Befesa Medio Ambiente, S.A. and Subsidiary companies that make up the Befesa Group (consolidated)

Consolidated abridged interim financial statements corresponding to the six months that ended on 30 June 2009

BEFESA

Consolidated balance sheets at 30 June 2009 and 31 December 2008
(Thousands of euros)

	Note	30/06/2009	31/12/2008
Assets			
Non-current assets			
Intangible assets		393,140	392,981
Goodwill	6	388,039	387,439
Other intangible assets, net		5,101	5,542
Property, plant and equipment, net	7	370,281	353,219
Property, plant and equipment in use		266,974	250,145
Property, plant and equipment in the course of construction		103,307	103,074
Investments accounted for using the equity method		11,597	11,004
Non-current financial assets	8	89,143	130,789
Investment securities		31,790	28,823
Other financial investments		57,353	101,966
Deferred tax assets		73,184	68,135
Total non-current assets		**937,345**	**956,128**
Current assets			
Inventories	9	51,806	52,081
Trade and other receivables		217,265	213,981
Trade receivables from related companies		12,007	14,850
Tax receivables		38,064	38,856
Other receivables		16,378	19,606
Other current financial assets	8	84,530	101,696
Cash and cash equivalents		110,694	100,853
Total current assets		**530,744**	**541,923**
Total assets		**1,468,089**	**1,498,051**

The attached Notes to the financial statements included on pages 1 to 19 form an integral part of these consolidated abridged interim financial statements

BEFESA

Consolidated balance sheets at 30 June 2009 and 31 December 2008
(Thousands of euros)

	Note	30/06/2009	31/12/2008
Equity			
Of the Parent Company	12	**359,237**	**386,532**
Share capital		81,612	81,612
Unrealized asset and liability revaluation reserve and measurement adjustment		55,593	98,143
Other reserves		210,456	152,574
Translation differences		(5,426)	(4,505)
Net profit for the year		17,002	58,708
Of minority interests		43,747	48,057
Total equity		**402,984**	**434,589**
Non-current liabilities			
Non-current provisions	14	42,611	44,714
Long-term without recourse financing	10	376,124	344,149
Bank borrowing	11	8,609	9,197
Payables through long-term leases	11	1,780	1,907
Other non-current liabilities	15	133,379	98,395
Total non-current liabilities		**562,503**	**498,362**
Current liabilities			
Short-term without recourse financing	10	57,376	44,498
Short-term borrowing	11	13,033	12,332
Short-term lease financing creditors	11	507	613
Trade payables to related companies		21,012	15,838
Trade and other payables		348,475	423,554
Short-term provisions		1,530	734
Other payables	15	60,669	67,531
Tax payables	15	37,662	48,714
Other current liabilities	15	23,007	18,817
Total current liabilities		**502,602**	**565,100**
Total Equity and Liabilities		**1,468,089**	**1,498,051**

The attached Notes to the financial statements included on pages 1 to 19 form an integral part of these consolidated abridged interim financial statements

BEFESA

Consolidated income statements

1) Consolidated income statements corresponding to the six-month periods that ended on 30 June 2009 and 2008 (Thousands of euros)

	Six-month period that ended on 30 June	
	2009	**2008**
Continuing operations:		
Revenue	317,230	425,871
+/- Changes in inventories of finished goods and work in progress	4,473	214
Procurement	(167,035)	(253,175)
Other operating income	9,636	47,555
Staff costs	(52,728)	(51,889)
Other operating expenses	(63,802)	(72,264)
Amortization and provisions	(16,148)	(27,299)
Profit from operations	**31,626**	**69,013**
Finance income	1,604	2,536
Financial costs	(14,187)	(19,468)
Exchange differences (gains and losses)	97	(85)
Financial loss	(12,486)	(17,017)
Result of companies accounted for using the equity method	593	660
Profit before tax	19,733	52,656
Taxes (Note 14)	(3,244)	(16,601)
Profit for the year from continuing operations	16,489	36,055
Consolidated Profit of the Year	16,489	36,055
Attributable to:		
The Parent Company	17,002	32,916
Minority interests	(513)	3,139
Earnings per share (in euros)		
Basic	0.63	1.21
Diluted	0.63	1.21

The attached Notes to the financial statements included on pages 1 to 19 form an integral part of these consolidated abridged interim financial statements

BEFESA

2) **Consolidated income statements corresponding to the six-month periods that ended on 30 June 2009 and 2008**
(Thousands of euros)

	Note	Period of 6 months that finalized on 30 June	
		2009	**2008**
Consolidated profit for the year		16,489	36,055
Income and expense recognized directly in equity			
- Cash flow hedges	12	(39,202)	60,745
- Translation differences		(921)	(1,012)
- Tax effect		12,036	(17,795)
		(11,598)	77,993
Transfers to the statement of income:			
- Cash flow hedges	12	(25,037)	(8,114)
- Tax effect		6,747	2,339
		(18,290)	(5,775)
Total recognized earnings/(expenses)		**(29,888)**	**72,218**
Attributable to the Parent Company		(26,469)	69,079
Attributable to minority interests		(3,419)	3,139

The attached Notes to the financial statements included on pages 1 to 19 form an integral part of these consolidated abridged interim financial statements

BEFESA

Consolidated cash flow statements corresponding to the six-month periods that ended on 30 June 2009 and 2008 (Thousands of euros)

	Six-month period that finalized on 30 June	
	2009	**2008**
Cash flows from operating activities:		
Profits for the year before tax	19,733	52,656
Profit adjustments		
Depreciation of property, plant and equipment	16,148	27,299
Other profit adjustments (net)	(8,375)	(39,879)
Changes in working capital	(55,057)	(110,905)
Other cash flows from operating activities		
Interest paid	(13,726)	-
Interest received	1,604	-
Cash flows from operating activities (1)	**(39,673)**	**(70,829)**
Cash flows from investment activities:		
Payments through investments:		
Group companies, associates and business units	(3,500)	(4,553)
Property plant and equipment, intangible fixed assets and investment	(50,710)	(12,221)
Other financial assets	-	(1,067)
Proceeds through disposals		
Property plant and equipment, intangible fixed assets and investment	16,226	44,807
Other financial assets		2,435
Cash flows from investment activities (II)	**(37,984)**	**29,401**
Cash flows from financing activities:		
Cash inflows and (payments) through financial liability instruments:		
Issue	87,498	86,605
Net cash flows from financing activities (III)	**87,498**	**86,605**
Net increase of Cash and cash equivalents (I + II + III)	**9,841**	**45,177**
Cash and cash equivalents of beginning of year	100,853	53,588
Cash and cash equivalents of end of period	**110,694**	**98,765**

The attached Notes to the financial statements included on pages 1 to 19 form an integral part of these consolidated abridged interim financial statements

BEFESA

Consolidated equity statements corresponding to the six-month periods that ended on 30 June 2009 and 2008
(Thousands of euros)

	Equity								
	Equity attributable to the Parent Company								
	Equity								
	Share capital (Note 12)	Share premium	Unrealized asset and liability revaluation reserve	Other reserves	Net profit for the period	Valuation adjustments to equity	Translation differences	Minority interests	Total equity
Balance at 1 January 2008	81,612	11,593	9,687	94,203	47,640	11,885	(1,083)	12,920	268,457
Total profits of the period that ended on 30 June 2008	-	-	-	-	32,916	37,175	(1,012)	3,139	72,218
Operations with equity holders or owners									
- Increases/Reductions through joint-ventures	-	-	-	-	-	-	-	22,456	22,456
Distribution of 2007 profit	-	-	671	46,969	(47,640)	-	-	-	-
Other movements	-	-	-	(667)		-	-	-	(667)
Balance at 30 June 2008	81,612	11,593	10,358	140,505	32,916	49,060	(2,095)	38,515	362,464
Balance at 1 January 2009	81,612	11,593	10,358	140,981	58,708	87,785	(4,505)	48,057	434,589
Total profits of the period that ended on 30 June 2009	-	-	-	-	17,002	(41,206)	(921)	(4,310)	(29,435)
Distribution of 2008 profit:	-	-	-	58,708	(58,708)	-	-	-	
Other movements	-	-	(1,344)	(826)	-	-	-	-	(2,170)
Balance at 30 June 2009	81,612	11,593	9,014	198,863	17,002	46,579	(5,426)	43,747	402,984

The attached Notes to the financial statements included on pages 1 to 19 form an integral part of these consolidated abridged interim financial statements

Notes to the consolidated abridged interim financial results for the six-month periods that ended on 30 June 2009 and 2008 (Thousands of euros)

1. General information

a) Incorporation of the Group and Group activities

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

The Company's purpose 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 organized markets; the promotion, participation in and management of business ventures and activities elating 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 their recycling, recovery and disposal; the prevention, treatment, control and elimination of industrial and urban emissions, effluents and waste; and the performance of studies and projects of all kinds on procedures and facilities relating to the aforementioned activities, as well as their exploitation.

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 that engages mainly in the management and treatment of industrial waste and in the provision of environmental cleaning and engineering services The Befesa Group's activities are currently structured in the following four major business units:

1. Aluminum waste recycling
2. Steel and galvanization waste recycling
3. Industrial waste management
4. Water

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 the six-month periods that ended on 30 June 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, liability 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 annual accounts for 2008.

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.

The companies in the Alianza Medioambiental, S.L. and Subsidiaries Subgroup ("AMA Subgroup"), the MRH Residuos Metálicos, S.L. and Subsidiaries Subgroup ("MRH Subgroup"), the Befesa Agua, S.A. and Subsidiaries Subgroup ("Befesa Agua Subgroup") and Befesa Servicios Corporativos, S.A. are included in consolidation.

The list of consolidated subsidiaries as well as the consolidation method used are given in the attached Appendix 1.

Certain consolidated subsidiaries, basically Befesa Desulfuración, S.A. and Procesos Ecológicos Vilches, S.A., engage in combined heat and power activities. 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.

The consolidated annual accounts of the Group for 2008 were approved by the General Meeting of Shareholders of the Company on 15 April 2009.

b) Drawing up of the interim financial statements

These consolidated abridged financial statements were drawn up by the Board of Directors of the parent Company on 25 August 2009.

