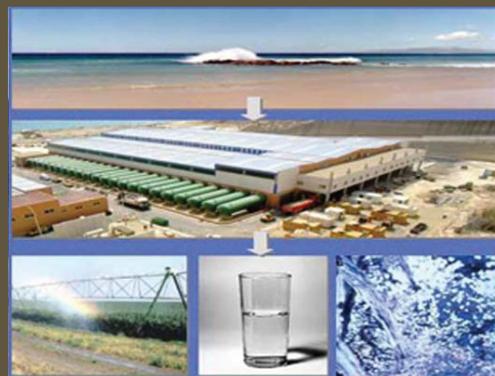


# Environmental Services

Aluminum, salt slags and zinc waste recycling. Industrial Waste Management, Industrial and Hydrocarbon Cleaning. Environmental Engineering (engineering and construction for water treatment and waste management).



# Environmental Services

## Befesa Medio Ambiente

Over the last few years, Befesa has been undergoing drastic changes as a result of the Strategic Plan the company drew up in the year 2000. This has affected both the development of its activities and its approach to management. The result of the aforesaid strategic reorientation has been a different arranging of its activities, optimization of corporate policies, and an investment and disinvestment policy that has enabled the company to continue to grow in the sectors with the greatest potential and highest profit-earning capacity.

At the beginning of this year, Befesa gathered all the activities carried out by the different business units together. This unification was in response to the Group's wish to agglutinate the experiences and best practices of all the activities under the one trade name, Befesa. The companies will continue to provide the same level of attention and specialization as they have done up until now.

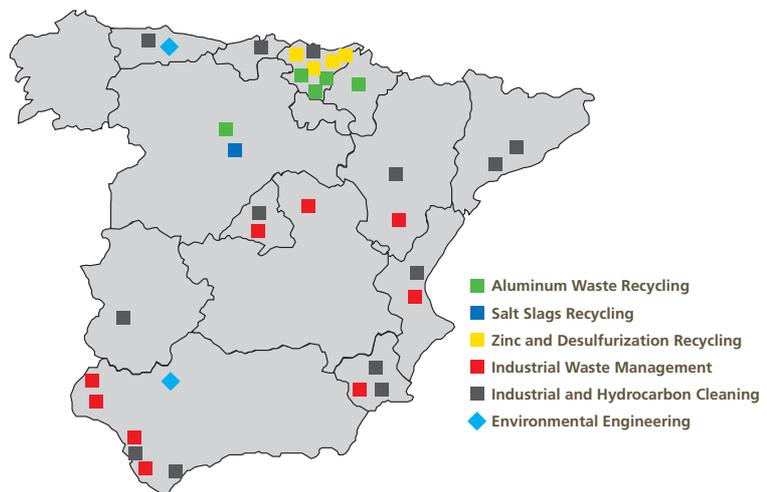
2003 is a good example of this changing process. It was a difficult year for the metal markets, especially for aluminum, and also because of the expansion plan put into operation around mid-year, for which positive results are expected in 2004.

Likewise, 2003 was witness once again to Befesa's commitment to investment in order to strengthen its position in the sectors with the greatest potential, to be precise the Industrial Waste Management, Industrial and Hydrocarbon Cleaning, and Environmental Engineering sectors. Activities have been reorganized in these sectors. In the case of the first two sectors, most of the companies included in each of the Business Units were merged. Furthermore, each of these units was strengthened through the contracting of new professionals to guarantee the meeting of the strategic objectives established for each of them.

Under these conditions, Befesa's has maintained a suitable operating profit level and this clearly indicates its potential for facing up to periods of lesser uncertainty and volatility in the metal markets, something that according to all indications will come about.



## Befesa in Spain



# Environmental Services

---

## Business Sectors

### Aluminum Recycling

The situation was similar to that towards the end of 2002 – large drop in prices and a significant reduction in demand – and therefore, 2003 was also a difficult year for businesses related to the secondary aluminum market.

Nonetheless, 2003 has been the key to the future of Befesa's aluminum activities. Firstly, the restructuring of the activity focusing on its suiting to the new market reality was successfully completed. The Aluminum Disk plant in Sabiñanigo was shut down due to lack of profitability, given that it was a primary aluminum plant that had nothing to do with Befesa's recycling activity. Secondly, restructuring of personnel was carried out in the Bilbao and Valladolid plants dedicated to the fabrication of alloys, and the Bilbao plant's commercial team was strengthened. Subsequent to these measures having been taken, the two plants are now in a privileged competitive position possessing, as they do, great production versatility. Furthermore, the two plants are in a position to provide their customers and suppliers with services under the most competitive market conditions and to maintain the totality of their installed capacity intact while waiting for the sector to reactivate itself.

Befesa's array of companies in this business sector treated a total of 95,500 tons during the course of the year, which clearly confirms the company's leading position in the Spanish market.

