievement and continued service in the Group.

Based on the specific conditions of the Plan, the operation is considered a transaction with payment in shares, settled in cash based on IFRS 2, by means of which the company acquires the services provided by the executives, incurring a liability, for an amount based on the value of the shares, whose impact on these financial statements is not material.

27. 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, non-consolidated Group companies and related companies at 31 December 2009 and 2008 and of the transactions performed with them in the years then ended is as follows:

2009	Thousands of euros							
	Short term loans (Note 11.c)	Accounts receivable (Note 13)	Accounts payable	Non-current payables (Note 17)	Sales and other income	Purchases and other expenses	Finance income	Finance costs
Abengoa, S.A.	104	688	-	75,928	-	8,886	48	6,990
Abengoa México, S.A.	-	11	192	4,941	-	112	1	122
Abengoa Chile, S.A.	-	-	2,098	-	-	68	-	-
Abengoa Perú, S.A.	352	6	-	-	-	-	18	-
Abengoa Solar New Technologies	-	-	-	-	472	-	-	-
Acoleg Químicos, S.L.	-	902	1,094	-	3,756	-	-	-
Befesa Qingdao	-	570	-	-	-	-	-	-
Abener Energía, S.A.	-	915	740	-	9,014	-	-	-
Aluminio en Discos, S.A.	1,876	-	-	-	-	-	-	-
Derivados de Pinturas, S.A.	-	267	638	-	796	-	-	-
Eucoms Europea Const. Metálicas, S.A.	-	61	-	-	161	-	-	-
European Tank Clearing Company	252	126	-	-	-	-	17	-
Galdan, S.A.	2,139	-	-	-	-	-	-	-
Geida Tlencem, S.L.	180	83	536	-	-	-	10	-
Gestión Integral de Recursos Humanos, S.A.	-	3	84	-	-	1,078	-	-
Instalaciones Inabensa, S.A.	-	67	149	-	-	137	-	-
Iniciativas Medioambientales, S.A.	319	-	-	-	-	-	21	-
Proyectos de Inversiones Medioambientales, S.L. (Note 22)	241	8,951	7,821	-	-	-	-	-
Nicsa Suministros Industriales	-	457	-	-	-	-	-	-
Recytech, S.A.	-	327	1,813	-	932	3,410	-	-
Residuos Urbanos de Ceuta, S.L.	-	1,011	111	-	-	-	-	-

Simosa, S.A.	-	-	-	-	-	736	-	-
Telvent Outsourcing, S.A.	-	-	536	-	-	4,296	-	-
Zeroemissions	-	120	17	-	120	-	-	-
Other	1,470	2,756	1,814	113	693	1,073	173	897
	6,933	17,321	17,643	80,982	15,944	19,796	288	8,009

2008	Short term loans (Note 11.c)	Accounts receivable (Note 13)	Accounts payable	Non-current payables (Note 17)	Sales and other income	Purchases and other expenses	Finance income	Finance costs
Abengoa, S.A.	147	494	-	54,173	-	8,574	-	4,138
Abengoa México, S.A.	358	-	40	-	-	2,099	-	-
Abengoa Chile, S.A.	-	-	1,120	-	-	708	-	-
Abengoa Perú, S.A.	370	8	-	-	-	-	-	-
Acoleq Químicos, S.L.	-	104	350	-	142	-	-	-
Befesa Agua Tenés	-	205	-	-	-	-	-	-
Befesa Portugal, S.A.	545	-	-	-	-	-	-	-
Abener Energía, S.A.	-	1,445	567	-	5,114	-	-	-
Aluminio en Discos, S.A.	1,855	-	-	-	-	-	-	-
Agua y Gestión de Servicios Ambientales, S.A.	-	920	-	-	-	-	-	-
Ecocarburantes Españoles	-	-	-	-	103	-	-	-
Eucoms Europea Const. Metálicas, S.A.	-	-	-	-	325	-	-	-
European Tank Clearing Company	239	-	-	-	-	-	-	-
Galdan, S.A.	2,009	-	-	-	-	-	-	-
Gestión Integral de Recursos Humanos, S.A.	-	-	207	-	-	948	-	-
Instalaciones Inabensa, S.A.	-	65	101	-	813	164	-	-
Iniciativas Medioambientales, S.A.	301	-	-	-	-	-	-	-
Proyectos de Inversiones Medioambientales, S.L. (Note ___)	464	8,093	10,847	-	-	-	-	-
Meyah Bah's Honnaine	-	328	1,442	-	-	-	-	-
Nicsa Suministros Industriales	-	486	-	-	-	-	-	-
Recytech, S.A.	-	259	290	-	434	4,366	-	-
Residuos Urbanos de Ceuta, S.L.	-	805	-	-	-	-	-	-
Simosa	-	-	-	-	-	900	-	-
Sistemas de Desarrollo Sustentable, S.A. de C.V.	-	1,211	24	-	4,075	-	-	-
Telvent Outsourcing, S.A.	-	-	418	-	-	3,803	-	-
Telvent Housing, S.A.	-	17	-	-	81	-	-	-
Other	7	410	432	-	209	386	9	-
Total	6,295	14,850	15,838	54,173	11,296	21,948	9	4,138