2. Summary of the main accounting policies applied

Except where indicated in Notes 2.1 and 2.9 below, the accounting policies used in the presentation of these consolidated abridged interim financial statements for the six-month period ended on 30 June 2009 are the same as those used in preparation of the consolidated annual accounts for 2008. These consolidated abridged interim financial statements for the six-month period that ended on 30 June 2009 were drawn up in accordance with the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and must be read together with the consolidated annual accounts at 31 December 2008, drawn up in accordance with the EU-IFRS.

2.1 Basis of presentation

The consolidated abridged interim financial statements for the six-month period that ended on 30 June 2009 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union and approved through the European Commission Regulations and which were in force at 30 June 2009 and 2008.

The interim financial statements have been drawn up using the historic cost focus, but modified by the revaluation of financial assets available for sale and the financial assets and liabilities (including derivatives) at fair value with changes to profit and loss.

The compilation of the interim financial statements as well as the drawing-up of the consolidated annual accounts in accordance with the EU-IFRS requires the use of certain significant accounting estimates. The application of the IFRS also requires management to exercise judgment in the process of applying the Company's accounting policies. The opinions and estimates made by the management in drawing up the consolidated abridged interim financial statements at 30 June 2009 and 2008 are consistent with those made in the preparation of the consolidated annual accounts at 31 December 2008.

With the coming into force on 1 January 2009 of certain International Financial Reporting Standards (EU-IFRS), the company has proceeded to adapt its interim financial statements to these standards. The standards that have come into force are given in Note 2.9 below. The main effects on these interim financial statements refer to presentation of the consolidated comprehensive statement of income (IAS 1 revised) and to the segmented finance reporting, Note 4 which, although this has not entailed an amendment of the Company's segment, has been adjusted to the IFRS 8, re-expressing the details of the 2008 financial year (Note 2.3).

2.2 Consolidation principles

Attached Appendix I provides details of the subsidiaries included within the consolidation perimeter, as well as the consolidation methods employed.

The criteria used in the consolidation process have not changed with regard to those used in the financial year that ended on 31 December 2008.

The information used in the consolidation process is, under all circumstances, the information that corresponds to the six months to 30 June 2009 and 2008.

2.3 Financial reporting by segments

Following an analysis by the Company of the impact of IFRS 8 "Operating segments", the definition of the segment and the way in which the Group splits the financial information has not changed with regard to 2008, and so the Group continues to segment the financial reporting into four main operating segments:

- Aluminum waste recycling
- Steel and galvanization waste recycling
- Industrial waste management
- Water

2.4 Estimates

The consolidated profits and determination of consolidated equity are sensitive to the accounting principles and policies, measurement criteria and estimates followed by the Directors of the Parent Company for the drawing-up of the consolidated abridged six-monthly financial statements. The accounting principles and policies and measurement criteria are given in Note 3 of the consolidated annual accounts for 2008.

In drawing up the consolidated abridged six-monthly financial statements, estimates have been used occasionally that were made by the Senior Management of the Parent Company and the consolidated companies to quantify some of the assets, liabilities, earnings, expenses and undertakings that are recorded therein. Basically, these estimates, made in accordance with the best available information, refer to:

1. The corporate tax expense which, in accordance with IAS 34, is recognized in interim periods on the basis of the best estimate of the average weighted tax rate which the group expects for the annual period;

2. The assessment of possible losses through impairment of certain assets;

3. The useful life of property, plant and equipment, and intangible assets;

4. Measurement of goodwill;

5 The market value of certain financial instruments;

6. Calculation of provisions and/or contingent liabilities;

7. Profits from the degree of work progress.

Although the aforementioned estimates were given in accordance with the best available information on the date on which the facts were analyzed, it is possible that subsequent events may require them to be amended (upwards or downwards) at the close of 2009 or in subsequent years; if required, this would be performed in accordance with the provisions set forth in IAS 8, in a prospective manner recognizing the effects of the change of the estimate in the consolidated statement of income for the years affected.

Over the six-month period ended on 30 June 2009 there have been no significant changes to the estimates made at the close of 2008.

2.5 Seasonal nature of Group transactions

Given the activities in which the Group Companies are engaged, these transactions are not of a cyclical or seasonal nature. For this reason, there are no specific breakdowns in these notes to the consolidated abridged financial statements for the six-month period that ended on 30 June 2009.

2.6 Relative importance

In determining the information to be broken down in the report on the different captions of the financial statements and other issues, in accordance with IAS 34, the Group has taken into consideration the relative importance with regard to the consolidated abridged interim financial statements for the six-month period.

2.7 Subsequent events

There have been no subsequent events from 30 June 2009 until the date of drawing up these consolidated abridged interim financial statements.

2.8 Statements of consolidated cash flows

The following expressions with the following movements have been used in these statements of consolidated cash flows:

- Cash flows are the inflows and outflows of cash and cash equivalents
- Operation activities are the activities that make up the main source of ordinary income for the Company, as well as other activities that cannot be classed as being for investment or financing.
- Investment activities are those involving the acquisition and disposal of long-term assets, as well as other investments not included in cash and cash equivalents.
- Financing activities are those activities that produce changes in the size and composition of the company's capital and loans taken out by the company.

For the purpose of drawing up the statement of consolidated cash flows, “Cash and cash equivalents” includes cash on hand and current bank deposits, as well as short-term investments that can be easily traded into cash amounts, subject to very little risk with regard to changes in value.

2.9 New IFRS standards on IFRIC Interpretations

a) Standards, modifications and obligatory interpretations for all financial years that commence after 1 January 2009

IFRS 8, "Operating segments"

The IFRS 8 replaces the IAS 14 and brings the presentation requirements of financial information by segments into line with the American standard SFAS 131 "Disclosures about segments of an enterprise and related information". This new standard requires an entity to adopt the "management approach" to report on the financial performance of its business segments. Viz., the information to be reported by segments is presented in line with internal reporting to be prepared and given to the entity's supreme decision-taking body.

The application of this standard has not amended the number of segments to be reported and it has not been necessary to modify the way in which information is given as it is in line with the internal information prepared and supplied to the bodies that are responsible for taking decisions. Neither has it been necessary to reassign goodwill to different segments.

The comparative figures for 2008 have been re-expressed in line with this change.

IAS 1 (Revised). "Presentation of financial statements"

This revised standard requires the earnings and expenses through operations with third parties that are not shareholders, and which are booked directly in equity and which were previously shown on the statement of changes to equity, to be shown separately on the statement of income. Companies can choose to present a single statement ("Statement of comprehensive income") or two statements, one which shows the elements of the income ("Statement of income" separate) and a second statement based on the profit and which shows the elements of the other comprehensive income ("Statement of comprehensive income"), which requires. The associated tax effect to be shown for each of these, as well as the Restatements made during the year from one statement to the other, either on the main statement or in the notes. In addition, when a company re-expresses or reclassifies the comparison information, it will be obliged to present a balance sheet that is re-expressed at the beginning of the comparison period in its consolidated annual accounts, as well as the balance at the end of the current accounting period and the comparison period (viz., three balance sheets will be presented).

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

IAS 23 (Amendment), "Borrowing costs"

This standard requires companies to capitalize interest costs that are directly applicable to the acquisition, construction or production of a qualifying asset (assets that necessarily require a substantial period of time before they are ready for use or sale) as part of the cost of the asset. The option to immediately recognize these Borrowing costs as expenses over the period is removed.

This modification has no effect whatsoever for the Group given that the accounting policy followed by the Group is to capitalize these borrowing costs.

IFRS 2 (Amendment), "Share-based payments - Vesting conditions and cancellations"

This amendment clarifies the conditions required to revoke the vesting rights and also determines how to treat the non determining conditions and cancellations of agreements for share-based remuneration. With regard to the conditions required to be able to revoke, these are the vesting conditions, the conditions of service and performance. Other conditions (non determining) are not considered vesting conditions, but shall be taken into account for the purpose of calculating the fair value of assigned equity instruments. Moreover, these other conditions have no effect on the number of rights that are expected to be consolidated or on the subsequent measurement on the date of assignment. The amendment makes it clear that breach of one non-determining condition for revocability, whether by the company or by another party, shall be treated as a cancellation.

IAS 32 (Amendment) "Financial instruments: Presentation" and IAS 1 (Amendment), "Presentation of financial statements" – "Financial instruments with a sales option and obligations arising on liquidation"

These changes require certain financial instruments issued by the entity that were previously classified as liabilities, as they had characteristics similar to ordinary shares, to be classified as equity.

In this way, the puttable financial instruments and instruments (or elements of these) that oblige a company to supply a third party with a fraction of its net assets in the event of liquidation, will be classified as equity, providing that these instruments satisfy certain characteristics and comply strictly with certain conditions.

The company has no financial instruments that have been affected by this standard.

IFRS 1 (Amendment), "First time adoption of the IFRS" and IAS 27 (Amendment), "Consolidated and separate financial statements" - "Cost of an investment in a subsidiary, jointly controlled company or associate"

The amended IFRS 1 enables those adopting the IFRS for the first time to use the fair value on the date of transition to the IFRS, or the carrying value on that date in accordance with previous accounting principles, to be used as an attributed cost of the investments in subsidiaries, joint businesses or associates. The amendment also removes the cost method definition from the IAS 27, and requires dividends received from a subsidiary, jointly controlled company or associate to be recognized as earnings in the separate financial statements of the investor, even if the dividend is charged to reserves prior to acquisition. Lastly, it clears up how to determine the cost of an investment when a parent company reorganizes the operating structure of its group by setting up a new company. These amendments only affect the individual financial statements (not the consolidated ones) prepared under the EU-IFRS.

Improvements proposal (2008)

The 2008 improvements proposal published by the IASB in May 2008, affects the following standards and interpretations:

- **IAS 1 (Amendment), "Presentation of financial statements".** This change requires some, not all, financial instruments classified as held for trading, in accordance with the IAS 39 "Financial instruments. Recognition and measurement" to be examples of current assets and liabilities, respectively.