In spite of the difficult circumstances, the Trading division commercialized and negotiated 11,500 tons and contacts with other countries were kept and positively developed with a view to maintaining a firm position in these areas. This will enable optimization of the company's presence when the trade cycle becomes more favorable.

Finally, the main activities carried out in the Technology division, in 2003, were:

- Construction and commissioning of the first industrial prototype of a waste compactor for the Asúa plant.



- Sale of the first waste compacting facility.
- Automation of an ingot conveyor belt for Imco, in Coldwater, USA.
- Sale of running out wheels to Boyne Smelters, Australia; Aluminio Barhein and Imco, Shelbyville, USA.
- Commissioning of the zinc ingot line for Skorpion, in Namibia.
- Moreover, important contracts, to be carried out in 2004, were signed with Balco, in Korba, India.
- Four ingot lines with truck loader were sold to Pechiney, in Port Elizabeth, South Africa.



# Environmental Services

---

## Salt Slag Recycling

Salt slags are a hazardous toxic waste from the aluminum waste recycling process. Recovery of the salt slags is the alternative to dumping and the objective is to separate the metallic aluminum, the salt and aluminum oxide in order to be able to reuse all the components. This activity, together with that developed by the Aluminum Waste Recycling business unit enables us to totally close the aluminum content waste recycling and integral exploitation cycle, with the activity considered as being a zero dumping activity.

The company owns the only in-house technology salt slag recycling plant currently existing in Spain which, with an installed capacity of more than 110,000 tons per year, can treat all the waste generated in Spain. Likewise, Befesa Salt Slags, with a treatment capacity of 70,000 tons per year, can treat all the salt slags generated in the United Kingdom. Moreover, it is the only existing plant of its type there.

Important investments have been made in both companies, among which we would mention the start-up of a new reactor in Befesa Escorias Salinas and the installation of a new filtering and washing system in Befesa Salt Slags.

From a commercial point of view, contacts were maintained with other European countries to contract salt slags and aluminum grinding powder in order to completely cover the treatment capacity of the two plants. These contacts have resulted in different long term agreements to treat salt slags in several countries.

During the last year, the volume of treated waste (salt slags and aluminum waste grinding powder) was 139,451 tons, an 8% increase on the previous year. In addition, slightly more than 24,000 tons of aluminum waste were treated in the plant in the United Kingdom.



# Environmental Services

---

## Zinc Recycling and Desulfurization

2003 commenced with low Zinc listings in US\$, due to the large existing stocks that exceeded 700,000 tons. During the course of the year, Zinc listings in US\$ tended to increase, although the increase has not been equally reflected in Euros due to the devaluation of the US\$ against the Euro.

Nonetheless, in relation to our companies' strategy as regards the purchase of raw material and especially, regarding the service we offer to waste producers, the impacts on the Financial Statement have been minimal, and very satisfactory results obtained.

Befesa, through Befesa Zinc Aser, is the only Spanish company offering an integral steel powder collection and treatment service.

In the past year, significant activities have been carried out in the Zinc business sector, among which the following are noteworthy:

- Long term supply type contracts were consolidated with Oñeder and Aceralia for Befesa Zinc Aser to manage the powder gathered in the smoke filters installed in the main steel foundries in the Basque country.
- A new agreement was reached with Aceralia Corporación Siderúrgica for Befesa Zinc Aser to treat the steel powder generated at its production unit in Zaragoza.
- Befesa Zinc Amorebieta commenced the production of zinc oxide in a rotating furnace.
- Sondika Zinc signed agreements with large zinc froth producers and increased the tonnage of received waste.

As regards treated waste, we must mention the fact that Befesa Zinc Aser has, since its foundation, already recycled approximately 1,455,000 tons of moist powders that contained 323,550 tons of zinc, as well as slightly more than 15,500 moist tons of other zinc-rich wastes with which 515,000 tons of dry Waeltz Oxide, with an average 58.75% zinc content, were produced, which is equal to 302,500 tons of recovered zinc metal.



Befesa Zinc Amorebieta's factory recycled 11,362 tons of different types of zinc waste, with increases of more than 10% on the previous year. Befesa Zinc Sondika recycled 6,419 tons (an 11% increase on the previous year) of different types of zinc waste, most originating from the galvanizing industry.

Befesa Desulfuración had to bear the increase in the price of sulfur due to the greater demand from China. During the year, 100,413 tons of sulfur obtained from desulfurization wastes were used to produce 308,097 tons of acid equivalent, with parallel generation of 76,994 MWh of electric energy which, once auto-consumption was deducted, resulted in 47,680 MWh surplus energy being sold to the network. A significant investment was made in the plant to improve its production capacity, reduce emissions to the atmosphere and optimize the thermal recovery of the process gases to produce the steam required for the sulfur fusion process and to feed the turbo-generator.



