IMPORTANT NOTICE

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE SHARES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN COMPLIANCE WITH ALL APPLICABLE STATE AND LOCAL SECURITIES LAWS.

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Confirmation of your Representation: In order to be eligible to view the accompanying document or make an investment decision with respect to the shares, you must be either (1) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act ("QIB") or (2) located outside the United States within the meaning of Regulation S under the Securities Act. The accompanying document is being sent to you at your request. By accepting the e-mail and accessing the accompanying document, you shall be deemed to have represented to and agreed with us that (a) you consent to delivery of such document by electronic transmission, and (b) either (i) you are, and any account for which you are acting is, a QIB, or (ii) neither you nor any account for which you are acting nor the email address that you provided to us and to which the email has been delivered is located in the United States, its territories and possessions.

Prospective purchasers in the United States are hereby notified that the seller of the shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder.

The distribution of the accompanying preliminary offering circular and the offer, sale or solicitation of an offer to buy the shares is restricted by law in certain jurisdictions. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. Persons into whose possession the accompanying document may come are required to inform themselves about and to observe such restrictions. Under no circumstances shall the prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these shares in any jurisdiction in which such offer, solicitation or sale would be unlawful.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a underwriter or any affiliate of such underwriter is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the applicable underwriter or such affiliate on our behalf in such jurisdiction.

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PROSPECTUS **NOT FOR GENERAL CIRCULATION IN THE UNITED STATES**

BEFESA

Befesa S.A.

Offering of up to 18,600,400 Ordinary No Nominal Value Dematerialized Shares

This Prospectus (the "**Prospectus**") relates to the (i) offer to the public of up to 18,600,400 ordinary shares in dematerialized form of Befesa S.A. (formerly Bilbao MidCo S.à r.l.), a public limited company *(société anonyme)* organized under the laws of the Grand Duchy of Luxembourg (the "**Company**" or "**Issuer**"), consisting of (a) up to 16,454,200 ordinary shares in dematerialized form with no nominal value in the Company from the shareholding of Bilbao LuxCo S.A. (the "**Selling Shareholder**") (the "**Sale Shares**") and (b) up to 2,146,200 ordinary shares in dematerialized form with no nominal value in the Company from the holdings of the Selling Shareholder in connection with any potential over-allotments (the "**Greenshoe Shares**", and together with the Sale Shares to be referred to jointly as the "**Offer Shares**"), each such Offer Share with an accounting par value of €2.77619001743216 per share and full dividend rights from January 1, 2017 (the "**Offering**") as well as (ii) the Company's application for the admission to trading the entire share capital of the Company as of the listing date (after conversion of the existing class A preference shares into dematerialized ordinary shares, during which conversion the subscribed capital of the Company will be increased), on the regulated market segment *(regulierter Markt)* of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) as well as on the sub-segment thereof with additional post-admission obligations (Prime Standard) (the "**Admission to Trading**"). The Selling Shareholder will receive all of the net proceeds from the sale of the Sale Shares and the Greenshoe Shares, if any, in the Offering. The Company will not receive any proceeds from the Offering.

As at the date of this Prospectus, the Company's share capital is set at €64,093,192.67 divided into 20,633 class A preference shares and 23,066,112 ordinary shares with an accounting par value of €2.77619001743216, all of which are fully paid up.

The Offering consists of an offer to the public of the Offer Shares to retail investors and institutional investors in the Federal Republic of Germany ("**Germany**") and to institutional investors in certain jurisdictions outside Germany under an exemption from the requirement to prepare a prospectus.

Investing in shares of the Company involves certain risks. See "*1. Risk Factors*" beginning on page 1.

Price Range: €28.00 - €38.00

The Selling Shareholder has also granted Citigroup Global Markets Limited (the "**Stabilizing Manager**"), on behalf of the Underwriters (as defined herein) an option to purchase 2,146,200 Greenshoe Shares at the offer price (the "**Offer Price**") (less agreed commissions) in connection with the Offering (the "**Greenshoe Option**") (see *"4. The Offering—Stabilization Measures, Over-Allotments and Greenshoe Option").*

Prior to the Offering, there has been no public market for the shares of the Company. The Company intends to apply for admission of its entire share capital to trading on the regulated market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) as well as on the sub-segment thereof with additional post-admission obligations (Prime Standard) under the trading symbol BFSA. We expect that trading in the shares of the Company on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) will commence on or about November 3, 2017.

The Offer Shares have not been and will not be registered under the Securities Act and are being offered or sold in the United States of America (the "United States") only to, or for the account or benefit of, qualified institutional buyers ("QIBs"), as defined in, and in reliance on the exemption from registration provided by, Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to certain persons in offshore transactions in compliance with Regulation S ("Regulation S") under the Securities Act. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Offer Shares, see "*21. Transfer Restrictions*".

The Underwriters and their registered broker-dealer affiliates are severally offering the Company's shares, subject to receipt and acceptance by them of orders and subject to their right to reject any order in whole or in part. The Offer Shares will be in the form of dematerialized shares and will be registered in a single securities issuance account with the single settlement organization LuxCSD S.A. ("**LuxCSD**"). Delivery of the Offer Shares is expected to take place on or about November 7, 2017 through the book-entry facilities of LuxCSD against payment for the Offer Shares in immediately available funds.

This Prospectus has been drafted in accordance with Part II of the Luxembourg law on prospectuses for securities of July 10, 2005, as amended (*Loi relative aux prospectus pour valeurs mobilières*) (the "**Luxembourg Prospectus Law**") and Article 5(3) of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), in its capacity as competent authority under the Luxembourg Prospectus Law, has been notified to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* - "**BaFin**") in accordance with the European passport mechanism set forth in the Prospectus Directive and will be published in electronic form on the website of the Luxembourg Stock Exchange (http://www.bourse.lu). By approving this Prospectus, the CSSF gives no undertaking as to the economic or financial soundness of the transaction or the quality and solvency of the Issuer in line with the provisions of Article 7(7) of the Luxembourg Prospectus Law.

Joint Global Coordinators and Joint Bookrunners

Citigroup **Goldman Sachs International** **J.P. Morgan**

Joint Bookrunners

Berenberg **COMMERZBANK** **Santander** **Stifel**

October 20, 2017

IN CONNECTION WITH THE OFFERING, THE STABILIZING MANAGER AND ITS AFFILIATES MAY OVER–ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SHARES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. SHORT SALES INVOLVE THE SALE BY THE STABILIZING MANAGER OF A GREATER NUMBER OF SHARES THAN THE UNDERWRITERS ARE REQUIRED TO PURCHASE IN THE OFFERING. STABILIZING TRANSACTIONS CONSIST OF BIDS OR PURCHASES MADE FOR THE PURPOSE OF PREVENTING OR RETARDING A DECLINE IN THE MARKET PRICE OF THE SHARES WHILE THE OFFERING IS IN PROGRESS. SUCH TRANSACTIONS SHALL BE CARRIED OUT IN ACCORDANCE WITH APPLICABLE RULES AND REGULATIONS. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED BY THE STABILIZING MANAGER AT ANY TIME WITHOUT PRIOR NOTICE AND MUST IN ANY EVENT BE DISCONTINUED 30 CALENDAR DAYS AFTER THE FIRST DAY OF TRADING OF THE SHARES ON THE FRANKFURT STOCK EXCHANGE. THESE TRANSACTIONS MAY BE EFFECTED ON THE FRANKFURT STOCK EXCHANGE, IN THE OVER–THE–COUNTER MARKET OR OTHERWISE.

The distribution of this Prospectus as well as the offer and sale of the Offer Shares in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Neither the Company nor any of the Underwriters (as defined herein) accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions.

No action has been or will be taken in any jurisdiction other than Germany that would permit a offer to the public of shares of the Company (the "**Shares**") or the possession, circulation or distribution of this Prospectus or any other material relating to us or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that would result in compliance with any applicable rules and regulations of any such country or jurisdiction. Further information with regard to restrictions on offers and sales of the Offer Shares and the distribution of this Prospectus is set forth under "*20. Underwriting—Selling Restriction*" and "*21. Transfer Restrictions*".

Responsibility Statement

The "**Company**" or "**Issuer"** in this Prospectus refers to Befesa S.A. (formerly Bilbao MidCo S.à r.l. and together with its direct and indirect consolidated subsidiaries and joint ventures the "**Group**", "**Befesa**", "**we"**, "**us"** and "**ours"**) at the date of this Prospectus. Where the term the "Group", "we", "us" and "ours" is used in a context that relates to the events prior to the change in legal form of Befesa S.A. to a public limited company (*société anonyme*), the respective term refers to Bilbao MidCo S.à r.l. ("**Bilbao MidCo"**), together with those of Bilbao MidCo's direct and indirect subsidiaries and joint ventures, which are direct and indirect subsidiaries and joint ventures of Befesa S.A. at the date of this Prospectus.

The Company assumes responsibility for the content of this Prospectus and hereby declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and that no material circumstances are omitted, and that it has taken all reasonable care to ensure that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Citigroup Global Markets Limited, London, Goldman Sachs International, London or J.P. Morgan Securities plc, London (together the "**Joint Global Coordinators"**) as well as any of Joh. Berenberg, Gossler & Co. KG, COMMERZBANK Aktiengesellschaft, Banco Santander, S.A., and Stifel Nicolaus Europe Limited (the "**Joint Bookrunners**" and, together with the Joint Global Coordinators, the "**Underwriters**"), make no representation or warranty as to the accuracy or completeness of the information contained in the Prospectus.

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SUMMARY OF THE PROSPECTUS

*Summaries are made up of disclosure requirements known as elements (“**Elements**”). These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In such cases, the summary includes a short description of the Element with the words “not applicable”.*

A Introduction and Warnings

SECTION A – INTRODUCTION AND WARNINGS		
A.1	**Warnings**	Warning that: • this summary should be read as an introduction to this prospectus (the “**Prospectus**”); • any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor; • where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and • civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the securities.
A.2	**Information regarding the subsequent use of the prospectus**	Not applicable. Consent by Befesa S.A. to the use of this Prospectus for a subsequent resale or final placement of the Company’s shares by financial intermediaries has not been granted.

B Issuer

SECTION B – ISSUER		
B.1	**Legal and commercial name**	The Company’s legal name is Befesa S.A. (the “**Company**” or the “**Issuer**” and, together with its direct and indirect consolidated subsidiaries and joint ventures from time to time, “**Befesa**”, “**we**”, “**our**” or the “**Group**”). The Company changed its legal form into a public limited company (*société anonyme*) on October 18, 2017, and prior to that date, was known as Bilbao MidCo S.à r.l. The Group primarily operates under the commercial name of Befesa.
B.2	**Domicile/ Legal Form/ Legislation/ Country of incorporation**	The Company has its registered office at 2C, rue Albert Borschette L-1246, Luxembourg, Grand Duchy of Luxembourg. The Company is a public limited company (*société anonyme*) incorporated in the Grand Duchy of Luxembourg (“**Luxembourg**”) and governed by Luxembourg law.
B.3	**Current operations and principal business activities and principal markets in which the issuer competes**	We are a services company, specializing in the collection and recycling of steel dust and aluminium residues and other related industrial services and logistics. We offer industrial recycling services to niche hazardous waste markets. We organize our activities into two business segments: the “Steel Dust Recycling Services” segment and the “Aluminium Salt Slags Recycling Services” segment, the latter being divided into two sub-segments: “Salt Slags” and “Secondary Aluminium”. In our Steel Dust Recycling Services segment we collect and recycle steel dust and other steel residues generated in the production of crude, stainless and galvanized steel. We generate the majority of our Steel Dust Recycling Services segment revenues by charging service fees for the collection and treatment of crude steel dust and by selling the Waelz oxide we produce in the recycling of crude steel dust to zinc smelters. In addition, a small portion of revenue is generated by tolling fees which consist of a service fee we charge stainless steel

manufacturers for collecting and treating stainless steel residue and a fee for returning to them the metals, mainly nickel, chromium and molybdenum, recovered in the recycling process, as well as from selling such recovered metals on the market.

In the Salt Slags operations of our Aluminium Salt Slags Recycling Services segment, we recycle salt slags, which we receive from our customers for a service fee or generate during our own production of secondary aluminium. In addition, we recycle spent pot linings or "**SPLs**" generated by primary aluminium producers. In the course of the recycling process, we recover salt, aluminium concentrate and aluminium oxides. Revenues from our Salt Slags operations are mainly derived from fees we charge for recycling salt slags and SPLs, and from the sales of aluminium concentrates and salt obtained from recycling salt slags and SPLs. A large amount of the aluminium concentrates we recover are sold and used within the Group for the production of aluminium alloys.

In the Secondary Aluminium operations of our Aluminium Salt Slags Recycling Services segment, we collect and recycle aluminium scrap and other aluminium residues such as aluminium drosses, shavings and cuttings or aluminium concentrates from, amongst others, aluminium foundries, scrap dealers and collectors, as well as from primary aluminium producers. We also generate aluminium concentrates ourselves in the course of our salt slags recycling service. We produce secondary aluminium alloys from these aluminium residues, which we mainly sell to customers in the automotive and construction industries. Revenues from our secondary aluminium operations are mainly derived from sales of secondary aluminium alloys.

We believe we have developed certain key competitive strengths that have supported our growth to date and that we expect to underpin our future growth, including:

- leading position in markets with favorable macro and mega trends supporting steel dust and aluminium salt slags recycling;
- competitive advantage from plants close to our customers;
- providing services critical to our long-term customers;
- operating a balanced services business with a protected competitive positioning;
- attractive growth and high margins combined with proven resilience and cash flows through the cycle; and
- an experienced and disciplined management team with a strong growth track record.

The strategic objective is to achieve strong top- and bottom-line growth, maintain our resilient and high margin levels as well as our strong cash flow generation, and further improve our competitive positioning. The key points of achieving our strategy are as follows:

- drive capacity utilization for our existing sites;
- realize benefits from higher zinc content in steel dust;
- continue operational excellence;
- execute well-defined and accretive organic expansion opportunities;
- capture upside potential from attractive M&A opportunities; and
- minimize volatile raw material exposure through prudent and long-term hedging policy.

B.4a **Description of the most significant recent industry trends affecting the issuer and the industries in which it operates**

The recycling markets in which we operate, namely the markets for steel dust, salt slags and SPL recycling services, are particularly impacted by the industrial markets for steel and aluminium production in general, and these markets also affect our business in particular.

(a) Steel Dust Recycling Services

Collection service: The core service offered to customers in our Steel Dust Recycling Services segment is the collection and recycling of steel dust which is a hazardous waste generated in the crude steel production process using the electric arc furnace ("**EAF**") method. As opposed to the basic oxygen furnace ("**BOF**") method, the EAF steel production method uses scrap as raw material input and steel dust is generated during the production process in so called "mini mills". The volumes of steel dust which we are able to collect depend on the EAF steel production volumes of our customers in the markets in which we operate. As stated above, we generate a part of our revenues through service fees which we charge for the collection and treatment of our input materials. The amount of service fees depends, amongst others, on the potential value of the input materials which we collect, i.e. on the zinc content of the dust being collected. Our service fees have been relatively stable in recent years, but, given the inherent value of the zinc content contained therein, are subject to increasing downward pressure as zinc prices increase.

Sales of Waelz oxide: We sell the output materials generated in our crude steel recycling process, primarily a zinc-containing Waelz oxide to our customers in the zinc industry (zinc smelters). The price paid by zinc smelters for the Company's Waelz oxide is influenced both by the current zinc price and the percentage of zinc contained in the Waelz oxide. Consequentially, the zinc price and the zinc content in the steel dust which we recycle strongly influence our business. Despite a certain volatility, both the price of zinc and zinc content in steel dust have generally been trending upward in recent years, and through our hedging policy we try to reduce the effects of zinc price influences on our business to a certain extent.

Stainless steel: The stainless steel operations of our Steel Dust Recycling Services segment mainly depend on the level of stainless steel residue being produced by the Company's customers as input material, and the demand for the metals contained in the dust, mainly nickel, chromium and molybdenum, as output materials sold in the market.

(b) Aluminium Salt Slags Recycling Services

Recycling Service: The basis for our Aluminium Salt Slags Recycling Services segment is the secondary aluminium production market in Europe. The secondary aluminium production market produces salt slags, which are categorized as a hazardous waste in Europe and other markets. The service fees charged for the treatment of salt slags generally make up a larger portion of revenues or profits of salt slags recyclers than service fees for the collection and treatment of other hazardous wastes, such as steel dust, and mainly depend on the volumes of salt slags produced by our customers and collected by us.

Secondary aluminium production is driven primarily by the transportation industry including the automotive, aviation and rail industries. Automotive has been the strongest driver for demand of aluminium over the last decades and is expected to drive future demand supported by light weight trends but also demands for higher security and performance. As secondary aluminium production keeps pace with increased demand from the automobile industry, the amount of salt slags generated, and thus the demand for the Company's collection and recycling services, is also expected to increase.

The basis for our SPLs recycling services is the primary aluminium production market, with primary aluminium being tapped from electrolytic cells or pots during the electrolytic reduction of metallurgical alumina (aluminium oxide).

Output materials: In our salt slags recycling process, we recover aluminium concentrates, aluminium oxides and salt. Aluminium concentrates are also used as inputs in the secondary aluminium production process, so the essential direct end-market for Befesa is the secondary aluminium production market which also produces aluminium from aluminium scrap, and is therefore itself a recycling market. Aluminium recycling markets are well developed in Europe and the United States, given that in those countries the availability of aluminium scrap is high. In contrast, for developing countries, particularly China which is the largest aluminium producer globally, primary aluminium production still dominates.

Secondary aluminium: In addition to our services in connection with the recycling of aluminium residues, Befesa is a secondary aluminium producer, and in particular produces aluminium alloys from aluminium residues that we purchase in the market as well as from the aluminium concentrates generated as output materials in the salt slags recycling process. The secondary aluminium alloys we produce are mainly used to manufacture casting products primarily used for the automotive industry. Demand for casting products is expected to support moderate increases in volume and prices for secondary aluminium.

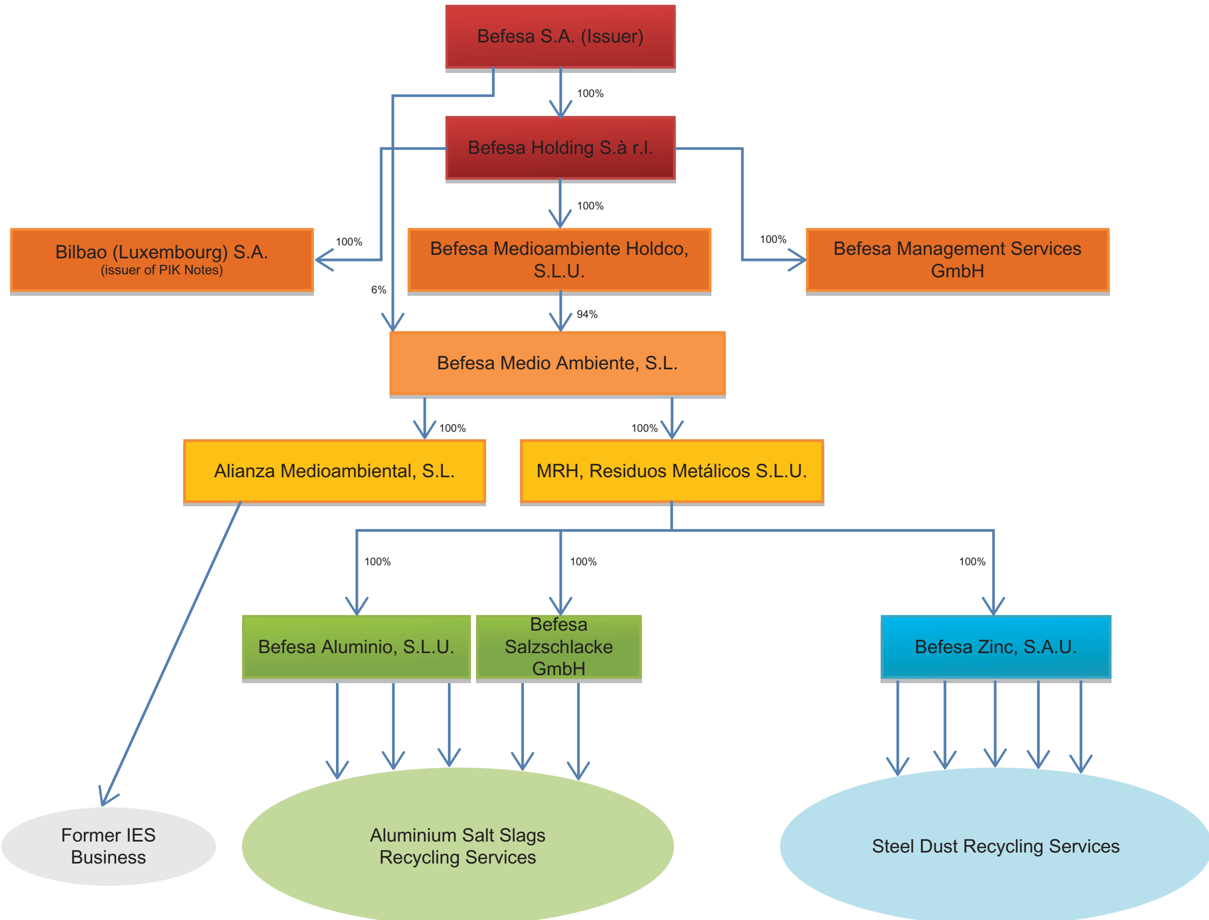
(c) Environmental Regulation

EAF steel dust and salt slags have in the vast majority of the markets in which we operate been categorized by regulatory bodies as a hazardous waste and are therefore subject to strict recycling regulations and to legal obligations to recycle. Our services include the removal of hazardous waste from a producer's premises and assist the producers with their obligation to recycle, both of which are critical for producers to manage their storage capacities and environmental liability risks, and to continue to operate. In addition, we assist our customers with the administrative procedures imposed on them in connection with the transportation and disposal of hazardous waste.

Increased and stricter regulation in the markets in which we operate is a key driver for our services. Regulation is still most prevalent in developed markets, but is expected to also increase in emerging markets as they develop and become more industrialized.

B.5 **Description of group and the issuer's position within the group**

The Company is the parent company of the Group. The Company acts as a holding company of its direct and indirect interest in its subsidiaries and joint ventures. The following chart provides an overview (in simplified form) of the principal direct and indirect shareholdings of the Company as of the date of this Prospectus:



B.6 **Persons who, directly or indirectly, have an interest in the issuer's capital or voting rights or have control over the issuer**

As of the date of the Prospectus, the following persons, directly or indirectly, have a notifiable interest in the Company's capital and voting rights:

Bilbao LuxCo S.A. (the "**Selling Shareholder**"), registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under the number B 143889, having its registered address at 2C, rue

Albert Borschette, L-1246 Luxembourg, Luxembourg, holds 89.257% of the share capital of the Company. 10.743% of the share capital of the Company are held by Triton Luxembourg II GP Bilbao S.C.A., registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under the number B 178810 and having its registered address at 2C, rue Albert Borschette, L-1246 Luxembourg, Luxembourg (the "**MIP Vehicle**").

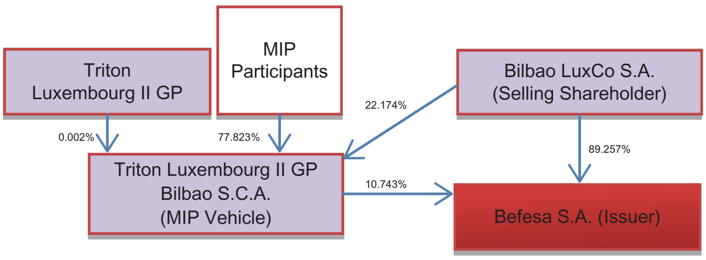
50% of the shares in the Selling Shareholder are held by Triton Masterluxco 4 S.à r.l., registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under the number B 177.725, having its registered address at 2C, rue Albert Borschette, L-1246 Luxembourg, Luxembourg. Triton Masterluxco 4 S.à r.l. is an indirect subsidiary of Triton Fund IV (the "**Fund**"). The remaining 50% of the shares in the Selling Shareholder are held by Triton Fund IV F&F LP, registered in Jersey with Company Registration Number 1493 and registered office at Charter Place, 1st Floor, 23-27 Seaton Place, St Helier, JE2 3QL, Channel Islands, Jersey, a constituent part of the Fund. Triton Investment Management Limited manages the Fund on behalf of the investors in the Fund.

Through the Fund, Peder Prahl has an indirect notifiable interest in the shares of the Company directly held by the Selling Shareholder, i.e. 89.257%. For the avoidance of doubt, Peder Prahl is not the ultimate economic owner of the Fund. His indirect notifiable interest results from the specific structure of the Fund and the various Triton entities controlling the Fund.

Certain members of the board of directors, key managers and certain other key employees of the Group, non-executive members of the supervisory boards of Group entities and certain other individuals who are, due to their function as consultant, adviser or otherwise related to the Group without being an employee (together the "**MIP Participants**" and each a "**MIP Participant**") hold a 77.823% interest in the MIP Vehicle through the management incentive plan ("**MIP**"), amounting to a total indirect shareholding of all 29 MIP Participants in the Company of 8.36%. No MIP Participant individually holds indirectly more than 1% of the total outstanding share capital of the Company.

The Selling Shareholder holds 22.174% interest in the MIP Vehicle and thus in total, directly and indirectly, holds 91.639% of the Company.

The following chart provides an overview (in simplified form) of the Selling Shareholder's and the MIP Vehicle's shareholdings of the Company as of the date of this Prospectus (prior to the Preference Share Conversion):



To become effective upon completion of the Offering, the Selling Shareholder offered to purchase from each MIP Participant 50% of such MIP Participants' current shareholding in the MIP Vehicle at the Offer Price (less pro rata costs and expenses). Various MIP Participants accepted this offer, and sold, in total, an equivalent of 34.2% of the total share capital in the MIP Vehicle to the Selling Shareholder, which corresponds to a total indirect shareholding in the Issuer of 3.67% prior to the Preference Share Conversion, such sale becoming effective upon completion of the Offering. The proceeds from the sale shall primarily facilitate (i) payment by the MIP Participants of taxes that may become due upon listing or later during the lock-up period, and (ii) repayment of the MIP Participants' original investment in the MIP and any associated financing and other costs and expenses.

Immediately after closing of the Offering, and taking into account the change of shareholder structure upon closing of the offering as described in the preceding paragraph and after giving effect to the issuance of 9,333,837 new ordinary shares of the Company in the context of the Preference Share Conversion at an Offer Price corresponding to the mid-point of the Price Range, the shareholder structure of the Company will be as follows:

Name of shareholder	Shareholder Structure following the Offering (without exercise of the Upsize Option and the Greenshoe Option)		Shareholder Structure following the Offering (with full exercise of the Upsize Option and the Greenshoe Option)	
	Ordinary dematerialized Shares	in%	Ordinary dematerialized Shares	in%
Selling Shareholder	15,611,783	48.2*	11,319,383	34.9**
MIP Vehicle	2,480,166	7.7	2,480,166	7.7
Freefloat	**14,308,000**	**44.2**	**18,600,400**	**57.4**
Total	**32,399,949**	**100.0**	**32,399,949**	**100.0**

* 52.5% directly and indirectly held by the Selling Shareholder.
** 39.3% directly and indirectly held by the Selling Shareholder.

Voting rights

All shares of the Company ("**Shares**") carry the same voting rights, including the shares held by the Selling Shareholder.