Befesa has entered into a loan agreement with its shareholder Abengoa, S.A. (Note 14) that is intended to remain in place indefinitely and that provides ongoing financial support for Befesa's activities. This financing bears interest at a rate based on Euribor plus a market spread and the amount drawn at 31 December 2009 and 2008 was EUR 75.9 and EUR 54.2 million, respectively.

The balances and transactions of Group companies relate to sale and purchase transactions and other commercial operations.

Additionally, corporate charges for management and administration and other services provided by Abengoa, S.A. in 2009 amounted to approximately EUR 8.9 million (2008: EUR 8.6 million).

28. Environment

The Parent and the Subsidiaries maintain their production facilities appropriately, so as to meet the conditions required by the environmental legislation of the countries in which the facilities are located.

Property, plant and equipment includes investments in assets used to reduce environmental impact and protect and improve the environment. In 2008 and 2009 there were no material investments in environmental assets.

No material costs arising from environmental actions were incurred during the year.

29. Auditors' fees

The fees for audit services and other professional services provided in 2009 and 2008 to the various companies that make up Befesa and subsidiaries by the principal auditor in Spain and abroad, as well as by other firms related to the main auditor, are as follows:

	Thousands of euros	
	2009	2008
Audit services	634	900
Other audit services	-	151
Tax consultancy	43	85
Total	677	1,136

The fees for audit and other services provided by auditors other than the main auditor are as follows:

	Thousands of euros	
	2009	2008
Audit services	14	44
Tax consultancy	250	-
Total	264	44

30. Earnings per share

The basic earnings per share for 2009 and 2008 were as follows:

	Thousands of euros	
	2009	2008
Net profit (thousands of euros)	40,865	58,708
Average number of shares outstanding	27,113,479	27,113,479
Basic earnings per share (euros)	1.51	2.17

At 31 December 2009 and 2008, Befesa Medio Ambiente, S.A., the Parent of the Befesa Group, had not issued financial instruments or other contracts that entitle the holder thereof to receive ordinary shares of the Company. Consequently, the diluted earnings per share coincide with the basic earnings per share. Similarly, it did not own any treasury shares and, therefore, the number of issued shares coincides with the average number of shares outstanding.