- **IAS 16 (Amendment) "Property, plant and equipment"** (and corresponding amendment of the IAS 7 "Statement of cash flows") Those entities whose core activity involves the rental and subsequent sale of assets, will present proceeds obtained from these sales as ordinary earnings, and reclassify the assets to inventories at the time when the asset becomes an asset held for sale. As a consequence, IAS 7 is amended showing that the cash flows from the purchase, rental or sale of these assets are classified as cash flows from operating activities.

- **IAS 19 (Amendment), "Employee benefits":**

  – This amendment states that the improvements of a plan that involves a change to the measure by which the promises of benefits are going to be affected by future salary increases is considered as a reduction, while those amendments that entail a change in the benefits attributable to past services give rise to a negative past services cost, provided this results in a decrease in the current value of the defined benefit obligation.

  – The definition of return on assets tied to the plan has been amended to show that the administration costs of the plan are deducted from calculation of the return on assets tied to the plan only insofar as these costs have been excluded from the measurement of the defined benefit obligation.

  – The difference between short-term and long-term benefits to employees is based on whether the payments will be settled within 12 months following the date on which the services have been provided or after this period.

  – The IAS 37 "Provisions, contingent liabilities and contingent assets" requires the contingent liabilities to be broken down, and not recognized, in the financial statements. The IAS 19 has been modified in line with this criterion.

- **IAS 20 (Amendment) "Accounting of government grants and disclosure of government assistance"** The benefit of a loan at a lower rate than the market rate which is granted by a public enterprise is measured as the difference between the carrying amount in accordance with IAS 39, "Financial instruments: Recognition and measurement" and the amount received, duly recognized in accordance with the IAS 20.

- **IAS 23 (Amendment, "Borrowing costs"** The definition of borrowing costs has been modified so that the interest is calculated in accordance with the effective interest rate defined in IAS 39 "Financial instruments: Recognition and measurement". This removes the inconsistency of terminology between the IAS 39 and the IAS 23

- **IAS 27 (Amendment), "Consolidated and independent financial statements".** In cases in which an investment in a subsidiary is booked in accordance with IAS 39, "Financial instruments: Recognition and measurement", this is classified as held for sale in accordance with the IFRS 5, "Non-current assets held for sale and discontinued operations", and shall continue to be subject to application of IAS 39.

- **IAS 28 (Amendment) "Investments in associates"** (and corresponding changes to the IAS 32 "Financial instruments: Presentation" and IFRS 7 "Financial instruments: Information to be reported") An investment in an associate is considered as a separate asset for the purposes of calculating impairment. Any loss or impairment not attributed to specific assets included as part of the investment, such as goodwill, for example. The reversals of impairment losses are recognized as an adjustment to the investment balance insofar as the recoverable amount of the investment has increased. In addition, when an investment in an associate is booked in accordance with the IAS 39, "Financial instruments: Recognition and measurement'', only certain breakdowns of the IAS 28 must be included, as well as the requirements demanded through IAS 32 and IFRS 7.

- **IAS 29 (Amendment) "Financial reporting in hyperinflationary economies".** This modifies the guidelines of the standard to show that certain assets and liabilities must be measured for their fair value instead of the historic cost.

- **IAS 31 (Amendment) "Interest in joint-ventures"** (and corresponding changes to the IAS 32 "Financial instruments: Presentation" and IFRS 7 "Financial instruments: Information to be reported") When an investment in a joint-venture is accounted for in accordance with IAS 39, "Financial instruments: Recognition and measurement" only some of the breakdowns of IAS 31 are required, along with the demands of IAS 32 and IFRS 7.

- **IAS 36 (Amendment), "Impairment of assets".** In those cases in which the fair value less the costs for sale is calculated in accordance with discounted cash flows, the value-in-use breakdowns equivalent to these calculations must be presented.

- **IAS 38 (Amendment), "Intangible assets".** An advance payment can only be recognized when it was made as an advance to obtain an access right to certain goods or services. For this reason, the costs through sending catalogues shall be accounted for the time when these become available and not when they are distributed to customers. Moreover, this change removes the wording of "on rare occasions, or perhaps on no occasion" to justify the use of a method that results in a depreciation rate that is lower than the one resulting from application of the straight-line method.

- **IAS 39 (Amendment) "Financial instruments: Recognition and measurement".**

  - This change makes it possible for there to be movements to and from the category of financial assets at fair value with changes to profit and losses in cases where a derivative begins (or ceases) its qualification as a hedge instrument on a cash flow hedge or net investment hedge.

  - The definition of financial assets or financial liability at fair value with changes to profit and loss is also modified insofar as it refers to entries held for trading. A financial asset or liability that forms part of a financial instrument portfolio managed jointly and for which there is evidence of a recent pattern of short-term profits is included in this portfolio from initial recognition.

  - The current guidelines to designate and document hedge relations lay down that a hedge instrument must involve a third party outside of the unit that is reporting the financial information and provide a segment of the entity by way of an example. This means that in order to apply a segment level hedging, it is necessary that the segment duly complies with the requirements for hedge accounting. The change removes the examples of segments, in order to make them uniform with the IFRS 8, "Operating segments" which requires reporting by segments to be based on information given to members of management that are responsible for taking decisions.

  - When a debt instrument is re-measured, once the fair value hedge is no longer on the accounts, the change makes it clear that the reviewed monetary interest rate must be used.

- **IAS 40 (Amendment) "Investment property"** (and corresponding modifications to the IAS 16, "Property, plant and equipment). The properties that are under construction or in development for future use as investment property are included within the scope of the IAS 40. Therefore, when the fair value model is used, these properties must be measured at their fair value. However, when the fair value of investment property under construction cannot be reliably determined, the property shall be measured at its cost up to the date on which construction is completed or, if this occurs beforehand, up to the date on which the fair value can be reliably determined.

- **IAS 41 (Amendment), "Agriculture".** This change requires a market discount rate to be used in those cases in which the fair value is calculated in accordance with the discounted cash flows and removes the prohibition of considering biological transformation at the time of calculating the fair value.

- **Other minor modifications of the IFRS 7, "Financial instruments: Disclosures", IAS 8, "Accounting policies, changes in accounting estimates and errors", IAS 10, "Events after the balance sheet date", IAS 18, "Revenue", IAS 20, "Accounting of government grants and disclosure of government assistance", IAS 29, "Financial reporting in hyperinflationary economies", IAS 34, "Interim financial reporting", IAS 40, "Investment property" and IAS 41, "Agriculture.**

IFRIC 13, "Customer loyalty programs"

IFRIC 13 shows that in cases in which goods or services are given together with a loyalty incentive (i.e. loyalty points or free-of-charge products), the agreement is considered as a contract with multiple elements and the amount received or to be received from the customer must be split among the components in accordance with their fair value.

IFRIC 14, "IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction"

IFRIC 14 explains the provisions concerning the measurement of IAS 19 "Employee benefits" with regard to an asset through defined benefits within the context of defined retirement benefit plans, when there is an obligation to maintain a minimum funding level. The asset through defined benefits is the excess of the fair value of the assets tied to the plan with regard to the current value of the obligation through defined benefits. It restricts measurement of the current value of any economic benefit available in the form of payments from the plan or reductions of future contributions to the plan, which may be affected through the obligation to hold a minimum level of funding.

b) Standards, modifications and interpretations that may be adopted prior to accounting periods that commenced from 1 January 2009

IFRS 3 (Revised), "Joint-ventures"

The revised IFRS 3 must be applied for all financial years that commenced after 1 July 2009. The revised standard maintains the acquisition method for joint-ventures, although it does introduce important changes. For example, all payments for acquisition of a business are recognized at their fair value on the date of acquisition, and the contingent payments are classified as liabilities and are measured on each closing date for their fair value, booking the changes to the statement of income. It introduces an accounting policy option, applicable at joint-venture level, which involves measuring the minority interest at its fair value or for the proportional amount of the net assets and liabilities of the acquired company. All of the transaction costs are carried to expenses.

The Group will apply the IFRS 3 (Revised) with a prospective effect on all joint-ventures from 1 January 2010, in accordance with its take-up by the European Union.

The new standard is not expected to have any significant effect on the Group's financial statements.

IAS 27 (Revised), "Consolidated and independent financial statements".

IAS 27 (Revised) is obligatory for all financial years that commenced after 1 July 2009. The revised standard requires that the effect of all transactions with minority interests be accounted for in equity providing there are no changes to control, so that these operations no longer have any effect on goodwill and do not result in a loss or profit on the statement of income. The change also lays down the accounting treatment to be applied when control is lost. In this case, the minority stake held must be re-measured at its fair value, with the effect booked to the statement of income.

The Group will apply the IAS 27 (Revised) with a prospective effect on transactions with minority partners from 1 January 2010. This revised standard has been adopted by the European Union.

The new standard is not expected to have any significant effect on the Group's financial statements.

2008 Improvements proposal

IFRS 5 (Amendment), "Non-current assets held for sale and discontinued activities" (and the corresponding amendment of the IFRS 1 "First-time adoption of the IFRS") (in force since 1 July 2009). This amendment means that all assets and liabilities of the subsidiary must be classified as held for sale if there is a loss of control of the subsidiary as a consequence of a partial plan for its sale. The corresponding breakdowns on the subsidiary must be included in the event that the conditions to be considered as a discontinued activity are duly satisfied. As a consequence, the IFRS 1 has also been adapted in order to take into account this amendment, in such a way that its application shall be prospective from the date of transition to the IFRS.

The Group shall adopt the IFRS 5 (Amended) with a prospective effect on all partial sales of subsidiaries that take place after 1 January 2010.

IFRIC 12, "Service concession agreements"

The IFRIC 12 is compulsory under EU-IFRS for all financial years that begin after 1 January 2010. This interpretation applies to public-private service concession agreements for public services where the public authority (assignor) controls the use of the infrastructure. The interpretation requires two different methods of accounting in accordance with the specific terms of the concession agreement (there may be combined models), although under both models the revenue from the provision of infrastructure construction services is booked in accordance with the requirements of the IAS 11 "Construction contracts". More specifically:

- When the assignee has an unconditional right to receive cash or other financial assets from the assignor, this right is classified as a financial asset and booked in accordance with the requirements of the IAS 39 "Financial instruments: Recognition and measurement".