B.7 **Selected historical key financial information regarding the issuer, presented for each year of the period covered by the historical financial information**

*The following tables set forth consolidated income statement, balance sheet and cash flow information for the periods indicated. Our consolidated financial information presented within this summary as at and for the years ended December 31, 2016, 2015 and 2014 was derived from our audited consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (**"IFRS"**) except as disclosed otherwise. Our consolidated financial information presented as at and for the six-month periods ended June 30, 2017 and 2016 set forth below was derived from our unaudited interim condensed consolidated financial statements prepared in accordance with International Accounting Standard No. 34 (**"IAS 34"**) "Interim Financial Reporting".*

In addition to its existing businesses, the Group held assets in its industrial environmental solutions business (the "**IES Business**") which operated as part of an industrial waste management segment prior to the end of 2016. The vast majority of the assets held in the IES Business was sold through a series of transactions, beginning with the sale of the Group's stake in Befesa Valorización de Azufre S.L.U., a company within the IES Business, on December 29, 2015 and ending with the disposal of several businesses in March and August of 2017. See "*B.7 Description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.*" below.

The audited consolidated financial statements for the year ending December 31, 2016 present the Group's results organized into our current segments: Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services (divided into Salt Slags and Secondary Aluminium), while the historical segment which previously covered the IES Business is presented as discontinued operations. The audited consolidated financial statements for the years ended December 31, 2015 and 2014 present our historical financial results divided into our three historical segments: the steel dust recycling segment, aluminium residue recycling segment and the industrial waste management operations segment, and present the IES Business as continuing operations.

In order to enhance comparability of our financial information relating to our continuing operations, we have included certain additional consolidated income statement information in this Prospectus in order to fully reflect the effects from the disposal of the IES Business. Such information has been compiled from management accounts and internal accounting records to remove effects from the IES Business (which was at the time not yet qualified as discontinued operations) and present certain income statement information relating only to our continuing operations. This adjusted information (i.e. the consolidated income statement information for 2015 and 2014 presented in the footnote to the table presenting our consolidated income statement information below) is unaudited.

CONSOLIDATED INCOME STATEMENT INFORMATION

The table below sets forth consolidated income statement information for the years ended December 31, 2016, 2015 and 2014 which has been derived from our audited consolidated financial statements, as well as consolidated income statement information for the six-month periods ended June 30, 2017 and 2016 which has been derived from our unaudited interim consolidated financial statements.

	For the six-month period ended June 30,		For the year ended December 31,			
	2017 (unaudited)	2016 (unaudited)	2016 (audited)	2015[(1)] (restated)	2015[(2)] (audited)	2014 (audited)
	(€ thousand)					
Continuing operations:[(3)]						
Revenue	374,383	300,817	611,687	661,082	743,504	651,193
Changes in stocks of finished products and work in progress	712	(3,022)	(3,595)	(1,047)	2,591	(6,625)
Cost of sales	(203,601)	(152,420)	(297,163)	(336,170)	(365,380)	(295,446)
Other operating income	5,799	3,598	9,344	10,085	12,273	19,476
Staff costs	(38,272)	(37,514)	(72,136)	(75,287)	(104,038)	(92,060)
Other operating expenses	(68,298)	(58,765)	(119,334)	(126,008)	(145,065)	(136,400)
Amortization/depreciation, impairment and provisions	(15,111)	(16,537)	(44,496)	(92,685)	(101,678)	(46,283)
Operating profit	**55,612**	**36,157**	**84,307**	**39,970**	**42,207**	**93,855**
Financial income	1,722	3,711	6,335	6,757	2,660	3,970
Financial expenses	(24,658)	(23,608)	(58,123)	(62,896)	(65,396)	(66,796)
Net exchange differences	(236)	460	1,960	(920)	(563)	925
Finance income/(loss)	**(23,172)**	**(19,437)**	**(49,828)**	**(57,059)**	**(63,299)**	**(61,901)**
Share in results of investments carried under the equity method	–	–	–	–	175	299
Profit/(loss) before tax	**32,440**	**16,720**	**34,479**	**(17,089)**	**(20,917)**	**32,253**
Corporate income tax	(10,053)	(6,088)	(13,736)	(13,910)	(15,135)	(11,580)
Profit/(loss) for the period from continuing operations	**22,387**	**10,632**	**20,743**	**(30,999)**	**(36,052)**	**20,673**
Discontinued operations:[(3)]						
Profit/(loss) for the period from discontinued operations	12,773	(1,825)	(71,795)	(5,053)	–	–
Profit/(loss) for the period	**35,160**	**8,807**	**(51,052)**	**(36,052)**	**(36,052)**	**20,673**
Attributable to:						
Parent company owners	32,830	9,020	(52,914)	(35,394)	(35,394)	18,368
Non-controlling interests	2,330	(213)	1,862	(658)	(658)	2,305

(1) Extracted from our audited consolidated financial statements as of and for the year ended December 31, 2016. In 2016, the historical consolidated income statement information for the year ended December 31, 2015 was restated to provide comparable information following the disposal of our IES Business (but not restating information related to Befesa Valorización de Azufre S.L.U., which was sold on December 29, 2015 as part of our IES Business, but was not accounted for as discontinued operations in 2015 or 2016).

(2) Extracted from our audited consolidated financial statements as of and for the year ended December 31, 2015. These figures include the IES Business, none of which was accounted for as discontinued operations in 2015.

(3) The consolidated income statement information presented for the year ended December 31, 2016 and for the six-month periods ended June 30, 2017 and June 30, 2016 present the results of operations excluding the results from the IES Business which is shown as discontinued operations, while the consolidated income statement information for the years ended December 31, 2015 and December 31, 2014 either partially include (for the restated 2015 numbers) or fully include (for the unrestated 2015 and 2014 numbers) the effects from the IES Business.

In order to facilitate the comparison of the financial information for the year ended December 31, 2016 with the financial information presented for the years ended December 31, 2015 and 2014, in the following table we have compiled consolidated income statement figures from our accounting records for the years ended December 31, 2015 and December 31, 2014, removing the IES Business from the consolidation parameter. This comparative financial information is unaudited.

	For the six-month period ended June 30,		For the year ended December 31,		
	2017 (unaudited)	2016 (unaudited)	2016 (audited)	2015 (unaudited)	2014 (unaudited)
			(€ thousand)		
Continuing operations:					
Revenue	374,383	300,817	611,687	631,195	554,477
Changes in stocks of finished products and work in progress	712	(3,022)	(3,595)	(2,316)	(7,210)
Cost of sales	(203,601)	(152,420)	(297,163)	(318,065)	(259,320)
Other operating income	5,799	3,598	9,344	9,833	17,103
Staff costs	(38,272)	(37,514)	(72,136)	(72,250)	(66,849)
Other operating expenses	(68,298)	(58,765)	(119,334)	(120,370)	(113,343)
Amortization/depreciation, impairment and provisions	(15,111)	(16,537)	(44,496)	(44,905)	(37,246)
Operating profit	**55,612**	**36,157**	**84,307**	**83,122**	**87,611**
Financial income	1,722	3,711	6,335	8,773	11,089
Financial expenses	(24,658)	(23,608)	(58,123)	(62,767)	(62,794)
Net exchange differences	(236)	460	1,960	(620)	1,350
Finance income/(loss)	**(23,172)**	**(19,437)**	**(49,828)**	**(54,614)**	**(50,355)**
Profit/(loss) before tax	**32,440**	**16,720**	**34,479**	**28,508**	**37,256**
Corporate income tax	(10,053)	(6,088)	(13,736)	(14,212)	(11,742)
Profit/(loss) for the period from continuing operations	**22,387**	**10,632**	**20,743**	**14,296**	**25,514**
Discontinued operations:					
Profit/(loss) for the period from discontinued operations	**12,773**	**(1,825)**	**(71,795)**	**(50,348)**	**(4,841)**
Profit/(loss) for the period	**35,160**	**8,807**	**(51,052)**	**(36,052)**	**20,673**
Attributable to Parent company owners	32,830	9,020	(52,914)	(35,394)	18,368
Attributable to Non-controlling interests	2,330	(213)	1,862	(658)	2,305

Consolidated Balance Sheet Information

The table below sets forth our consolidated balance sheet information as at December 31, 2016, 2015 and 2014 derived from our audited consolidated financial statements as at and for the years ended 31 December 2016, 2015 and 2014 and as at June 30, 2017 derived from our unaudited interim consolidated financial statements as at and for the six-month period ended June 30, 2017:

(€ thousand)	As at June 30,	As at December 31,		
	2017 (unaudited)	2016 (audited)	2015 (audited)	2014 (audited)
ASSETS				
Non-Current Assets	784,039	795,979	922,600	965,242
Current Assets	219,388	232,776	220,964	228,512
Total Assets	**1,003,427**	**1,028,755**	**1,143,564**	**1,193,754**
EQUITY AND LIABILITIES				
Equity of the Parent	190,413	149,254	242,332	230,243
Non-controlling interests	8,227	8,931	16,929	17,837
Total Equity	**198,640**	**158,185**	**259,261**	**248,080**
Non-current Liabilities	297,856	666,822	635,109	768,804
Current Liabilities	506,931	203,748	249,194	176,870
Total Liabilities	**804,787**	**870,570**	**884,303**	**945,674**
Total Equity and Liabilities	**1,003,427**	**1,028,755**	**1,143,564**	**1,193,754**

Consolidated Cash Flow Information

The table below sets forth consolidated cash flow information for the years ended December 31, 2016, 2015 and 2014 derived from our audited consolidated financial statements as at and for the years ended 31 December 2016, 2015 and 2014 and for the six-month periods ended June 30, 2017 and 2016 derived from our unaudited interim consolidated financial statements as at and for the six-month periods ended June 30, 2017 and June 30, 2016:

	For the six-month period ended June 30,		For the year ended December 31,		
(€ thousand)	2017 (unaudited)	2016(1) (unaudited)	2016(1) (audited)	2015(2) (audited)	2014(2) (audited)
Net cash flows from operating activities	32,434	9,525	56,070	54,574	59,486
Net cash flows from investing activities	41,139	(18,916)	(33,172)	(22,237)	(39,938)
Net cash flows from financing activities	(50,129)	(3,562)	(17,466)	(56,222)	(8,665)
Effect of foreign exchange rate changes on cash and cash equivalents	(806)	(273)	(868)	(398)	273
Net increase in cash and cash equivalents	**22,638**	**(13,226)**	**4,566**	**(24,283)**	**11,156**
Cash and cash equivalents at the beginning of the period(3)	62,009	57,443	57,443	81,726	70,570
Cash and cash equivalents at the end of the period	84,647	44,217	62,009	57,443	81,726

(1) Includes parts of the IES Business prior to disposal in December 2016 and March 2017.
(2) Includes the IES Business for the year.
(3) As at December 31, 2016, it included the cash and cash equivalents from the operations classified as held for sale.

Description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information

In addition to its existing businesses, the Group held assets in its IES Business which, prior to the end of 2016, operated as part of an industrial waste management segment. The IES Business was sold through a series of transactions, beginning with the sale of the Group's stake in Befesa Valorización de Azufre S.L.U., a company within the IES Business, on December 29, 2015. In December 2016, we disposed of the majority of our IES Business. In particular, the entire share capital of Befesa Gestión de Residuos Industriales, S.L., Befesa Gestión PCB, S.A., Gestión y Valorización Integral del Centro S.L., Residuos Industriales de la Madera de Córdoba, S.A., Betearte, S.A., Ecología Canaria, S.A., Befesa Plásticos, S.L. and other minor not consolidated operations were sold. As required under IFRS 5 "Non-Current Assets held for sale and discontinued operations", the operations of these companies in 2016 (to the date of sale for the first group of companies) are classified under profit /(loss) for the year from discontinued operations in the consolidated income statement. Following the sale of these subsidiaries in December 2016, on March 29, 2017 we sold our subsidiaries Befesa Perú, S.A., Soluciones Ambientales del Norte, S.A., and Solarca, S.L and its subsidiaries, all of which were also involved in the IES Business that we owned, for consideration giving rise to a profit from discontinued operations recognized in the Group in the amount of €12.8 million in the six-month period ended June 30, 2017. We also sold the full share capital in Befesa Colombia S.A.S. and Befesa Industrial Services USA, Inc. for a symbolic price of €1 and US$1 in March and August 2017, respectively. Following these transactions, Befesa Argentina, S.A. was sold on August 30, 2017. We have also begun the wind down and sale of the remaining subsidiaries that were part of the IES Business, i.e. Befesa Mexico and two subsidiaries in the Middle East.

Over the three-year period ended December 31, 2016, we made significant investments into our production facilities, many of which have impacted our results over the same period. The most important developments within our production facilities over these three years are set out below.

- We completed construction of a new and more efficient plant in Bernburg, Germany. The new plant in Bernburg came into operation during 2014. Since then, we have benefited from lower transportation costs, as Bernburg is closer to the source of the bulk of the aluminium residue we recycle.
- We also, in a four-step process beginning in 2012 and completed in 2016, acquired a crude steel dust recycling facility in South Korea. We brought in our design and engineering team and substantially increased operational efficiency in addition to building a second kiln, doubling capacity of the facility between 2014 and today.
- Such developments at our production facilities affect our total revenues, the relationship of revenues to operating costs due to better efficiency, and can increase depreciation and in some cases, amortization costs affecting overall profitability and our results of operations. We believe similar improvements in the coming years will also have a material impact on our results and financial condition in similar ways, but likely to a greater extent than over the previous three years.

Revenue Development

Our revenue from continuing operations was €374.4 million for the six-month period ended June 30, 2017, as compared to €300.8 million for the six-month period ended June 30, 2016, representing an increase of 24.5% (or €73.6 million) in 2017 as compared to 2016. The increase was primarily due to increased revenue from Waelz oxide sales and stronger revenues from aluminium production due to higher prices for both zinc and aluminium alloys, as well as favorable treatment charges.

Our revenue from continuing operations was €611.7 million for the year ended December 31, 2016, as compared to €631.2 million and €554.5 million for the years ended December 31, 2015 and 2014, respectively, representing a decrease of 3.1% (or €19.5 million) in 2016 as compared to 2015, and an increase of 13.8% (or €76.7 million) in 2015 as compared to 2014.

The decrease in 2016, as compared to 2015, was due primarily to lower revenues from aluminium production, which faced lower average aluminium alloy selling prices despite producing more tons of secondary aluminium alloys in 2016 when compared with 2015.

		The increase in 2015, as compared to 2014, was principally due to the increased production and sales volumes of Waelz oxide, mainly due to ramping up of operations in South Korea and full year sales from secondary aluminium production at our plant in Bernburg, which came online at the end of 2014. *Profit from continuing operations* Our profit from continuing operations was €20.7 million for the year ended December 31, 2016, as compared to €14.3 million and €25.5 million for the years ended December 31, 2015, and 2014 respectively. The lower profit in 2015 was attributable to lower operating profit, higher finance loss and higher corporate income tax, the latter being primarily driven by the write-off of tax losses carried forward. For the six-month period ending June 30, 2017, our profit from continuing operations was €22.4 million, compared with €10.6 million for the comparable period ended June 30, 2016, representing an increase of 111.3% (or €11.8 million). There has been no significant change in our financial condition since June 30, 2017, the date of the last interim consolidated financial information.
B.8	**Selected key pro forma financial information**	Not applicable. The Company has prepared no pro forma financial information.
B.9	**Profit forecast or estimate**	Not applicable. No profit forecast or estimate is being presented by the Company.
B.10	**Nature of any qualifications in the audit opinions on the historical financial information**	Not applicable. The auditor's reports on the historical financial information included in this Prospectus have been issued without qualification.
B.11	**Insufficiency of the issuer's working capital for its present requirements**	Not applicable. The Company is of the opinion that the Group is in a position to meet the payment obligations that become due within at least the next twelve months.
C	**Securities**	

SECTION C – SECURITIES

C.1	**Type and class of the securities being offered and/or admitted to trading**	Ordinary shares in dematerialized form with no nominal value.
	Security identification number	Ticker Symbol: BFSA International Securities Identification Number ("**ISIN**"): LU1704650164 German Securities Code ("**WKN**"): A2H5Z1 Common Code: 170465016
C.2	**Currency of the securities issued**	Euro
C.3	**Number of shares issued and fully paid and issued but not fully paid / par value per share**	As of the date of the Prospectus, the share capital of the Company amounts to €64,093,192.67, and is divided into 20,633 class A preference shares and 23,066,112 ordinary shares with a par value of €2.77619001743216 each. The share capital of the Company is fully paid up. After the Offering and conversion of the class A preference shares into ordinary shares in connection therewith, the share capital will amount to up to €94,575,646.35 and will be divided in up to 34,066,705 ordinary shares in dematerialized form with no nominal value if the Offer Price is at the low end of the Price Range.
C.4	**Rights attached to the securities**	The Company's ordinary shares in dematerialized form, carry full dividend rights if and when declared after their issuance. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital.

		Each Share in the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights.
C.5	**Restrictions on the free transferability of the securities**	Except for the lock-up periods described under E.5, there are no restrictions on the transferability of the shares to be subscribed by investors in connection with the Offering.
C.6	**Application for admission to trading on a regulated market/ identity of regulated markets where securities are to be traded**	We intend to apply for admission of the Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub–segment thereof with additional post–admission obligations (Prime Standard) on or about October 23, 2017. An admission decision is expected to be granted on November 2, 2017. Commencement of trading is expected to take place on November 3, 2017.
C.7	**Dividend policy**	The Company intends to pay a dividend of between 40% and 50% of net profit, with dividends being at the lower end of this range in periods involving large investments such as the investments into growth projects which we intend to make in the upcoming years. The first dividend will be paid in 2018 based on 2017 reported net profit after costs incurred in relation to the Offering and adjusted for one-off gains.
D	**Risk Factors**	

SECTION D – RISK FACTORS

D.1 **Key risks that are specific to the issuer or its industry**

- The downturn in the global economy has caused in the past and may continue to cause in the future a reduction in demand for our services and products.
- The prices of Waelz oxide, aluminium and zinc are volatile and this can affect our results of operations.
- We may not be successful in hedging our business activities.
- In many cases, we negotiate prices with customers on an annual basis, and the final selling price of Waelz oxide depends on the treatment charge deducted by zinc smelter customers.
- Our business model is dependent on the recycling needs of our customers as well as on availability of input materials such as steel dust, salt slags and aluminium residues.
- Changes in prices for input materials are not necessarily offset by equivalent changes in prices for output materials.
- Our operations are subject to stringent laws and regulations, particularly under applicable environmental laws.
- We are reliant on a small number of customers and failure to retain these customers could adversely affect our business.
- We are currently implementing a strategy for growth and there is no guarantee that this strategy will be successful.
- Our growth strategy requires capital expenditures and we may not be able to obtain additional financing on favorable terms.
- Our growth may be inhibited if we fail to identify and secure sites for new facilities, or fail to secure permissions to construct new or expand our existing sites and facilities.
- Our growth may be inhibited if we fail to identify or are not able to consummate future acquisitions or otherwise fail to implement our growth strategy.
- We operate in a number of emerging markets, which exposes us to economic and political risks in these markets.
- Restrictions on free trade may adversely affect our operations.
- Competition from other materials could significantly reduce demand for the products we produce.

- An increase in the cost of electricity or coke could negatively impact the profitability of our business.
- Our business is exposed to operational risks.
- Changes in technology may affect the industry in which we operate, and our failure to adapt to changes in technology could negatively impact our business activities.
- Our business and results may be impacted by our investment in joint ventures or actions of our co-investors.
- Adverse developments in connection with governmental, legal or arbitration proceedings may have a material adverse effect on our business, financial position or profitability.
- Our business is reliant on retaining and attracting key management and technical personnel.
- Our employees may be exposed to health and safety risks.
- Most of our employees are subject to several collective labor agreements and are represented by labor unions. Any labor disputes could affect our operations, public reputation and relationships with our customers.
- Our insurance policies may not provide sufficient coverage, which may leave us with uninsured liabilities.
- Pending and future tax audits within our Group, disputes with tax authorities and changes in fiscal regulations could lead to additional tax liabilities.
- We are subject to risks related to antitrust regulations and competition in the markets in which we operate.
- We are subject to risks from legal and arbitration proceedings.
- We have significant existing indebtedness, and may be required to incur additional indebtedness in the future.
- We are exposed to risks in connection with our post-IPO refinancing
- We are a holding company and are reliant on dividend payments and distributions from our subsidiaries in order to make dividend payments under the Shares.
- Increases in interest rates could adversely affect our financial condition.
- We are exposed to currency exchange rate risks.
- Our financing agreements impose certain restrictions on various Group companies which could adversely affect our ability to grow.
- We have engaged, and continue to engage in transactions with related parties and Triton, that may present conflicts of interest.
- Our contracts with Triton, former owner Abengoa and other companies in the Abengoa group were negotiated between parties under common control, and we cannot assure you that we could not have obtained better terms from other parties.

D.2	**Key information on the key risks that are specific to the securities**	• There is currently no trading market for the Shares and there is no guarantee that one will continue or develop in the future. • The market price of our Shares could be volatile, and the market price of the Shares may fall below the Offer Price. • The market price of our Shares could decline as a result of future sales of Shares. • The Offering might not be completed, in which case investors could lose security commissions paid and be exposed to risks from any short selling of the Shares. • Shareholders in countries with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of our Shares.

- We cannot guarantee that we will pay dividends to our shareholders or that any dividends paid by us will increase, or not decrease, over time.
- Future capital increases may dilute the rights of existing shareholders.

E **Offer**

SECTION E - OFFER

E.1 **Total net proceeds and estimate of total expenses of the offer, including estimated expenses charged to the investor by the issuer or the offeror**

In the Offering, the Selling Shareholder will receive all proceeds (less agreed commissions and expenses) from the sale of the Sale Shares and any Greenshoe Shares sold in connection with a potential over–allotment, if any. The Company will not receive any proceeds in connection with the Offering.

The amount of the total net proceeds from the sale of the Offer Shares and the costs related to the Offering depend on the Offer Price and the number of Offer Shares actually placed, including Shares that may be sold upon an exercise of the Upsize Option and of the Greenshoe Option (each as defined below).

The commissions payable to the Underwriters will be equally shared between the Company and the Selling Shareholder. The remaining costs and expenses of the Offering, such as the administrative and material fees for accounting, legal and other advisory services, as well as the cost of printing and distribution of the Prospectus and the listing of the Shares will be borne by the Company.

It is not possible at this time to know the precise proceeds and costs of the Offering because neither the total number of Offer Shares that will be placed (including Shares that may be sold upon an exercise of the Upsize Option and of the Greenshoe Option (each as defined below)) nor the Offer Price (which together with the total number of placed Offer Shares determines the amount of the commissions) is currently known.

Assuming, in a base deal scenario and upon full exercise of the Greenshoe Option (as defined below), 16,454,200 Offer Shares are sold at the midpoint of the Price Range (as defined in E.3 below), the gross proceeds of the Selling Shareholder from the Offering would be €543 million, and the proceeds of the Selling Shareholder received net of all costs to be borne by the Selling Shareholder would amount to €535 million.

Assuming, upon full exercise of the Upsize Option and of the Greenshoe Option (each as defined below), 18,600,400 Offer Shares are sold at the midpoint of the Price Range (as defined in E.3 below), the gross proceeds received by the Selling Shareholder from the Offering would be €614 million, and net of all costs to be borne by the Selling Shareholder would amount to €604 million.

The commissions payable to the Underwriters will be equally shared between the Selling Shareholder and the Company and will, at the midpoint of the Price Range, amount to €16.7 million (including a discretionary fee of up to €6.1 million) in a base deal scenario and upon full exercise of the Greenshoe Option, and to €18.9 million (including a discretionary fee of up to €6.9 million) assuming full exercise of the Upsize Option and of the Greenshoe Option. The Company estimates that its other costs and expenses related to the Offering would amount to approximately €5.5 million (excluding refinancing costs).

E.2a **Reasons for the offer, use of proceeds, estimated net amount of the proceeds**

The Company intends to achieve better access to the capital markets due to the planned listing of the Shares on the regulated market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) as well as on the sub-segment thereof with additional post-admission obligations (Prime Standard).

Given its strong cash flow profile, the Company will not receive any proceeds in connection with the Offering.

E.3 **Description of the terms and conditions of the offer**

Offering

The Offering consists of

- up to 16,454,200 ordinary shares in dematerialized form with no nominal value from the holdings of the Selling Shareholder (the "**Sale Shares**"); and

- up to 2,146,200 ordinary shares in dematerialized form with no nominal value from the holdings of the Selling Shareholder in connection with a potential over-allotment (the "**Greenshoe Shares**", together with the Sale Shares, the "**Offer Shares**"),

each Offer Share representing an accounting par value (*pair comptable*) of €2.77619001743216 per share and carrying full dividend rights from January 1, 2017.

The Selling Shareholder intends to sell at least 14,308,000 Sale Shares in a base deal scenario (the "**Base Sale Shares**") in order to achieve sufficient freefloat of the Company's shares after listing. The Selling Shareholder will decide on the date of pricing, after consultation with the Joint Global Coordinators and in its free discretion, whether and which amount of the remaining up to 2,146,200 Sale Shares (the "**Additional Sale Shares**") shall be allocated to investors who have submitted orders during the Offer Period (as defined below) (the "**Upsize Option**").

The Offering consists of an offer to the public of the Offer Shares to retail investors and institutional investors in the Federal Republic of Germany ("**Germany**") and to institutional investors in certain jurisdictions outside Germany under an exemption from the requirement to prepare a prospectus.

Offer Period	The offer period will commence on (i) October 23, 2017 and ends on November 2, 2017, at 12.00 noon (Central European Time) for retail investors and (ii) October 23, 2017 and ends on November 2, 2017, at 2.00pm (Central European Time) for institutional investors (together, the "**Offer Period**"). Retail investors (natural persons with a depository account in Germany) may submit purchase orders for the offer to the public in Germany during the Offer Period at COMMERZBANK's subsidiary, comdirect bank Aktiengesellschaft or COMMERZBANK's retail branches; such Purchase orders must be expressed in full euro amounts or increments of 25 eurocents. Multiple purchase orders are permitted.
Price Range and Offer Price	The price range within which offers to purchase may be submitted is €28.00 and €38.00 (the "**Price Range**"). The final offer price (the "**Offer Price**") per Offer Share and the final number of Offer Shares to be placed will be determined by the Selling Shareholder after consultation with the Joint Global Coordinators using the order book prepared during the bookbuilding process. Afterwards, the Offer Price and the final number of Sale Shares to be placed will be published in the form of an ad-hoc notice via an electronic information system, on the Company's website (www.befesa.com), on the website of the Luxembourg Stock Exchange (www.bourse.lu) and filed with the *Commission de Surveillance du Secteur Financier* (*CSSF*), all in accordance with article 10(1)(b) of the Luxembourg law on prospectuses for securities of July 10, 2005, as amended (*Loi relative aux prospectus pour valeurs mobilières*) (the "**Luxembourg Prospectus Law**"). Particularly in the event that the offer volume proves insufficient to satisfy all of the purchase orders submitted at the Offer Price, and irrespective of the exercise of the Upsize Option, the Joint Global Coordinators reserve the right to refuse purchase orders, in whole or in part.
Amendments to the Terms of the Offering	The Selling Shareholder reserves the right, in agreement with the Joint Global Coordinators, to reduce or increase the number of Offer Shares, to reduce or increase the upper/lower limits of the Price Range and/or to extend or curtail the Offer Period. If the option to change the terms of the Offering is exercised, the change will be announced through an announcement published in various media distributed across the entire European Economic Area and on the Company's website (www.befesa.com) and, in case the upper/lower limits of the Price Range are reduced or increased or in case the Offer Period is extended or curtailed or in any other case if required pursuant to the Luxembourg Prospectus Law, as a supplement to this Prospectus. Investors who have submitted purchase orders will not be notified individually. Any changes to the number of Offer Shares or the price range or any extension or shortening of the Offer Period will not void purchase orders that have already been submitted. The Underwriting Agreement to be executed between the Underwriters, the Company and the Selling Shareholder on November 2, 2017 (the

	"**Underwriting Agreement**"), provides that the Underwriters may, under certain circumstances, terminate the Underwriting Agreement, even after the Offer Shares have been allotted, at any time up to the time of delivery and payment. If the Underwriting Agreement is terminated, the Offering will not take place. In this case, any allotments already made to investors will be invalidated, and investors will have no claim for delivery. Claims with respect to security commissions already paid and costs incurred by an investor in connection with the purchase of Offer Shares will be governed solely by the legal relationship between the investor and the institution to which the investor submitted its purchase order. Investors who engage in short selling bear the risk of being unable to satisfy their delivery obligations.
Delivery and Settlement of Offer Shares	Book-entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to occur two Frankfurt a.M., Germany banking days following the first day of trading on the Frankfurt Stock Exchange, i.e., on November 7, 2017. At the investor's option, Offer Shares purchased pursuant to this Offering will be credited to a securities deposit account maintained by the Joint Global Coordinators, for the account of such investor or to the securities deposit account of a participant at Clearstream Banking AG, Eschborn, Germany or Euroclear Bank S A/N V.
Over-Allotment/ Stabilization and Greenshoe Option	In connection with the Offering and the placement of the Offer Shares, Citigroup Global Markets Limited or its affiliates will act as stabilization manager and may take measures aimed at stabilizing the stock exchange or market price of the Shares in order to offset any sales pressure that may exist (the "**Stabilization Measures**"). A stabilizing manager is under no obligation to take Stabilization Measures. Therefore, there is no guarantee that any such Stabilization Measures will be initiated at all. If Stabilization Measures are initiated, they may be terminated at any time without prior notice. Such measures may be undertaken beginning as of the date of commencement of trading of the Shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange and must be completed no later than the 30th calendar day after such date (the "**Stabilization Period**"). Stabilization Measures may lead to the stock exchange price of the Shares being higher than it would have been in the absence of such measures. In addition, such measures may temporarily result in a stock exchange price at a level that is not sustainable. With regard to potential Stabilization Measures, investors may be allotted additional shares (an overallotment). With regard to such potential over–allotment, up to 2,146,200 shares of the Selling Shareholder will temporarily be made available to Citigroup Global Markets Limited, on behalf of the Underwriters, by way of a securities loan. The Selling Shareholder has also granted Citigroup Global Markets Limited, on behalf of the Underwriters the option of purchasing these Shares at the Offer Price less agreed commissions (the "**Greenshoe Option**"). This option will expire 30 calendar days following the date of commencement of trading of the Shares. The maximum number of Greenshoe Shares will be equal to 15% of the total number of Base Sale Shares, i.e. a maximum of 2,146,200 Shares. Within one week following the end of the Stabilization Period, information will be announced in various media outlets distributed across the entire European Economic Area as to whether Stabilization Measures were taken or not, the date on which Stabilization Measures commenced, the date on which the last Stabilization Measure was implemented, and the price range within which such stabilization occurred for each date on which a Stabilization Measure was implemented. The exercise of the Greenshoe Option, the date of such exercise and the number of Shares involved will also be published without undue delay (*unverzüglich*) in the manner described above for the publication of information regarding the implementation of Stabilization Measures following the end of the Stabilization Period.
Selling Shareholder	Bilbao LuxCo S.A.
Greenshoe Shareholder	Bilbao LuxCo S.A.