Group and Associated Companies

Company	Location	Line of business	Percentage of ownership	Auditor	Thousands of euros (31-12-09)				
					Share capital	Reserves	Translation differences	Profit/(Losses)	Interim dividend
1. AMA Subgroup-									
Alianza Medioambiental, S.L.	Erandio (Biscay)	Holding company	100%	PricewaterhouseCoopers	39,359	49,492	-	(1,571)	-
Befesa Gestión de PCB, S.A.	Espinardo (Murcia)	Decontamination of transformers	100%	PricewaterhouseCoopers	1,211	2,183	-	479	-
Soluciones Ambientales del Norte Lmtda, S.A.(3)	Chile	Waste treatment	50%	PricewaterhouseCoopers	7	(706)	(100)	(1,172)	-
Befesa Desulfuración, S.A.	Baracaldo (Biscay)	Manufacture of sulphuric acid from waste sulphur	90%	PricewaterhouseCoopers	23,504	62,155	-	3,494	-
Befesa Plásticos, S.L.	Murcia	Plastic recycling	93.1%	PricewaterhouseCoopers	1,797	1,729	-	(1,671)	-
Befesa Gestión de Residuos Industriales, S.L.	Trápaga (Biscay)	Treatment of oils, physiochemical, safe storage, industrial and chemical cleaning	100%	PricewaterhouseCoopers	4,804	56,662	-	(3,422)	-
Befesa Argentina, S.A.	Buenos Aires (Argentina)	Incineration, inerting and safe storage	98%	PricewaterhouseCoopers	8,328	876	(7,614)	39	-
Befesa Perú, S.A. (3)	Lima (Peru)	Environmental services	50%	PricewaterhouseCoopers	638	62	59	720	(298)
Befesa México, S.A. de C.V. (3)	Mexico City (Mexico)	Environmental services	50%	PricewaterhouseCoopers	4,344	566	(486)	186	-
Befesa Brasil, S.A. (3)	Rio de Janeiro (Brazil)	Environmental services	50%	Deloitte	1,078	(1,441)	(118)	(21)	-
Befesa Chile Gest. Amb. Limitada (3)	Santiago de Chile (Chile)	Environmental services	50%	PricewaterhouseCoopers	161	2,648	(296)	50	-
Limpiezas Industriales Robotizadas S.A.	Tarragona	Industrial cleaning	100%	(2)	361	498	-	170	-
Tratamiento y Concentración de Líquidos, S.L.	Seville	Liquid waste treatment	100%	(2)	550	180	-	33	-
Residuos Industriales de la Madera de Córdoba, S.A.	Córdoba	Industrial waste management	71.02%	(2)	869	209	-	154	-
Ecología Canaria, S.A. (1)	Las Palmas (Canary Islands)	Collection, transportation, storage, treatment and elimination of industrial waste	45%	(2)	150	2,854	-	474	-
Sistemas de Desarrollo Sustentable, S.A. de C.V.(3)	Mexico City (Mexico)	Environmental services	65%	PricewaterhouseCoopers	4,436	414	(142)	(1,122)	-
Befesa Servicios, S.A.	Buenos Aires (Argentina)	Environmental services	51%	PricewaterhouseCoopers	1,255	-	(5)	97	-
2. Befesa Servicios Corporativos, S.A.	Madrid	Integral corporate management services	100%	PricewaterhouseCoopers	991	(39)	-	181	-
3. Befesa Agua Subgroup									
Befesa Agua S.A.U.	Seville	Development of hydraulic infrastructures, water treatment and integral management of the water cycle	100%	PricewaterhouseCoopers	22,189	(6,457)	-	12,046	-
Iniciativas Hidroeléctricas, S.A.	Seville	Water usage concession in Cerrato (Palencia)	50%	PricewaterhouseCoopers	2,454	(289)	-	74	-
Procesos Ecológicos, S.A.	Seville	Holding company for pig slurry treatment companies	50%	(2)	1,281	(52)	-	9	-

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Company	Location	Line of business	Percentage of ownership	Auditor	Thousands of euros (31-12-09)				
					Share capital	Reserves	Translation differences	Profit/(Losses)	Interim dividend
Procesos Ecológicos Vilches, S.A.	Seville	Pig slurry, combined heat and power	65%	PricewaterhouseCoopers	60	1,988	-	1,861	-
Agua y Gestión de Servicios Ambientales, S.A. (1)	Seville	Management of water resources and of any of the services related to those resources and to the integral water cycle in any of its phases	37.38%	Deloitte	13,500	9,780	-	2,740	-
Construcciones y Depuraciones, S.A.	Seville	Development of hydraulic infrastructures, water treatment and integral management of the water cycle	100%	PricewaterhouseCoopers	4,150	5,365	-	1,305	-
Befesa Infraestructura India, Pvt. Ltd.	Chennai (India)	Water treatment	100%	Deloitte	17	47	(41)	(3,420)	-
Geida Skikda, S.A.	Madrid	Water treatment	67%	(2)	11,310	(739)	-	(26)	-
Aguas de Skikda, Spa.	Algiers (Algeria)	Water treatment	51%	(2)	20,980	(725)	(2,004)	1,047	-
Geida Tlemcen, S.L. (3)	Madrid	Water treatment	50%	(2)	18,416	(563)	-	(265)	-
NRS Consulting Engineers, Ltd.	Harlingen (USA)	Development of hydraulic infrastructures	51%	PricewaterhouseCoopers	7	305	(20)	111	-
Waterbuild, Inc.	Harlingen (USA)	Development of hydraulic infrastructures	51%	PricewaterhouseCoopers	674	(14)	(11)	(602)	-
Befesa Agua Tenes, S.L.	Madrid	Water treatment	100%	(2)	8,863	(91)	-	(31)	-
Shariket Tenes Lilmiyah Spa	Algeria	Water treatment	51%	(2)	25,585	-	(589)	(466)	-
Myah Bahr Honaine, S.P.A. (3)	Algeria	Water treatment	51%	(2)	38,298	(967)	(4,333)	(167)	-
4. MRH, Residuos Metálicos, S.L.	Erandio (Biscay)	Holding company	100%	PricewaterhouseCoopers	15,600	(1,911)	-	(11,710)	-
5. Befesa Zinc Subgroup-									
Befesa Zinc, S.L.	Erandio (Biscay)	Holding company	100%	PricewaterhouseCoopers	25,010	67,976	-	36,480	-
Befesa Zinc Aser, S.A.	Erandio (Biscay)	Recovery of metal- and mineral-containing waste	100%	PricewaterhouseCoopers	4,260	(2,479)	-	8,614	-
Befesa Zinc Comercial, S.A.	Erandio (Biscay)	Distribution	100%	PricewaterhouseCoopers	60	66	-	8,922	-
Befesa Zinc Sondika, S.A.	Sondika (Biscay)	Recovery of metals	100%	PricewaterhouseCoopers	1,102	2,814	-	(21)	-
Befesa Zinc Amorebieta, S.A.	Amorebieta (Biscay)	Recovery of metals	100%	PricewaterhouseCoopers	180	7,256	-	529	-
Befesa Zinc Sur, S.L.	Palos de La Frontera (Huelva)	Recovery of metal- and mineral-containing waste	100%	PricewaterhouseCoopers	605	(204)	-	(2,469)	-
B.U.S. Group AB Group AB-									
B.U.S. Group AB	Sweden	Holding company	100%	PricewaterhouseCoopers	20	63,674	(175)	30,520	(29,951)
Befesa Scandust AB	Sweden	Recovery of metals	100%	PricewaterhouseCoopers	5,310	3,597	(991)	(531)	-
B.U.S. Germany GmbH	Germany	Holding company	100%	PricewaterhouseCoopers	25	56,798	-	12,984	(13,000)
Befesa Steel Services GmbH	Germany	Holding company	100%	PricewaterhouseCoopers	2,045	63,595	-	-	-
Befesa Zinc Freiberg GmbH & Co. KG	Germany	Recovery of metals	100%	PricewaterhouseCoopers	1,000	16,471	-	-	-
Befesa Zinc Duisburg GmbH	Germany	Recovery of metals	100%	PricewaterhouseCoopers	5,113	5,950	-	4,102	-
Recytech, S.A. (3)	Germany	Recovery of metals	50%	Deloitte	6,240	9,689	-	1,089	-
B.U.S. France Holding, S.A.R.L.	France	Holding company	100%	(2)	0.1	1,328	-	80	-
Befesa Valera, S.A.S.	France	Recovery of metals	100%	PricewaterhouseCoopers	5,000	7,189	-	(431)	-