- When the assignee has a right (a license) to receive payment from users of the public service, this right is classified as an intangible asset and booked in accordance with the IAS 38, "Intangible assets".

Group Management is currently studying the potential effect this could have on the Group's financial statements.

IFRIC 16, "Hedges of a net investment in a foreign operation"

This interpretation is obligatory under EU-IFRS for accounting periods that begin after 30 June 2009. IFRIC 16 addresses the accounting treatment to be applied with regard to the hedging of a net investment, including the fact that the net investment hedge refers to the differences in the functional currency, and not the presentation currency, as well as the fact that the hedge instrument may be held at any part of the Group. The requirement of IAS 21, "The effects of changes in foreign exchange rates" apply to the hedged entry.

The Group has not adopted IFRIC 16 in advance. This interpretation is not expected to have any significant effects on the Group.

c) Standards, amendments and interpretations to the existing standards that have not been adopted by the European Union on the date of this note

On the date of signing these summary interim financial statement, the IASB and the IFRIC had published the following standards, amendments and interpretations. These interpretations are mandatory for all accounting periods that commenced after 1 January 2009 and for subsequent years, although the Group has not adopted them in advance.

The group is studying the impact that the standards and interpretations could have on its financial statements in the event of being adopted by the European Union.

IFRS 1 (Revised), "First-time adoption of the IFRS"

The IFRS 1 (Revised) is mandatory for all accounting periods that commenced after 1 January 2009. In 2007, as part of its annual improvement project, the IASB proposed amending IFRS 1 to make it easier for readers to understand and design it in such a way that it can accommodate future changes better. In this version, reviewed in November 2008, the greater part of the previous version was maintained but within a modified structure.

IFRS 7 (Amendment) "Financial instruments: Disclosures" - "Improving breakdowns on financial instruments"

This amendment is mandatory for all accounting periods that begin after 1 January 2009. This amendment has improved the obligatory breakdown with regard to determining the fair values of financial instruments and the liquidity risk.

IAS 39 (Amendment). "Financial instruments: Recognition and measurement" - "Entries susceptible to being designated as a hedged entry"

This modification is mandatory for all accounting periods that begin after 1 January 2009. This amendment introduces two important changes, as it prohibits designating inflation as a component that can be covered in fixed-rate borrowing, and includes a temporary value in the part of the hedged risk when options are designated as hedges.

Modifications to IAS 39, "Financial instruments: Recognition and measurement" and the IFRIC 9, "Reassessment of embedded derivatives" - "Embedded derivatives"

This amendment is mandatory for all accounting periods that began after 30 June 2009. The amendments make it clear that when a financial asset is no longer classified "at fair value with changes to profit and loss" because it has been reclassified, the embedded derivatives must be reassessed and accounted for separately if necessary.

IFRIC 15, "Agreements for the construction of real estate"

This interpretation is mandatory for all accounting periods that began after 1 January 2009. IFRIC 15 makes it clear in which kind of transactions and under what circumstances the transaction must be recognized in accordance with IAS 18 "Revenue" or IAS 11 "Construction contracts".

IFRIC 17 "Distributions of non-cash assets".

IFRIC 17 is mandatory for all accounting periods that begin after 1 July 2009. This interpretation makes it clear how distributions of non-cash assets must be measured when an entity distributes dividends to its shareholders.This interpretation means that interim dividends are booked when they have been appropriately authorized, that the dividend be measured at fair value of the net assets to be distributed and that the difference between the fair value of the dividend paid and the carrying value of distributed net assets be recognized on the statement of income.

IFRIC 18, "Transfer of assets from customers"

The IFRIC 18 is mandatory for all accounting periods that begin after 1 July 2009. This interpretation makes it clear that the accounting of agreements in which certain property, plant and equipment used by the customer is employed to supply an ongoing service.

2009 Improvements proposal

The 2009 improvements proposal, published by the IASB in April 2009, affects the following standards and interpretations:

- **IFRS 2 (Amendment) "Share-based payments"** (in force since 1 July 2009). This amendment makes it clear that IFRS 2 does not apply to joint-ventures under common control or to the contribution of a business in the formation of a joint-venture.

- **IFRS 5 (Amendment), "Non-current assets held for sale and discontinued activities"** (in force since 1 January 2010). This amendment deals with the breakdowns of non-current assets (or disposable groups of elements) classified as held for sale or discontinued activities. Except where specifically mentioned in other standards, the IFRS 5 must be applied with regard to breakdowns of non-current assets held for sale and discontinued activities.

- **IFRS 8 (Amendment) "Operating segments"** (in force since 1 January 2010). This amendment deals with the breakdown of information on the segment assets. An entity shall disclose a measurement of the total assets of each segment on which disclosure is required only if this amount is provided regularly to the supreme decision-making body.

- **IAS 1 (Amendment), "Presentation of financial statements"** (in force since 1 January 2010). This amendment deals with the classification of convertible instruments as current/non-current. If the financial liability component of a convertible instrument can be settled through the issue of equity instruments, at the choice of the counterparty, this component does not have to be classified as a current liability.

- **IAS 7 (Amendment), "Statement of cash flows"** (in force since 1 January 2010). This amendment deals with the classification of expenses concerning non-recognized assets. It makes it clear that only payments in the recognition of an asset on the balance sheet can be classified as investment activities on the statement of cash flow.

- **IAS 17 (Amendment), “Leases”** (in force since 1 January 2010). This amendment affects the classification of land and building leases. When a land lease transfers the significant risks and rewards inherent to the lands to the lessee, even though the property is not expected to be transferred to the assignee at the end of the lease period, the lease is classified as a financial lease. Previously, this land lease would have been classified as an operating lease.

- **IAS 18 (Amendment), “Revenue”** (in force since 1 January 2010). This amendment forms part of the guidelines in IAS 18 to determine whether or not an entity is acting as principal or as agent.

- **IAS 36 (Amendment), "Impairment of assets"** (in force since 1 January 2010). This amendment deals with the accounting entry unit to be considered in the impairment testing of goodwill. It specifies that a cash generating unit or units among which the goodwill is distributed cannot be larger than a specific segment in accordance with IFRS 8, "Operating segments", before considering the aggregation criteria allowed through IFRS 8 (applicable to operating segments with a long-term financial return and similar economic characteristics).

- **IAS 38 (Amendment), “Intangible assets”** (in force since 1 July 2009). This amendment deals with changes as a consequence of IFRS 3, "Joint-ventures" (Revised) with regard to determination of the fair value of intangible assets acquired in a joint-venture.

- **IAS 39 (Amendment), “Financial instruments: Recognition and measurement”** (in force since 1 January 2010). This amendment deals with treatment of penalties through advance payment of loans as highly related embedded derivatives, an exception to the scope concerning contracts to joint-ventures and bookkeeping of cash flow hedges.

- **IFRIC 9 (Amendment), "Reassessment of embedded derivatives"** (in force since 1 January 2010). This amendment makes it clear that the IFRIC 9 does not apply to embedded derivatives in contracts acquired in a joint-venture in accordance with the definition given in IFRS 3, "Joint-ventures" (Revised), in joint-ventures under common control, or in the formation of a joint business in accordance with IAS 31, "Interest in joint ventures".

- **IFRIC 16 (Amendment), "Hedges of a net investment in a foreign operation"** (in force since 1 January 2010) Based on this amendment, foreign business that is being hedged can maintain the derivative instrument or non-derivative instrument designated as a hedge instrument in a hedge of the net investment in a foreign operation. Previously, any group company, except the foreign business that was being hedged, was able to maintain the foregoing hedge instruments.

3. Changes in Group composition

The annex to the consolidated annual accounts for the year that ended on 31 December 2008 provides information on Group companies that were consolidated on that date and measured using the equity method. Moreover, Appendix I to these financial statements includes the current composition of the Group.

2009 financial year

On 2 June 2009, the subsidiary MRH Residuos Metálicos, S.L., following the creation of two sister companies in Germany, Befesa Slazschlacke GmbH and Befesa Salzschlacke Sud, GmbH, paid an amount of EUR 24 million for three production plants that specialise in the treatment and recycling of salt slags. Located in Hanover, Lünen and Töging, equipped with the latest technology available in the market and with overall annual treatment capacity of 380,000 tons of waste.

These acquisitions have not entailed the purchase of the companies that previously owned the assets mentioned but rather the direct acquisition of the same and, indirectly, of the business carried out there.

Approval was obtained for this operation from the German anti-trust authorities.

External finance was provided by Commerzbank within the framework of a without-recourse operation.

In due compliance with the provisions set forth in IFRS 3 governing joint-ventures, the directors are currently performing an analysis to measure the assets and liabilities acquired and the subsequent assignment of the purchase price. At the date of drawing up these financial statements, this process has not yet finalized, and these plants were therefore included at cost price in the consolidation procedure at 30 June 2009. The process is expected to be finalized at the close of 2009.

The contribution to revenue and consolidated profits as a result of this variation in the consolidation perimeter has not been significant.

Moreover, last June, the business reorganisation process of the aluminum business unit finalized. This involved the conglomerate merger of Befesa Aluminio Bilbao (takeover company), Befesa Aluminio Valladolid (company taken over), Aluminio Catalán (company taken over) and Alugreen (company taken over). The resulting company has changed its trade name to Befesa Aluminio, S.L., whilst retaining the registered address and corporate tax code of the takeover company Befesa Aluminio Bilbao, S.L. This reorganization has not had any effect on the consolidated financial statements of the Group.

2008 financial year

On 17 January, Befesa, through M.R.H. Residuos Metálicos, S.L. (a company wholly owned by Befesa Medio Ambiente, S.A.) 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 out through two operating companies engaging in the recycling of secondary aluminum waste, including production plants in Spain and Poland. This integration was performed once the pertinent authorisations had been obtained from the Spanish competition authorities at the end of December 2007, and is included as part of the aluminum waste recycling business unit.

Cash and other cash equivalent assets acquired at the time of the joint-venture totaled approximately EUR 2,385 million.