	General Allotment Criteria	No agreements exist between the Company, the Selling Shareholder and the Underwriters as to the allotment procedure prior to the commencement of the Offer Period. The Company, the Selling Shareholder and the Underwriters will comply with the “Principles for the Allotment of Share Issues to Private Investors” (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*), which were issued on June 7, 2000 by the Exchange Expert Commission (*Börsensachverständigenkommission*) of the German Federal Ministry of Finance (*Bundesministerium der Finanzen*). After the Offer Period has ended, the Company, the Selling Shareholder and the Joint Global Coordinators will determine and publish the details of the allotment method in accordance with the “Principles for the Allotment of Share Issues to Private Investors” (referred to above).
	Joint Global Coordinators	Citigroup Global Markets Limited, Goldman Sachs International and J.P. Morgan Securities plc (the “**Joint Global Coordinators**”).
	Underwriters	Citigroup Global Markets Limited, Goldman Sachs International, J.P. Morgan Securities plc, Joh. Berenberg, Gossler & Co. KG, COMMERZBANK Aktiengesellschaft, Banco Santander, S.A. and Stifel Nicolaus Europe Limited (the ”**Underwriters**“).
	Settlement Agent	Citigroup Global Markets Limited.
	Admission to and Commencement of Trading	The Company expects to apply for admission of the Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub–segment of the regulated market with additional post–admission obligations (Prime Standard) on or about October 23, 2017. An admission decision is expected to be granted on November 2, 2017. Commencement of trading is expected to take place on November 3, 2017.
E.4	**Interests that are material to the offer including conflicting interests**	Bilbao LuxCo S.A. has an interest in the Offering because it will receive the net proceeds of sale of the Sale Shares and, to the extent sold, the Greenshoe Shares. Triton has an interest in the Offering as its subsidiary Bilbao LuxCo S.A., in which Triton ultimately owns 100% of the shares, will receive the net proceeds from the sale of the Sale Shares and, to the extent sold, the Greenshoe Shares. The Underwriters have an interest in the Offering as each has entered into a contractual relationship with the Selling Shareholder and the Company in connection with the structuring, execution and implementation of the Offering. The compensation is incentive based and depends, among other factors, on the amount of the proceeds of the Offering. In connection with the Offering, the Underwriters and their affiliated companies will be able to acquire Offer Shares for their own accounts and hold, purchase or sell for their own accounts and can also offer or sell these shares outside the Offering. The Underwriters do not intend to disclose the scope of such investments or transactions to the extent that this is not legally required. In addition, BNP Paribas Securities Services, Luxembourg Branch has been appointed to act as the Luxembourg paying agent and LuxCSD principal agent (the “**LuxCSD Principal Agent**”).
E.5	**Name of the person or entity offering to sell the securities**	The Offer Shares will be offered by the Underwriters.
	Lock-up agreements: the parties involved; and indication of the period of the lock up	The Company will agree with each Underwriter that it will not, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), for a period ending six months after November 3, 2017: • announce or effect an increase of the share capital of the Company out of authorized capital; • submit a proposal for a capital increase to any meeting of the shareholders for resolution; • announce to issue, effect or submit a proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; nor

- enter into a transaction or perform any action economically similar to those listed above.

The Company may, however, offer, sell and issue options, warrants and shares of the Company (i) under future employee share purchase and share option schemes or (ii) in consideration of all or a portion of the acquisition price of any business acquired by the Company or for purposes of entering into a joint venture, provided that the Company shall in case of (ii), (x) consult with the Joint Global Coordinators prior to the issuance of the shares or other securities and (y) use its best efforts to negotiate an undertaking of the recipient of the shares or such other securities of the Company to comply with the below restrictions on the disposal of shares applicable to the Selling Shareholder.

The Selling Shareholder will agree with each Underwriter that it will not, for a period ending six months after November 3, 2017 without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), and the (i) MIP Vehicle and (ii) new vehicle that will replace the MIP Vehicle in a restructuring of the MIP to be undertaken after consummation of the Offering and (iii) the four members of Senior Management and (iv) two further MIP Participants individually will agree with the Joint Global Coordinators, acting on behalf of the Underwriters, that they will not, for a period ending twelve months after November 3, 2017, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed):

(i) offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or any other securities of the Company, including securities convertible into or exercisable or exchangeable for Shares;

(ii) make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company;

(iii) propose any increase in the share capital of the Company, vote in favor of such a proposed increase or otherwise support any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company;

(iv) enter into a transaction or perform any action economically similar to those described in (i) through (iii) above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise.

For the Selling Shareholder, the selling restrictions under (i) through (iv) above do not apply within the framework of a public takeover bid or purchase offer made by a third-party or pursuant to private sales (*i.e.*, other than through stock exchange trades or transactions similar to stock exchange trades, such as accelerated book-building offerings) to third parties provided that such party or parties assume *vis-à-vis* the Joint Global Coordinators the aforementioned selling restrictions. Further excluded for the Selling Shareholder from the selling restriction under (i) through (iv) above are transactions with companies affiliated with the Selling Shareholder, as well as the conveyance of an indirect interest in the Company through the members of the management, if the buyer is subject to the same selling restrictions as the respective seller.

Lock-up restrictions do not apply for the restructuring of the MIP which is contemplated to occur following the consummation of the Offering and during which the current shareholdings of the MIP Participants will be transferred from the MIP Vehicle to the new vehicle, except for the shareholdings of two MIP Participants who will hold a direct interest in the Company after consummation of the restructuring of the MIP.

E.6	**Amount and percentage of immediate dilution resulting from the offer**	The equity of the Company on its consolidated statement of financial position (equity attributable to shareholders of the Company), excluding non-controlling interests, amounted to €190.4 million at June 30, 2017, and would amount to €8.25 per share based on 23,066,112 outstanding shares of the Company immediately before the Offering. After giving effect to the issuance of the maximum number of 11,000,594 new ordinary shares of the Company (the "**New Shares**") in the context of the conversion of existing preference shares to ordinary shares at the Offer Price, but before subtracting expenses to be borne by the Company, the equity of the Company attributable to shareholders as of June 30, 2017 would have been €190.4 million or €5.59 per share. That would correspond to a direct dilution of €22.41 (80%) per share for the parties acquiring the Offer Shares if the Offer Price is at the low end of the Price Range. At the mid-price and high end of the Price Range and assuming the issuance of 9,333,837 and 8,105,700 New Shares, respectively, the corresponding figures would be €27.12 (82.2%) and €31.89 (83.9%).
E.7	**Estimated expenses charged to the investor by the issuer or the offeror**	Not applicable. Neither the Company nor the Underwriters will charge expenses to investors. Investors will have to bear customary transaction and handling fees charged by their account–keeping financial institution.

ZUSAMMENFASSUNG DES PROSPEKTS

*Zusammenfassungen bestehen aus geforderten Angaben, die als Punkte („**Punkte**“) bezeichnet sind. Die Punkte sind in den Abschnitten A – E (A.1 – E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle Punkte, die für die vorliegende Art der Wertpapiere und des Emittenten in eine Zusammenfassung aufzunehmen sind. Da einige Punkte nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Punkt wegen der Art der Wertpapiere und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diesen Punkt keine relevanten Informationen gegeben werden können. In diesem Fall enthält die Zusammenfassung eine kurze Beschreibung des Punkts mit dem Hinweis „Entfällt“.*

A Einleitung und Warnhinweise

ABSCHNITT A - EINLEITUNG UND WARNHINWEISE

A.1 Warnhinweise

Warnhinweis, dass

- diese Zusammenfassung als Einleitung zu diesem Prospekt (der „**Prospekt**“) verstanden werden sollte;
- sich der Anleger bei jeder Entscheidung zur Anlage in die Wertpapiere auf die Prüfung des gesamten Prospekts stützen sollte;
- für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, der als Kläger auftretende Anleger in Anwendung der nationalen Rechtsvorschriften der Mitgliedstaaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben könnte; und
- nur diejenigen Personen, die die Zusammenfassung, einschließlich der Übersetzung hiervon, vorgelegt haben, zivilrechtlich haftbar gemacht werden können, jedoch nur für den Fall, dass die Zusammenfassung verglichen mit den anderen Teilen des Prospekts irreführend, unrichtig oder widersprüchlich ist, oder sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt, um den Anlegern bei der Frage, ob sie in die Wertpapiere investieren sollten, behilflich zu sein.

A.2 Angaben über die spätere Verwendung des Prospekts

Entfällt. Eine Zustimmung der Befesa S.A. zur Verwendung des Prospekts für eine spätere Weiterveräußerung oder endgültige Platzierung der Aktien der Gesellschaft durch Finanzintermediäre wurde nicht erteilt.

B Emittent

ABSCHNITT B - EMITTENT

B.1 Juristische und kommerzielle Bezeichnung

Die juristische Bezeichnung der Gesellschaft lautet Befesa S.A. (die „**Gesellschaft**“ oder der „**Emittent**“ und zusammen mit ihren direkten und indirekten konsolidierten Tochtergesellschaften und Joint Ventures zum jeweiligen Zeitpunkt „**Befesa**“, „**wir**“, „**unser**“ oder „**die Gruppe**“). Die Gesellschaft hat am 18. Oktober 2017 ihre Rechtsform in eine Aktiengesellschaft (*société anonyme*) geändert und firmierte vor diesem Datum als Bilbao MidCo S.à r.l. Die Gruppe operiert vorrangig unter ihrer kommerziellen Bezeichnung Befesa.

B.2 Sitz und Rechtsform des Emittenten, geltendes Recht, Land der Gründung

Die Gesellschaft hat ihren Sitz in 2C, rue Albert Borschette L-1246, Luxemburg, Großherzogtum Luxemburg. Die Gesellschaft ist eine im Großherzogtum Luxemburg („**Luxemburg**“) gegründete Aktiengesellschaft (*société anonyme*) nach Luxemburger Recht.

B.3 Derzeitige Geschäfts- und Haupttätigkeiten des Emittenten sowie Hauptmärkte, auf denen der Emittent vertreten ist

Wir sind ein auf die Einsammlung und das Recycling von Reststoffen aus der Stahl- und Aluminiumindustrie und andere damit zusammenhängende Industrie- und Logistikdienstleistungen spezialisierter Dienstleister. Wir bieten industrielle Recycling-Dienstleistungen in Nischenbereichen der Sonderabfallwirtschaft an. Unsere Aktivitäten sind in zwei Geschäftsbereichen organisiert: „Steel Dust Recycling Services“ und „Aluminium Salt Slags Recycling Services“, wobei der letztere Geschäftsbereich in zwei Unterbereiche unterteilt ist: Salzschlacken („Salt Slags“) und Sekundäraluminium („Secondary Aluminium“).

In unserem Geschäftsbereich Steel Dust Recycling Services sammeln wir Stahlwerkstaub und andere Stahlreststoffe, die bei der Produktion von Roh- und Edelstahl sowie von verzinktem Stahl anfallen, ein und recyceln diese. Den Großteil unserer Umsatzerlöse im Geschäftsbereich Steel Dust Recycling Services erzielen wir mit Dienstleistungsentgelten, die wir für die Einsammlung und Behandlung von Stahlwerkstaub aus der Rohstahlproduktion berechnen, und mit dem Verkauf des Wälzoxids, das wir durch Recycling von Stahlwerkstaub aus der Rohstahlproduktion erzeugen, an Zinkhütten. Ferner erzielen wir einen kleinen Teil unserer Umsatzerlöse mit sogenannten Tolling-Entgelten, bestehend aus einem Dienstleistungsentgelt, das wir Edelstahlherstellern für die Einsammlung und Behandlung von Reststoffen aus der Edelstahlproduktion berechnen, und einem Entgelt für die Rücklieferung der in dem Recyclingprozess gewonnenen Metalle (vor allem Nickel, Chrom und Molybdän) an diese Hersteller, sowie mit dem Verkauf der gewonnenen Metalle im Markt.

Im Salzschlackengeschäft unseres Geschäftsbereichs Aluminium Salt Slags Recycling Services recyceln wir Salzschlacken, die wir von unseren Kunden gegen ein Dienstleistungsentgelt entgegennehmen oder die im Rahmen unserer eigenen Produktion von Sekundäraluminium anfallen. Darüber hinaus recyceln wir verbrauchte Tiegelauskleidungen (Spent Pot Linings bzw. „**SPL**“), die bei Primäraluminium-Herstellern anfallen. Im Rahmen des Recyclingprozesses gewinnen wir Salz, Aluminiumkonzentrat und Aluminiumoxide. Den Großteil unserer Umsatzerlöse aus dem Salzschlackengeschäft erzielen wir mit Entgelten, die wir für das Recycling von Salzschlacken und SPL berechnen, und mit dem Verkauf von Aluminiumkonzentraten und des Salzes, das aus dem Recycling von Salzschlacken und SPL gewonnen wird. Ein Großteil der gewonnenen Aluminiumkonzentrate wird verkauft oder innerhalb der Gruppe für die Herstellung von Aluminiumlegierungen verwendet.

Im Sekundäraluminium-Geschäft unseres Geschäftsbereichs Aluminium Salt Slags Recycling Services sammeln und recyceln wir Aluminiumschrott und andere Aluminiumreststoffe wie Aluminiumspäne, -hobel und -krätze oder Aluminiumkonzentrate unter anderem von Aluminiumgießereien, Schrotthändlern und –sammlern sowie Primaraluminium-Herstellern. Wir gewinnen auch selbst Aluminiumkonzentrate im Rahmen unseres Salzschlacken-Recyclings. Aus diesen Aluminiumreststoffen produzieren wir Sekundäraluminium-Legierungen, die wir vornehmlich an Kunden in der Automobil- und Bauindustrie verkaufen. Umsatzerlöse aus unserem Sekundäraluminium-Geschäft stammen hauptsächlich aus dem Verkauf von Sekundäraluminium-Legierungen.

Wir glauben, dass wir bestimmte Kern-Wettbewerbsstärken entwickelt haben, die unser Wachstum bis heute unterstützt haben und die unser zukünftiges Wachstum stärken werden. Dazu gehören:

- führende Position in unseren Märkten, wobei vorteilhafte Makro- und Megatrends das Recycling von Stahlwerkstaub und Aluminium-Salzschlacken unterstützen;
- Wettbewerbsvorteile durch die Nähe unserer Anlagen zu unseren Kunden;
- Erbringung wesentlicher Dienstleistungen für unsere langjährigen Kunden;
- Ausgewogenheit unseres Dienstleistungsgeschäfts mit einer gesicherten Wettbewerbsposition;
- attraktives Wachstum und hohe und stabile Margen mit regelmäßigen Cashflows; und
- ein erfahrenes und diszipliniertes Managementteam mit einer erfolgreichen Bilanz bei der Erzielung von Wachstum.

Unsere strategischen Ziele bestehen in der Stärkung unseres Umsatz- und Ergebniswachstums, der Erhaltung unserer hohen und stabilen Margen und hohen Cashflows und einem weiteren Ausbau unserer Wettbewerbsposition. Die Kernpunkte zur Erreichung dieser strategischen Ziele sind:

- Optimierung der Auslastung unserer bestehenden Anlagen;
- Ausnutzung von Vorteilen aus einem höheren Zinkgehalt in Stahlwerkstaub;
- Aufrechterhaltung der operationellen Exzellenz;

		• Wahrnehmung klar definierter und wertschaffender organischer Wachstumschancen; • Ausnutzung von Wertsteigerungspotential durch attraktive Zukaufmöglichkeiten; und • Verringerung der Abhängigkeit von volatilen Rohstoffmärkten durch vorsichtige und langfristige Hedgingaktivitäten.
B.4a	**Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken**	Die Recyclingmärkte, auf denen wir tätig sind, d.h. die Märkte für das Recycling von Stahlwerkstaub, Salzschlacken und SPL, werden insbesondere durch die allgemeinen Trends auf den Industriemärkten für die Stahl- und Aluminiumproduktion beeinflusst, die damit auch unser Geschäft besonders beeinflussen. (a) Steel Dust Recycling Services *Managementdienstleistung*: Die Kerndienstleistung, die wir Kunden in unserem Geschäftsbereich Steel Dust Recycling Services anbieten, ist die Einsammlung und das Recycling von Stahlwerkstaub, einem Sonderabfall, der bei der Produktion von Rohstahl mithilfe des Elektrolichtbogenverfahrens (*electric arc furnace,* „**EAF**“-Verfahren) anfällt. Im Gegensatz zum Sauerstoff-Aufblasverfahren („**BOF**“) wird beim EAF-Verfahren der Stahlproduktion Schrott als Input-Material verwendet, und Stahlwerkstaub fällt während des Produktionsprozesses in sogenannten „Ministahlwerken“ an. Das Volumen an Stahlwerkstaub, das wir einsammeln können, ist vom Volumen der EAF-Stahlproduktion unserer Kunden auf den von uns bedienten Märkten abhängig. Wie vorstehend erwähnt, erzielen wir einen Teil unserer Umsatzerlöse mit Dienstleistungsentgelten, die wir für die Einsammlung und Behandlung unseres Input-Materials berechnen. Die Höhe dieser Entgelte ist unter anderem vom potenziellen Wert des von uns eingesammelten Input-Materials, d. h. vom Zinkgehalt des eingesammelten Stahlwerkstaubs, abhängig. Die Höhe unserer Entgelte blieb in den letzten Jahren relativ stabil, gerät mit steigenden Zinkpreisen jedoch aufgrund der Werthaltigkeit des Input-Materials zunehmend unter Druck. *Verkauf von Wälzoxid*: Wir verkaufen das in unserem Recyclingverfahren für Rohstahl erzeugte Output-Material, vorwiegend zinkhaltiges Wälzoxid, an unsere Kunden in der Zinkindustrie (Zinkhütten). Der Preis, den Zinkhütten für das Wälzoxid der Gesellschaft zahlen, wird sowohl durch den aktuellen Zinkpreis als auch die Höhe des Zinkgehalts des Wälzoxids beeinflusst. Daher haben der Zinkpreis und der Zinkgehalt des von uns recycelten Stahlwerkstaubs großen Einfluss auf unser Geschäft. Abgesehen von einer gewissen Volatilität verzeichnen sowohl der Zinkpreis als auch der Zinkgehalt in Stahlwerkstaub in den letzten Jahren grundsätzlich einen Aufwärtstrend, wobei wir die Einflüsse der Zinkpreisschwankungen auf unser Geschäft durch unsere Hedging-Aktivitäten zu einem gewissen Grad zu reduzieren suchen. *Edelstahl:* Das Edelstahlgeschäft unseres Geschäftsbereichs Steel Dust Recycling Services ist hauptsächlich von dem Volumen der Edelstahlreststoffe, die bei den Kunden der Gesellschaft anfallen, als Input-Material und von der Nachfrage nach den in den Reststoffen enthaltenen Metallen (vor allem Nickel, Chrom und Molybdän) als auf dem Markt verkauftes Output-Material abhängig. (b) Aluminium Salt Slags Recycling Services *Recyclingdienstleistung*: Die Basis unseres Geschäftsbereichs Aluminium Salt Slags Recycling Services ist der europäische Markt für die Produktion von Sekundäraluminium. Auf dem Markt für die Produktion von Sekundäraluminium fallen Salzschlacken an, die in Europa und auf anderen Märkten als Sonderabfall eingestuft werden. Die Dienstleistungsentgelte, die für die Behandlung von Salzschlacken berechnet werden, repräsentieren in der Regel einen größeren Anteil am Umsatz oder Ergebnis von Unternehmen, die Salzschlacken recyceln, als Dienstleistungsentgelte, die für die Einsammlung und Behandlung anderer Sonderabfälle wie Stahlwerkstaub berechnet werden, und sind hauptsächlich von dem Volumen an Salzschlacken, die bei unseren Kunden anfallen und von uns eingesammelt werden, abhängig.

Die Sekundäraluminium-Produktion wird vor allem durch die Verkehrsindustrie, u. a. die Automobil-, Luftfahrt- und Schienenverkehrsindustrie, beeinflusst. In den letzten Jahrzehnten war die Automobilindustrie der größte Nachfragetreiber für Aluminium und wird die Nachfrage voraussichtlich weiter nach oben treiben, unter anderem durch den Trend zu Leichtbau, aber auch durch die Nachfrage nach höherer Sicherheit und Leistung. Da die Sekundäraluminium-Produktion mit der erhöhten Nachfrage seitens der Automobilindustrie Schritt hält, ist zu erwarten, dass das Volumen an anfallenden Salzschlacken und damit die Nachfrage nach den Einsammlungs- und Recyclingdienstleistungen der Gesellschaft zunehmen wird.

Die Basis für unsere SPL-Recyclingdienstleistungen ist der Markt für die Produktion von Primäraluminium, bei der Primäraluminium im Rahmen der elektrolytischen Reduktion von Aluminiumoxid aus Elektrolysezellen oder -wannen abgesaugt wird.

Output-Material: In dem von uns verwendeten Recyclingverfahren für Salzschlacken gewinnen wir Aluminiumkonzentrate, Aluminiumoxide und Salz. Aluminiumkonzentrate werden auch als Input-Material im Verfahren der Sekundäraluminium-Produktion verwendet, so dass unser wesentlicher direkter Endmarkt der Markt für die Sekundäraluminium-Produktion ist, in dem auch Aluminium aus Aluminiumschrott produziert wird und der daher selbst ein Recycling-Markt ist. Aluminiumrecycling-Märkte sind in Europa und den Vereinigten Staaten weit entwickelt, da in diesen Ländern Aluminiumschrott in großer Menge verfügbar ist. In Entwicklungsländern hingegen – insbesondere in China, dem weltweit größten Aluminiumproduzenten – herrscht noch die Primäraluminiumproduktion vor.

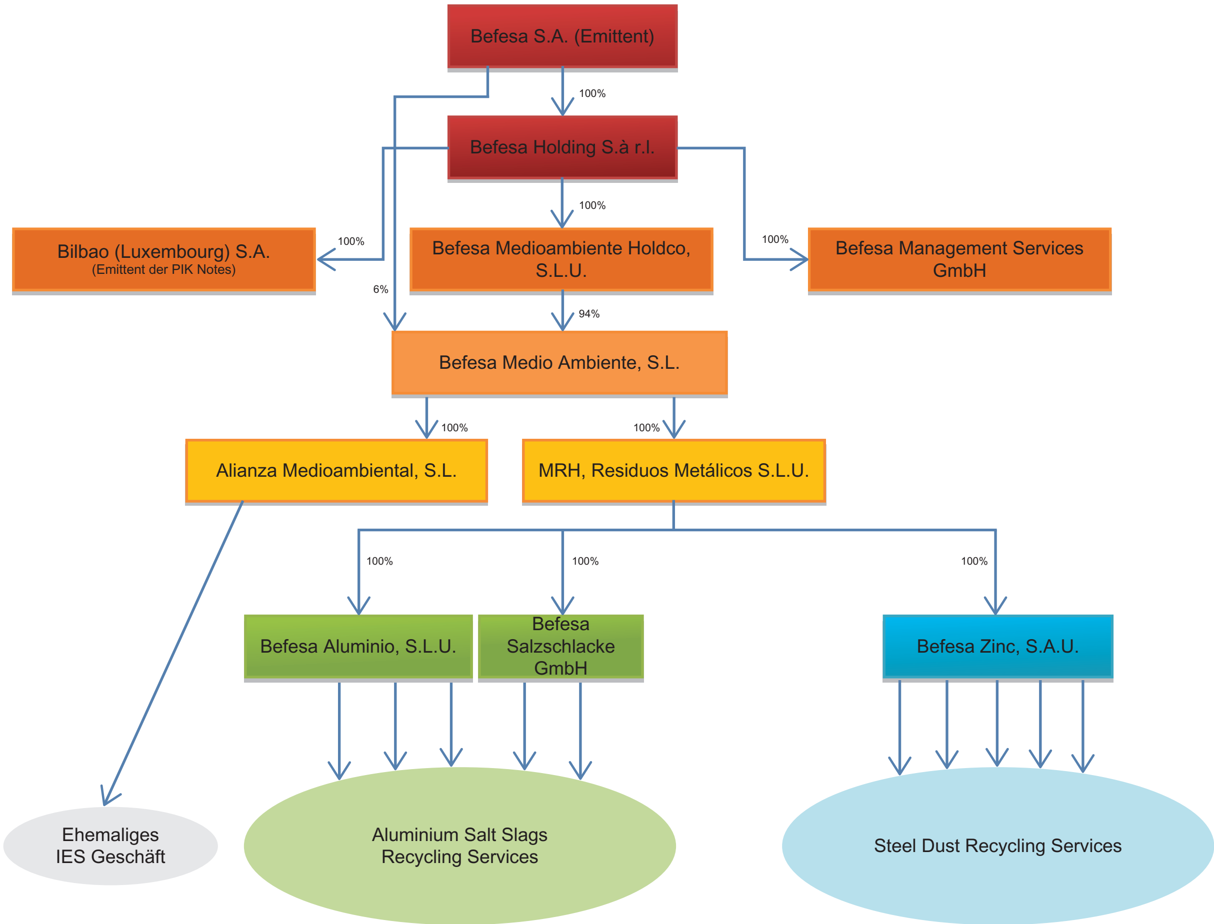
Sekundäraluminium: Neben unseren Dienstleistungen im Zusammenhang mit dem Recycling von Aluminiumreststoffen sind wir auch ein Hersteller von Sekundäraluminium und produzieren insbesondere Aluminiumlegierungen aus Aluminiumreststoffen, die wir am Markt erwerben, sowie aus Aluminiumkonzentraten, die als Output-Material im Salzschlacken-Recylingprozess gewonnen werden. Die von uns produzierten Sekundäraluminium-Legierungen werden vor allem zur Herstellung von Gusserzeugnissen verwendet, die hauptsächlich in der Automobilindustrie Einsatz finden. Die Nachfrage nach Gusserzeugnissen wird voraussichtlich zu einem moderaten Anstieg des Volumens an und der Preise für Sekundäraluminium beitragen.