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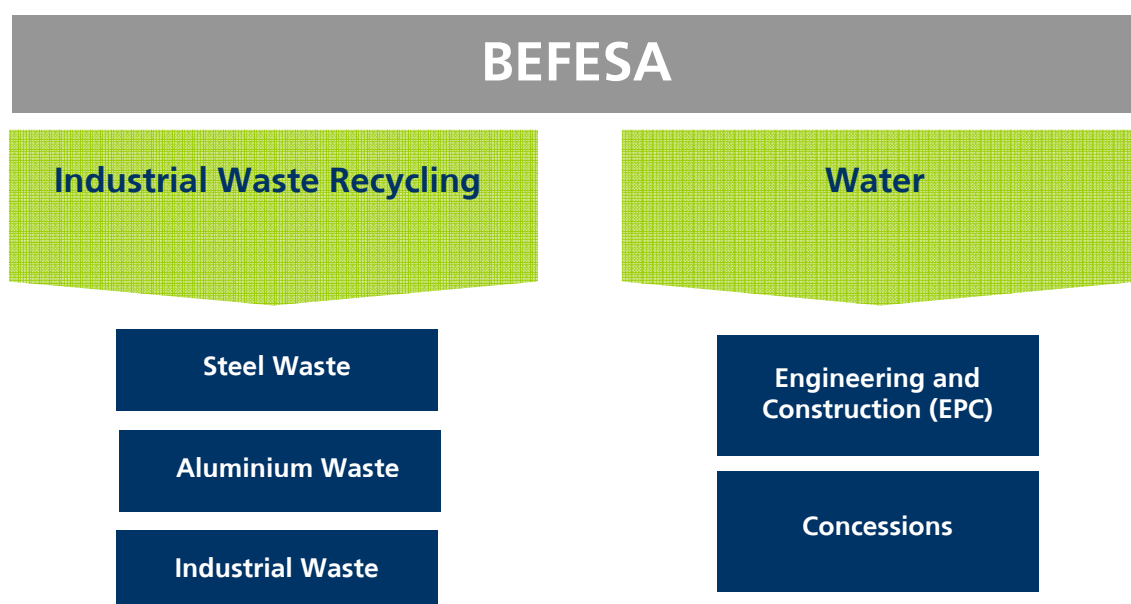
Company	Location	Line of business	Percentage of ownership	Auditor	Thousands of euros (31-12-09)				
					Share capital	Reserves	Translation differences	Profit/(Losses)	Interim dividend
6. Befesa Reciclaje de Residuos de Aluminio Subgroup-									
Befesa Reciclaje de Residuos de Aluminio S.L.	Erandio (Biscay)	Aluminium waste treatment	60%	PricewaterhouseCoopers	996	56,012	-	(2,412)	-
Befesa Aluminio, S.L.	Erandio (Biscay)	Recovery of metals	60%	PricewaterhouseCoopers	4,767	29,530	-	(3,431)	-
Befesa Escorias Salinas, S.A.	Valladolid	Aluminium waste treatment	60%	PricewaterhouseCoopers	5,523	6,362	-	444	-
Befesa Salt Slags, Ltd.	Great Britain	Recovery of metals	60%	Blueprint Audit Ltd.	21,399	(14,566)	(2,793)	769	-
Befesa Salzschlacke Süd GmbH	Germany	Aluminium waste treatment	100%	(2)	25	-	-	-	-
Befesa Salzschlacke GmbH	Germany	Aluminium waste treatment	100%	PricewaterhouseCoopers	25	6,391	-	(976)	-