BEFESA

The breakdown of assets and liabilities of Alugreen and subsidiaries on the joint-venture date is as follows:

	Thousands of Euros		
	Carrying amount at 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,

(**) Including EUR 3,888 thousand relating to goodwill arising on consolidation of Befesa Aluminio Catalán, S.L. and merger goodwill of EUR 8,849 thousand relating to Befesa Aluminio Catalán, S.L.

The cash-generating unit relating to goodwill corresponds to the legal entities themselves.

The contribution of this change to the consolidation perimeter over the first six months of 2008 with regard to turnover involves an increase of approximately EUR 67 million.

4. Reporting by segments

The Board of Directors has been identified as responsible for taking the Group’s operating decisions. This committee reviews the internal financial information of the Group for the purposes of assessing its performance and allocating resources to segments.

The management has determined the operating segments based on the structure of the reports examined by the Board of Directors.

The Board of Directors analyses the Group's business based on the main defined segments:

- Aluminum waste recycling
- Steel and galvanization waste recycling
- Industrial waste management
- Water

The Board of Directors assesses the performance of the operating segments based mainly on the EBITDA. This measurement basis excludes the effect of non-recurrent expenses or those from extraordinary operations. The segmented information received by the Board of Directors also includes financial earnings and expenditure and tax aspects.

BEFESA

a) Segment reporting

a . 1) The distribution, by segments, of consolidated revenue for the six-month periods ended on 30 June 2009 and 2008 is as follows:

Segment	Period that finalized on 30 June	
	2009	2008
Aluminum waste recycling	62,738	144,017
Steel and galvanization waste recycling	82,340	134,442
Industrial waste management	51,232	70,953
Water	120,920	76,459
Net revenue	**317,230**	**425,871**

a.2) The distribution of sales by geographic segments for the six-month periods that ended on 30 June 2009 and 2008 is as follows:

Geographical Area	Period that finalized on 30 June			
	2009	%	2008	%
Domestic Market	166,906	52.6	224,331	52.7
Foreign Market	150,324	47.4	201,540	47.3
Total	**317,230**	**100.0**	**425,871**	**100.0**

a.3) The detail of assets and liabilities by segments is as follows:

	30/06/2009						
	Aluminum	Steel and galvanization	Industrial waste	Water	Corporate	Consolidation adjustments	Total at 30.06.09
Assets							
Property, plant and equipment	85,178	102,734	72,776	110,638	1,275	(2,320)	370,281
Intangible fixed assets	47,465	267,305	49,054	12,088	58	17,170	393,140
Investments in associates and other financial investments	20,962	60,164	13,924	50,832	226,311	(198,269)	173,924
Other assets	50,277	180,901	131,631	309,907	301,865	(443,837)	530,744
Total Assets	**203,882**	**611,104**	**267,385**	**483,465**	**529,509**	**(627,256)**	**1,468,089**
Liabilities							
Equity	60,860	192,955	128,368	24,963	159,887	(164,049)	402,984
Non-current liabilities	72,409	248,687	10,478	93,683	99,156	38,090	562,503
Current liabilities	70,432	152,090	104,564	351,169	258,412	(434,065)	502,602
Other liabilities	181	17,372	23,975	13,650	12,054	(57,232)	-
Total Liabilities	**203,882**	**611,104**	**267,385**	**483,465**	**529,509**	**(627,256)**	**1,468,089**

	30/06/2008						
	Aluminum	Steel and Galvanisation	Industrial Waste	Water	Corporate	Consolidation Adjustments	Total at 30.06.08
Assets							
Property, plant and equipment	65,337	111,548	86,208	85,202	10	(17,899)	330,406
Intangible fixed assets	47,541	267,186	44,200	3,850	61	17,410	380,248
Investments in associates and other financial investments	7,359	38,528	11,085	21,054	206,971	(129,205)	155,792
Other assets	128,933	166,586	134,811	261,332	252,045	(421,561)	522,146
Total Assets	**249,170**	**583,848**	**276,304**	**371,438**	**459,087**	**(551,255)**	**1,388,592**
Liabilities							
Equity	58,759	162,898	101,540	9,415	166,937	(137,085)	362,464
Non-current liabilities	37,780	271,213	4,692	69,292	-	147,098	530,075
Current liabilities	152,250	148,504	154,422	284,868	280,826	(524,817)	496,053
Other liabilities	381	1,233	15,650	7,863	11,324	(36,451)	-
Total Liabilities	**249,170**	**583,848**	**276,304**	**371,438**	**459,087**	**(551,255)**	**1,388,592**

5. Earnings per share

The basic earnings per share is determined by dividing the net profit attributable to the Group over a given period by the average weighted number of shares in circulation over that accounting period, excluding the average number of treasury shares held over that period.

Whereby:

	30/06/2009	30/06/2008
Net profit for the six-month period (thousands of euros)	17,002	32,916
Average number of shares in circulation	27,113,479	27,113,479
Basic earnings per share (euros)	0.63	1.21

At 30 June 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 in circulation.

The Company has not distributed any dividends during the first six months of 2009 and 2008.

BEFESA

6. Intangible assets

The balance breakdown of the "Goodwill" heading of the consolidated abridged balance sheets, in accordance with the companies where it originates, is as follows:

	Thousands of euros	
	30/06/2009	**31/12/2008**
Fully consolidated companies		
Befesa Zinc Aser, S.A.	4,268	4,268
Befesa Aluminio, S.L. (*)	38,554	18,230
Befesa Aluminio Valladolid, S.A. (*)	-	423
Befesa Aluminio Catalán, S.L.U. (*)	-	19,901
Befesa Zinc Sondika, S.A	1,228	1,228
Befesa Zinc Amorebieta, S.A.	4,460	4,460
Befesa Argentina, S.A.	514	514
Tratamiento y Concentración de Líquidos, S.L.	3,317	3,317
Limpiezas Industriales Robotizadas, S.A.	2,756	2,156
Construcciones y Depuraciones, S.A.	3,006	3,006
Befesa Agua, S.A.	10,060	10,060
NRS Consulting Engineers, Inc.	4,611	4,611
Waterbuild Ltd.	467	467
Befesa Gestión PCB, S.A.	180	180
Befesa Gestión de Residuos Industriales, S.L.	47,508	47,508
Befesa Zinc Freiberg GmbH & Co. KG	144,216	144,216
Befesa Zinc Duisburg, GmbH	42,388	42,388
Befesa Scandust AB	25,757	25,757
Befesa Valera, S.A.S.	20,703	20,703
	353,993	**353,393**
Proportionally consolidated companies		
Recytech, S.A.	30,378	30,378
Geida Tlemcen, S.L.	3,270	3,270
	33,648	**33,648**
Companies integrated using the equity method		
Agua y Gestión de Servicios Ambientales, S.A.	398	398
	398	**398**
Total	**388,039**	**387,439**

(*) Companies merged in June 2009 (Note 3).

<u>2009 financial year</u>

There have been no significant changes during the first six months of 2009 (Note 3).

<u>2008 financial year</u>

The main changes for the first six months of 2008 correspond to the acquisition of Alugreen, S.L.U. and Befesa Aluminio Catalán, S.L.U. described in Note 3 of these explanatory notes.

The impairment analysis policies applied by the Group to its intangible assets and its goodwill in particular are described in Notes 7 and 3.b of the consolidated annual accounts for the accounting period that finalized on 31 December 2008.

In accordance with the method used and pursuant to the estimates, forecast and measurements available to the Company Directors, there have been no value losses during the first six months of 2009 and 2008.

7. Material assets

a) Movement over the period

in 2009

Acquisitions of material assets were carried out during the first six months of 2009 and 2008 for EUR 36 and EUR 11 million, respectively. Part of the additions for the first six months of 2009 include an amount of EUR 24 million stemming from the acquisition of production plants in Germany, as explained in Note 3. Similarly, over the first six months of 2009 and 2008 there were disposals and write-offs of material assets for a net carrying value of EUR 4 and EUR 2.6 million, respectively.

Elsewhere, at 30 June 2009 the desalination plant being finalizedcompleted in Algeria through the subsidiary company Aguas de Skikda, Spa, had incurred an amount of approximately EUR 88 million up to that date.

2008 financial year

At 30 June 2008, construction of the desalination plant in Algeria being built by the subsidiary company Aguas de Skikda, Spa continues and has incurred a cost to that date of approximately EUR 67 million. The remaining property, plant and equipment in the course of construction belongs to different investments at the remaining business units of the Group.

b) Impairment losses

There was no impairment of property, plant and equipment for significant amounts during the first six months of 2009.

As mentioned in Note 9 of the consolidated annual accounts for 2008, in January 2009 the transfer of property belonging to the subsidiary Befesa Desulfuración, S.A. was formalized for an amount of EUR 44.9 million, recorded under the heading "Other operating revenue" of the consolidated statement of income for the six-month period that ended on 30 June 2008. Elsewhere, the dismantling and decontamination costs have been assessed and the corresponding provisions made against the “Other operating costs” heading. On that date the Group analysed the recovery of its productive assets taking into consideration the period that will elapse until the property is transferred. As a result of the analysis, an impairment loss of approximately EUR 11 million was recognized for the property, plant and equipment with a charge to “Depreciation, amortization and provisions” in the accompanying consolidated income statement for the six-month period ended on 30 June 2008.

c) Undertakings to make purchase of property, plant and equipment

At 30 June 2009 and 2008 the Group did not have any significant undertakings to make purchases of property, plant and equipment.