(c) Umweltrechtsvorschriften

EAF-Stahlwerkstaub und Salzschlacken sind auf den meisten Märkten, auf denen wir tätig sind, von den Aufsichtsbehörden als Sonderabfall eingestuft worden und unterliegen daher strengen Recycling-Vorschriften und gesetzlichen Recycling-Pflichten. Zu unseren Dienstleistungen gehört die Beseitigung von Sonderabfall aus den Produktionsstätten der Hersteller und die Unterstützung der Hersteller bei der Erfüllung ihrer Recycling-Pflicht. Beides ist für die Hersteller sehr wichtig, um ihre Lagerkapazitäten und ihre umweltrechtlichen Haftungsrisiken zu managen und ihren Betrieb fortführen zu können. Darüber hinaus unterstützen wir unsere Kunden bei den administrativen Verfahren, die sie beim Transport und bei der Entsorgung von Sonderabfall einhalten müssen.

Eine stärkere und strengere umweltrechtliche Regulierung auf den Märkten, auf denen wir tätig sind, ist ein wesentlicher Treiber für unser Dienstleistungsgeschäft. Die Regulierung ist bislang in Industrieländern besonders ausgeprägt, wird aber im Zuge der Weiterentwicklung und stärkeren Industrialisierung voraussichtlich auch in Schwellenländern zunehmen.

B.5	**Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe**	Die Gesellschaft ist die Muttergesellschaft der Gruppe. Die Gesellschaft fungiert als Holding für die direkten und indirekten Beteiligungen an ihren Tochtergesellschaften und Joint Ventures. Das folgende Diagramm gibt einen Überblick (in vereinfachter Form) über die wesentlichen direkten und indirekten Beteiligungen der Gesellschaft zum Datum dieses Prospekts:



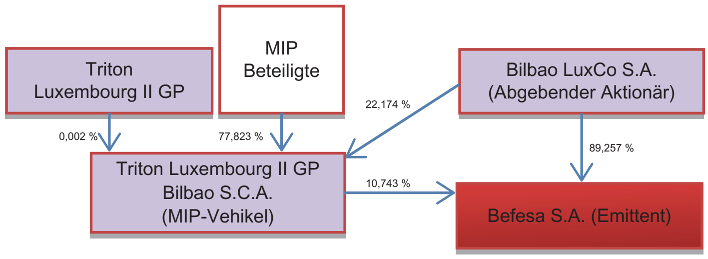
B.6	**Personen, die eine direkte oder indirekte Beteiligung am Eigenkapital des Emittenten oder einen Teil der Stimmrechte halten oder eine Beherrschung über den Emittenten ausüben**	Zum Datum des Prospekts halten die folgenden Personen eine direkte oder indirekte (meldepflichtige) Beteiligung am Kapital und an den Stimmrechten der Gesellschaft: Die Bilbao LuxCo S.A. (der „**Abgebende Aktionär**“), eingetragen im Luxemburger Handelsregister (*Registre de Commerce et des Sociétés*) unter der Registernummer B 143889, mit Sitz in 2C, rue Albert Borschette, L-1246 Luxemburg, Luxemburg, hält 89,257 % des Grundkapitals der Gesellschaft. 10,743 % des Grundkapitals der Gesellschaft werden von der Triton Luxembourg II GP Bilbao S.C.A., eingetragen im Luxemburger Handelsregister (*Registre de Commerce et des Sociétés*) unter der Registernummer B 178810, mit Sitz in 2C, rue Albert Borschette, L-1246 Luxemburg, Luxemburg, (das „**MIP Vehikel**“) gehalten. 50 % der Aktien des Abgebenden Aktionärs werden von der Triton Masterluxco 4 S.à r.l., eingetragen im Luxemburger Handelsregister (*Registre de Commerce et des Sociétés*) unter der Registernummer B 177.725, mit Sitz in 2C, rue Albert Borschette, L-1246 Luxemburg, Luxemburg, gehalten. Die Triton Masterluxco 4 S.à r.l. ist eine indirekte Tochtergesellschaft von Triton Fund IV (der „**Fonds**“). Die übrigen 50 % der Aktien des Abgebenden Aktionärs werden von der Triton Fund IV F&F LP, eingetragen im Handelsregister von Jersey unter der Registernummer 1493, mit Sitz in Charter Place, 1st Floor, 23-27 Seaton Place, St Helier, JE2 3QL, Kanalinseln, Jersey, als konstituierender Teil des Fonds, gehalten. Die Triton Investment Management Limited verwaltet den Fonds für dessen Anleger.

Peder Prahl hält über den Fonds eine indirekte meldepflichtige Beteiligung an den von dem Abgebenden Aktionär direkt gehaltenen Aktien der Gesellschaft in Höhe von dessen Beteiligung von 89,257 %. Zur Klarstellung: Peder Prahl ist nicht der letztendliche wirtschaftliche Eigentümer des Fonds. Seine indirekte meldepflichtige Beteiligung resultiert aus der besonderen Struktur des Fonds und den verschiedenen Triton-Gesellschaften, die den Fonds kontrollieren.

Bestimmte Mitglieder der Geschäftsführung, des oberen Managements und bestimmte weitere Schlüsselmitarbeiter der Gruppe, nicht-exekutive Mitglieder von Aufsichtsorganen von Gruppengesellschaften und bestimmte weitere Personen, die aufgrund einer Beraterstellung oder auf sonstige Weise einen Bezug zur Gruppe haben, ohne deren Mitarbeiter zu sein, (zusammen die „**MIP-Beteiligten**" und jeweils ein „MIP-Beteiligter") halten zusammen 77,823 % der Anteile an dem MIP-Vehikel im Rahmen eines Management-Beteiligungsplans (*management incentive plan,* „**MIP**"), was zusammen einer indirekten Beteiligung aller 29 MIP-Beteiligten an der Gesellschaft in Höhe von 8,360 % entspricht. Kein MIP-Beteiligter hält einzeln eine indirekte Beteiligung von mehr als 1 % des gesamten Grundkapitals der Gesellschaft.

Der Abgebende Aktionär hält eine Beteiligung in Höhe von 22,174 % an dem MIP-Vehikel und damit direkt und indirekt insgesamt eine Beteiligung von 91,639 % an der Gesellschaft.

Das folgende Diagramm gibt (in vereinfachter Form) einen Überblick über die von dem Abgebenden Aktionär und dem MIP-Vehikel gehaltenen Beteiligungen an der Gesellschaft zum Datum dieses Prospekts (vor Umwandlung der Vorzugsaktien):



Der Abgebende Aktionär hat angeboten, von jedem MIP-Beteiligten bis zu 50 % der von den jeweiligen MIP-Beteiligten derzeit gehaltenen Beteiligung an dem MIP-Vehikel zum Angebotspreis (abzüglich anteiliger Kosten und Aufwendungen) zu erwerben, wobei der Erwerb zum Zeitpunkt des Vollzugs des Angebots wirksam werden soll. Verschiedene MIP-Beteiligte haben dieses Angebot angenommen und insgesamt 34,2 % der gesamten Anteile des MIP-Vehikels, was zusammen einer indirekten Beteiligung in Höhe von 3,67% an dem Emittenten vor Umwandlung der Vorzugsaktien entspricht, mit Wirksamkeit zum Zeitpunkt des Vollzugs des Angebots an den Abgebenden Aktionär verkauft. Die Erlöse aus dem Verkauf sollen insbesondere dazu dienen, (i) den MIP-Beteiligten die Zahlung von Steuern, die im Zusammenhang mit der Börsenzulassung und während der Lock-up-Frist anfallen können, und (ii) die Rückzahlung der ursprünglichen Beteiligung der MIP-Beteiligten an dem MIP und aller damit verbundenen Finanzierungs- und sonstigen Kosten und Aufwendungen zu ermöglichen.

Unmittelbar nach dem Vollzug des Angebots und unter Berücksichtigung der im vorstehenden Absatz beschriebenen Änderung der Aktionärsstruktur der Gesellschaft bei Vollzug des Angebots und nach der Ausgabe von 9,333,837 neuen Stammaktien der Gesellschaft im Zusammenhang mit der Umwandlung der Vorzugsaktien zum Angebotspreis am Mittelpunkt der Preisspanne wird sich die Aktionärsstruktur der Gesellschaft wie folgt darstellen:

	Aktionärsstruktur nach Vollzug des Angebots (ohne Ausübung der Aufstockungsoption und der Greenshoe-Option)		Aktionärsstruktur nach Vollzug des Angebots (bei vollständiger Ausübung der Aufstockungsoption und der Greenshoe-Option)	
Aktionär	Unverbriefte Stammaktien	in %	Unverbriefte Stammaktien	in %
Abgebender Aktionär	15.611.783	48,2*	11.319.383	34,9**
MIP Vehikel	2.480.166	7,7	2.480.166	7,7
Streubesitz	**14.308.000**	**44,2**	**18.600.400**	**57,4**
Summe	**32.399.949**	**100,0**	**32.399.949**	**100,0**

* 52,5% direkt und indirekt vom Abgebenden Aktionär gehalten.
** 39,3% direkt und indirekt vom Abgebenden Aktionär gehalten.

	Stimmrechte.	Alle Aktien der Gesellschaft („**Aktien**“), einschließlich der von dem Abgebenden Aktionär gehaltenen Aktien, haben identische Stimmrechte.
B.7	**Ausgewählte wesentliche historische Finanzinformationen über den Emittenten, die für jedes Geschäftsjahr des von den historischen Finanz-informationen abgedeckten Zeitraums vorgelegt werden**	*Die folgenden Tabellen enthalten Informationen aus der Konzern-Gewinn- und Verlustrechnung, Bilanz und Kapitalflussrechnung für die angegebenen Zeiträume. Unsere nachfolgend in dieser Zusammenfassung dargestellten konsolidierten Finanzinformationen für die zum 31. Dezember 2016, 2015 und 2014 endenden Geschäftsjahre sind, sofern nicht anders angegeben, unseren geprüften Konzernabschlüssen, die gemäß den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind („**IFRS**“), aufgestellt wurden, entnommen. Unsere nachfolgend dargestellten konsolidierten Finanzinformationen für die zum 30. Juni 2017 und 30. Juni 2016 endenden Sechsmonatszeiträume sind unseren ungeprüften verkürzten Konzernzwischenabschlüssen, die gemäß dem International Accounting Standard Nr. 34 („**IAS 34**“) „Zwischenberichterstattung“ aufgestellt wurden, entnommen.* Neben ihren bestehenden Geschäftsbereichen hielt die Gruppe auch Aktiva in ihrem Geschäftsfeld für industrielle Umweltlösungen (das „**IES-Geschäft**“), das bis Ende 2016 zu einem eigenständigen Geschäftsbereich für Industrieabfallmanagement gehörte. Der Großteil der Aktiva des IES-Geschäfts wurde im Rahmen verschiedener Transaktionen veräußert, beginnend mit dem Verkauf der Beteiligung der Gruppe an der zu dem IES-Geschäft gehörenden Befesa Valorización de Azufre S.L.U. am 29. Dezember 2015 und endend mit dem Verkauf verschiedener Unternehmen im März und August 2017. Siehe nachstehend “*B.7 „Beschreibung der wesentlichen Veränderungen der Finanzlage und des Betriebsergebnisses des Emittenten in oder nach dem von den wesentlichen historischen Finanzinformationen abgedeckten Zeitraum“.* Der geprüfte Konzernabschluss für das zum 31. Dezember 2016 endende Geschäftsjahr stellt die Ergebnisse der Gruppe gegliedert nach ihren derzeit bestehenden Geschäftsbereichen Steel Dust Recycling Services und Aluminium Salt Slags Recycling Services (unterteilt in Salt Slags und Secondary Aluminium) dar, wobei das Segment, welches historisch das IES-Geschäft abbildete, als aufgegebener Geschäftsbereich dargestellt wird. Die geprüften Konzernabschlüsse für die zum 31. Dezember 2015 und 2014 endenden Geschäftsjahre stellen unsere historischen Finanzergebnisse gegliedert nach unseren drei historischen Geschäftsbereichen Recycling von Stahlwerkstaub, Recycling von Aluminiumreststoffen und Industrieabfallmanagment dar, wobei das IES-Geschäft als fortzuführender Geschäftsbereich dargestellt wird. Um die Vergleichbarkeit unserer Finanzinformationen bezüglich unserer fortzuführenden Geschäftsbereiche zu erleichtern, haben wir bestimmte zusätzliche Informationen aus der Konzern-Gewinn- und Verlustrechnung in diesen Prospekt aufgenommen, um die Effekte aus der Veräußerung des IES-Geschäfts vollständig abzubilden. Diese Informationen wurden aus unserem internen Rechnungswesen und internen Buchführungsunterlagen zusammengestellt, um die Effekte des IES-Geschäfts (das zum jeweiligen Zeitpunkt noch kein aufgegebener Geschäftsbereich war) herauszurechnen, und stellen bestimmte Informationen aus der Gewinn- und Verlustrechnung dar, die sich ausschließlich auf unsere fortzuführenden Geschäftsbereiche beziehen. Diese angepassten Informationen (also die Informationen aus der Konzern-Gewinn- und Verlustrechnung für die zum 31. Dezember 2015 und 2014 endenden Geschäftsjahre, die in der Fußnote zu nachstehender Tabelle dargestellt sind) sind ungeprüft.

INFORMATIONEN AUS DER KONZERN-GEWINN- UND VERLUSTRECHNUNG

Die nachfolgende Tabelle enthält Informationen aus der Konzern-Gewinn- und Verlustrechnung für die zum 31. Dezember 2016, 2015 und 2014 endenden Geschäftsjahre, die unseren geprüften Konzernjahresabschlüssen entnommen sind, sowie Informationen aus der Konzern-Gewinn- und Verlustrechnung für die zum 30. Juni 2017 und 2016 endenden Sechsmonatszeiträume, die unseren ungeprüften Konzernzwischenabschlüssen entnommen sind.

	Sechsmonatszeitraum zum 30. Juni		Geschäftsjahr zum 31. Dezember			
	2017 (ungeprüft)	2016 (ungeprüft)	2016 (geprüft)	2015[1] (angepasst)	2015[2] (geprüft)	2014 (geprüft)
	(Tausend €)					
Fortzuführende Geschäftsbereiche:[3]						
Umsatzerlöse	374.383	300.817	611.687	661.082	743.504	651.193
Veränderungen des Bestands an fertigen und unfertigen Erzeugnissen	712	(3.022)	(3.595)	(1.047)	2.591	(6.625)
Umsatzkosten	(203.601)	(152.420)	(297.163)	(336.170)	(365.380)	(295.446)
Sonstige betriebliche Erträge	5.799	3.598	9.344	10.085	12.273	19.476
Personalaufwand	(38.272)	(37.514)	(72.136)	(75.287)	(104.038)	(92.060)
Sonstige betriebliche Aufwendungen	(68.298)	(58.765)	(119.334)	(126.008)	(145.065)	(136.400)
Abschreibungen, Wertberichtigungen und Rückstellungen	(15.111)	(16.537)	(44.496)	(92.685)	(101.678)	(46.283)
Ergebnis der betrieblichen Tätigkeit	**55.612**	**36.157**	**84.307**	**39.970**	**42.207**	**93.855**
Finanzerträge	1.722	3.711	6.335	6.757	2.660	3.970
Finanzaufwendungen	(24.658)	(23.608)	(58.123)	(62.896)	(65.396)	(66.796)
Nettodifferenzen aus Währungsumrechnung	(236)	460	1.960	(920)	(563)	925
Finanzergebnis	**(23.172)**	**(19.437)**	**(49.828)**	**(57.059)**	**(63.299)**	**(61.901)**
Anteil des Ergebnisses aus at-equity bilanzierten Finanzanlagen	–	–	–	–	175	299
Ergebnis vor Steuern	**32.440**	**16.720**	**34.479**	**(17.089)**	**(20.917)**	**32.253**
Körperschaftsteuer	(10.053)	(6.088)	(13.736)	(13.910)	(15.135)	(11.580)
Ergebnis aus fortzuführenden Geschäftsbereichen	**22.387**	**10.632**	**20.743**	**(30.999)**	**(36.052)**	**20.673**
Aufgegebene Geschäftsbereiche:[3]						
Ergebnis aus aufgegebenen Geschäftsbereichen	12.773	(1.825)	(71.795)	(5.053)	–	–
Ergebnis	**35.160**	**8.807**	**(51.052)**	**(36.052)**	**(36.052)**	**20.673**
Den Eigentümern der Muttergesellschaft zuzurechnen	32.830	9.020	(52.914)	(35.394)	(35.394)	18.368
Nicht beherrschenden Anteilen zuzurechnen	2.330	(213)	1.862	(658)	(658)	2.305

(1) Unserem geprüften Konzernabschluss für das zum 31. Dezember 2016 endende Geschäftsjahr entnommen. Im Jahr 2016 wurden die historischen Informationen aus unserer Konzern-Gewinn- und Verlustrechnung für das zum 31. Dezember 2015 enthaltene Geschäftsjahr angepasst, um nach dem vollzogenen Verkauf unseres IES-Geschäfts die Vergleichbarkeit der Finanzinformationen zu gewährleisten (ohne jedoch die Informationen in Bezug auf die Befesa Valorización de Azufre S.L.U. anzupassen, die am 29. Dezember 2015 als Teil unseres IES-Geschäfts verkauft wurde, aber in 2015 und 2016 nicht als aufgegebener Geschäftsbereich ausgewiesen wurde).

(2) Unserem geprüften Konzernabschluss für das zum 31. Dezember 2015 endende Geschäftsjahr entnommen. Die Angaben enthalten das IES-Geschäft, das 2015 noch nicht als aufgegebener Geschäftsbereich ausgewiesen wurde.

(3) Die Informationen aus unserer Konzern-Gewinn- und Verlustrechnung für das zum 31. Dezember 2016 endende Geschäftsjahr und für die zum 30. Juni 2017 und 2016 endenden Sechsmonatszeiträume stellen unsere Ertragslage ohne das Ergebnis aus dem IES-Geschäft dar, das als aufgegebener Geschäftsbereich ausgewiesen wird, wohingegen die Informationen aus der Konzern-Gewinn- und Verlustrechnung für die zum 31. Dezember 2015 und 2014 endenden Geschäftsjahre die Effekte des IES-Geschäfts entweder zum Teil (die angepassten Zahlen für 2015) oder vollständig (die nicht angepassten Zahlen für 2015 und 2014) beinhalten.

Um die Vergleichbarkeit der Finanzinformationen für das zum 31. Dezember 2016 endende Geschäftsjahr mit den für die zum 31. Dezember 2015 und 2014 endenden Geschäftsjahre dargestellten Finanzinformationen zu erleichtern, haben wir in der nachstehenden Tabelle Informationen aus der Konzern-Gewinn- und Verlustrechnung aus unseren Buchführungsunterlagen für die zum 31. Dezember 2015 und 2014 endenden Geschäftsjahre zusammengestellt, in denen das IES-Geschäft aus dem Konsolidierungsparameter herausgerechnet ist. Diese vergleichenden Finanzinformationen sind ungeprüft.

	Sechsmonatszeitraum zum 30. Juni			Geschäftsjahr zum 31. Dezember	
	2017 (ungeprüft)	2016 (ungeprüft)	2016 (geprüft)	2015 (ungeprüft)	2014 (ungeprüft)
			(in Tsd. €)		
Fortzuführende Geschäftsbereiche:					
Umsatzerlöse	374.383	300.817	611.687	631.195	554.477
Veränderungen des Bestands an fertigen und unfertigen Erzeugnissen	712	(3.022)	(3.595)	(2.316)	(7.210)
Umsatzkosten	(203.601)	(152.420)	(297.163)	(318.065)	(259.320)
Sonstige betriebliche Erträge	5.799	3.598	9.344	9.833	17.103
Personalaufwand	(38.272)	(37.514)	(72.136)	(72.250)	(66.849)
Sonstige betriebliche Aufwendungen	(68.298)	(58.765)	(119.334)	(120.370)	(113.343)
Abschreibungen, Wertberichtigungen und Rückstellungen	(15.111)	(16.537)	(44.496)	(44.905)	(37.246)
Ergebnis der betrieblichen Tätigkeit	**55.612**	**36.157**	**84.307**	**83.122**	**87.611**
Finanzerträge	1.722	3.711	6.335	8.773	11.089
Finanzaufwendungen	(24.658)	(23.608)	(58.123)	(62.767)	(62.794)
Nettodifferenzen aus Währungsumrechnung	(236)	460	1.960	(620)	1.350
Finanzergebnis	**(23.172)**	**(19.437)**	**(49.828)**	**(54.614)**	**(50.355)**
Ergebnis vor Steuern	**32.440**	**16.720**	**34.479**	**28.508**	**37.256**
Körperschaftsteuer	(10.053)	(6.088)	(13.736)	(14.212)	(11.742)
Ergebnis aus fortzuführenden Geschäftsbereichen	**22.387**	**10.632**	**20.743**	**14.296**	**25.514**
Aufgegebene Geschäftsbereiche:					
Ergebnis aus aufgegebenen Geschäftsbereichen	**12.773**	**(1.825)**	**(71.795)**	**(50.348)**	**(4.841)**
Ergebnis	**35.160**	**8.807**	**(51.052)**	**(36.052)**	**20.673**
Den Eigentümern der Muttergesellschaft zuzurechnen	32.830	9.020	(52.914)	(35.394)	18.368
Nicht beherrschenden Anteilen zuzurechnen	2.330	(213)	1.862	(658)	2.305

Informationen aus der Konzernbilanz

Die nachfolgende Tabelle enthält Informationen aus unserer Konzernbilanz zum 31. Dezember 2016, 2015 und 2014, die unseren geprüften Konzernjahresabschlüssen für die zum 31. Dezember 2016, 2015 und 2014 endenden Geschäftsjahre entnommen sind, und zum 30. Juni 2017, die unserem ungeprüften Konzernzwischenabschluss zum 30. Juni 2017 entnommen sind:

(in Tsd. €)	Zum 30. Juni	Zum 31. Dezember		
	2017	2016	2015	2014
AKTIVA	(ungeprüft)	(geprüft)	(geprüft)	(geprüft)
Langfristige Vermögenswerte	784.039	795.979	922.600	965.242
Kurzfristige Vermögenswerte	219.388	232.776	220.964	228.512
Summe der Aktiva	**1.003.427**	**1.028.755**	**1.143.564**	**1.193.754**
PASSIVA				
Eigenkapital der Muttergesellschaft	190.413	149.254	242.332	230.243
Nicht beherrschende Anteile	8.227	8.931	16.929	17.837
Eigenkapital	**198.640**	**158.185**	**259.261**	**248.080**
Langfristige Schulden	297.856	666.822	635.109	768.804
Kurzfristige Schulden	506.931	203.748	249.194	176.870
Schulden	**804.787**	**870.570**	**884.303**	**945.674**
Summe der Passiva	**1.003.427**	**1.028.755**	**1.143.564**	**1.193.754**

Informationen aus der Konzern-Kapitalflussrechnung

Die nachfolgende Tabelle enthält Informationen aus unserer Konzern-Kapitalflussrechnung für die zum 31. Dezember 2016, 2015 und 2014 endenden Geschäftsjahre, die unseren geprüften Konzernjahresabschlüssen für die zum 31. Dezember 2016, 2015 und 2014 endenden Geschäftsjahre entnommen sind, und für die zum 30. Juni 2017 und 30. Juni 2016 endenden Sechsmonatszeiträume, die unseren ungeprüften Konzernzwischenabschlüssen zum 30. Juni 2017 und 30. Juni 2016 endenden Sechsmonatszeiträume entnommen sind:

	Sechsmonatszeitraum zum 30. Juni		Geschäftsjahr zum 31. Dezember		
(in Tsd. €)	2017 (ungeprüft)	2016[1] (ungeprüft)	2016[1] (geprüft)	2015[2] (geprüft)	2014[2] (geprüft)
Nettomittelzufluss aus der laufenden Geschäftstätigkeit	32.434	9.525	56.070	54.574	59.486
Nettomittelzufluss(abfluss) aus der Investitionstätigkeit	41.139	(18.916)	(33.172)	(22.237)	(39.938)
Nettomittelabfluss aus der Finanzierungstätigkeit	(50.129)	(3.562)	(17.466)	(56.222)	(8.665)
Wechselkursbedingte Änderungen des Finanzmittelbestands	(806)	(273)	(868)	(398)	273
Nettozunahme des Finanzmittelbestands	**22.638**	**(13.226)**	**4.566**	**(24.283)**	**11.156**
Finanzmittelbestand zu Beginn der Periode[3]	62.009	57.443	57.443	81.726	70.570
Finanzmittelbestand am Ende der Periode	84.647	44.217	62.009	57.443	81.726

(1) Beinhaltet Teile des IES-Geschäft bis zu dessen Veräußerung im Dezember 2016 und März 2017.
(2) Beinhaltet das IES-Geschäft für das gesamte Jahr.
(3) Zum 31. Dezember 2016 beinhaltet dies Finanzmittel aus zur Veräußerung gehaltenen Vermögenswerten.