- (1) Accounted for using the equity method.
(2) Companies not required to have their financial statements audited.
(3) Proportionately consolidated companies.

1. Introduction

Befesa Medio Ambiente, S.A. ("Befesa") was incorporated in September 1993 to engage in the provision of environmental services to industry and the generation and management of water and is fully focused on the sustainability of the activities that it carries on.

Befesa's current organisational structure is divided into two major business segments, organised in five main units, encompassing all the activities carried on by the Group. Befesa's structure is as follows:



The companies composing Befesa and their business activities, locations and ownership percentages are listed in the tables and the Appendix included in the financial statements.

Befesa currently carries on its business activities in practically all the Spanish autonomous communities, as well as in Germany, France, Sweden, the Ukraine, the US, Russia, the UK and Portugal. It is gradually increasing its presence in Latin America (where it already operates in Argentina, Brazil, Mexico, Peru, Chile, Uruguay, Ecuador and Nicaragua), in Africa (Algeria, Angola and Morocco) and in Asia (India and China).

Since 2000 Befesa has formed part of Abengoa, constituting its environmental services business group.

2. Business performance

The most noteworthy figures achieved by the Group in the year ended 31 December 2009 and the changes with respect to 31 December 2008 are as follows:

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Balance sheet (thousands of euros)			
Total assets	1,571,992	1,498,051	4.9 %
Net assets	375,825	434,589	-13.5 %
Net financial debt	485,566	314,805	54.2 %

Ratio			
Self-financing (%)	19.8	25.8	
Income statement (thousands of euros)			
Sales	721,819	873,448	-17.3 %
EBITDA	118,716	157,761	-24.8 %
EBITDA / Sales	16.45%	18.06%	
Profit after tax	40,244	62,744	-35.9%
Profit after tax attributable to the Parent	40,865	58,708	-30.4%

The detail of revenue by line of business and of the changes therein is as follows:

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Revenue (thousands of euros)			
Spain	350,774	427,295	-17.9%
Abroad	371,045	446,153	-16.8%
	<u>721,819</u>	<u>873,448</u>	

The detail of revenue by line of business and the changes therein is as follows:

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Revenue (thousands of euros)			
Aluminium Waste Recycling	131,992	252,360	-47.7%
Steel and Galvanisation Waste Recycling	195,819	253,570	-22.8%
Industrial Waste Management	95,534	136,874	-30.2%
Water – Engineering and Construction (EPC)	288,568	226,759	27.2%
Water – Concessions	9,906	3,885	155.0%
	<u>721,819</u>	<u>873,448</u>	

Although the markets in which Befesa operates generally continue to suffer the effects of the economic crisis, the last few months of 2009 saw a slight improvement in the main economic indicators, which is reflected in the company's results for 2009, with sales falling more moderately than in previous months.

This is reflected in the decrease in total sales, down from EUR 873.4 million in 2008 to EUR 721.8 million in 2009, a decrease of 17.4%. In terms of EBITDA the decrease was 24.7%, from EUR 157.8 million in 2008 to EUR 118.7 million in 2009. Excluding the effect of the extraordinary income arising in 2008 from the sale of the land on which the Befesa desulphurization plant was situated in the municipality of Barakaldo (Biscay), there was an increase of 0.8% in 2009, compared with EUR 117.8 million in 2008.

Nevertheless, EBITDA as a percentage of sales, excluding the extraordinary income just mentioned, improved, increasing from 13.5% in 2008 to 16.4% in 2009. This improvement in profitability clearly demonstrates the robustness of Befesa's business model, which maintains high levels of profitability despite the deterioration throughout the industry.

Analysing the two large segments into which Befesa's activity is divided, the Industrial Waste Recycling business segment experienced a 34% decline in sales compared to the same period of 2008.

By contrast, the Water business segment experienced very substantial growth in 2009, with sales up 29% compared to the same period of 2008.