BEFESA

8. Non-current and current financial assets

a) Breakdown of the composition

The detail of the Group's financial assets, presented by type and categories for measurement purposes, is shown below:

Financial Assets: Type / Category	Thousands of euros 30/06/2009			
	Available-for-sale financial assets	**Loans and receivables**	**Investments held until maturity**	**Hedge derivatives**
Equity instruments	31,790	-	-	-
Derivatives (Note 13)	-	-	-	39,377
Other financial assets	-	17,976	-	-
Long-term / non-current	**31,790**	**17,976**	**-**	**39,377**
Debt representative securities	-	-	39,300	-
Derivative	-	-	-	27,105
Other financial assets	-	18,125	-	-
Short-term / current	**-**	**18,125**	**39,300**	**27,105**
Total	**31,790**	**36,101**	**39,300**	**66,482**

Financial Assets: Type / Category	Thousands of euros 31/12/2008			
	Available-for-sale financial assets	**Loans and receivables**	**Investments held until maturity**	**Hedge derivatives**
Equity instruments	28,823	-	-	-
Derivatives (Note 13)	-	-	-	81,438
Other financial assets	-	20,528	-	-
Long-term / non-current	**28,823**	**20,528**	**-**	**81,438**
Debt representative securities	-	-	35,631	-
Derivatives	-	-	-	49,919
Other financial assets	-	16,146	-	-
Short-term / current	**-**	**16,146**	**35,631**	**49,919**
Total	**28,823**	**36,674**	**35,631**	**131,357**

In the first six months of 2008, the main changes recorded as "Available-for-sale financial assets' corresponded to the investments made for EUR 1.2 million in Micronet Porous Fiber, S.L. and EUR 2.7 million in Limpiezas Industriales Robotizadas, S.A., together with the inclusion of Trinacria, S.P.Z.O.O. as part of the consolidation perimeter for EUR 4.6 million (Note 2).

Investments held to maturity of the current assets correspond mainly to financial investments in steel and galvanization business units.

BEFESA

b) <u>Impairment corrections</u>

The movement to the balance of provisions that cover impairment losses of assets that make up the balance of the "Non-current financial assets" heading over the first six months of 2009 and 2008 was as follows:

	Thousands of euros	
	30/06/2009	**30/06/2008**
Balance at the opening of the six-month period	(8,189)	(7,271)
Allocations	(315)	-
Short-term transfer	(4,827)	(1,100)
Balance at the close of the six-month period	**(13,331)**	**(8,371)**

9. Inventories

The breakdown of the balance of this caption of the attached consolidated abridged balance sheets is shown below:

	Thousands of euros	
	30/06/2009	**31/12/2008**
Finished products	9,832	16,522
Semi-finished products and products in progress	5,955	5,030
Work in progress	9,501	8,152
Raw materials	18,322	15,539
Others	6,972	3,596
Supplier advances	2,176	3,484
Provisions	(952)	(242)
Total	**51,806**	**52,081**

10. Without-recourse financing

This section of the attached consolidated balance sheet is as follows:

	Thousands of euros			
	30/06/2009		**31/12/2008**	
	Long term	**Short term**	**Long term**	**Short term**
Bank loans	375,647	56,653	343,608	43,922
Accrued interest pending maturity		575	-	263
Financial lease debts	477	148	541	313
Total	**376,124**	**57,376**	**344,149**	**44,498**

On 8 April 2008, Befesa Reciclaje de Residuos de Aluminio, S.L. (Note 3) signed a Finance contract for EUR 120 million, which includes a loan of EUR 40 million and guarantees to secure reverse factoring facilities of EUR 80 million. On 10 June 2009 a non-extinguishing modifying novation contract was signed. There were two tranches; tranche A for a loan of EUR 40 million (39 following the first repayment in December) and tranche B for EUR 80 million in guarantees to underwrite long-term reverse factoring facilities. The key modification involved splitting tranche B in two; B1 for 60 million with the original characteristics, and B2 for 20 million as security to underwrite two credit accounts of 10 million. The prices and covenants have been adapted to current market and business circumstances. At 30 June 2009 the drawdown amount of the foregoing loan and credit policies total EUR 45,115 thousand (EUR 34,204 thousand at 30 June 2008).

Financing to purchase production plants in Germany

The purchase of salt slag treatment and recycling plants in Germany (Note 3) was financed through a loan operation for 24 million with Commerzbank over 10 years with two years during which only interest need be paid. It is an operation underwritten with the assets acquired. Befesa Medio Ambiente, S.A. is committed to indirectly holding at least 51% of the shares of the companies that own the assets and to hedge the interest rate of 100% of the operation and provide the companies with equity of not less than EUR 6.5 million. In addition, a two-year credit account of EUR 4 million has been opened to fund the working capital.

The main features of the remaining without-recourse financing (conditions and long-term maturities) of the Group are shown in Note 16 of the consolidated annual accounts for 2008.

Compliance with the financial covenants

Part of the without-recourse financing that the Group has is associated to compliance with certain ratios concerning its own level of solvency at 30 June 2009. These ratios comply with the conditions given in the Finance contract at 30 June 2009.

BEFESA

11. Other financial liabilities

The breakdown of the financial liabilities of the Group, presented by type and categories for measurement purposes, are shown below:

	Thousands of euros			
	30/06/2009		31/12/2008	
	Long term	**Short term**	**Long term**	**Short term**
Bank loans and credit accounts	8,609	12,753	9,197	12,201
Accrued interest pending maturity	-	280	-	131
Financial lease debts	1,780	507	1,907	613
Total	**10,389**	**13,540**	**11,104**	**12,945**

The conditions and long-term maturities of loans and borrowings of the Group are given in Note 17 of the consolidated annual accounts for 2008.

12. Equity

a) Share capital

At 30 June 2009 and 2008, the share capital of Befesa was represented by 27,113,479 shares with a par value of 3.01 euro each, subscribed and paid in full.

Since June 1998, the Parent company has traded on the stock exchanges of Madrid and Bilbao, as well as on the Stock Market Interconnection System.

At 30 June 2009 and 2008, the composition of the shareholding body of the Parent company was as follows:

	Interest
Proyectos de Inversiones Medioambientales, S.L.	83.34%
Abengoa, S.A.	14.04%
Others	2.62 %
Total	**100.00%**

BEFESA

b) Reserve for revaluation of unrealized assets and liabilities and equity adjustments through measurement

The balance and movement of this reserve is as follows:

	Thousands of euros			
	01/01/09	Transfer to results	Change	30/06/09
Revaluation of property, plant and equipment-				
Lands (Note 7)	14,493	-	-	14,493
Cash flow hedge-				
Metals futures (Note 13)	131,202	(25,084)	(40,207)	65,911
Interest-rate futures (Note 13)	(733)	47	1,005	319
	144,962	(25,037)	(39,202)	80,723
Deferred taxes-				
Revaluation of property, plant and equipment	(4,135)	-	-	(4,135)
Metals hedge (Note 13)	(38,514)	6,760	12,326	(19,428)
Interest-rate futures (Note 13)	206	(13)	(290)	(97)
	(42,443)	6,747	12,036	(23,660)
Minorities effect on reserves-	**(4,376)**	**2,877**	**29**	**(1,470)**
Total	**98,143**	**(15,413)**	**(27,137)**	**55,593**

	Thousands of euros			
	01/01/2008	Transfer to results	Change	30/06/2008
Revaluation of property, plant and equipment-				
Lands (Note 7)	14,493	-	-	14,493
Cash flow hedge-				
Metals futures (Note 13)	14,567	(7,221)	55,755	63,101
Interest-rate futures (Note 13)	2,285	(893)	4,990	6,382
	31,345	(8,114)	60,745	83,976
Deferred taxes-				
Revaluation of property, plant and equipment	(4,806)	671	-	(4,135)
Metals hedge (Note 13)	(4,326)	2,089	(16,399)	(18,636)
Interest-rate hedge (Note 13)	(641)	250	(1,396)	(1,787)
	(9,773)	3,010	(17,795)	(24,558)
Total	**21,572**	**(5,104)**	**42,950**	**59,418**

The transfers correspond to attribution of hedges already used and matured to the statement of income.

The changes basically correspond to the subscription of additional hedges contracted over the six-month periods that finalized on 30 June 2009 and 2008, as well as the change to the market value of the hedges with regard to 31 December 2008 and 2007 which remain in force at 30 June 2009 and 2008.

BEFESA

13. 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 and the market price of certain metals, mainly aluminum and zinc. The breakdown of the balances that represent the valuation of derivatives on the consolidated balance sheets are as follows:

	Thousands of euros	
	30/06/2009	31/12/2008
Short-term asset cash flow hedges (Note 8):		
Zinc futures contract	27,035	42,281
Aluminum futures contract	70	7,638
	27,105	49,919
Long-term asset cash flow hedges (Note 8):		
Zinc futures contract	38,806	78,029
Aluminum futures contract	-	3,255
Interest rate cap	571	154
	39,377	81,438
Total Assets	**66,482**	**131,357**
Long-term asset cash flow hedges:		
Interest rate cap	250	364
	250	364
Total Liabilities	**250**	**364**

The breakdown of tons hedged and the maturity of the related contracts at 30 June 2009 and 2008 and 31 December 2008 is as follows:

	Tons			
	30/06/2009		31/12/2008	
	2009 and 2010	2010 and subsequent years	2009	2010 and subsequent years
Hedges (in tons)				
Zinc futures contract	91,338	70 026	60,866	130,918
Aluminum futures contract	875	-	7,445	3,480
Total	**92,213**	**70,026**	**68,311**	**134,398**

BEFESA

14. Provisions and contingent liabilities

a) Composition

The balance of this caption is made up as follows:

	Thousands of euros	
	30/06/2009	31/12/2008
Provisions for litigation, pensions and similar	3,488	3,677
Other provisions for contingencies and expenses	39,123	41,037
Total long-term provisions	**42,611**	**44,714**

b) Litigation

Note 22 of the notes to the consolidated annual accounts for the financial year that ended on 31 December 2008 describes the main legal actions of a tax and legal nature that affected the Group on that date. There have been no significant changes to these during the first six months of 2009 and neither has the Group been subject to any new significant litigation.

15. Other current and non-current liabilities

The composition of the headings "Non-current liabilities – Other non-current liabilities" and "Current liabilities – Other debts of the consolidated balance sheet is as follows:

	Thousands of euros			
	30/06/2009		31/12/2008	
	Long term	Short term	Long term	Short term
Suppliers of fixed assets	-	878	-	1,555
Derivative financial instruments (Note 13)	250	-	364	-
Debts with related companies (Note 17)	99,160	-	54,173	-
Public Administrations and deferred tax liabilities (Note 16)	26,815	37,662	41,325	48,714
Remuneration pending	-	6,942	-	4,735
Others	7,154	15,187	2,533	12,527
Total	**133,379**	**60,669**	**98,395**	**67,531**

In 2002 the Company entered into a current account credit agreement with its shareholder Abengoa, S.A. (see Note 10) with a maximum limit of EUR 60 million, automatically renewable each year. The directors consider this to be long-term financing since the agreement is automatically renewed and has the support of the shareholder. This financing bears interest at market rates and the Company had drawn down EUR 99,156 thousand at 30 June 2009 and EUR 54,173 at 31 December 2008.