Beschreibung der wesentlichen Veränderungen der Finanzlage und des Betriebsergebnisses des Emittenten in oder nach dem von den wesentlichen historischen Finanz-informationen abgedeckten Zeitraum	Neben ihren bestehenden Geschäftsbereichen hielt die Gruppe auch Aktiva in ihrem IES-Geschäft, das bis Ende 2016 zu einem eigenständigen Geschäftsbereich für Industrieabfallmanagement gehörte. Das IES-Geschäft wurde im Rahmen verschiedener Transaktionen veräußert, beginnend mit dem Verkauf der Beteiligung der Gruppe an der zu dem IES-Geschäft gehörenden Befesa Valorización de Azufre S.L.U. am 29. Dezember 2015. Im Dezember 2016 haben wir den Großteil unseres IES-Geschäfts verkauft. Insbesondere wurden alle Anteile an Befesa Gestión de Residuos Industriales, S.L., Befesa Gestión PCB, S.A., Gestión y Valorización Integral del Centro S.L., Residuos Industriales de la Madera de Córdoba, S.A., Betearte, S.A., Ecología Canaria, S.A., Befesa Plásticos, S.L. und anderen kleineren nicht konsolidierten Unternehmen verkauft. Wie nach IFRS 5 „Zur Veräußerung gehaltene langfristige Vermögenswerte und aufgegebene Geschäftsbereiche" vorgeschrieben, wurden die Aktivitäten dieser Unternehmen in 2016 (bis zum Tag des Verkaufs der ersten Unternehmensgruppe) in der Konzern-Gewinn- und Verlustrechnung im Ergebnis aus aufgegebenen Geschäftsbereichen erfasst. Nach dem Verkauf dieser Tochtergesellschaften im Dezember 2016 haben wir am 29. März 2017 unsere Tochtergesellschaften Befesa Perú, S.A., Soluciones Ambientales del Norte, S.A. und Solarca, S.L und ihre Tochtergesellschaften, die alle ebenfalls an dem zu uns gehörenden IES-Geschäft beteiligt waren, für einen Kaufpreis verkauft, der im zum 30. Juni 2017 endenden Sechsmonatszeitraum zu einem auf Konzernebene realisierten Gewinn aus aufgegebenen Geschäftsbereichen in Höhe von € 12,8 Mio. führte. Ebenso haben wir in zwei Transaktionen im März und August 2017 alle unsere Anteile an Befesa Colombia S.A.S. und Befesa Industrial Services USA, Inc., zu einem symbolischen Preis von € 1 bzw. US$ 1 verkauft. Anschließend haben wir am 30. August 2017 Befesa Argentina, S.A. veräußert. Ferner haben wir die Auflösung und den Verkauf der übrigen zu dem IES-Geschäft gehörenden Tochtergesellschaften, d. h. der Befesa Mexico und zwei Tochtergesellschaften im Mittleren Osten, eingeleitet. In dem zum 31. Dezember 2016 endenden Dreijahreszeitraum haben wir beträchtliche Investitionen in unsere Produktionsstätten getätigt, von denen viele unsere Ergebnisse in diesem Zeitraum beeinflusst haben. Die wichtigsten Entwicklungen in unseren Produktionsstätten in diesen drei Jahren sind nachstehend beschrieben. • Wir haben die Errichtung einer neuen und effizienteren Produktionsanlage in Bernburg, Deutschland, abgeschlossen. Die neue Anlage in Bernburg wurde in 2014 in Betrieb genommen. Seitdem haben wir von niedrigeren Transportkosten profitiert, da Bernburg näher an den Orten liegt, an denen wir den Großteil der von uns recycelten Aluminiumreststoffe beziehen. • Darüber hinaus haben wir in einem vierstufigen Prozess, der im Jahr 2012 begann und im Jahr 2016 abgeschlossen wurde, eine Recyclinganlage für Stahlwerkstaub aus der Rohstahlproduktion in Südkorea in Betrieb genommen. Wir haben die Kenntnisse unserer Planungs- und Engineering-Teams eingebracht, die operationelle Effizienz erheblich verbessert und durch den Bau eines zweiten Ofens die Kapazität der Anlage im Vergleich zu 2014 verdoppelt. • Die Entwicklungen in unseren Produktionsstätten beeinflussen aufgrund der höheren Effizienz unsere Umsatzerlöse und das Verhältnis der Umsatzerlöse zu den operativen Kosten und können zu höheren Abschreibungen auf immaterielle Vermögenswerte und in manchen Fällen auf Sachanlagen führen, die sich auf unsere Gesamtprofitabilität und Ertragslage auswirken. Wir glauben, dass ähnliche Verbesserungen in den kommenden Jahren in vergleichbarer Weise, jedoch in wahrscheinlich größerem Umfang als in den vergangenen drei Jahren wesentlichen Einfluss auf unsere Finanz- und Ertragslage haben werden. *Entwicklung der Umsatzerlöse* Unsere Umsatzerlöse aus fortzuführenden Geschäftsbereichen beliefen sich in dem zum 30. Juni 2017 endenden Sechsmonatszeitraum auf € 374,4 Mio., gegenüber € 300,8 Mio. in dem zum 30. Juni 2016 endenden Sechsmonatszeitraum, was einer Steigerung in Höhe von 24,5 % (bzw. € 73,6 Mio.) in 2017 gegenüber 2016 entspricht, die hauptsächlich auf höheren Erlösen aus dem Verkauf von Wälzoxid und aus der Aluminiumproduktion basiert, die

auf höhere Preise für Zink und Aluminiumlegierungen und auf niedrige Behandlungsgebühren zurückzuführen sind.

Unsere Umsatzerlöse aus fortzuführenden Geschäftsbereichen beliefen sich in dem zum 31. Dezember 2016 endenden Geschäftsjahr auf € 611,7 Mio., gegenüber € 631,2 Mio. bzw. € 554,5 Mio. in den zum 31. Dezember 2015 bzw. 2014 endenden Geschäftsjahren, was einem Rückgang in Höhe von 3,1 % (bzw. € 19,5 Mio.) in 2016 gegenüber 2015 und einem Zuwachs in Höhe von 13,8 % (bzw. € 76,7 Mio.) in 2015 gegenüber 2014 entspricht.

Der Rückgang im Jahr 2016 gegenüber 2015 ist primär auf niedrigere Umsatzerlöse aus der Aluminiumproduktion zurückzuführen. Obwohl wir in 2016 mehr Tonnen Sekundäraluminium-Legierungen produzierten als in 2015, erzielten wir dafür im Durchschnitt niedrigere Verkaufspreise.

Der Zuwachs im Jahr 2015 gegenüber 2014 ist primär auf das höhere Produktions- und Umsatzvolumen von Wälzoxid in diesem Jahr zurückzuführen, das vornehmlich durch den Ausbau unserer Anlage in Südkorea und die Berücksichtigung der Umsatzerlöse aus der Sekundäraluminium-Produktion in unserer Ende 2014 in Betrieb genommenen Anlage in Bernburg für das gesamte Jahr entstanden ist.

Ergebnis aus fortzuführenden Geschäftsbereichen

Unser Ergebnis aus fortzuführenden Geschäftsbereichen belief sich auf € 20,7 Mio. in dem zum 31. Dezember 2016 endenden Geschäftsjahr, gegenüber € 14,3 Mio. bzw. € 25,5 Mio. in den zum 31. Dezember 2015 bzw. 2014 endenden Geschäftsjahren. Das niedrigere Ergebnis im Jahr 2015 ist auf ein geringeres Ergebnis der betrieblichen Tätigkeit, höhere Finanzverluste und eine höhere Körperschaftsteuerlast zurückzuführen, die sich vor allem aufgrund einer Abschreibung von steuerlichen Verlustvorträgen ergab.

In dem zum 30. Juni 2017 endenden Sechsmonatszeitraum erzielten wir ein Ergebnis aus fortzuführenden Geschäftsbereichen in Höhe von € 22,4 Mio. gegenüber € 10,6 Mio. in den ersten sechs Monaten des Vorjahres, was einer Steigerung um € 11,8 Mio. oder 111,3% entspricht.

Seit dem 30. Juni 2017, dem Datum der letzten unterjährigen konsolidierten Finanzinformationen, gab es keine wesentliche Veränderung unserer Finanzlage.

B.8	**Ausgewählte wesentliche Pro-forma-Finanzinformationen**	Entfällt. Die Gesellschaft hat keine Pro-forma-Finanzinformationen erstellt.
B.9	**Gewinnprognosen oder -schätzungen**	Entfällt. Die Gesellschaft hat keine Gewinnprognosen oder -schätzungen abgegeben.
B.10	**Art etwaiger Beschränkungen im Bestätigungsvermerk zu den historischen Finanz-informationen**	Entfällt. Die Bestätigungsvermerke für die in diesem Prospekt enthaltenen historischen Finanzinformationen wurden jeweils uneingeschränkt erteilt.
B.11	**Nichtausreichen des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen**	Entfällt. Die Gesellschaft ist der Auffassung, dass die Gruppe in der Lage ist, sämtliche Zahlungsverpflichtungen zu erfüllen, die in den nächsten mindestens zwölf Monaten fällig werden.
C	**Wertpapiere**	

ABSCHNITT C - WERTPAPIERE

C.1	**Art und Gattung der angebotenen und/oder zum Handel zuzulassenden Wertpapiere**	Unverbriefte, nennwertlose Stammaktien (Stückaktien).

	Wertpapierkennung	Ticker Symbol: BFSA International Securities Identification Number („ISIN“): LU1704650164 Wertpapierkennnummer („WKN“): A2H5Z1 Common Code: 170465016
C.2	**Währung der Wertpapieremission**	Euro
C.3	**Zahl der ausgegebenen und voll eingezahlten Aktien und der ausgegebenen, aber nicht voll eingezahlten Aktien / Nennwert pro Aktie**	Zum Datum des Prospekts beträgt das Grundkapital der Gesellschaft € 64.093.192,67, eingeteilt in 20.633 Vorzugsaktien der Klasse A und 23.066.112 Stammaktien, jeweils mit einem Nennbetrag von € 2,77619001743216. Das Grundkapital der Gesellschaft ist voll eingezahlt. Nach dem Vollzug des Angebots und der Umwandlung der Vorzugsaktien der Klasse A in Stammaktien im Zusammenhang mit dem Angebot wird das Grundkapital der Gesellschaft bis zu € 94.575.646,35 betragen und in bis zu 34.066.705 unverbriefte, nennwertlose Stammaktien eingeteilt sein (unter der Annahme eines Angebotspreises am unteren Ende der Preisspanne).
C.4	**Mit den Wertpapieren verbundene Rechte**	Die unverbrieften, nennwertlosen Stammaktien (Stückaktien) der Gesellschaft sind ab ihrer Ausgabe voll gewinnanteilberechtigt (sofern und sobald Dividenden gezahlt werden). Im Fall der Liquidation der Gesellschaft werden alle Erlöse zwischen den Aktionären der Gesellschaft anteilig im Verhältnis zu ihrer jeweiligen Beteiligung am Grundkapital der Gesellschaft verteilt. Jede Aktie gewährt eine Stimme in der Hauptversammlung der Gesellschaft. Beschränkungen des Stimmrechts bestehen nicht.
C.5	**Beschränkungen für die freie Übertragbarkeit der Wertpapiere**	Mit Ausnahme der in E.5 beschriebenen Lock-up-Fristen unterliegen die im Rahmen des Angebots von Anlegern gezeichneten Aktien keinen Beschränkungen für die Übertragbarkeit.
C.6	**Antrag auf Zulassung der Wertpapiere zum Handel an einem geregelten Markt / Nennung der geregelten Märkte, an denen die Wertpapiere gehandelt werden sollen**	Wir beabsichtigen, am oder ungefähr am 23. Oktober 2017 die Zulassung der Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) zu beantragen. Der Zulassungsbeschluss wird voraussichtlich am 2. November 2017 erteilt. Die Notierungsaufnahme ist für den 3. November 2017 vorgesehen.
C.7	**Dividendenpolitik**	Die Gesellschaft beabsichtigt, eine Dividende zwischen 40 und 50 % ihres Ergebnisses nach Steuern zu zahlen, wobei Dividenden in Zeiten hoher Investitionen, wie beispielsweise der in den kommenden Jahren geplanten Investitionen in Wachstumsprojekte, am unteren Ende dieser Spanne liegen werden. Die erste Dividende wird im Jahr 2018 gezahlt und auf dem für 2017 ausgewiesenen Ergebnis nach Steuern und Berücksichtigung der Kosten des Angebots basieren, das um positive Einmaleffekte angepasst wird.
D	**Risikofaktoren**	

ABSCHNITT D - RISIKOFAKTOREN

D.1	**Zentrale Risiken, die dem Emittenten oder seiner Branche eigen sind**	• Der Rückgang der weltweiten Konjunktur hat in der Vergangenheit zu einer sinkenden Nachfrage nach unseren Dienstleistungen und Produkten geführt und könnte auch in Zukunft dazu führen. • Die Preise für Wälzoxid, Aluminium und Zink sind volatil, und dies könnte sich negativ auf unsere Ertragslage auswirken. • Es könnte uns nicht gelingen, unsere Geschäftsaktivitäten durch Deckungsgeschäfte (Hedging) abzusichern. • In vielen Fällen verhandeln wir die Preise mit unseren Kunden jährlich, und der endgültige Verkaufspreis für Wälzoxid hängt von der Behandlungsgebühr ab, die Zinkhütten-Kunden abziehen. • Unser Geschäftsmodell ist auf den Recycling-Bedarf unserer Kunden und die Verfügbarkeit von Input-Material wie Stahlwerkstaub, Salzschlacken und Aluminiumreststoffe angewiesen.

- Änderungen in den Preisen von Input-Material werden nicht notwendigerweise durch entsprechende Änderungen in den Preisen von Output-Material kompensiert.
- Unsere Geschäftstätigkeit unterliegt einem strengen rechtlichen und regulatorischen Rahmen, insbesondere im Hinblick auf die anwendbaren Umweltrechtsvorschriften.
- Wir sind von einer geringen Anzahl von Kunden abhängig. Sollte es uns nicht gelingen, diese Kunden an uns zu binden, könnte sich dies nachteilig auf unser Geschäft auswirken.
- Wir verfolgen derzeit eine Wachstumsstrategie, und es ist nicht garantiert, dass diese Strategie erfolgreich sein wird.
- Unsere Wachstumsstrategie erfordert Investitionen, und wir könnten nicht in der Lage sein, zusätzliche Finanzierungen zu günstigen Konditionen zu erhalten.
- Unser Wachstum könnte behindert werden, wenn es uns nicht gelingt, Standorte für neue Anlagen zu finden und uns diese zu sichern, oder wenn wir keine Genehmigungen für den Bau neuer oder die Erweiterung bestehender Standorte und Anlagen erhalten.
- Unser Wachstum könnte behindert werden, wenn es uns nicht gelingt, zukünftige Akquisitionen zu finden oder durchzuführen, oder wenn es uns aus sonstigen Gründen nicht gelingt, unsere Wachstumsstrategie umzusetzen.
- Wir sind in einer Reihe von Schwellenländern tätig, was uns den wirtschaftlichen und politischen Risiken in diesen Ländern aussetzt.
- Unsere Aktivitäten können durch Beschränkungen des freien Handels beeinträchtigt werden.
- Die Konkurrenz durch andere Materialien könnte zu einem wesentlichen Rückgang der Nachfrage nach den von erzeugten Produkten führen.
- Ein Anstieg der Kosten für Strom und Koks könnte sich negativ auf die Profitabilität unseres Geschäfts auswirken.
- Unser Geschäft ist operationellen Risiken ausgesetzt.
- Technologische Veränderungen könnten sich auf die Branche, in der wir tätig sind, auswirken. Sollte es uns nicht gelingen, uns an technologische Veränderungen anzupassen, könnte dies negative Auswirkungen auf unsere Geschäftsaktivitäten haben.
- Unser Geschäft und unsere Ertragslage könnten durch unsere Investitionen in Joint Ventures oder Handlungen unserer Co-Investoren beeinträchtigt werden.
- Nachteilige Entwicklungen im Zusammenhang mit behördlichen, gerichtlichen oder schiedsgerichtlichen Verfahren könnten erhebliche negative Auswirkungen auf unser Geschäft, unsere Finanzlage oder unsere Profitabilität haben.
- Unser Geschäft ist davon abhängig, dass wir Schlüsselmitarbeiter und Fachkräfte gewinnen und an uns binden.
- Unsere Mitarbeiter könnten Gesundheits- und Sicherheitsrisiken ausgesetzt sein.
- Die meisten unserer Mitarbeiter gehören Gewerkschaften an und unterliegen mehreren Tarifverträgen. Jeder Arbeitskonflikt könnte unsere Geschäftstätigkeit, unser öffentliches Ansehen und unsere Kundenbeziehungen beeinträchtigen.
- Die Deckung unserer Versicherungspolicen könnte nicht ausreichen, wodurch uns nicht versicherte Haftungsrisiken entstehen könnten.
- Laufende und zukünftige Betriebsprüfungen innerhalb unserer Gruppe, Auseinandersetzungen mit Steuerbehörden und Änderungen in steuerrechtlichen Vorschriften könnten zu zusätzlichen Steuerverbindlichkeiten führen.

- Wir sind Risiken im Zusammenhang mit kartellrechtlichen Vorschriften und dem Wettbewerb in den Märkten, in denen wir tätig sind, ausgesetzt.
- Wir sind Risiken aus Gerichts- und Schiedsverfahren ausgesetzt.
- Wir haben eine erhebliche Schuldenlast und müssen uns möglicherweise zukünftig weiter verschulden.
- Wir sind Risiken im Zusammenhang mit unserer Finanzierung nach dem IPO ausgesetzt
- Wir sind eine Holdinggesellschaft und sind von Dividendenzahlungen und Ausschüttungen unserer Tochtergesellschaften abhängig, um Dividendenzahlungen auf die Aktien leisten zu können.
- Ein Anstieg der Zinssätze könnte unsere Finanzlage nachteilig beeinflussen.
- Wir sind Währungsrisiken ausgesetzt.
- Unsere Finanzierungsvereinbarungen sehen bestimmte Beschränkungen für verschiedene Gruppengesellschaften vor, die sich nachteilig auf unsere Wachstumsfähigkeit auswirken könnten.
- Wir haben in der Vergangenheit Geschäfte mit nahestehenden Personen und Unternehmen und mit Triton getätigt und tätigen solche Geschäfte weiterhin, was zu Interessenkonflikten führen kann.
- Unsere Verträge mit Triton, dem früheren Eigentümer Abengoa und anderen Unternehmen der Abengoa Gruppe wurden zwischen Parteien verhandelt, die unter gemeinsamer Kontrolle stehen. Wir können nicht garantieren, dass wir nicht bessere Bedingungen von Dritten erhalten hätten.

D.2 Zentrale Risiken, die den Wertpapieren eigen sind

- Die Aktien wurden bisher nicht gehandelt und es kann nicht garantiert werden, dass sich ein Handel zukünftig entwickeln wird oder aufrechterhalten werden kann.
- Der Börsenkurs unserer Aktien könnte Schwankungen unterliegen und unter den Angebotspreis sinken.
- Der Börsenkurs unserer Aktien könnte durch zukünftige Aktienverkäufe sinken.
- Das Angebot könnte nicht vollzogen werden, was zur Folge hätte, dass Anleger gezahlte Erwerbsprovisionen möglicherweise verlieren und Risiken aus etwaigen Leerverkäufen der Aktien ausgesetzt sind.
- Aktionäre aus Ländern, deren Währung nicht der Euro ist, sind durch Wechselkursschwankungen im Zusammenhang mit dem Halten ihrer Aktien einem erhöhten Investitionsrisiko ausgesetzt.
- Wir können nicht garantieren, dass wir unseren Aktionären Dividenden zahlen werden oder dass von uns gezahlte Dividenden mit der Zeit steigen werden bzw. nicht sinken werden.
- Zukünftige Kapitalerhöhungen könnten eine Verwässerung der Rechte der Altaktionäre zur Folge haben.

E Angebot

ABSCHNITT E - ANGEBOT

E.1 Gesamtnettoerlöse und geschätzte Gesamtkosten des Angebots, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden

Im Rahmen des Angebots wird der Abgebende Aktionär sämtliche Erlöse (nach Abzug vereinbarter Gebühren und Provisionen) aus dem Verkauf der Abzugebenden Aktien und allen Greenshoe-Aktien, die gegebenenfalls im Zusammenhang mit einer möglichen Mehrzuteilung verkauft werden, erhalten. Die Gesellschaft wird im Zusammenhang mit dem Angebot keine Erlöse erhalten.

Die Höhe des Gesamtnettoerlöses aus dem Verkauf der Angebotsaktien und die Kosten des Angebots sind abhängig vom Angebotspreis und der Anzahl der tatsächlich platzierten Angebotsaktien, einschließlich der Aktien, die bei einer Ausübung der Aufstockungsoption und der Greenshoe-Option (jeweils wie nachstehend definiert) verkauft werden könnten.

Die an die Konsortialbanken zu zahlenden Provisionen werden zu gleichen Teilen von der Gesellschaft und dem Abgebenden Aktionär getragen werden. Die weiteren Kosten und Aufwendungen des Angebots wie z. B. Verwaltungs- und Sachkosten für Dienstleistungen im Bereich der Rechnungslegung, Rechtsberatung und sonstige Beratungsleistungen sowie Kosten für den Druck und die Verteilung des Prospekts und die Börsenzulassung werden von der Gesellschaft getragen.

Die genauen Erlöse und Kosten des Angebots lassen sich zum gegenwärtigen Zeitpunkt nicht ermitteln, da bisher weder die Gesamtzahl der Angebotsaktien, die platziert werden (einschließlich der Aktien, die bei einer Ausübung der Aufstockungsoption und der Greenshoe-Option (jeweils wie nachstehend definiert) verkauft werden könnten), noch der Angebotspreis (der zusammen mit der Gesamtzahl der platzierten Angebotsaktien die Höhe der Provisionen bestimmt) bekannt sind.

Unter der Annahme, dass ohne Ausübung der Aufstockungsoption, aber bei vollständiger Ausübung der Greenshoe-Option (wie nachstehend definiert) 16.454.200 Angebotsaktien zum Mittelwert der Preisspanne (wie in E.3 definiert) verkauft werden, würde sich der Brutterlös des Abgebenden Aktionärs aus dem Angebot auf € 543 Mio. und der von dem Abgebenden Aktionär nach Abzug aller von ihm zu tragenden Kosten erhaltene Nettoerlös auf € 535 Mio. belaufen.

Unter der Annahme, dass bei vollständiger Ausübung der Aufstockungsoption und der Greenshoe-Option (jeweils wie nachstehend definiert) 18.600.400 Angebotsaktien zum Mittelwert der Preisspanne verkauft werden, würde sich der Bruttoerlös des Abgebenden Aktionärs aus dem Angebot auf € 614 Mio. und der Nettoerlös nach Abzug aller vom Abgebenden Aktionär zu tragenden Kosten auf € 604 Mio. belaufen.

Die an die Konsortialbanken zu zahlenden Provisionen werden zu gleichen Teilen von dem Abgebenden Aktionär und der Gesellschaft getragen und werden unter der Annahme eines Angebotspreises am Mittelwert der Preisspanne bei Nichtausübung der Aufstockungsoption und vollständiger Ausübung der Greenshoe-Option € 16,7 Mio. (einschließlich einer ermessensabhängigen Provision in Höhe von € 6,1 Mio.) und bei vollständiger Ausübung der Aufstockungsoption und der Greenshoe Option € 18,9 Mio. (einschließlich einer ermessensabhängigen Provision in Höhe von € 6,9 Mio.) betragen. Die Gesellschaft schätzt, dass ihre weiteren Kosten und Aufwendungen im Zusammenhang mit dem Angebot (ohne Refinanzierungskosten) ca. € 5,5 Mio. betragen werden.

E.2a **Gründe für das Angebot, Zweckbestimmung der Erlöse, geschätzte Nettoerlöse**

Die Gesellschaft beabsichtigt, durch die geplante Zulassung der Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) besseren Zugang zum Kapitalmarkt zu erhalten. Die Gesellschaft wird aufgrund ihres starken Cashflow-Profils keine Erlöse im Zusammenhang mit dem Angebot erhalten.

E.3 **Beschreibung der Angebotskonditionen**

Angebot

Das Angebot besteht aus

- bis zu 16.454.200 unverbrieften, nennwertlosen Stammaktien (Stückaktien) aus dem Bestand des Abgebenden Aktionärs (die „**Abzugebenden Aktien**“); und
- bis zu 2.146.200 unverbrieften nennwertlosen Stammaktien (Stückaktien) aus dem Bestand des Abgebenden Aktionärs im Zusammenhang mit einer möglichen Mehrzuteilung (die „**Greenshoe-Aktien**“ und zusammen mit den Abzugebenden Aktien die „**Angebotsaktien**“),

wobei jede Angebotsaktie einen rechnerischen Anteil (*pair comptable*) des Grundkapitals von €2,77619001743216 repräsentiert und ab dem 1. Januar 2017 voll gewinnanteilberechtigt ist.

Der Abgebende Aktionär beabsichtigt, bei Nichtausübung der Aufstockungsoption mindestens 14.308.000 Abzugebende Aktien (die „**Mindestens Abzugebenden Aktien**“) zu verkaufen, um einen hinreichenden

	Streubesitzanteil nach der Börsenzulassung der Aktien der Gesellschaft zu erreichen. Der Abgebende Aktionär wird am Tag der Preisfestsetzung und nach Abstimmung mit den Joint Global Coordinators in freiem Ermessen entscheiden, ob und in welchem Umfang die verbleibenden bis zu 2.146.200 Abzugebenden Aktien (die „**Zusätzlich Abzugebenden Aktien**") bei Investoren, die während des Angebotszeitraums Angebote abgegeben haben, platziert werden (die „**Aufstockungsoption**"). Das Angebot besteht aus einem öffentlichen Angebot an Privatanleger und institutionelle Anleger in der Bundesrepublik Deutschland („**Deutschland**") und an institutionelle Anleger in bestimmten Jurisdiktionen außerhalb Deutschlands unter einer Ausnahme von der Prospektpflicht.
Angebotszeitraum	Der Angebotszeitraum beginnt (i) für Privatanleger am 23. Oktober 2017 und endet am 2. November 2017 um 12:00 Uhr (Mitteleuropäische Zeit) und (ii) für institutionelle Anleger am 23. Oktober 2017 und endet am 2. November 2017 um 14:00 Uhr (Mitteleuropäische Zeit) (der „**Angebotszeitraum**"). Privatanleger (natürliche Personen mit Wertpapierdepot in Deutschland) können Kaufangebote für das öffentliche Angebot in Deutschland während des Angebotszeitraums bei der comdirect bank Aktiengesellschaft, einer Tochtergesellschaft der COMMERZBANK, oder in den Filialen der COMMERZBANK abgeben; solche Kaufangebote müssen in vollen Eurobeträgen oder Beträgen von 25 Eurocent abgegeben werden. Mehrfache Kaufangebote sind zulässig.
Preisspanne und Angebotspreis	Die Preisspanne, innerhalb derer Kaufangebote abgegeben werden können, beträgt zwischen € 28,00 und € 38,00 (die „**Preisspanne**"). Der endgültige Angebotspreis (der „**Angebotspreis**") je Angebotsaktie und die endgültige Anzahl an zu platzierenden Angebotsaktien wird von dem Abgebenden Aktionär nach Abstimmung mit den Joint Global Coordinators mit Hilfe des im Bookbuilding-Verfahren erstellten Orderbuchs festgelegt. Im Anschluss daran wird der Angebotspreis und die endgültige Anzahl der zu platzierenden Abzugebenden Aktien in Form einer Ad-hoc Mitteilung über ein elektronisches Informationssystem, auf der Internetseite der Gesellschaft (www.befesa.com) und auf der Internetseite der Luxemburger Börse (www.bourse.lu) veröffentlicht und bei der *Commission de Surveillance du Secteur Financier* (*CSSF*) eingereicht, jeweils gemäß Artikel 10(1)(b) des Luxemburger Gesetzes über Wertpapierprospekte vom 10. Juli 2005 in der geltenden Fassung (*Loi relative aux prospectus pour valeurs mobilières*) („**Luxemburger Prospektgesetz**"). Insbesondere für den Fall, dass das Angebotsvolumen nicht ausreicht, um sämtliche Kaufangebote zum Angebotspreis zu erfüllen, und unabhängig von einer Ausübung der Aufstockungsoption behalten sich die Joint Global Coordinators vor, Kaufangebote nicht oder nur teilweise anzunehmen.
Änderungen der Angebotsbedingungen	Der Abgebende Aktionär behält sich vor, in Absprache mit den Joint Global Coordinators die Anzahl der Angebotsaktien zu reduzieren oder zu erhöhen, die Obergrenze und/oder die Untergrenze der Preisspanne zu senken oder zu erhöhen und/oder den Angebotszeitraum zu verlängern oder zu verkürzen. Sollte diese Option zur Änderung der Angebotsbedingungen ausgeübt werden, wird die Änderung über eine Mitteilung in verschiedenen Medien mit Verbreitung im gesamten Europäischen Wirtschaftsraum und auf der Internetseite der Gesellschaft (www.befesa.com) veröffentlicht und, falls die Ober- bzw. Untergrenze der Preisspanne gesenkt oder erhöht wird oder der Angebotszeitraum verlängert oder verkürzt wird oder in jedem anderen Fall, in dem dies nach dem Luxemburger Prospektgesetz vorgeschrieben ist, als Nachtrag zu diesem Prospekt veröffentlicht. Anleger, die Kaufangebote abgegeben haben, werden nicht einzeln benachrichtigt. Eine Änderung der Anzahl der Angebotsaktien oder der Preisspanne oder eine Verlängerung oder Verkürzung des Angebotszeitraums führt nicht zur Ungültigkeit bereits abgegebener Kaufangebote. Der zwischen den Konsortialbanken, der Gesellschaft und dem Abgebenden Aktionär am 2. November 2017 zu unterzeichnende Übernahmevertrag (der „**Übernahmevertrag**") sieht vor, dass die Konsortialbanken den Übernahmevertrag unter bestimmten Umständen sogar nach Zuteilung der Angebotsaktien jederzeit bis zum Zeitpunkt der Lieferung und Zahlung kündigen können. Falls der Übernahmevertrag gekündigt wird, findet das Angebot nicht statt. In diesem Fall werden alle Zuteilungen, die bereits an Anleger erfolgt sind, unwirksam und Anleger haben keinen Anspruch auf Lieferung. Ansprüche

hinsichtlich bereits gezahlter Wertpapierprovisionen und Kosten, die einem Anleger im Zusammenhang mit dem Kauf von Angebotsaktien entstanden sind, richten sich allein nach dem Rechtsverhältnis zwischen dem Anleger und dem Institut, bei dem der Anleger sein Kaufangebot abgegeben hat. Anleger, die einen Leerverkauf tätigen, tragen das Risiko, ihre Lieferverpflichtung nicht erfüllen zu können.