# Environmental Services

---

## Industrial Waste Management

The industrial waste management section focuses its activity on providing an integral service to industrial waste producers in accordance with a treatment hierarchy whose priority is the minimization, reuse, recycling, valorization and elimination of wastes, in accordance with national and European environmental legislation. Befesa is currently one of the leading companies in Spain in the integral industrial waste management services sector.

In 2003, the company's non-hazardous waste management services were strengthened in order to be able to offer any customer an integral waste management service.

In order to be able to offer this reliable and integral service to our customers, the company has a highly qualified and experienced human team and possesses the most advanced and complete facilities in Spain, among which we would mention a vast network of transfer centers as well as final management facilities dedicated to waste elimination, inerting and physicochemical treatment.

Befesa carried out one of its most ambitious development plans, in 2003: commencement of activities by the new company called Befesa Gestión de Residuos Industriales, S.L., under which the companies previously included in the Industrial Waste Management Business Unit (CMA, Cartera Ambiental, SPM, Comercial Sear y Trademed) were merged.

This merger was designed to unify the commercial criteria, personalize the management of current and future customers, and improve the service provided by each of the merged companies, and consolidate the image of the Befesa trade name as that of the leading company in the environmental services sector.

In 2003, important investments were made to enlarge facilities, build new warehouses, and remodel or improve laboratory instrumentation. Furthermore, new machinery and state-of-the-art technology equipment was purchased. Likewise, improvements were made in occupational health and safety through the installation of alarm and loudspeaker systems, fire-fighting systems, surface asphaltting activities and the changing of electrical systems.



During the year, Befesa Gestión de Residuos Industriales, through the company Albega (Alianza Befesa-Egmasa), S.L., in which it has a 50% shareholding, took control of Residuos Industriales de la Madera de Córdoba. This has enabled Befesa to avail of two industrial waste transfer facilities in Andalusia, and bring waste management closer to the industrial waste generator. Likewise, the company's market share in the northern region of Spain, Cantabria and the Basque Country, is being strengthened

In 2004, Befesa aspires to being present and active in Portugal where it is already the leading industrial waste import company. Alliances have been established with Portuguese companies so that it can set itself up there and provide an in-situ service through the commissioning of an integrated industrial waste valorization complex.

Through its facilities, Befesa Gestión de Residuos Industriales managed, in 2003, a total of 480,345 tons of industrial waste, a 13% increase on the previous year.



# Environmental Services

## Industrial and hydrocarbon Cleaning

The following are the most noteworthy activities carried out in the Industrial and Hydrocarbon Cleaning sector:

1. Merging of the different companies in the Berako Group (Berako, S.A. Hidro Clean, S.A. Hidro Limp, S.A. and Berako Equipos Especiales, S.A.) in Berako Limpiezas Industriales, S.A. Subsequently, this same company merged with Sistemas AguaPresión, S.L. and Befesa Tratamientos Especiales, S.L. which then became Befesa Tratamientos y Limpiezas Industriales, S.L.
2. Acquisition of the remaining 30% of Berako Limpiezas Industriales, S.A. from the minority shareholders.
3. Sale of Ecomat, S.A.
4. Purchase of Sistemas AguaPresión, S.L. dedicated to industrial cleaning, waste treatment with mobile filter presses and specialized hydro-demolition works.
5. Opening of branch offices in Zaragoza, Valencia, Madrid and Cadiz.
6. Sale of Befesa's 50% shareholding in Tracemar.

This merging and acquisition process has led to the establishment of a new company called Befesa Tratamientos y Limpiezas Industriales, S.L. which consolidates Befesa's leading position in the industrial cleaning and refineries sector, and the treatment of waste with mobile equipment, thus optimizing the use of its human and material resources.

Befesa Tratamientos y Limpiezas Industriales specializes in providing services for the industrial and public service sectors through a highly specialized service in the different areas it operates in. The basis of its activities is cleaning services with suction-drive mobile units that can operate at high pressures and flows. The workforce is highly specialized in the use and design of the equipment and tools required for these activities.

As of January 2004, the new company commenced providing services under a new commercial and production structure. The first steps taken to this end were mainly two:

- The design of a Commercial Plan to coordinate and set the objectives for the five large activity areas the Peninsula has been split into: Cadiz (for Andalusia

and Extremadura); Asturias (for Asturias, Galicia and Castilla-Leon); Catalonia (for Catalonia, Valencia and Murcia); Madrid (for Madrid and Castilla La-Mancha) and the Basque Country (for Navarra, Basque Country, Aragon, Cantabria and La Rioja).

- The implementation of an Integrated Production Control System, the objectives of which are to strengthen production follow-up systems; normalize and strengthen the control and management systems and the obtaining of true and consistent production and commercial information in an easy economic-financial way.