16. Tax situation

Note 22 of the notes to the consolidated annual accounts of the financial year that ended on 31 December 2008 describes the main aspects concerning the Group's tax situation. There have been no significant changes to the circumstances over the six-month period that ended on 30 June 2009.

Befesa Medio Ambiente, S.A., the parent company of the Befesa Group and its subsidiary companies MRH Residuos Metálicos, S.L., Befesa Zinc, S.L., Betesa Zinc Comercial, S.A., Befesa Zinc Aser, S.A., Alianza Medioambiental, S.L., Befesa Desulfuración, S.A., Acoleq Químicos, S.L., Befesa Zinc Amorebieta, S.L., Befesa Zinc Sondika, S.L. and Befesa Steel R&D, S.L., file consolidated income-tax returns in accordance with Vizcaya Corporation Tax Regulation 3/1996, dated 26 June, together with Proyectos de Inversiones Medioambientales, S.L., parent company of the Tax Group and majority shareholder of Befesa Medio Ambiente, S.A.

The change of the Tax Group corresponding to the first six months of 2008 is the non-inclusion of Befesa Aluminio Bilbao, S.L. (Note 3).

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

The payables as a result of estimating the Corporation Tax for the six-month period that ended on 30 June 2009 is recorded in the “Tax Payables” and “Trade Payables, related companies” captions for the part that corresponds to the companies that make up the consolidated tax group of which Proyectos de Inversiones Medioambientales, S.L. is the parent.

The composition of "Deferred Tax assets" and "Deferred tax liabilities" on the accompanying consolidated balance sheet is as follows:

	Thousands of euros	
	30/06/2009	**31/12/2008**
Non-current deferred tax assets arising from-		
Tax loss carry forwards and tax credits and tax relief	61,242	52,864
Measurement of derivative financial instruments	-	-
Write-down of recognized assets	4,264	6,920
Other deferred taxes	7,678	240
	73,184	**60,024**
Long-term deferred tax liabilities arising from-		
Asset revaluation	4,135	4,135
Measurement of derivative financial instruments (Note 13)	11,439	26,516
Other deferred taxes	11,241	10,674
	26,815	**41,325**

17. Related parties

In addition to the subsidiary, associate and multigroup companies, “key personnel” of the Company’s Management are also considered to be related parties (members of its Board of Directors and Executives, together with their close relatives). This extends to companies over which key management personnel can exercise a significant influence or control.

The transactions carried out by the Group over the first six months of 2009 and 2008 with related parties are shown below, splitting these between significant shareholders, members of the Board of Directors and Company Executives and other related parties. The conditions of transactions with related parties are the same as those in transactions carried out under market conditions and the corresponding payments in kind have been allocated.

	Thousands of euros		
	30/06/2009		
Expenses and earnings	**Significant shareholders**	**Directors and executives**	**Total**
Expenses:			
Financial costs	2,800	-	2,800
Receiving services (Other operating costs)	4,398	-	4,398
Remuneration	-	1,547	1,547
Other expenses	32	-	32
	7,230	**1,547**	**8,777**
Other transactions			
Guarantees and securities provided	1,159,000	-	1,159,000
Guarantees and securities received	76,031	-	76,031

	Thousands of euros		
	30/06/2008		
Expenses and earnings	**Significant shareholders**	**Directors and executives**	**Total**
Expenses:			
Financial costs	1,626	-	1,626
Receiving services (Other operating costs)	4,280	-	4,280
Remuneration	-	1,444	1,444
Other expenses	10	-	10
	5,916	**1,444**	**7,360**
Admissions:			
Finance income	11	-	11
Other income	3	-	3
	14	-	**14**
Other transactions			
Guarantees and securities provided	1 159,000	-	1,159,000
Guarantees and securities received	52,989	-	52,989

18. Remuneration and other benefits to the Company's Board of Directors and Senior Management

Notes 25 and 26 of the notes to the consolidated annual accounts of the Group for the financial year that ended on 31 December 2008 detail the existing agreements on remuneration and other benefits to members of the Board of Directors and Senior Management,

In 2007 an incentive scheme was introduced for 47 executives (Scheme 2) 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.

A summary of the most significant figures concerning this remuneration and benefits for the six-month periods that ended on 30 June 2009 and 2008 are shown below:

	Thousands of euros	
	30/06/2009	30/06/2008
Members of the Board of Directors:		
Remuneration item-		
Fixed remuneration and bonus	434	502
Allowances	117	121
	551	623
Executives:		
Total remuneration received by Executives	996	821
	1,547	**1,444**

19. Average number of employees

	Average number of employees	
	30/06/2009	30/06/2008
Men	2,097	1,832
Women	437	355
Total	**2,534**	**2,187**

BEFESA

Appendix I

List of subsidiary companies

Company	Location	Line of business	Percentage of ownership
1. AMA subgroup-			
Alianza Medioambiental, S.L.	Erandio (Vizcaya)	Holding	100%
Befesa Gestión PCB, S.A.	Espinardo (Murcia)	Decontamination of transformers	100%
Soluciones Ambientales del Norte Limitada,.S.A. (*)	Chile	Waste treatment	50%
Befesa Desulfuración., S.A	Baracaldo (Vizcaya)	Manufacture of acid with waste sulfur	90%
Befesa Plásticos, S.L.	Murcia	Plastic recycling	93.07%
Befesa Gestión de Residuos Industriales, S.L.	Trápaga (Vizcaya)	Treatment of oils, physicochemical, safe storage, industrial and chemical cleaning	100%
Befesa Argentina, S.A.	Buenos Aires (Argentina)	Incineration, inerting and safe storage	98%
Befesa Perú, S.A. (*)	Lima (Peru)	Environmental Services	50%
Befesa México, S A. de C.V. (1	Mexico City (Mexico)	Environmental Services	50%
Befesa Brasil, S.A. (*)	Rio de Janeiro (Brazil)	Environmental Services	50%
Befesa Chile Gest. Amb. Limitada (*)	Santiago de Chile (Chile)	Environmental Services	50%
Limpiezas Industriales Robotizadas, S.A.	Tarragona	Industrial cleaning	100%
Tratamiento y Concentración de Líquidos, S.L	Seville	Liquid waste treatment	100%
Residuos Industriales de la Madera de Córdoba, S.A	Córdoba	Industrial waste management	71.02%
Ecología Canaria, S.A. (**)	Las Palmas (I. Canary Islands	Collection, transportation, storage, treatment and elimination of industrial waste.	45%
2. Befesa Servicios Corporativos, S.A.	Madrid	Integral corporate management services	100%
3. Befesa Agua subgroup- Befesa Agua S.A.U.	Seville	Development of hydraulic infrastructures, treatment of water and integral management of water cycle	100%
Iniciativas Hidroeléctricas, S.A.	Seville	Water usage concession in Cerrato (Palencia)	50%
Procesos Ecológicos, S.A.	Seville	Holding company for pig slurry treatment companies	50%
Procesos Ecológicos Vilches, S.A.	Seville	Pig slurry, combined heat and power	100%
Agua y Gestión de Servicios Ambientales, S,A. (**)	Seville	Management of water resources, any services related thereto and the integral water cycle in any of its phases	37.38%
Construcciones y Depuraciones, S.A.	Seville	Development of hydraulic infrastructures, treatment of water and integral management of water cycle	100%
Befesa Infraestructure India, Ptv Ltd	Chennal (India)	Water treatment	100%
Geida Skikda, S.A.	Madrid	Water treatment	67%
Aguas de Skikda, SPA	Argel (Algeria)	Water treatment	51%
Geida Tlencem, S.L.	Madrid	Water treatment	50%
NRS Consulting Engineers, Ltd	Harlingen (USA)	Development of hydraulic infrastructures	51%
Waterbuild, Inc	Harlingen (USA)	Development of hydraulic infrastructures	51%

Company	Location	Line of business	Percentage of ownership
4. MRH, Residuos Metálicos, S.L.	Erandio (Vizcaya)	Holding company	100%
5. Befesa Zinc subgroup-			
Befesa Zinc, SL.	Erandio (Vizcaya)	Holding company	100%
Befesa Zinc Aser, S.A.	Erandio (Vizcaya)	Recovery of waste containing metals and minerals	100%
Befesa Zinc Comercial, S.A.	Erandio (Vizcaya)	Distribution	100%
Befesa Zinc Sondika, S A.	Sondika (Vizcaya)	Recovery of metals	100%
Befesa Zinc Amorebieta, SA.	Amorebieta (Vizcaya)	Recovery of metals	100%
Befesa Zinc Sur, S.L.	Palos de la Frontera (Huelva)	Recovery of waste containing metals and minerals	100%
B.U S. Group AB subgroup-			
B.U.S. Group AB	Sweden	Holding company	100%
Befesa Scandust AB	Sweden	Recovery of metals	100%
B.U.S Germany GmbH	Germany	Holding company	100%
Befase Steel Services GmbH	Germany	Holding company	100%
B.U.S. Holding Germany GmbH & Ca. KG-	Germany	Holding company	100%
Befesa Zinc Freiberg GmbH & Co. KG	Germany	Recovery of metals	100%
Befesa Zinc Duisburg GmbH	Germany	Recovery of metals	100%
B.U.S Stahlwerkstaub Freiberg GmbH	Germany	Holding company	100%
Recytech, S.A. (*)	Germany	Recovery of metals	50%
B.U.S. France Holding, S.A.R.L.	France	Holding company	100%
Befesa Valera, S.A.S.	France	Recovery of metals	100%
Lanceolate Company, Ltd.	Malta	Recovery of metals	100%
6. Befesa Aluminum Waste Recycling Subgroup- Befesa Reciclaje de Residuos de Aluminio, S L.	Erandio (Vizcaya)	Aluminum waste treatment	60%
Befesa Aluminio, S.L.	Erandio (Vizcaya)	Recovery of metals and production and recycling of aluminum	60%
Befesa Escorias Salinas, S.A.	Valladolid	Aluminum waste treatment	60%
Befesa Salt Slags, Ltd.	Great Britain	Recovery of metals	60%
Befesa Salzschlacke GmbH	Germany	Aluminum waste treatment	100%
Befesa Salzschlacke Süd GmbH	Germany	Aluminum waste treatment	100%
Intersplav	Ukraine	Waste treatment	50.84%

All Group companies have been consolidated using the comprehensive integration method except those identified in the following way:

(*) Proportional integration

(**) Equity method

Directors' Report
for the six-month period that ended on 30 June 2009

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 construction of environmental infrastructures and is fully focused on the sustainability of the activities that it carries out.