Lieferung und Abrechnung der Angebotsaktien

Die buchmäßige Lieferung der zugeteilten Angebotsaktien gegen Zahlung des Angebotspreises erfolgt voraussichtlich am zweiten Bankarbeitstag in Frankfurt am Main, Deutschland, nach der Notierungsaufnahme an der Frankfurter Wertpapierbörse, d. h. am 7. November 2017.

Nach Wahl des Anlegers werden die im Rahmen des Angebots erworbenen Angebotsaktien entweder einem Depot der Joint Global Coordinators für Rechnung des betreffenden Anlegers oder dem Depot eines Teilnehmers der Clearstream Banking AG, Eschborn, Deutschland, oder der Euroclear Bank S.A./ N.V. gutgeschrieben.

Mehrzuteilung/ Stabilisierung und Greenshoe-Option

Im Zusammenhang mit dem Angebot und der Platzierung der Angebotsaktien handeln die Citigroup Global Markets Limited oder mit ihr verbundene Unternehmen als Stabilisierungsmanager und können Maßnahmen ergreifen, die auf die Stützung des Börsenkurses bzw. Marktpreises der Aktien abzielen, um einen bestehenden Verkaufsdruck auszugleichen (die „**Stabilisierungsmaßnahmen**").

Ein Stabilisierungsmanager ist nicht verpflichtet Stabilisierungsmaßnahmen durchzuführen. Folglich besteht keine Garantie, dass überhaupt solche Stabilisierungsmaßnahmen eingeleitet werden. Werden Stabilisierungsmaßnahmen eingeleitet, können sie jederzeit ohne vorherige Ankündigung beendet werden. Derartige Stabilisierungsmaßnahmen können ab dem Zeitpunkt der Aufnahme der Börsennotierung der Aktien der Gesellschaft im regulierten Markt an der Frankfurter Wertpapierbörse durchgeführt werden und müssen spätestens am dreißigsten Kalendertag nach diesem Zeitpunkt beendet sein (der „**Stabilisierungszeitraum**"). Stabilisierungsmaßnahmen können dazu führen, dass der Börsenkurs der Aktien höher ist, als er es ohne solche Maßnahmen wäre. Darüber hinaus kann sich vorübergehend ein Börsenkurs auf einem Niveau ergeben, das nicht von Dauer ist.

Im Zusammenhang mit potenziellen Stabilisierungsmaßnahmen können den Anlegern zusätzliche Aktien zugeteilt werden (Mehrzuteilung). Im Hinblick auf eine solche potenzielle Mehrzuteilung werden der Citigroup Global Markets Limited, die im Namen der Konsortialbanken handelt, im Wege eines Wertpapierdarlehens vorübergehend bis zu 2.146.200 Aktien des Abgebenden Aktionärs zur Verfügung gestellt. Ferner hat der Abgebende Aktionär der Citigroup Global Markets Limited, die im Namen der Konsortialbanken handelt, die Option eingeräumt, diese Aktien zum Angebotspreis abzüglich vereinbarter Provisionen zu kaufen (die „**Greenshoe-Option**"). Diese Option endet am dreißigsten Kalendertag nach der Notierungsaufnahme der Aktien.

Die maximale Anzahl an Greenshoe-Aktien entspricht 15 % der insgesamt zu platzierenden Mindestens Abzugebenden Aktien, mithin 2.146.200 Aktien.

Nach dem Ende des Stabilisierungszeitraums wird innerhalb einer Woche über verschiedene Medien mit Verbreitung im gesamten EWR bekannt gegeben, ob Stabilisierungsmaßnahmen durchgeführt wurden oder nicht, zu welchem Zeitpunkt Stabilisierungsmaßnahmen begonnen wurden, zu welchem Zeitpunkt die letzte Stabilisierungsmaßnahme durchgeführt wurde sowie innerhalb welcher Kursspanne die Stabilisierung erfolgte, letzteres für jeden Zeitpunkt, zu dem eine Stabilisierungsmaßnahme durchgeführt wurde. Die Ausübung der Greenshoe-Option, der Zeitpunkt der Ausübung und die Anzahl der betroffenen Aktien werden ebenfalls unverzüglich in der Art und Weise veröffentlicht, die vorstehend für die Bekanntgabe von Informationen über die Durchführung von Stabilisierungsmaßnahmen nach dem Ende des Stabilisierungszeitraums angegeben ist.

Abgebender Aktionär

Bilbao LuxCo S.A.

Greenshoe-Aktionär

Bilbao LuxCo S.A.

	Allgemeine Zuteilungskriterien	Es bestehen vor dem Beginn des Angebotszeitraums keine Vereinbarungen über das Zuteilungsverfahren zwischen der Gesellschaft, dem Abgebenden Aktionär und den Konsortialbanken. Die Gesellschaft, der Abgebende Aktionär und die Konsortialbanken werden die „Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger" beachten, die von der Börsensachverständigenkommission beim Bundesministerium der Finanzen am 7. Juni 2000 herausgegeben wurden. Nach dem Ende des Angebotszeitraums werden die Gesellschaft, der Abgebende Aktionär und die Joint Global Coordinators die Einzelheiten des Zuteilungsverfahrens gemäß den vorstehend genannten „Grundsätzen für die Zuteilung von Aktienemissionen an Privatanleger" festlegen und veröffentlichen.
	Joint Global Coordinators	Citigroup Global Markets Limited, Goldman Sachs International und J.P. Morgan Securities plc (die „**Joint Global Coordinators**").
	Konsortialbanken	Citigroup Global Markets Limited, Goldman Sachs International, J.P. Morgan Securities plc, Joh. Berenberg, Gossler & Co. KG, COMMERZBANK Aktiengesellschaft, Banco Santander, S.A. und Stifel Nicolaus Europe Limited (die „**Konsortialbanken**").
	Abwicklungsstelle	Citigroup Global Markets Limited.
	Zulassung zum Börsenhandel und Notierungsaufnahme	Die Gesellschaft beabsichtigt, am oder ungefähr am 23. Oktober 2017 die Zulassung der Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) zu beantragen. Der Zulassungsbeschluss wird voraussichtlich am 2. November 2017 erteilt. Die Notierungsaufnahme ist für den 3. November 2017 vorgesehen.
E.4	**Wesentliche Interessen an dem Angebot, einschließlich kollidierender Interessen**	Die Bilbao LuxCo S.A. hat ein Interesse an dem Angebot, da sie den Nettoerlös aus dem Verkauf der Abzugebenden Aktien und, soweit diese verkauft werden, aus dem Verkauf der Greenshoe-Aktien erhalten wird. Triton hat ein Interesse an dem Angebot, da ihre Tochtergesellschaft Bilbao LuxCo S.A., die letztlich zu 100 % in ihrem Eigentum steht, den Nettoerlös aus dem Verkauf der Abzugebenden Aktien und, soweit diese verkauft werden, aus dem Verkauf der Greenshoe-Aktien erhalten wird. Die Konsortialbanken haben ein Interesse an dem Angebot, da sie jeweils im Zusammenhang mit der Strukturierung, Durchführung und Umsetzung des Angebots ein Vertragsverhältnis mit dem Abgebenden Aktionär und der Gesellschaft eingegangen sind. Die Vergütung der Konsortialbanken ist leistungsorientiert und hängt unter anderem von der Höhe des Erlöses aus dem Angebot ab. Die Konsortialbanken und die mit ihnen verbundenen Unternehmen können im Zusammenhang mit dem Angebot Angebotsaktien für eigene Rechnung erwerben und diese Aktien für eigene Rechnung halten, kaufen und verkaufen und diese Aktien auch außerhalb des Angebots anbieten oder verkaufen. Die Konsortialbanken beabsichtigen nicht, den Umfang solcher Anlagen oder Geschäfte offenzulegen, soweit sie hierzu nicht rechtlich verpflichtet sind. Ferner fungiert die BNP Paribas Securities Services, Luxembourg Branch als Zahlstelle in Luxemburg und LuxCSD Principal Agent (der „**LuxCSD Principal Agent**").
E.5	**Name der Person/des Unternehmens, die/das die Wertpapiere zum Verkauf anbietet**	Die Angebotsaktien werden von den Konsortialbanken angeboten.
	Lock-up-Vereinbarungen: Beteiligte Parteien und Lock-up-Frist	Die Gesellschaft wird sich gegenüber jeder Konsortialbank verpflichten, innerhalb eines Zeitraums von sechs Monaten nach dem 3. November 2017 nicht ohne vorherige schriftliche Zustimmung der Joint Global Coordinators (die nur aus wichtigem Grund verweigert oder zurückgehalten werden darf): • eine Erhöhung des Grundkapitals der Gesellschaft aus genehmigtem Kapital anzukündigen oder durchzuführen; • einer Hauptversammlung eine Kapitalerhöhung zur Beschlussfassung vorzuschlagen;

- die Begebung von in Aktien der Gesellschaft wandelbaren Wertpapieren, die auf Aktien der Gesellschaft bezogene Optionsrechte gewähren, anzukündigen, durchzuführen oder vorzuschlagen; oder
- ein Geschäft abzuschließen oder eine Handlung vorzunehmen, die mit den vorstehend genannten Handlungen wirtschaftlich vergleichbar ist.

Die Gesellschaft kann jedoch Optionen, Optionsscheine und Aktien der Gesellschaft (i) im Rahmen von zukünftigen Mitarbeiterbeteiligungs- und Aktienoptionsprogrammen oder (ii) als gesamte oder teilweise Gegenleistung (Kaufpreis) für den Erwerb eines Unternehmens durch die Gesellschaft oder zum Zweck des Eingehens eines Joint Venture anbieten, verkaufen und ausgeben, wobei sie sich im Fall von (ii) (x) vor der Ausgabe der Aktien oder sonstigen Wertpapiere mit den Joint Global Coordinators abstimmen muss und (y) nach besten Kräften bemühen muss, mit dem Empfänger der Aktien oder sonstigen Wertpapiere der Gesellschaft die Übernahme einer Verpflichtung zur Einhaltung der nachstehend genannten Beschränkungen für die Veräußerung von Aktien, die für den Abgebenden Aktionär gelten, auszuhandeln.

Der Abgebende Aktionär wird sich gegenüber jeder Konsortialbank verpflichten, innerhalb eines Zeitraums von sechs Monaten nach dem 3. November 2017 Folgendes nicht ohne vorherige schriftliche Zustimmung der Joint Global Coordinators (die nur aus wichtigem Grund verweigert oder zurückgehalten werden darf) zu tun, und (i) das MIP-Vehikel und (ii) das neue Vehikel, welches das MIP-Vehikel im Rahmen einer Umstrukturierung des MIP, die nach dem Vollzug des Angebots durchgeführt wird, ersetzen wird, und (iii) die vier Mitglieder des Senior Management und (iv) zwei weitere MIP-Beteiligte werden sich einzeln gegenüber den Joint Global Coordinators, die im Namen der Konsortialbanken handeln, verpflichten, innerhalb eines Zeitraums von zwölf Monaten nach dem 3. November 2017 Folgendes nicht ohne vorherige schriftliche Zustimmung der Joint Global Coordinators (die nur aus wichtigem Grund verweigert oder zurückgehalten werden darf) zu tun:

(i) Aktien oder andere Wertpapiere der Gesellschaft, einschließlich Wertpapieren, die in Aktien wandelbar, ausübbar oder umtauschbar sind, direkt oder indirekt anzubieten, zu verpfänden, zuzuteilen, zu verkaufen, sich vertraglich zu deren Verkauf zu verpflichten, darauf bezogene Kaufoptionen oder vertragliche Kaufverpflichtungen zu verkaufen, darauf bezogene Verkaufsoptionen zu kaufen, darauf bezogene Optionen, Rechte oder Bezugsrechte einzuräumen oder diese in sonstiger Weise zu übertragen oder zu veräußern;

(ii) die Registrierung von Aktien der Gesellschaft oder Wertpapieren, die in Aktien der Gesellschaft wandelbar, ausübbar oder umtauschbar sind, nach wertpapierrechtlichen Vorschriften der Vereinigten Staaten zu verlangen oder ein diesbezügliches Recht auszuüben;

(iii) eine Kapitalerhöhung der Gesellschaft vorzuschlagen, für einen solchen Vorschlag zu stimmen oder einen Vorschlag zur Begebung von in Aktien der Gesellschaft wandelbaren Wertpapieren, die auf Aktien der Gesellschaft bezogene Optionsrechte gewähren, in sonstiger Weise zu unterstützen; oder

(iv) ein Geschäft abzuschließen oder eine Handlung vorzunehmen, die mit den unter (i) bis (iii) vorstehend genannten Handlungen wirtschaftlich vergleichbar ist, und insbesondere eine Swap- oder sonstige Vereinbarung abzuschließen, mit denen das wirtschaftliche Risike des Eigentums an Aktien der Gesellschaft insgesamt oder teilweise auf einen Dritten übertragen wird, unabhängig davon, ob ein solches Geschäft durch Lieferung von Aktien der Gesellschaft oder solcher sonstigen Wertpapiere, durch Barausgleich oder auf sonstige Weise erfüllt wird.

Die unter (i) bis (iv) vorstehend genannten Veräußerungsbeschränkungen gelten in Bezug auf den Abgebenden Aktionär nicht für im Rahmen eines von einem Dritten abgegebenen öffentlichen Übernahmeangebots oder Kaufangebots oder im Rahmen privater Veräußerungen (d. h. solchen, die nicht im Rahmen von börsenmäßigen Handelsgeschäften oder ähnlichen Geschäften getätigt werden, wie z. B. Platzierungen im beschleunigten Bookbuilding-Verfahren) an Dritte, sofern diese(r) Dritte(n) sich gegenüber den Joint Global Coordinators zur Einhaltung der vorstehend genannten Veräußerungsbeschränkungen verpflichtet

		bzw. verpflichten. Ferner gelten die unter (i) bis (iv) vorstehend genannten Veräußerungsbeschränkungen in Bezug auf den Abgebenden Aktionär nicht für Geschäfte mit Unternehmen, die mit dem Abgebenden Aktionär verbunden sind, und nicht für die Übertragung einer indirekten Beteiligung an der Gesellschaft durch Mitglieder des Managements, sofern der Erwerber den gleichen Veräußerungsbeschränkungen wie der betreffende Veräußerer unterliegt. Die Veräußerungsbeschränkungen gelten nicht für die Umstrukturierung des MIP, die nach dem Vollzug des Angebots stattfinden soll und bei der die derzeitigen Beteiligungen der MIP-Beteiligten von dem MIP-Vehikel auf ein neues Vehikel übertragen werden – mit Ausnahme der Beteiligungen von zwei MIP-Beteiligten, die nach Abschluss der Umstrukturierung des MIP eine direkte Beteiligung an der Gesellschaft halten werden.
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung**	Das Eigenkapital der Gesellschaft gemäß ihrer Konzernbilanz (den Aktionären der Gesellschaft zuzurechnendes Eigenkapital) ohne nicht beherrschende Anteile betrug zum 30. Juni 2017 € 190,4 Mio. und würde auf der Grundlage von 23.066.112 ausstehenden Aktien der Gesellschaft unmittelbar vor dem Angebot € 8,25 je Aktie betragen. Nach Durchführung der Ausgabe der maximalen Anzahl von 11.000.594 neuen Stammaktien der Gesellschaft (die „**Neuen Aktien**“) zum Angebotspreis im Rahmen der Umwandlung der bestehenden Vorzugsaktien in Stammaktien, aber vor Abzug der Kosten, die von der Gesellschaft zu tragen sind, hätte das den Aktionären der Gesellschaft zuzurechnende Eigenkapital zum 30. Juni 2017 € 190,4 Mio. bzw. € 5,59 je Aktie betragen. Dies würde unter Annahme eines Angebotspreises am unteren Ende der Preisspanne einer unmittelbaren Verwässerung von € 22,41 (80,0 %) je Aktie für die Parteien, die die Angebotsaktien erwerben, entsprechen. Unter der Annahme eines Angebotspreises am Mittelwert bzw. am oberen Ende der Preisspanne und der Ausgabe von 9.333.837 bzw. 8.105.700 Neuen Aktien würden die entsprechenden Zahlen € 27,12 (82,2 %) bzw. € 31,89 (83.9 %) betragen.
E.7	**Schätzung der Kosten, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden**	Entfällt. Weder die Gesellschaft noch die Konsortialbanken werden Anlegern Kosten in Rechnung stellen. Anleger müssen jedoch übliche Transaktions- und Bearbeitungsgebühren, die ihnen ihre depotführende Bank in Rechnung stellt, selbst tragen.

1. RISK FACTORS

*An investment in the shares of Befesa S.A. (the "**Company**" or "**Issuer**", and, together with its direct and indirect subsidiaries and joint ventures from time to time "**Befesa**", the "**Group**", "**we**", "**us**" and "**ours**") is subject to risks. Therefore, investors should consider carefully the following risks and the other information contained in this Prospectus when deciding whether to invest in the Company's shares. The following risks, alone or together with additional risks and uncertainties not currently known to us, or which we might currently deem immaterial, could adversely affect our business, assets, financial condition and results of operations. If any of these risks were to materialize, our business, assets, financial position and results of operations could be adversely affected. In such cases, the trading price of the Company's shares (the "**Shares**") could decline, and investors could lose all or part of their investment. The order in which the following risks are presented does not indicate the likelihood of their occurrence, nor the scope of any potential impairment these risks may cause to our business, assets, financial position and results of operations. The risks mentioned may materialize individually or cumulatively.*

This Prospectus also contains forward–looking statements that are subject to future events, risks and uncertainties. Our actual results could differ materially from those anticipated in these forward–looking statements as a result of many factors, including, but not limited to, the risks we face as described below and elsewhere in this Prospectus.

1.1 Risks relating to our business and industry

1.1.1 The downturn in the global economy has caused in the past and may continue to cause in the future a reduction in demand for our services and products.

Our business is dependent on the availability of the materials to which our services relate and which we recycle, in particular steel residue in our Steel Dust Recycling Services segment and salt slags and aluminium residue in our Aluminium Salt Slags Recycling Services segment.

Historically, in periods of recession or periods of slowing economic growth, the industrial recycling industry has been materially and adversely affected. For example, during recessions or periods of slowing economic growth, the steel and secondary aluminium industries that generate the steel dust, salt slags and aluminium residue we recycle typically experience major cutbacks in production, resulting in a reduction in demand for our services and products. In certain cases these industries have experienced or may experience overcapacity, which may result in closures of facilities of our customers and the consequent reduction in demand for our products and services. For example, our plant in Töging (Germany) has been idle since its acquisition in 2009 due to an under-supply of input materials.

Zinc smelters, which are significant consumers of the Waelz oxide (an oxide used mainly in the production of zinc) we produce in our Steel Dust Recycling Services segment, typically experience major cutbacks in production due to a decline in demand from the automotive and construction industries. For our Aluminium Salt Slags Recycling Services segment, we receive most of our salt slags and aluminium residue from companies operating in the automotive and construction industries in Europe, and our business is thus directly and indirectly dependent on the developments in the automotive and construction industries. Difficulties faced by the steel and secondary aluminium industries can lead to significant decreases in demand for and pricing of our services and products.

Starting in 2008, a sharp downturn in the global economy, sparked by uncertainty in credit markets and deteriorating consumer confidence, sharply reduced the demand for steel and aluminium products, and recovery has since been slow, particularly in Europe where we have generated over 80% of our revenues in each of the past three years. As a result, generation of steel dust, salt slags and aluminium residue declined sharply, and demand for the Waelz oxide and secondary aluminium alloys we produce also significantly declined. This has had a material adverse effect on our operations. If the global economy, and the European economy in particular, remains slow in growth, or growth again declines, production of the steel dust, salt slags and aluminium residue we recycle will likely decline further or remain subdued relative to pre-2008 levels. Reduced availability of the steel dust, salt slags and aluminium residue we recycle not only reduces the amount of Waelz oxide and secondary aluminium alloys we produce, but also reduces our service fees and the capacity utilization of our recycling facilities, which can impact our revenues and profit margins. Any declines in growth or a return to recessionary conditions, particularly in Europe, could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.2 The prices of Waelz oxide, aluminium and zinc are volatile and this can affect our results of operations.

In our Steel Dust Recycling Services segment, we primarily produce Waelz oxide which contains a high content of zinc and which we sell as a feed product to zinc smelters. The price of zinc and hence the price of the Waelz oxide we produce, is volatile and is affected by numerous factors beyond our control, including, but not limited to:

- international economic and political conditions;
- changes in global supply and demand;
- the availability and cost of substitutes for our products and services; and
- actions of participants in the commodities markets.

Moreover, such prices are sensitive to trends in cyclical industries such as the automotive, construction, industrial, appliance, machinery, equipment and transportation industries, which are significant markets for our industrial waste recycling products. These industries have historically been characterized by fluctuations in demand for their products, which have resulted in corresponding fluctuations in demand for our own products. In the past, substantial price decreases during periods of economic weakness have not always been offset by commensurate price increases during periods of economic growth.

In our Aluminium Salt Slags Recycling Services segment, our main output products from the recycling of salt slags are aluminium concentrate, salt and aluminium oxide. While we, to a large extent, use the aluminium concentrates in our own secondary aluminium production, we also generate revenues from the production and sale of aluminium alloys, which we mainly sell to customers in the automotive industry, the production and sale of salt, which we mainly sell back to secondary aluminium producers, and, to a minor extent, also the production and sale of aluminium oxides. The prices of these output products are volatile, sensitive to trends, and are affected by numerous factors beyond our control, including, but not limited to the factors and trends listed in the preceding paragraphs with respect to the products produced in our Steel Dust Recycling Services segment.

Prices of zinc have risen significantly in the past year. The average daily price per ton quoted on the London Metal Exchange ("**LME**") as of December 31, 2015, on average for 2016 and as of December 30, 2016 was US$1,600, US$2,095 and US$2,563 per ton of zinc, respectively, and US$ 2,690 per ton on average during the first six months of 2017 (as opposed to US$ 1,799 per ton on average during the first six months of 2016). Prices of high-grade aluminium have been relatively stable while prices of aluminium alloy decreased in the past year. The average daily price per ton of high-grade aluminium quoted on the LME as of December 31, 2015, on average for 2016 and as of December 30, 2016 was US$1,508, US$1,604 and US$1,714 per ton, respectively, and US$ 1,880 per ton on average during the first six months of 2017 (as opposed to US$ 1,544 per ton on average during the first six months of 2016). The average daily price per ton of aluminium alloy quoted on the LME as of December 31, 2015, on average for 2016 and as of December 30, 2016 was US$1,610, US$1,555 and US$1,550 per ton, respectively, and US$ 1,646 per ton on average during the first six months of 2017 (as opposed to US$ 1,553 per ton on average during the first six months of 2016). There can be no assurance that prices of zinc or aluminium will remain stable or increase, or to what extent, if they do. Any prolonged recovery in prices will likely depend on a broad recovery from current global economic conditions, although the length and nature of business cycles affecting the zinc and aluminium industries have historically been unpredictable. There is no certainty that prices of zinc or aluminium will not decline significantly. A downturn in zinc and aluminium prices would decrease the sale price of Waelz oxide and secondary aluminium alloys produced by us, which in turn could have a material adverse effect on our business, assets, financial condition and results of operations.

Our business strongly depends on the price for Waelz oxide and on the price of aluminium, which affect both the prices on our input side and in particular the fees which we can charge to our customers for the collection and recycling of our input materials, and the prices of our output materials.

1.1.3 We may not be successful in hedging our business activities.

We use zinc hedges to hedge a significant portion of zinc volumes contained in the Waelz oxide produced. Under our prior zinc hedging strategy, for 2017 and 2018, we fixed the price per ton of zinc in euro for more than half of the expected volume of zinc to be extracted from our Waelz oxide by entering into financial swap agreements with several financial institutions, and under our current zinc hedging strategy we have committed recently to hedges covering a period until mid-2020, thereby consistently hedging over 70% of the expected volume of zinc to be extracted from our Waelz oxide for the respective years. Our hedging has two inherent risks: (a) future dependence on risk appetite from our hedging counterparties to provide us with our hedging requirements; and (b) due to our hedging policy, if we had a severe drop of production volumes of

Waelz oxide, we could have our hedging contracts open and face difficulties repaying our hedging commitments if the zinc price goes above hedged prices. In recent years, we believe our hedging arrangements have had a stabilizing effect on our revenues and operating profit year-on-year. Our hedging arrangements, however, do not cover the entirety of our production capacity. In addition, they expose us to the credit risk of our counterparties and limit our upside when zinc price rises, at least for the part of our production that is hedged. Furthermore, in the future, we may not be able to secure hedging arrangements at levels that will have such a stabilizing effect on our revenues and operating profit or at acceptable costs and other terms, or at all.

We constantly review options for renewing our existing hedges in light of the current zinc market environment and are committed to hedge about 60-75% of the expected volume of zinc to be extracted from our Waelz oxide for a period of 2-4 years going forward, and also assess options for extending our hedges up to 2021. We may not be successful in obtaining long-term hedges for all volumes desired, and it is generally more difficult to successfully hedge larger volumes of zinc over longer periods in time.

While we follow an active hedging policy in our Steel Dust Recycling Services segment, and try to mitigate the risks arising from, and to reduce the volatility in our operations arising from changes in the zinc price, we may not be successful in sufficiently managing these price risks. In particular, the various forms of hedging, such as swap or floor contracts, may not be adequate to sufficiently hedge our risks arising from changes in the prices of zinc in euros. In addition, as our zinc hedges currently cover only around 60-75% of our market exposure, parts of our business operations remain fully exposed to the associated market risks.

In our Aluminium Salt Slags Recycling Services segment, we are less dependent on the price for aluminium. We do not actively hedge this price risk, and although we are naturally hedged in this segment with aluminium scrap as our largest input material, our results of operations could be adversely affected by rapidly decreasing aluminium prices.

1.1.4 In many cases, we negotiate prices with customers on an annual basis, and the final selling price of Waelz oxide depends on the treatment charge deducted by zinc smelter customers.

Sales of Waelz oxide represented 67% of the total revenues of the Steel Dust Recycling Services segment in 2016. The revenues from our Steel Dust Recycling Services segment represented nearly half of our total revenues in 2016. The price of Waelz oxide, which we produce, is based on the percentage of zinc contained in the Waelz oxide. The price of Waelz oxide is generally negotiated with each customer on an annual basis. Waelz oxide typically has a zinc content of 60% to 68%. We are paid only for a large percentage of the zinc contained in the Waelz oxide (typically 85% of the relevant price for zinc) and are subject to an additional deduction as a treatment charge. The price used to calculate the value of the payable zinc is the prevailing LME price for zinc. A treatment charge is then deducted from the amount payable to us. This treatment charge represents the fees that miners pay smelters to refine zinc concentrate into metal. The treatment charge is linked to the LME price for zinc. As a result, the higher the LME price of zinc is over the base reference price, the larger the treatment charge deducted will be, and vice versa.

Any failure to maintain the same or more favorable price terms for our Waelz oxide from year-to-year or any increase in the treatment charge deducted by zinc smelters (particularly as a result of an increase in the base reference price) could have a material adverse effect on our business, assets, financial condition and results of operations.