In 2009 organic growth was achieved through investments in property, plant and equipment totalling approximately EUR 217 million.

The average headcount during the year was 2,681 employees, although at year-end there were 2,833 employees.

3. Outlook

Befesa engages in various activities related to the environment and has two different business units: industrial waste recycling and water. Befesa is thus highly diversified both in business activity and in geography, being present in 22 countries and on four continents.

The main principles governing the business activities carried on by Befesa, which are based on sustainable development, are still valid and will continue to be so, regardless of the global economic situation.

Befesa has a solid financial structure and efficient management systems, which, together with the characteristics of the businesses in which it operates, will allow it to face up to and be prepared for difficult and uncertain situations.

In desalination, Befesa has a significant international presence in important and strategic markets. In aluminium and steel waste recycling, Befesa hedges raw material prices, which allows it to have a long-term business outlook. In industrial waste management, the increase in regulatory and environmental pressure in the countries in which the Group operates, will allow for growth in this business area.

4. Events after the balance sheet date

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

5. Acquisition of treasury shares

During the year the Company did not own any treasury shares, either directly or through its subsidiaries, and this was also the case at year-end. Similarly, no shares of Befesa Medio Ambiente, S.A. were owned by third parties that might have been acting in their own name but on behalf of the Group companies.

On 15 April 2009, the shareholders at the Annual General Meeting of Befesa resolved to authorise the Board of Directors to derivatively acquire treasury shares, either directly or through subsidiaries or investees, up to the maximum limit provided for by current legislation, at a price ranging from a minimum of EUR 1 per share to a maximum of EUR 100 per share, within a period of eighteen (18) months from that date, subject to the provisions of Section Four, Chapter IV of the Consolidated Spanish Companies Law.

6. Research and development activities

Befesa's R&D&i strategy is orientated towards the obtainment of results and the creation of value, through the development of new technologies which contribute towards sustainable development.

Befesa's strategic R&D&i plan has the following objectives:

- ✓ To become leader and technologically competitive in the aluminium and steel waste recycling industry.
- ✓ To develop new industrial waste management technologies.
- ✓ To become leader in desalination technologies and be technologically competitive in waste water treatment and recycling.

In the aluminium waste recycling area, R&D&i activities seek to improve performance in the recovery of raw materials and waste containing aluminium, optimise recycling processes and product quality and develop new and better technologies which contribute towards sustainable development.

The R&D&i projects implemented by the steel and galvanisation waste recycling area focus on the design and construction of facilities which optimise the performance of processes and on research aimed at obtaining new uses for the materials recycled by Befesa.

The integral waste management area focuses on developing new technologies for adaptation to the ongoing changes in environmental legislation, prioritising management methods based on a hierarchy featuring reuse, recycling and recovery as opposed to disposal treatments, and diversification towards new environmental markets as well as an increase in the number of treatable waste products.

In the water area, Befesa focuses its R&D&i on optimising the energy efficiency of its desalination processes, the reuse of waste waters, minimising its costs and environmental impact, and optimising hydraulic infrastructures.

The strategic R&D&i plan at Befesa is implemented through a series of projects and initiatives in each of Befesa's business units. Currently, Befesa has a portfolio of more than 30 R&D&i projects, all at different stages of development.

All the R&D&i expenditure and projects are aimed at achieving the objectives included in the strategic plan. In 2009 Befesa's R&D&i expenditure totalled EUR 6.8 million, representing an increase of 65% with respect to the EUR 4.1 million spent in 2008.

As part of the R&D&i milestones at Befesa, worthy of mention is the opening and start-up of Befesa's R&D&i Centre, whose mission is to research into environmental technologies related to water treatment and industrial waste management, and which has all the resources required for the implementation of Befesa's R&D&i policy. It is a sustainable centre, not only because of the activity which will be carried on at the centre, but also because it will be designed and built on the basis of sustainability criteria, with no CO₂ emissions.

Another important event was the award by the Ministry of Science and Innovation of the TEcoAgua project, "Sustainable Technologies for Water Management", led by Befesa Agua, as part of the fifth call for applications under the CENIT-E Programme of subsidies for large-scale, strategic R&D projects.

The TEcoAgua project will be carried out by a consortium made up 13 companies and 22 research centres, selected on the basis of scientific excellence and seeking diversity of industrial sectors and geographical regions. It will have a total budget of EUR 28 million and a duration of four years.

The main goal of the project is to develop sustainable technologies for generating alternative water resources. To achieve this it integrates advanced technologies for natural resource recovery and waste water regeneration and reuse, as well as new desalination processes, among others. Other fundamental objectives of the project are the conservation of existing resources and the optimisation of water management from the point of view of energy efficiency, as well as the mitigation of climate change.