Befesa's current organizational structure is divided into four major business units, encompassing all the activities carried out by the Group. Befesa's structure is as follows:

BEFESA

Aluminum waste recycling	Steel and galvanization waste recycling	Industrial waste management	Water

Latin America

Befesa currently carries on its business activities in practically all the Spanish autonomous regions, 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 over the six-month period that ended on 30 June 2009 and the changes with respect to the same period for 2008 are as follows:

	June 2009	June 2008	% Change
Balance sheet (thousands of euros)			
Total assets	1,468,089	1,388,592	5.7%
Equity	402,984	362,464	11.2%
Income statement (thousands of euros)			
Sales	317,230	425,871	-25.5%
Ebitda	47,774	96,312	-50.4%
Ebitda / Sales	15.06%	22.62%	
Profit after tax	16,489	36,055	-54.3%
Profit after tax attributable to the Parent	17,002	32,916	-48.3%

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

Revenue (thousands of euros)	June 2009	June 2008	% Change
Spain	166,906	224,331	-25.6%
Abroad	150,324	201,540	-25.4%

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

Revenue (thousands of euros)	June 2009	June 2008	% Change
Aluminum waste recycling	62,738	144,017	-56.4%
Steel and galvanization waste recycling	82,340	134,442	-38.8%
Industrial waste management	51,232	70,953	-27.8%
Water	120,920	76,459	58.2%
	317,230	**425,871**	

The economic crisis continues to affect the markets in which Befesa operates. This can be seen in the company's results for the first six months of 2009.

However, the impact of different economic factors that affects Befesa's line of business is extremely varied for the different Group businesses.

So, while the recycling and industrial waste treatment business segment is being severely affected as a consequence of the huge decline in industrial production throughout Europe, with a 44% fall in sales year-on-year, the water business segment, on the other hand, is experiencing significant growth, with sales up 58% over the same period of 2008.

Despite this overall industrial drop, the industrial waste recycling and treatment units of Befesa are performing reasonably better than the markets in which they are active, due to the management policies that have been and continue to be applied.

During the first six months of 2009, Group sales decreased with regard to the previous year by EUR 108.7 million, equivalent to a reduction of 25.5%. This fall is a consequence of a reduction in the volume of treated waste in all Group divisions, as a result of the international crisis we are facing, and is offset by the large increase in sales from the water activity.

With regard to comparable Ebitda (having removed EUR 40 million paid in 2008 for sale of the Befesa Desulfuración lands), there has been a reduction with regard to the first six months of 2008 equivalent to EUR 8.5 million, representing a 15% decrease with regard to the previous year. We should highlight the fact that the Ebitda/Sales ratio is 15.1%, representing an increase of 1.9% with regard to the previous year.

Elsewhere, profit after tax and profit after tax attributable to the Parent company are EUR 16.5 and 17 million, respectively, for the first six months of 2009, representing a fall of 4.6% on profit after tax and an increase of 5.6% on the profit after tax attributable to the Parent with regard to the previous year (removing the EUR 16.8 million paid in 2008 through the aforementioned sale of lands).

The average headcount over the six-month period ended on 30 June 2009 was 2,534 persons.

3. **List of relevant facts**

Over the period from 1 January 2009 until the date on which the six-monthly financial reporting is issued, the following notifications have been presented to the CNMV (Spanish Securities Exchange Commission)

- Correspondence dated 25/02/2009. Forwarding to the CNMV of the audit reports and individual and consolidated annual accounts for 2008.
- Correspondence dated 02/03/2009. Forwarding to the CNMV of the Annual Corporate Governance Report for 2008.
- Correspondence dated 11/03/2009. Forwarding to the CNMV of the announcement of the Ordinary General Meeting of Shareholders, the text of the resolutions and mandatory documentation.
- Correspondence dated 20/03/2009. Notification to the CNMV of the change of Chairmanship on the Audit Committee, through elapse of the statutory period.
- Correspondence dated 16/04/2009. Notification to the CNMV of the resolutions adopted by the Ordinary General Meeting on 15 April 2009 and the text of the resolutions, together with the mandatory reports.
- Correspondence dated 08/06/2009. Notification to the CNMV of acquisition of 3 salt slag recycling plants in Germany.

4. **Outlook**

Befesa engages in various activities related with the environment and has a diversified business portfolio in terms of both lines of business and geographical areas. It is present in 20 countries and four continents. The main principles governing the business activities carried out 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 meet and be prepared for difficult and uncertain situations.

In desalination, Befesa has a significant international presence in important and strategic markets. In aluminum 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.

5. Events after the balance sheet date

No events occurred after the balance sheet date that might significantly affect the information shown in the interim financial statements 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

6. Acquisition of treasury shares

During this accounting period, the Company did not own, either directly or through its subsidiaries, any treasury shares, and this was also the case at the close of the six-month period ended on 30 June 2009. 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 resolved to authorize 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 Text of the Spanish Public Limited Companies Act.

7. Financial risk management policy. Use of financial instruments

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

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

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

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

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

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 aluminum). To hedge this exposure to foreign exchange rate changes and to totally or partially hedge sales transactions of physical tones containing aluminum or zinc, the Befesa Group uses foreign currency hedges, currency futures and zinc and aluminum futures. Befesa does not use derivative financial instruments for speculative purposes.

BEFESA

8. Capital social corporate structure of Befesa Medio Ambiente, S.A.

On 30 June 2009 the share capital is represented by 27,113,479 shares of EUR 3.01 par each, fully subscribed and paid up and distributed in the following way:

	Interest
Proyectos de Inversiones Medioambientales, S . L . (*)	83.34%
Abengoa, S.A.	14.04%
Other shareholders	2.62%
	100.00%

(*) *The major shareholder in this company is Abengoa, S.A.*

9. Managing bodies of the Company

At the date of drawing up this six-monthly finance report, 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
	Guadalupe Sundheim Losada
	Antonio Marin Hita
Non-director Secretary	Alfonso Castresana Alonso de Prado

Alfonso Castresana Alonso de Prado, non-director Secretary of the Board of Directors of **Befesa Medio Ambiente, S.A.,** with registered office in Erandio, carretera Bilbao Plencia km 21, filed with the Business Register of Vizcaya, in Volume 3,414, Folio 74, Section 8, Sheet No. BI-30462 and holder of Corporate Tax Code / VAT no. A80/689052

Hereby certifies:

I.- That all members of the Board of Directors of Befesa Medio Ambiente, S.A. have unanimously agreed, under the aegis of the provisions set forth in article 140.2 of the Consolidated Text of the Public Limited Companies Act and in the penultimate paragraph of article 20 of the Articles of Association, to adopt, in writing and without the need to call a session, the resolutions transcribed hereunder and which have been submitted to the examination, deliberation and voting of all members of the Board of Directors of Befesa Medio Ambiente, S.A.

The members of the Board of Directors at the time when the foregoing resolutions were taken are the 10 persons listed hereunder.

Chairman:	Javier Molina Montes.
Deputy Chairman:	Manuel Barrenechea Guimón.
Director:	Manuel Blanco Losada.
Director:	Rafael Escuredo Rodríguez.
Director:	Jorge Guarner Muñoz.
Director:	Antonio Marín Hita.
Director:	Salvador Martos Hinojosa.
Director:	María José Rivero Menéndez.
Director:	Guadalupe Sundheim Losada.
Non-director Secretary:	Alfonso Castresana Alonso de Prado.

II.- Among the items subject to the adoption of resolutions by the Board of Directors, in writing and without the need to call a session, were the following:

One.- preparation of the financial statements for the first six months of 2009.
Two.- Delegation of powers

III.- That all members of the Board of Directors unanimously agreed to adopt, inter alia, the following resolutions with regard to the aforementioned items, with all Directors having voted in favor.

One.- Preparation of the Financial Statements for the first six months of 2009.

"To prepare the Group consolidated financial statements for the first six months of 2009 of Befesa Medio Ambiente, S.A."

"To prepare the Interim Directors’ Report for the first six months of 2009”.

"To declare that the foregoing financial statements and directors’ report for the first six months of 2009 duly reflect the true and fair view of the company's equity situation and of the events that occurred in the performance of its activity, on the appropriate dates, of Befesa Medio Ambiente, S.A. at a consolidated group level".

Two.- Delegation of powers

"To expressly and indiscriminately empower Javier Molina Montes, Manuel Barrenechea Guimón and Alfonso Castresana Alonso de Prado, Chairman, Deputy Chairman and Non-director Secretary of the Board of Directors, respectively, to enable them to formalize and execute the resolutions adopted by the Board in writing without the need to call a session, duly signing whatsoever public or private documents as required or appropriate to take full effect and for registration of these with the Business Register."

IV.- That the written votes of all Directors have been received and safeguarded at the Secretariat of the company’s Board of Directors, drawing up the corresponding Minutes, duly signed and approved - showing the adoption of resolutions in writing without the need to call a session- by the Non-director Secretary with the Ratification of the Chairman. These minutes are dated 25 August 2009, the date on which the last vote was received, and are incorporated into the Book of Minutes. The minutes duly reflect all details and resolutions set forth in this certification.

In witness whereof and for all opportune purposes, I issue this certificate with the ratification of the Chairman Javier Molina, in Erandio, on 25 August 2009.