In our Aluminium Salt Slags Recycling Services segment, more than 75% of our revenues generated in 2016 were generated from the own use and sale of output materials, mainly salt and aluminium alloys. Even though such effects may be less severe for our overall operations and profitability when compared with the effects of changes in the zinc price in our Steel Dust Recycling Services segment, the price of aluminium does affect our operations and may have an adverse material effect on our revenues and results of operations.

1.1.5 Our business model is dependent on the recycling needs of our customers as well as on availability of input materials such as steel dust, salt slags and aluminium residues.

Sales of Waelz oxide represented 67% of the total revenues of the Steel Dust Recycling Services segment in 2016, while the remainder of our revenues in this segment were generated by way of an upfront service fee which our customers pay for the collection and recycling of steel residue and the regulatory services, such as obtaining permits, which we provide.

In order to sell the Waelz oxide and to charge a service fee for the collection and recycling of steel residue and for our regulatory services, we are dependent on the availability of sufficient amounts of steel residue from our customers, as well as their need and willingness to pay for the services we provide. While the need for our services is driven by regulatory obligations of our customers to recycle the hazardous waste which they produce, the availability of alternative disposal or recycling methods may result in our services being less attractive to customers, and this may also affect our ability to charge service fees. In particular, rising zinc prices may have adverse effects on our profitability and results of operations, because higher zinc prices may make our services less attractive to customers who may favor alternative options to recycle or make use of the zinc content contained in their steel dust. Competition may increase, and the willingness to pay a service fee for the collection and recycling of steel residue may decline.

In the Salt Slags subsegment of our Aluminium Salt Slags Recycling Services segment, we generated 60% of the subsegment's revenues in 2016 from the sale of output materials, while 40% of our revenues in this subsegment in 2016 were generated by way of an upfront service fee which our customers pay for the recycling of salt slags and the regulatory services which we provide.

Similarly to the Steel Dust Recycling Services segment, our ability to generate revenues in our Aluminium Salt Slags Recycling Services segment strongly depends on our ability to receive input materials (salt slags and spent pot linings ("**SPLs**")) from our customers and to charge service fees for the recycling and the regulatory services provided in connection therewith. Alternative disposal or recycling methods for salt slags may again adversely affect our operations, and rising aluminium prices may limit our ability to charge service fees for the recycling of salt slags. Particularly in regions where there is no regulatory obligation to recycle salt slags, and alternative disposal or recycling methods, such as landfill, are available, our ability to charge service fees may be adversely affected, and we may not be in a position to charge service fees at all. Particularly in our secondary aluminium production, where aluminium input materials do not qualify as hazardous waste, we are required to pay for the input materials which we need for our operations.

1.1.6 Changes in prices for input materials are not necessarily offset by equivalent changes in prices for output materials.

Changes in the market prices and demand for zinc and aluminium, as well as the availability of input materials (mainly steel residues, salt slags and aluminium residues) and output materials (mainly Waelz oxide and aluminium alloys) affect our operations both on the buy-side and the sell-side, and negative price effects that we experience on the buy-side do not necessarily need to be offset by similar or equivalent effects on the sell-side, and vice versa. As a consequence, we may suffer from insufficient input materials for our recycling operations and decreases of our service fees which are not offset by increased revenues from the sale of the respective output materials or, in the case of low material costs, we may not be able to sell the output materials. In such situations, as our storage capacities are limited, we may be forced to sell our output materials at unfavorable market prices or to reduce our production levels.

1.1.7 Our operations are subject to stringent laws and regulations, particularly under applicable environmental laws.

The nature of our business subjects us to significant government regulation, including, but not limited to, increasingly stringent environmental laws and regulations in most jurisdictions where we operate. Such laws and regulations also require permits or authorizations to be obtained and manifests to be completed and delivered in connection with our business operations, and in connection with any shipment of prescribed materials, so that the movement and disposal of such material can be traced and the persons responsible for any mishandling of such material can be identified. Generally, we could be held liable for any risks associated with hazardous waste substances from the moment we collect or receive such substances from our customers. However, liability can also arise at an earlier stage based on our contractual obligations to provide our collection and recycling services, i.e. in cases where we fail to comply with obligations we contractually undertook with regards to the collection and handling hazardous materials. In addition, environmental laws and regulations impose significant liabilities, fines and penalties on persons found responsible for releases of hazardous substances and pollution or contamination of the soil, water, groundwater, air or otherwise. Such liability may arise from negligent or faulty actions, or may arise merely based on ownership of the hazardous waste. Furthermore, we are required to comply with emissions regulations.

This regulatory framework imposes significant day-to-day compliance burdens, costs and risks on us. In particular, violation of such laws and regulations may give rise to significant liability, including, but not limited to, fines and penalties, monetary and reputational damages, third-party liabilities, limitations on our business operations and site closures, and there can be no assurance that we will be in material compliance with all applicable laws and regulations governing the protection of the environment and human health, including but not limited to regulations concerning employee health and safety. Generally, relevant governmental authorities are empowered to clean up and remediate releases and environmental damage and to charge the costs of such remediation and clean-up to the owners of the property, the person(s) responsible for the release, the generator of the contaminant and other parties, or to direct the responsible parties to take such action. These authorities may also impose a tax or other liens on the responsible parties to secure the parties' reimbursement obligations. Many of the sites that we own or occupy, or have owned or occupied in the past, have a long history of industrial use, including from our operations. They have been and could in the future be the subject of remediation measures, at significant cost and liability. In addition, any failure or delay in obtaining or renewing, or a challenge to, a permit or authorization required for our operations, could adversely affect our business, assets, financial position and results of operations.

In the past, we have on occasion been found not to be in compliance with certain environmental laws and regulations and have incurred fines and loss of reputation associated with such violations and have also paid all or a portion of the costs of certain remediation actions at certain sites. These fines and costs can be substantial. In addition, we have also had to temporarily close facilities during remediation efforts, as happened recently at our Scandust plant in Sweden following an instance of contamination with sludge containing cyanide. Due to the nature of our industrial recycling and services businesses, it is likely that inquiries or claims based upon environmental laws and regulations will be made in the future by governmental bodies or individuals against us, and the location of some of our facilities in urban areas may increase the risk of such scrutiny and claims.

Certain of our plants are classified under the applicable legislative framework implementing Directive 2012/18/EU on the control of major-accident hazards involving dangerous substances (the "EU Seveso Directive") which results in various additional obligations to take preventive and regulatory measures.

The laws and regulations applicable to our business have changed in recent years. It is possible that we will be subject to even more stringent environmental standards in the future, including those that impose limitations on the processes or input materials we require in order to operate our business. Many of the input materials for and byproducts produced by our operations are hazardous and it is likely that additional materials or byproducts we use or produce will be designated as hazardous by regulatory authorities, resulting in more stringent operating conditions and requirements. We cannot predict the amounts of any increased capital expenditures or of any increases in operating costs or other expenses that we may have to incur to comply with applicable environmental requirements, or whether these costs can be passed on to customers through price increases. Any violation of environmental laws and regulations could give rise to significant liability, require us to pay fines and damages, clean-up and remediate environmental contamination at or close to our plants (even if not caused by us), result in the closure of one or more of our plants, or damage our reputation or ability to continue to conduct our business.

The realization of one or more of these risks could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.8 We are reliant on a small number of customers located in close proximity to our plants, and failure to retain these customers could adversely affect our business.

A substantial portion of our revenue is derived from our largest customers, making our business dependent on them, particularly in our Steel Dust Recycling Services segment.

We have lost customers in the past, and we cannot guarantee we will be able to maintain our relationships at all times with our largest existing or future customers. There are a number of factors, including but not limited to pricing and market demand for our output products as well as availability of input materials (including those from our customers) that could result in the loss of customers, and these may not be predictable and beyond the scope of our influence, such as the discontinuance of operations by a customer. In addition, some of our customers such as mini-mills have in-house steel or aluminium waste recycling capabilities, and if our customers were to further develop these capabilities we could lose all or part of their business. If we had to find alternate customers, there can be no assurance that we could obtain the same price for our products or maintain the same costs of servicing our existing customers. The loss of or a reduction in the business we transact with any of our largest customers and, in particular, with mini-mill producers and secondary aluminium producers, could have a material adverse effect on our business, assets, financial condition and results of operations.

Our business model also is, to a large extent, dependent on our close proximity to the production sites of our customers. If a customer that is based close to one of our plants reduces or discontinues its operations, or if competitors open additional recycling plants in proximity to our existing plants or customers, we may not be able to collect, receive or transport sufficient amounts of steel dust, salt slags or aluminium residues to such existing plants for recycling, resulting in reduced utilization. In addition, high transportation costs or regulatory restrictions may make it unprofitable or even impossible to transport materials to such plants for recycling. As the markets in which we operate are locally balanced, any changes to this market equilibrium may have material adverse affect on our profitability and operations.

1.1.9 We are currently implementing a strategy for growth and there is no guarantee that this strategy will be successful.

We intend to continue to pursue our growth plans for our business for the foreseeable future through both expansions and upgrades of our existing facilities and plants, as well as through acquisitions and/or the construction of additional facilities and plants. In particular, our strategy for growth envisages, among other items, upgrades of our existing European plants with more efficient technology, such as our secondary aluminium plants in Spain, and expanding the capacity of our existing plants, such as our plant for secondary aluminium production in Bernburg (Germany), our plant for salt slags recycling in Hannover (Germany) and our plant for salt slags and SPLs recycling in Whitchurch (United Kingdom). We are also continuously looking for options to expand our hazardous waste recycling services to regions where we do not currently have a plant, such as the Gulf region. Although we have generally been able to attract financing for our growth plans and have secured contracts with customers who are interested in recycling services for their steel or aluminium residues at the location of future plants prior to completion of construction of these plants, we cannot give you any assurance that we will continue to be able to do so in the future.

Implementing our growth strategy may give rise to unanticipated contractual, construction, operational and other risks. Management of our growth will require, among other things:

- generating sufficient internal financial resources or attracting financing from banks or the capital markets or other financing sources at acceptable terms;
- adapting to operating, economic, political, social, legal and regulatory environments of the new markets we enter;
- successfully executing our plans to acquire existing or construct and operate new plants and other facilities in a timely and cost-effective manner;
- securing sufficient contractual commitments from customers interested in recycling their steel dust or aluminium residue at our plants when completed and in operation; and
- identifying, hiring, training, motivating and retaining qualified personnel in the new markets and countries.

If we fail to implement our growth strategy, this could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.10 Our growth strategy requires capital expenditures and we may not be able to obtain additional financing on favorable terms.

Our growth strategy envisages, among other items, upgrades of our existing plants, which will require significant capital expenditure. However, there is no assurance that we will be able to generate sufficient internal cash flow, or that we will have access to sufficient debt or equity financing, to continue our development plans as currently intended. To date, we have been able to secure adequate financing on acceptable terms, though we can give no assurance that we will be able to continue to secure financing on acceptable terms, or at all, in the future. Various circumstances could affect our ability to raise adequate capital, including economic conditions, limited access to bank financing or capital markets, expansion at a faster rate or higher capital cost than anticipated, slower than anticipated revenue growth and regulatory developments. In addition, our exposure to the credit risk of our customers could also make it difficult for us to generate sufficient cash flow and thus impact our working capital position and development plans. If we are unable to secure additional financing on favorable terms or at all to satisfy our future capital requirements, we may need to curtail or discontinue our development plans, which could slow our growth, lead to a loss of market share and otherwise have a material adverse effect on our business, assets, financial condition and results of operations.

Also, in addition to seeking funding for new projects, such as those described above, we may seek to refinance a portion of our existing debt through bank loans and debt offerings. We can give no assurance as to the availability of financing on acceptable terms to refinance our existing indebtedness upon maturity. If we seek and are unable to refinance our existing debt on favorable terms or at all, it could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.11 Our growth may be inhibited if we fail to identify and secure sites for new facilities, or fail to secure permissions to construct new or expand our existing sites and facilities.

Our ability to maintain our competitive position and meet our growth objectives depends on our ability to upgrade existing sites or acquire or lease additional sites in strategically located areas. Our ability to obtain new sites and expand existing sites is limited, *inter alia*, by regulation and geographic considerations. Government restrictions, including environmental, public health and technical restrictions, limit where our waste recycling facilities can be located. The process of obtaining planning permissions and licenses or permits to build, operate or expand our industrial recycling facilities involve extended hearings and compliance with planning, environmental and other regulatory requirements. We may not be successful in obtaining the licenses or permits we require or such licenses or permits may contain onerous terms and conditions, or cost-intensive additional requirements, or such licenses or permits might only be granted for a fixed period of time and will need to be renewed in the future. As a result, we may not be able to obtain extra site capacity where it is required. In some instances, it is necessary for us to negotiate separate additional agreements with local authorities and third parties, such as landowners, who can make demands for further payments or other obligations. Furthermore, objections from the local communities or groups of individuals or interests may delay, and may even prevent, the proposed construction of a new or expanded facility or its operation. Also, construction, modernization, maintenance, repair or expansion works may be more costly than originally budgeted, may prove unsuccessful, require longer shut-down periods than anticipated and may ultimately lead to production capacity constraints.

We lease the land of some of our facilities. Some of the leases for these sites include provisions allowing the landlord to terminate the lease if we fail to comply fully with the terms of any permission, permit or licenses obtained for the site. Any failure to obtain a license or permit, or unduly onerous conditions contained in licenses or permits or any successful termination of one or more leases could require us to cease operations at one or more of our sites. The realization of one or more of these risks could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.12 Our growth may be inhibited if we fail to identify or are not able to consummate future acquisitions or otherwise fail to implement our growth strategy.

Our growth strategy depends on future acquisitions in addition to other factors. Our ability to successfully conduct acquisitions and to implement our growth strategy may be influenced by numerous factors, such as a lack of potential acquisition targets, limitations in our financing, a failure to successfully integrate acquired businesses into our operations, antitrust restrictions, import controls and restrictions, as well as the regulatory framework generally. A failure to successfully implement our growth strategy may have material adverse effects on our future results of operations.

1.1.13 We operate in a number of emerging markets, which exposes us to economic and political risks in these markets.

In addition to our operations in the European Union (**"EU"**), we currently have or in the foreseeable future anticipate commencing or expanding operations to service customers in a number of emerging markets, including China, Turkey, South Korea and the Gulf region, which may expose us to certain risks to a greater extent than in connection with our operations in more developed markets that we might operate in. Our operations in these markets are subject to a number of risks, including but not limited to:

- political and governmental instability, social or labor unrest and crime;
- unstable macroeconomic environment, including with respect to growth rates, inflation, interest rates, unemployment and other economic conditions;
- arbitrary government action, including by tax authorities, risk of expropriation or nationalization of property and ineffective or corrupt public administration authorities;
- developing, complex and uncertain legal, regulatory and tax environments and unpredictable or ineffective judicial systems;
- adverse changes in international relations with foreign governments and international institutions, or boycotts and embargoes imposed by the international community;
- the introduction of exchange controls, restrictions in transfers of capital, foreign investment controls and other restrictions by foreign governments;
- inadequate or poorly maintained physical infrastructure, including roads, rail, ports, airports and other transport infrastructure, power generation and transmission, water, sewerage and telecommunications systems; and
- underdeveloped banking systems and financial infrastructure.

As an example, if existing regulatory obligations in favor of recycling are not properly enforced, customers may not have a need to use and pay for our recycling services.

All such factors could adversely affect the profitability of our operations, including by increasing the costs of building and operating new facilities and our business generally in those countries, as well as our ability to extract profits from those countries. Moreover, developments in certain emerging markets often affect other emerging markets, and, accordingly, adverse changes in emerging markets elsewhere in the world could have a negative impact on the markets in which we operate or intend to operate in the foreseeable future. Such risks also include reputational risks. Any failure by us to effectively manage these or other risks could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.14 Restrictions on free trade may adversely affect our operations

Restrictions on free trade and the movement of goods may adversely affect our operations. For example, our operations in Turkey are currently affected by an import ban on certain hazardous waste materials into Turkey, so that we currently cannot import steel dust into Turkey for recycling purposes. As a result, utilization of our steel dust recycling plant in Turkey is currently limited to the collection and treatment of domestic crude steel dust. Similarly, we cannot estimate possible effects that the referendum and following notification of the intention of the United Kingdom to withdraw from the European Union may have on our business and operations. Protectionist measures, such as import or export controls or punitive tariffs, may severely impact or limit our business in the regions or jurisdictions affected, and such measures have in the recent past been threatened and/or imposed on companies active in the steel sector, amongst others in the United States.

1.1.15 Competition from other materials could significantly reduce demand for the products we produce.

The products we produce, primarily Waelz oxide and secondary aluminium alloys, compete in many applications with other materials that may be used as substitutes, such as steel (particularly in the automotive industry), mineral zinc, primary aluminium, composites and plastic. Additional substitutes developed in the future or reduced costs of existing substitutes for our products could significantly reduce market prices and/or demand for our products, which could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.16 An increase in the cost of materials could negatively impact the profitability of our business.

Some of our activities require consumption of electricity, natural gas, coke and other materials (such as aluminium residues) and we are vulnerable to significant fluctuations in their prices. Although electricity and coke consumption costs account for a relatively small portion of our total operating expenses (for example, for the year ended December 31, 2016, consumption of electricity, gas and coke combined to account for 12% of our operating expenses) the prices of electricity, gas and coke are volatile, and shortages sometimes occur leading to unexpected price increases. Some of our contracts with our customers include indexing mechanisms, however we cannot guarantee that these mechanisms will cover all of the additional costs generated by an increase in electricity, gas or coke prices, particularly for the majority of the agreements. In addition, some of our agreements with our customers do not include indexing provisions. Significant increases in the cost of electricity, gas or coke, or shortages of their supply, could have a material adverse effect on our business, assets, financial condition and results of operations.

In addition, electricity is one of the key expenses of our mini-mill producer customers and significant increases in the cost of electricity could adversely affect mini-mill producers' profitability, leading to closure of a number of mini-mill producers and the loss of several of our mini-mill producer customers, which could also have a material adverse effect on our business, assets, financial condition and results of operations, particularly in our Steel Dust Recycling Services segment.

1.1.17 Our business is exposed to operational risks.

Our business involves many operational risks, including but not limited to the risk of unanticipated equipment breakdown or failure at our facilities, a reduction in the supply of inputs or interruptions in the transportation of such inputs, sub-standard performance by our personnel or third party providers (e.g. transportation companies) and power loss, any of which could interrupt or cause a process shutdown of our operations. Our operations could also be interrupted as a result of catastrophic events such as fires, explosions, natural disasters and terrorism. The occurrence of any of these events could disrupt or severely curtail our operations, reduce our revenue and increase our costs. Moreover, we are reliant on our information technology and systems, as we have operations in multiple markets, and such systems may be vulnerable to operational or security challenges such as telecommunications failures, interruptions and security breaches. Any interruptions in our operations or interference with our information technology and systems could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.18 Changes in technology may affect the industry in which we operate, and our failure to adapt to changes in technology could negatively impact our business activities.

We rely on relatively sophisticated technology in the operation of our business, including the Waelz kiln process, the submerged arc welding furnace, the plasma furnace and leaching processes in our Steel Dust Recycling Services segment, and the salt slags chemical recycling process in our Aluminium Salt Slags Recycling Services segment. While we believe we currently benefit from some of the most advanced technological systems available in our industry, no assurance can be given that we will be able to adequately access, adapt to and take advantage of future technological advances. In addition, while we undertake research and development in an effort to develop new technologies and improve our processes and efficiency for our business, such activities are inherently uncertain and we might encounter practical difficulties in implementing our research results in an effective and efficient manner. Moreover, advances in technology, such as alternative methods for the disposal or recycling of steel dust and aluminium residue, could limit the need for our services or our customers could acquire some of the technology that we use in the operation of our business, which could reduce the need for our services. Our failure to adapt to technological advances, develop and introduce new technologies or respond to rapid market changes, or the acquisition of recycling technology by our customers, could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.19 Our business and results may be impacted by our investment in joint ventures or actions of our co-investors.

In some of the markets in which we currently operate or intend to operate, we hold our investments through joint ventures with third parties and we may continue to do so in the future in these or other markets. In particular, in Turkey, we acquired operational control of one steel recycling plant through a joint venture, while in France we operate the Fouquières-lès-Lens steel dust recycling plant through a joint venture. In addition, our now fully owned steel dust recycling plant in South Korea was originally only partially acquired. Expansion into other markets, such as China, may require joint venture investments as well. Investments in joint ventures may, under certain circumstances, involve risks not present where a third party is not involved, including the possibility that our partners or co-investors might become bankrupt, fail to fund their required capital contributions, perform their obligations poorly or not at all, or could make us liable to our co-investors' creditors in respect of our partner's share of joint venture liabilities. Co-investors may have economic or other business interests or goals which are inconsistent or conflict with our business interests or goals, and may be in a position to block action with respect to our common investments or take actions contrary to our policies, objectives or interests. Disputes between us and co-investors may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in loss of business opportunities and growth. Furthermore, actions by our co-investors, which we may be unaware of, or unable to control, such as political affiliations, illegal or corrupt practices and other activities, may bring reputational damage to us or result in adverse consequences to our common investments, including incurring costs, damages, fines or penalties, construction delays reputational losses or loss of key customer relationships. Consequently, actions by or disputes with our co-investors might result in subjecting assets owned by the joint venture to additional risk. The above risk factors could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.20 Governmental, legal or arbitration proceedings may have a material adverse effect on our business, financial position or profitability.

From time to time in the ordinary course of our business, various of our Group companies are party to governmental, legal and arbitration proceedings. Although we are not currently, nor have been in the past 12 months, party to governmental, legal or arbitration proceedings that may alone or together have, or have had in the recent past, a material adverse effect on our financial position or profitability, such proceedings may be instituted against us, including but not limited to proceedings in connection with disposals of certain of our operations to any third party (such as our recent disposal of our industrial waste solutions business (the "**IES Business**"). Since we frequently work with and transport hazardous wastes, the chance for such proceedings to result in large judgments, liabilities or settlements is significant. Our litigation costs and those of third parties could also be significant. Being found liable could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.21 Our business is reliant on retaining and attracting key management and technical personnel.

We are highly dependent on certain key members of our management and key technical personnel, such as our plant managers and certain employees operating our Waelz kilns, leaching plants, submerged arc furnaces, plasma furnaces, personnel at our aluminium recycling plants who have the knowledge of the aluminium residues and different furnaces and equipment, and our salt slags' chemical recycling process, and employees who are involved in our research and development activities. The loss of the services of key members of our senior management or technical staff may significantly delay our achievement of business objectives or result in additional and unforeseen costs. In addition, we intend to continue to expand and develop our business, and will need to hire additional employees with specific technical expertise in order to do so. The loss of the services of key members of our senior management or technical staff, and our inability to attract and retain sufficient and appropriately qualified managerial and technical personnel, could limit or delay our growth strategy or otherwise have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.22 Our employees may be exposed to health and safety risks.

We conduct heavy industrial activities at our facilities, and therefore there is a risk of injury or death to our employees, notwithstanding the safety precautions we take. We make every effort to be in compliance with applicable security and health regulations and have in place policies to minimize the risk of injury or death at our facilities; however, we may nevertheless be unable to avoid material liabilities, or damage our reputation, for any death or injury that may occur in the future. Any death or injury at our facilities could have a material adverse effect on our reputation, business, assets, financial condition and results of operations.

1.1.23 Most of our employees are subject to several collective labor agreements and are represented by labor unions. Any labor disputes could affect our operations, public reputation and relationships with our customers.

Most of our employees in the different jurisdictions in which we operate are represented by labor unions and are covered by collective labor or similar agreements, which are subject to periodic renegotiation. We have entered into collective labor agreements in Germany, Spain, France, Sweden, Turkey and Argentina and believe that our present labor relations are good. However, there can be no assurance that work slowdowns, work stoppages or strikes will not occur prior to or during the renegotiation of any new collective labor agreements, or in connection with any future wage or benefit negotiations between management and employees, and we are unable to estimate the effect of any such slowdowns, stoppages or strikes on our operations. Any such slowdowns, stoppages or strikes could have a material adverse effect on our business, assets, financial condition and results of operations. In addition, there can be no assurance that any of the collective bargaining agreements that we might renegotiate would be on similar or better terms than our existing collective bargaining agreements, or that the terms of such renegotiated collective bargaining agreements would not otherwise have a material adverse effect on our business, assets, financial condition and the results of our operations.

1.1.24 Our insurance policies may not provide sufficient coverage, which may leave us with uninsured liabilities.

We maintain insurance on property and equipment in amounts our management believes to be consistent with legal requirements and industry practice but, like other companies in our industry, we are not fully insured against all business risks. Our insurance policies generally cover physical loss or damage to our property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including, in certain cases, business interruption. Each of our operating subsidiaries also maintains various other types of insurance, such as workers' compensation insurance. The occurrence of an event that is uninsurable or that causes losses in excess of limits specified under the relevant policy, or losses arising from events not covered by our insurance policies, could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.25 Pending and future tax audits within our Group, disputes with tax authorities and changes in fiscal regulations could lead to additional tax liabilities.

We are subject to routine tax audits by the respective local tax authorities. Our German subsidiaries are currently subject to a tax audit by the German tax authorities covering income tax, trade tax, withholding taxes and VAT for the assessment periods 2011 through 2015. Since the tax audit has not yet been finalized, we cannot exclude that actual tax payment obligations arising from the tax audit may exceed the amount reflected in our financial statements. Future tax audits and disputes in Germany, Spain or other jurisdictions in which we conduct our business may result in additional tax and interest payments which would negatively affect our financial condition and results of operations. Changes in fiscal regulations or in the interpretation of tax laws by the courts or the tax authorities in Spain or foreign jurisdictions in which we conduct our business may also have adverse consequences for us. The realization of one or more of the above risks could have a material adverse effect on our business, assets, financial condition and results of operations.

1.1.26 We are subject to risks related to antitrust regulation and competition in the markets in which we operate.

On July 12, 2013, the Investigation Division of Spain's National Competition Commission (the "**CNC**") announced that formal proceedings had been opened in relation to possible anti-competitive behavior involving, inter alia, market-sharing arrangements by 37 companies, including Befesa Gestion de Residuos Industriales, S.L., a former member of our Group, in the waste management and urban sanitation sector in Spain. Although that business has been sold and the investigation closed, cooperation with such investigations require us to divert resources away from our business and, should violations be found to occur, our business, assets, financial condition and results of operations may be materially adversely affected through fines or penalties or limitations on our business.

In addition, we have customers that are also in competition with us, and operate a joint venture with a competitor in France. Such relationships present a heightened risk of scrutiny by regulators and could increase the risk of inadvertent violations of antitrust regulations. Antitrust regulation could also restrict future acquisitions and/or joint ventures, and may thus limit our ability to implement our growth strategy.

1.2 Financial risks

1.2.1 We have significant existing indebtedness, and may be required to incur additional indebtedness in the future.

We have substantial debt and debt service obligations. As of December 31, 2016, our financial debt as reflected in our balance sheet was €581.9 million (non-current finance debt, current finance debt and accounts payable for finance leases). Our ability to make payments on this indebtedness and to fund our working capital, planned capital expenditures and future investments is contingent on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Additionally, as part of our financial management strategy, we use factoring and confirming lines in order to meet our working capital requirements. We may not be able to generate sufficient cash flows from operations and additional debt and equity financing, or factoring and confirming lines often used by us may not be available to us in an amount sufficient to enable us to pay our debts when due or to fund our working capital requirements or other liquidity needs. If this were the case, we may be required to reduce or delay our business activities and capital expenditure, sell assets, obtain additional debt or equity financing or restructure all or a portion of our indebtedness on or before maturity. Moreover, our capital management policy focuses on achieving a financial structure that optimizes the cost of capital while maintaining a solid financial position, with the aim of balancing the creation of value for shareholders with access to financial markets at a competitive cost. We may not be able to accomplish any of the alternatives mentioned above on a timely basis or on satisfactory terms, if at all, and any inability to generate sufficient cash flows to satisfy our debt service obligations, to refinance our indebtedness on commercially reasonable terms or to effectively balance our capital management policy in a manner that allows us to access financial markets at a competitive cost, could have a material adverse effect on our business, assets, financial condition and results of operations.