7. Financial risk management policies. Use of financial instruments

The activities carried on by Befesa through its four business units are exposed to various financial risks: market risk (including 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 minimise the potential adverse effects on the Group's earnings.

Befesa's risk management 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 surplus liquidity.

a) Market risk

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

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 the future commercial transactions and recognised 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 corporate level, external foreign currency hedges are designated as foreign currency risk hedges on certain assets, liabilities or future transactions.

The risk management policy at Befesa is to hedge collections or payments in currencies other than the functional currency projected over the following twelve months.

b) Credit risk

Most receivables and work in progress correspond to customers in various different 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.

In addition to the foregoing, in most contracts, the Group has the firm commitment from various banks for the acquisition, without recourse, of receivables. Under these agreements, the Group pays a fee to the banks involved 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 Befesa Group uses foreign currency hedges, currency futures and zinc and aluminium futures. The Befesa Group does not use derivative financial instruments for speculative purposes.

8. Corporate governance

a) Capital structure

At 31 December 2009, the share capital of Befesa Medio Ambiente was represented by book entries, administered by Iberclear (Sociedad de Gestión de los Sistemas de Registro, Comparación y Liquidación de Valores, S.A.), and consisted of 27,113,479 shares of EUR 3.01 par value each, all of the same class and series, i.e. the share capital amounted to EUR 81,611,571.79. All the shares are listed on the Madrid and Bilbao Stock Exchanges and have been traded on the Spanish Stock Market Interconnection System since 1 July 1998.

In December 2007, at the request of the Company, the Stock Exchange Company issued a favourable report for the change in listing from the Ibex Nuevo Mercado (New Market) segment to the Bolsa de Madrid General Index (IGBM), effective 2 January 2008, and accordingly, since that date Befesa's shares have been included on the IGBM.

In 2009 there were no significant changes in the Company's share capital.

All of the shares are ordinary, belong to a single series and carry the same rights and obligations.

b) Restrictions on the transferability of shares

The bylaws do not place any restrictions or limits on the transferability of the Company's shares.

Under Article 8 of the bylaws, the shares are freely transferable, in accordance with the applicable legislation.

c) Significant direct or indirect ownership interests in the share capital

Since the share capital is represented by book entries, there is no register of shareholders other than the notifications of significant ownership interests and the list (X-25) provided by Iberclear when each Annual General Meeting is held.

According to the information received (the list of shareholders at 14 April 2008 sent by Iberclear and the notification of significant ownership interests), the situation is as follows:

Shareholder	Number of shares held directly	Number of shares held indirectly	% of Share capital
Proyectos Inversiones Medioambientales, S.L.U	22,597,338	--	83.344%
Abengoa, S.A.	3,805,639	--	14.036%
	<u>26,402,977</u>	<u>--</u>	<u>97.380%</u>

d) Restrictions on voting rights

Under Article 7 of the Company's bylaws, all the shares confer upon the lawful holder the status of shareholder and, under Article 15, each share of the same par value carries the entitlement to one vote. There are therefore no restrictions on voting rights.

e) Side agreements

The Company is unaware of the existence of any side agreements or shareholders' agreements.

f) Rules applicable to the appointment and replacement of the members of the managing body and to the amendment of the Company's bylaws

Appointment, re-appointment and ratification

The shareholders at the General Meeting or, where appropriate, the Board of Directors, by virtue of the powers granted or the legally established limits, are responsible for appointing, re-appointing and ratifying the members of the Board of Directors. The directors appointed must meet the legally established requirements, have acknowledged solvency and possess the expertise, prestige and professional reputation required to discharge their functions.

The directors shall discharge their duties for a maximum period of four years, without prejudice to their possible renewal or re-appointment.

Cessation or removal

Under Article 12 of the Board of Directors Internal Regulations, the directors shall leave office when the period for which they were appointed elapses and in all the other cases where this is required by law, the bylaws or the aforementioned Regulations.

The directors must tender their resignation to the Board of Directors and, if the Board considers it appropriate, resign in the following cases:

- a) When they are in any of the situations of incompatibility or prohibition provided for by law.
- b) When serious penalties have been imposed on them by a public authority for having infringed any of their obligations as directors.
- c) When so requested by the Board of Directors for having failed to fulfil their obligations as directors.

Once this period ends or the directors leave office for any other reason, they may not provide services at any competitor for two years, unless the Board of Directors releases them from this obligation or reduces the time period.

g) Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.

Powers of the directors

The Chairman, in addition to the functions provided for by law and the bylaws, acts as the Company's Chief Executive Officer and as such, is responsible for the effective management of the Company, always in accordance with the decisions and criteria established by the General Meeting and the Board of Directors. The Chairman must also implement the resolutions of the managing body, which he represents permanently with the broadest possible powers.