The Industrial Cleaning and Hydrocarbons business unit also recycles most of the country's greenhouse plastic coverings in another type of facility, through Befesa Plásticos, and offers, through Befesa Gestión de PCB, an efficient solution to PCB contaminated equipment.

Befesa Plásticos specializes in the manufacturing of special low density polyethylene screenings through the recycling of plastic sheeting used as greenhouse covering. Its production capacity, the constant quality of its screenings and the technical assistance it provides for customers have placed the company in the leading position as a supplier of recycled screenings in Spain and among the leaders in Europe.

In 2003, Befesa Plásticos sold 10,752 tons (almost its entire production) for almost 5 million euro. Most of its sales were for export.

Through Befesa Gestión de PCB, Befesa offers efficient solutions for the collection, transportation and elimination of transformers, condensers and PCB contaminated material, and recovers, thanks to the most advanced state-of-the-art technology, all the reusable materials, and eliminates, definitively, the contaminated components. The leading position of this company was confirmed during the year. The company treated 2,700 tons of apparatus and materials contaminated with PCB and billed 2.37 million euro.

In addition, the Industrial Cleaning and Hydrocarbons business unit incorporated a new activity through the establishment of Befesa Técnicas del Suelo, a company dedicated to land remediation.



# Environmental Services

## Environmental Engineering

Befesa Group's environmental engineering activities are carried out by the companies Befesa Construcción y Tecnología Ambiental and Befesa Fluidos.

Befesa Construcción y Tecnología Ambiental focuses its economic activity on the design, construction and operation of hydraulic infrastructures related to the integral water cycle and the treatment and management of solid urban wastes (SUW).

Among the works contracted in 2003, the following are noteworthy:

- Modernization, automation and remote control monitoring of the Sector B-XII Bajo Guadalquivir hydraulic infrastructure.
- HV and LV electrification of electromechanical equipment in wells, reservoirs and pumping stations for the Alto Vinalopó General Subscriber Community.
- Section B of the Algerrí-Balaguer Canal, for Riegos de Catalunya S.A. (Regsa).
- Transformation and improvement of irrigation systems for the Totana Irrigation Subscriber Community.
- Lebrija STW (Sewage Treatment Works), for Gestión de Infraestructuras de Andalucía, S.A.
- Villaviciosa de Córdoba collectors and STW, and Casares STW, for the Regional Government of Andalusia.

The following activities are noteworthy:

- Section I, Cortes drive system (Valencia) for the Júcar-Vinalopó water transfer system.
- Drive system, hydroelectric power stations and remote control of the Negratín-Almanzora water transfer system.
- Transformation of the traditional irrigation system to a localized one in the Villareal Irrigatable Area.
- Potable water supply to the districts in Ribera del Xúquer.
- Campo de Cartagena seawater desalination plant.
- El Atabal seawater desalination plant.
- 100% Treatment Plan, Proceeding XIII, Madrid Autonomous Community.
- Grouping of Las Cabezas dumps, collectors and STW.
- Rincón de la Victoria STW.



- Operation, conservation and maintenance of the STWs in Barcelona East Sector.
- The Potable Water Master Plan for Loja (Ecuador).
- Guadalajara SUW Treatment Center.
- Operation of the SUW selection and composting plant in Utrera.
- Operation of Consorcio del Poniente Almeriense's refuse dump, in El Ejido.
- Operation of the pig slurry treatment plant in Vilches (Jaen).

Within the Environmental Engineering sector, Befesa Fluidos specializes in the treatment of industrial waters, intake as well as process and waste waters.

The following works are noteworthy:

- Effluent Treatment Plant for Hidroeléctrica del Cantábrico at its Aboño Thermal Power Station (Asturias).
- Lixivates treatment plant for the Limasa III refuse dump, in Malaga.
- Water Treatment Plant and Evaporation Unit at "El Sauz" Combined Cycle Thermal Power Plant, in Mexico.
- Lixivates treatment plant at Pinto SUW dump, Autonomous Community of Madrid.
- Biological Sludge Treatment Plant for Cepsa-Interquisa, in Algeciras (Cadiz).
- New enlargement of the Cooling Systems in Aceralia's LD-III steelworks, Avilés.



# Environmental Services

On the other hand, in 2003, Befesa participated in the setting up of the company Agua y Gestión de Servicios Ambientales, S.A., dedicated to integral water cycle management services. Since its establishment, Agua y Gestión has acquired, on the one hand, Befesa's shareholding in Empresa Mixta de Servicios Municipales de El Ejido (Elsur), Almeria, and in Aguas de Baena, Cordoba, and, on the other, Aguas de la Janda and Aguas de Herrera from Endesa Diversificación. Thus, Agua y Gestión commenced operations in the integral water cycle sector managing the water supply for a population of 250,000, in Andalusia.



## Befesa Abroad