The Chairman discharges the duties of Chief Executive Officer and has been granted the broadest powers. The measures adopted to avoid the accumulation of powers are as follows:

- In accordance with Articles 22 et seq. of the bylaws, on 18 December 2002 and 24 April 2003, the Board of Directors set up the Audit Committee and the Appointments and Remuneration Committee (now the Nomination and Remuneration Committee).
- These Committees have been granted powers inherent to the duties assigned to them by the law, by the bylaws and by their respective Internal Regulations, which may not be delegated, and which make them the controlling and supervisory bodies in their respective areas of competence.
- Currently, both Committees comprise three independent non-executive directors, and, therefore, the Chairman of each Committee is also an independent director.

- Also, on 18 December 2007, the Board of Directors, at the proposal of the Nomination and Remuneration Committee, resolved to create the figure of Coordinating Director, conferring on him the powers to call Board Meetings and to include new items on the Agenda. At that Meeting, the Board of Directors appointed Mr. Manuel Alejandro Blanco Losada to be Coordinating Director.

Powers relating to the possibility of issuing shares

At the Annual General Meeting held on 15 April 2009, in conformity with Article 153.1.b) of the Consolidated Spanish Companies Law, the shareholders ratified the authority granted to the Board of Directors at the Ordinary General Meeting held on 21 June 2005 to increase share capital, one or several times, by up to the equivalent of fifty percent (50%) of the share capital at the authorisation date, through monetary contributions, with or without a share premium, within five years from the date of the resolution adopted at the Annual General Meeting, in the manner and by the amount considered appropriate by the Board of Directors.

Similarly, in conformity with Article 159.2 of the Consolidated Spanish Companies Law, said General Meeting authorised the Board of Directors to disapply, in whole or in part, the pre-emptive subscription right relating to such increases as might be agreed upon based on the aforementioned resolution, subject to the law.

Also, in relation to the shares issued in accordance with the resolutions adopted, the General Meeting authorised the Board of Directors, whenever it should deem it appropriate, to apply for and arrange with the Spanish National Securities Market Commission, the stock exchange governing company and with the mediation of any securities company or broker, the admission to listing of the aforementioned shares on any stock exchange, complying with such requirements as might be provided for by current legislation.

To date the Board of Directors has not used the aforementioned authority.

Powers relating to the possibility of repurchasing shares

On 15 April 2009, the shareholders at the Annual General Meeting resolved to authorise the Board of Directors to derivatively acquire treasury shares, either directly or through subsidiaries or investees, up to the maximum limit provided for by current legislation, at a price ranging from a minimum of EUR 1 per share to a maximum of EUR 100 per share, within a period of eighteen (18) months from that date, subject to the provisions of Section Four, Chapter IV of the Consolidated Spanish Companies Law.

The Board of Directors has not yet made use of the aforementioned authorisation.

Amendment of the Company's bylaws

The procedure for amending the corporate bylaws is regulated by Article 144 of the Spanish Companies Law, and the change must be approved by the shareholders at a General Meeting.

Under Article 13 of the bylaws, in order for the shareholders at an Annual or Extraordinary General Meeting to be able to validly resolve to amend the bylaws, shareholders holding at least 50% of the subscribed voting stock must be present or represented at first call. At second call, shareholders holding at least 25% of the voting stock must be present or represented.

h) Significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control of the Company resulting from a takeover bid.

The Company has not entered into any significant agreements that will come into force, be modified or terminate in the event of a change in control of the Company resulting from a takeover bid.

i) Agreements between the Company and its directors, management personnel or employees which provide for termination benefits when the latter resign or are dismissed without justification or if the employment relationship ends as a result of a takeover bid.

With respect to the executive directors and members of the management team of Befesa Medio Ambiente, no termination benefits exist in the event of resignation or unfair dismissal or if the employment relationship ends as a result of a takeover bid.

The employees' employment contracts do not contain a termination benefit clause in the event of the termination of their employment and, therefore, the employees shall be entitled to the termination benefits corresponding to them pursuant to Spanish labour legislation.

j) Managing bodies of the Company:

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

Chairman:	Javier Molina Montes
Deputy Chairman:	Manuel Barrenechea Guimón
Directors:	Manuel Blanco Losada Rafael Escuredo Rodríguez María José Rivero Menéndez Salvador Martos Hinojosa Jorge Guarner Muñoz Mercedes Sundheim Losada Antonio Marín Hlta
Secretary to the Board:	Alfonso Castresana Alonso de Prado

For more information, the full Annual Corporate Governance Report is attached hereto in the Appendix, which forms part of this Management Report.