Our financing agreements typically contain a number of covenants and restrictions, including limitations on incurring indebtedness and granting further liens on our properties and prohibitions on sales of assets. These covenants and restrictions impose limitations on the way in which we manage our assets, and may prevent us from raising further debt financing should we need to do so. In addition, a large proportion of our indebtedness is secured by liens on our property (tangible assets as well as real property) or our shares in our subsidiaries. Moreover, certain of these agreements contain, and future financing agreements may contain, covenants that take into account our consolidated financial condition or key financial ratios or restrict movements of cash among the Group (including the payment of cash dividends to us) unless certain conditions are satisfied.

In particular, the terms of a proceeds loan agreement (the **"Proceeds Loan Agreement"**) entered into by Befesa Zinc in respect the €300.0 million aggregate principal amount of 8.875% Senior Secured Notes (the "**Zinc Notes**") issued by Zinc Capital S.A. ("**Zinc Capital**") on May 11, 2011 and certain of our project financing agreements restrict movements of cash among the Group unless certain conditions are satisfied. The

Proceeds Loan Agreement prevents Befesa Zinc and certain of our other subsidiaries from declaring or paying dividends, or making other distributions to the Group in certain circumstances. Befesa Zinc can only distribute 50% of its net profit, and to distribute this amount its EBITDA/financial expenses ratio must be at least 2.25. Moreover, to finance a portion of the capital expenditure needed to expand existing plants or construct new ones, we often enter into project financing arrangements with lenders in connection with the specific project. These arrangements frequently contain covenants that restrict the relevant entities in our Group that are party to such arrangements from declaring or paying dividends or other distributions to the wider Group. Significant obligations of various Group companies also exist under the PIK Notes and the related proceeds loan agreement and the Non-Zinc Loan (as defined below).

In addition, given current conditions in global credit markets, we may not be able to maintain our leverage ratios and may be required to pay higher interest rate spreads on new loans and borrowings, any of which could have a material adverse effect on our business, assets, financial condition and results of operations.

1.2.2 We are exposed to risks in connection with our post-IPO refinancing.

On October 19, 2017, the Company as parent and certain of its subsidiaries as borrowers and guarantors entered into an English law governed €636,000,000 facilities agreement with Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander S.A., Citigroup Global Markets Limited, COMMERZBANK AG and Goldman Sachs International as mandated lead arrangers, certain financial institutions as lenders, Citibank Europe plc, UK branch as facility agent and Citibank N.A., London Branch, as security agent (the "**New Senior Facilities Agreement**"). The New Senior Facilities Agreement comprises a term loan facility in an amount of €526 million (the "**TLB Facility**"), a revolving credit facility in an amount of €75 million (the "**RCF**") and a guarantee facility in an amount of €35 million (the "**Guarantee Facility**") (TLB Facility, RCF and Guarantee Facility together the "**Facilities**"). The TLB Facility carries an interest rate linked to Euribor, with a variable margin up to 3.25% per annum based on leverage. The TLB facility has a term of five years and can be drawn at any time prior to December 30, 2017. Each of the RCF and the Guarantee Facility are available from the date of first utilization of the TLB Facility until one month prior to the final repayment date of the TLB Facility.

The Company intends to use the proceeds from the TLB Facility to refinance the Group's current and non-current borrowings, including its payment obligations in connection with the proceeds loan in respect of the €300.0 million nominal amount Zinc Notes which matures in May 2018, in connection with the €150.0 million original nominal amount PIK Toggle Notes (the "**PIK Notes**") which mature in December 2018 and in connection with the Non-Zinc Loan (as defined below).

Upon consummation of the Offering, our current and non-current borrowings have neither been repaid nor terminated. While we are confident that both the Zinc Notes and the PIK Notes can be redeemed early, such redemption is subject to certain conditions precedent, such as notice periods, and may be delayed, challenged or impacted otherwise. Also, the drawing of the TLB Facility is subject to fulfilment of certain market standard conditions precedent, and will only be available until December 30, 2017.

Ongoing obligations under the New Senior Facilities Agreement to which the Company is party will substantially affect our capital management and business operations as any breach of the covenants and undertakings may entitle our creditors to demand early repayment of the corresponding debt. There can be no assurance that we will be able to comply with our covenants in the future. The New Senior Facilities Agreement contains customary general covenants, such as negative pledges, limitations of our financial indebtedness as well as restrictions on disposals and mergers, subject to certain exceptions and baskets. Such covenants may restrict our operational and financial flexibility. Upon occurrence of a change of control or a disposal of all or substantially all assets of the Group, any lender is entitled to cancel its commitments and require the borrowers to repay or provide cash cover for all outstanding amounts and letters of credit owing to or issued by the lender under the finance documents.

In addition, the New Senior Facilities Agreement provides that the lenders may refuse to make an advance under the Facilities or exercise any right of rescission or termination during the Drawdown Period if the Company (or any of its subsidiaries) fails to comply with their contractual undertakings. Furthermore, the utilization of Facilities is linked to satisfaction of certain conditions precedent, including net leverage of maximum 2.95x or notification of redemption of the existing Zinc Notes and PIK Notes. Even though a redemption of both outstanding Notes may occur by giving at least 30 days advance notice and may still be done by expiry of the Drawdown Period, there can be no assurance that redemption notice will be provided in a timely manner in order to satisfy the drawdown conditions. Also, we cannot assure that the lenders will make available the utilisiation of the Facilities.

Any delay of or challenges brought against the post-IPO refinancing, as well as a temporary or permanent non-availability of the Facilities may have a material adverse effect on our business, assets, financial condition and results of operations.

1.2.3 We are a holding company and are reliant on dividend payments and distributions from our subsidiaries in order to make dividend payments under the Shares.

We are a holding company, and substantially all of our assets are held in, our revenues are derived from and our operations are conducted through our subsidiaries, most of which are based in jurisdictions outside of the Grand Duchy of Luxembourg ("**Luxembourg**"). Consequently, we rely on dividends, repayment of intercompany debt and interests arising thereof and other transfers of funds from our subsidiaries, including subsidiaries that are not wholly-owned, to pay our expenses, meet any future obligations and make dividend payments. Certain of our subsidiaries (including Befesa Zinc, S.A.U. ("**Befesa Zinc**"), Bilbao (Luxembourg) S.A. ("**LuxFinCo"**) and Befesa Medio Ambiente S.L. are parties to various loan and credit agreements, which as of December 31, 2016 were reflected in total non-current and current finance debt amounting to €581.9 million (including accounts payable for finance leases), as a result of which a portion of their cash flows goes to paying interest and principal on outstanding borrowings under those facilities. In particular, pursuant to the terms of the Proceeds Loan Agreement entered into by Befesa Zinc in respect of the proceeds of the €300.0 million aggregate principal amount Zinc Notes, Befesa Zinc is required to pay interest on the loan semi-annually and to repay the principle loan amount in May 2018. Additionally, pursuant to a proceeds loan agreement in relation to the PIK Notes, Bilbao (Luxembourg) S.A. as issuer, has on-lent the proceeds from the issuance of the PIK Notes to Befesa Holding S.à r.l., requiring for payments of interest (in cash or, upon fulfilment of certain requirements, in increasing the nominal amount of the PIK Notes), and to repay the principal amount when the PIK Notes become due. Also, payment obligations of BMA and certain intra-group guarantors exist under the €167,500,000 facilities agreement (the "**Non-Zinc Loan**").

Moreover, to finance a portion of the capital expenditure needed to expand existing plants or construct new ones, we often enter into project financing arrangements with lenders in connection with the specific project. These arrangements frequently contain covenants that restrict the relevant entities in our Group that are party to such arrangements from declaring or paying dividends or other distributions to the wider Group.

Additional restrictions on the distribution of cash to us arise from, among other things, applicable corporate laws and regulations and the terms of other agreements to which our subsidiaries are or may become subject. In addition, such dividends or other transfers may be subject to withholding and other taxes which may lead to double taxation or other costs to us. There can be no assurance that the financial results of our subsidiaries or their own liquidity requirements will permit them to make distributions or other transfers to us in amounts sufficient for us to meet our obligations, run our business or make dividend payments.

1.2.4 Increases in interest rates could adversely affect our financial condition.

Certain of our borrowings bear interest at variable interest rates, and we could therefore be adversely affected by increases in interest rates. As of December 31, 2016, we had total finance debt (current finance debt, non-current finance debt and accounts payable for finance leases) of €581.9 million, of which €117.9 million bore interest at variable rates generally linked to market benchmarks such as Euribor and Libor. Interest rates are highly sensitive to many factors, including but not limited to governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Any increase in interest rates would increase our finance costs relating to our variable rate indebtedness and increase the costs of refinancing our existing indebtedness and issuing new debt, which could have a material adverse effect on our business, assets, financial condition and results of operations.

1.2.5 We are exposed to currency exchange rate risks.

Our functional currency is the euro. However, we have subsidiaries and operations in a number of jurisdictions, including the United Kingdom, Sweden, Turkey and South Korea, where we generate revenues in currencies other than the euro and, in light of our growth plans, we may operate in additional jurisdictions with currencies other than the euro. For the year ended December 31, 2016, 15.4% of our consolidated revenues was denominated in currencies other than the euro, principally the US dollar, the pound sterling, the Swedish krona, South Korean won and the Argentine peso. We also incur expenses and liabilities in these currencies. The results of operations of our foreign subsidiaries and our products priced in currencies other than the euro are translated into euros at the applicable exchange rate for inclusion in our consolidated financial statements. We aim to minimize the effect of foreign exchange fluctuations by matching revenues, expenses and liabilities in each currency, to the extent commercially practicable.

In addition, in our recycling business we produce and sell Waelz oxide (which contains zinc), secondary aluminium alloys, nickel, chromium, molybdenum and other metals. As typical for such products, we price them by reference to relevant commodities prices quoted on the LME in US dollars, while a substantial portion of our operating costs are incurred in euro. To limit our exposure to the US dollar/euro exchange rate we use zinc swaps (which are denominated in euro). We hedge typically more than half of the expected volume of zinc to be extracted from our Waelz oxide and fix the price for such products in euros. While the duration of these hedges often is for 18 – 24 months, we have in the past maintained hedges for up to five years, and have recently committed to hedges covering a period until mid-2020. We currently review options for further renewing of our existing hedges in light of the current zinc market environment and are also committed to hedge about 60-75% of the expected volume of zinc to be extracted from our Waelz oxide for a period of 2-4 years going forward. We also assess options for further extending our hedges up to 2021. However, these hedges do not cover all the volume of Waelz oxide we produce, have led to losses in the past and might not be effective or lead to losses in the future.

Accordingly, exchange rate movements particularly between the euro and the US dollar and between the euro and other currencies, including the pound sterling, the Swedish krona, the Turkish lira, the South Korean won and the Argentine peso, could have a material adverse effect on our business, assets, financial condition and results of operations.

1.2.6 Our financing agreements contain certain restrictions on various Group companies which could adversely affect our ability to grow.

Our financing agreements contain certain restrictions which could adversely affect our ability to grow. For example, Befesa Zinc, a company within our group, borrowed the €300.0 million proceeds of the Zinc Notes pursuant to the Proceeds Loan Agreement. The Proceeds Loan Agreement imposes certain restrictions on Befesa Zinc and its Restricted Subsidiaries thereunder. A number of companies within our Group, in particular Befesa Zinc Comercial, S.A.U; Befesa Zinc Aser, S.A.U.; Befesa Zinc Germany GmbH; Befesa Steel Services GmbH; Befesa Zinc Freiberg GmbH; Befesa Zinc Duisburg GmbH, Befesa Valera S.A.S., Befesa Zinc Oxido, S.A.U. and Befesa Zinc Gravelines, S.A.S. (together the "**Guarantors**") have issued guarantees with respect to the obligations of Befesa Zinc pursuant to the Proceeds Loan Agreement ("**Guarantees**"). As of December 31, 2016, Befesa Zinc and the Guarantors together represented, on an aggregate basis, the vast majority of the consolidated segment sales revenues and of the consolidated assets (including goodwill) of our Steel Dust Recycling Segment. In particular, the terms and conditions of the Proceeds Loan Agreement prevent Befesa Zinc and certain of our other subsidiaries (including the Guarantors) from: declaring or paying dividends or other restricted distributions; incurring indebtedness or issuing preference stock; consummating an asset sale other than at a fair market value with a consideration of at least 75% of the purchase price satisfied in cash or cash equivalents; causing or permitting to create, incur, assume or otherwise cause or suffer to exist or become effective any liens on certain its property or assets; and restrict entering into transactions with its affiliates. In particular, Befesa Zinc can only distribute 50% of its net profit, and to distribute this amount its EBITDA/financial expenses ratio must be at least 2.25. However, these restrictions will cease to apply after repayment of Zinc Notes and the Proceeds Loan Agreement.

The restrictions imposed by the Proceeds Loan Agreement on Befesa Zinc and certain of our other subsidiaries (including the Guarantors), and similar restrictions imposed on other Group companies in connection with other financing agreements, could adversely affect our ability to grow and attract financing for our operations, which could in turn have a material adverse effect on our business, assets, financial condition and results of operations.

1.3 Risks relating to our shareholder structure

1.3.1 We are effectively controlled by funds managed by Triton and the interests of Triton may conflict with the interests of other shareholders.

In 2013, Triton acquired control over the Group after purchasing the Group from Abengoa, which indirectly held 100% of our shares from June 2000 up until the acquisition by Triton. Following the Offering, Triton will effectively hold approximately 54.8% of our outstanding share capital (assuming the sale 14,308,000 shares at the low end of the Offer Price) and will continue to have the indirect voting majority necessary to exercise considerable influence over us, including to adopt resolutions of the Shareholders' Meeting and to authorize matters requiring shareholder approval. Such matters include the election and removal of the members of the Board of Directors of the Company (who may appoint or remove management members), any proposed capital increase or issuance of convertible bonds and similar instruments, amendments to our articles of association, dividend distributions, corporate mergers and demergers, and sales involving all or nearly all of our assets. Triton will also be able to exercise considerable influence on our business and strategy. Following the Offering we will continue to be subject to internal procedures and requirements applicable to Triton subsidiaries, which are implemented for a number of actions to be taken by our Group, including but not limited to entering into commercial transactions and disposal of assets, financial arrangements and other actions, when they are above certain materiality tresholds. In addition, certain transactions and matters require the approval by the Board of Directors of the Company.

We have decided to follow, on a voluntary basis, to a certain extent, the German corporate governance rules and have adopted certain corporate governance measures aimed at protecting interests of minority shareholders and ensuring their interests are adequately represented at Shareholders' Meetings. However, minority shareholders will only have very limited influence (essentially, only through information, counter–proposal and speaking rights) on shareholders' resolutions.

Triton's interests may be different from our best interests, or the best interests of our other shareholders. Triton may choose to vote its shares or otherwise exercise its influence in a manner that is not consistent or may conflict with the interests of our other shareholders or in a manner that other shareholders do not consider to be in their best interest. There can be no assurance that Triton will not take actions that could have a material adverse effect on our business, assets, financial position, result of operations and the interests of other shareholders.

In addition, Triton is a large private equity fund with interests in other businesses, including industrial services, telecommunications, transportation and energy. As a result, there could be situations in which we may wish to pursue activities in which we could potentially compete with other companies in which Triton has an interest (or where we do not compete with other companies, but where Triton wishes to pursue an interest through a company other than a member of our Group), and Triton may be required to determine how the various companies in which it has interests, including us, will proceed, balancing all interests involved. We cannot assure you that this decision will be made in our interest and may have a material adverse effect on our business, assets, financial position, result of operations and the interests of other shareholders.

1.3.2 We have engaged, and continue to engage in transactions with related parties and Triton funds, that may present conflicts of interest.

In the course of our business, we have engaged and continue to engage in transactions with related parties (including Triton funds). Conflicts of interest may arise between us and Triton or other related parties, potentially resulting in the conclusion of transactions on terms not determined by market forces and less favorable than those that could be obtained on arms-length transactions, or in the termination of transactions with the above because of the conflict of interests between us and such related parties or Triton funds, either of which could have a material adverse effect on our business, assets, financial position, result of operations and the interests of other shareholders.

1.3.3 We may incur losses or reputational damage from risks, known and unknown, stemming from prior ownership and businesses that we have sold.

Our Group has changed hands several times over the years, most recently when it was acquired by Triton from Abengoa in 2013. We have also made numerous disposals in recent years, including the sale of our IES Business in the past couple years, and our water businesses, which were sold in 2011 and 2012.

In 2015, about two years after Triton's acquisition of the Group from Abengoa, Abengoa filed a pre-insolvency restructuring proceeding under Spanish law and was subject to a financial restructuring process which ended up with two Decisions of the Commercial Court n.º 2 of Sevilla in 2016. We may be exposed to claims from creditors of Abengoa, however tenuous, resulting from Abengoa's prior ownership of our Group. For example, while a part of the Abengoa Group, Befesa Medio Ambiente, S.L. ("**BMA**") gave guarantees in relation to financing arrangements subscribed and bonds issued by Abengoa entities. These guarantees have been released upon Triton's acquisition of the Group, but a creditor who did not consent to the financial restructuring of Abengoa recently brought an enforcement proceeding against BMA, seeking to recover on a guarantee previously granted by BMA for €500 million notes issued by Abengoa in 2010 and maturing in 2016. The judge, without previously giving BMA the right to oppose the claim as such right to audience or defense is not contemplated by Spanish law at that stage of the described enforcement proceedings, issued a preliminary decision ordering BMA to pay around €50,000. After having been duly served with the decision, BMA filed a brief opposing the enforcement decision within the legal deadline. The order of payment against BMA is, consequently, subject to a definitive first instance decision still to be rendered, once the judge had the opportunity to review BMA's defense against the enforcement. We believe the claim brought against BMA to be without merit on the grounds, that the bondholder has not submitted with its claim a legally valid enforcement title against BMA (i.e. a guarantee bond duly notarized in a public deed), and that indeed all guarantees issued by BMA or other entities of the Befesa Group for former Abengoa debt have been validly released in 2013.

In addition, we believe that the bondholders of former Abengoa debt who agreed to the financial restructuring or who did not successfully challenge the financial restructuring are bound thereby. However, while a recent non-appealable Decision of the Commercial Court n.º 2 of Seville of 25 September 2017 confirmed the legal effectiveness of the financial restructuring of Abengoa, the decision at the same time upheld the challenge of a group of bondholders who had not approved the financial restructuring and who, as a consequence, will be entitled to claim their debt from Abengoa in accordance with the aforementioned decision. It cannot be excluded that such bondholders or other creditors of Abengoa will also try to bring claims against BMA or other Group entities under a guarantee, notwithstanding the fact that we believe all guarantees have been validly released prior to the restructuring of Abengoa.

We cannot rule out the possibility that further claims in connection with former Abengoa debt will arise and we could suffer losses if the abovementioned claim or any other claims are ruled to be enforceable against BMA or a Group entity. If we are forced to pay on expired guarantees or otherwise held liable for the debts of Abengoa or become subject to claims in relation to convertible bonds or promissory notes issued while under prior ownership, it could have a material adverse effect on our business, assets, financial condition and results of operations.

We are also exposed to risks from claims arising following disposals of our business, as well as for events transpiring during periods of ownership by entities other than the Triton funds. For example, a subsidiary within our former water business became, following its disposal, subject of corruption and tax charges based on intercompany fees charged to it between 2002 and 2009. Since the proceedings began in 2009, more than 60 persons have been charged, including former board members of that subsidiary. While the Group itself is not party to these proceedings, Javier Molina Montes and two current managers of our Group are involved. Javier Molina Montes served as a director on the board of abovementioned subsidiary between 2002 and 2003, and, due to such directorship became a party to the proceedings. Since the proceedings began in 2009, the Group's former representatives on the subsidiary's board had to provide statements in 2010, but were, other than that, not involved in the proceedings. The initial investigation stage of the proceedings concluded in June 2016 and the next step is for the public prosecutor to submit a trial brief specifying the allegations against the various parties. The parties will then have the opportunity to submit writs of defence and the court will then schedule a trial.

Given their limited involvement in the proceedings, we expect that the charges against the Group's former representatives on the subsidiary's board will be dropped when the prosecution submits its trial brief. However, there is no indication of when this may occur and it is also possible that the charges will not be dropped, contrary to our expectations, and proceed to trial. Even if dismissed from the proceedings, such claims can have a reputational impact on our Group which could, in itself or coupled with other damages arising from successful claims, lead to a material adverse effect on our business.

The Group will continue to fight against claims, currently existing or which could arise in the future, it views as being without merit or which it feels are not founded on a legal basis. This is expected to put a burden on Group resources, including both time and money, and if substantial claims should arise, potential material impacts on our financial condition.

1.3.4 Our contracts with Triton, former owner Abengoa and other companies in the Abengoa Group were negotiated between parties under common control, and we cannot assure you that we could not have obtained better terms from other parties.

Our contracts with Triton, Abengoa and other companies in the Abengoa Group were negotiated between parties under common control. Even though we believe that these contracts are conducted on an arm's-length basis at market terms, we cannot assure you that we could not have obtained better terms from other parties, and that the terms we received under our contracts with Triton, Abengoa or members of the Abengoa Group may increase our expenses and reduce our net profit compared to the terms of contracts we might have obtained from other parties. We have not attempted to negotiate similar arrangements with unaffiliated parties and do not know whether other parties would enter into such arrangements with us on more or less favorable terms, if at all. Consequently, if these existing agreements were terminated for any reason, we cannot be certain that we would be able to enter into equally-favorable arrangements with other parties, if at all. Our inability to replace these arrangements on equally-favorable terms could reduce our net profit, limit our available borrowings and adversely affect our ability to achieve our growth objectives, which, in turn, could have a material adverse effect on our business, assets, financial condition and results of operations.

1.4 Risks relating to the Offering and the Shares

1.4.1 There is currently no trading market for the Shares and there is no guarantee that one will continue or develop in the future.

Prior to the Offering, there has been no public trading market for the Shares. Although we will apply for the Shares to be admitted to trading on the Frankfurt Stock Exchange, there can be no assurance that an active trading market for the Shares will develop or, if developed, can be maintained following the closing of the Offering. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If an active liquid trading market for the Shares does not develop, the price of the Shares may be more volatile and it may be difficult to complete a buy or sell order for the Shares.

1.4.2 The market price of our Shares could be volatile, and the market price of the Shares may fall below the Offer Price.

The trading price of the Shares may fluctuate significantly in response to a wide range of factors, many of which are beyond our control. These factors include, but are not limited to:

- variations in our actual or anticipated operating results, and those of other companies in our industry and markets in which we operate;
- negative research reports or adverse brokers' comments;
- future sales of Shares by our significant shareholders, or the perception that such sales may occur;
- general economic, social or political conditions in our industry or the markets in which we operate;
- legislative and regulatory developments affecting our business; and
- general price or volume fluctuations on the Frankfurt Stock Exchange.

The Offer Price for the Shares may not be indicative of the prices that will prevail on the trading market and investors may not be able to resell the Shares at or above the Offer Price. Fluctuations in the price and volume of the Shares may not correlate in a predictable way to our operating or financial results.

1.4.3 The market price of our Shares could decline as a result of future sales of Shares.

Future sales of Shares owned by the Selling Shareholder, or the perception that such sales will occur, could cause a decline in the market price of our Shares. In connection with the Offering, we and the Selling Shareholder have agreed to certain lock-up arrangements in respect of the Shares. We cannot predict whether substantial numbers of Shares will be sold by such persons following the expiry of the lock-up period. Future sales of Shares could be made by the Selling Shareholder or through a capital increase undertaken by us to fund future capital expenditures or for other purposes. A sale of a substantial number of Shares, or the perception that such sales could occur, could materially and adversely affect the market price of our Shares and impede our ability to raise capital through the issue of equity securities in the future.

1.4.4 The Offering might not be completed, in which case investors could lose security commissions paid and be exposed to risks from any short selling of the Shares.

The underwriting agreement will provide that the Underwriters can terminate the Offering under certain circumstances. If the Underwriters withdraw from the underwriting agreement, the Offering will not take place. Any allocations to investors that have already occurred will be invalid. In this case, investors will not have a claim for delivery of the Shares. Claims with regard to any subscription fees that have already been paid and costs incurred in connection with the subscription by an investor are governed solely by the legal relationship between the investor and the institution with which the investor has submitted its offer to purchase. If an investor has engaged in short selling, the investor bears the risk of not being able to fulfill its delivery obligations.

1.4.5 Shareholders in countries with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of our shares.

Our equity capital is denominated in euros and any dividends are expected to be paid in euros. Investors whose reference currency is other than the euro may be adversely affected by any reduction in the value of the euro or any redenomination of the euro relative to the respective investors' reference currency. Fluctuations in the exchange rate between the euro and the currency of the respective investor could affect the value of the investors' Shares and any dividend payments made under them. In addition, such investors could incur additional transaction costs in converting from the euro (or such redenominated currency) to their respective reference currency. Investors whose reference currency is other than the euro are urged to consult their financial advisors.

1.4.6 We cannot guarantee that we will pay dividends to our shareholders or that any dividends paid by us will increase, or not decrease, over time.

It is the Company's current intention to pay annual dividends corresponding to approximately 40% to 50% of our consolidated net profit in 2017 and 2018, in the absence of unforeseen circumstances, one-off gains and assuming our performance continues in line with our management's expectations, subject to there being available reserves for this purpose. Thereafter, our management plans to review the dividend policy for the following years. The amount of future dividends the Company pays, if any, will depend upon a number of factors, including, but not limited to, its earnings and results of operations, any limitations included in our financing agreements and our growth strategy. The Selling Shareholder and Triton will continue to have directors nominated for appointment by it or them on our Board of Directors, and will thus also maintain an influence on the determination of any future dividends and the amount of any such dividends. In addition, Triton has entered into certain financing arrangements under which some of our subsidiaries are subject to significant restrictions relating to their ability to pay dividends, which, in turn, limits our ability to receive dividends from them and consequently our ability to pay dividends to our shareholders. In particular, under the terms of the Proceeds Loan Agreement, Befesa Zinc can only distribute 50% of its net profit, and to distribute this amount its EBITDA/ financial expenses ratio must be at least 2.25. Moreover, to finance a portion of the capital expenditure needed to expand existing plants or construct new ones, we often enter into project financing arrangements with lenders in connection with the specific project. These arrangements frequently contain covenants that restrict the relevant entities in our Group that are party to such arrangements from declaring or paying dividends or other distributions to the wider Group. Therefore, we cannot guarantee that we will pay dividends to our shareholders or that any dividends paid by us will increase, or not decrease, over time.

1.4.7 Future capital measures, such as future offerings of debt or equity securities, could lead to substantial dilution, i.e. a reduction in the value of existing shareholders' shareholdings in the Company and their voting rights and may adversely affect the market price of the Shares.

We may require additional capital in the future to finance our business operations and growth, such as through the acquisition of major portfolios, or to repay our debts. Both the raising of additional equity through the issuance of new shares and the potential exercise of conversion or option rights by holders of any convertible bonds or bonds with warrants that may be issued in the future may dilute existing shareholders' shareholdings. The Company's articles of association (the "**Articles of Association**") provide for the issuance of additional shares from authorized capital. The Board may approve the issuance of all these shares without any action or approval by its shareholders and under certain conditions, without granting any preferential subscription rights to its shareholders. Because the Company's decision to issue securities in any future offer will depend on market conditions and other factors beyond its control, the Company cannot predict or estimate the amount, timing or nature of future offerings. In addition, the exercise of stock options by its employees in the context of future stock option programs or the issuance of shares to employees or the senior management in the context of future stock participation programs could lead to a dilution of the economic and voting rights of existing shareholders. Thus, holders of Shares bear the risk of the Company's future offerings reducing the market price of the Shares and/or diluting their shareholdings in the Company.

2. GENERAL INFORMATION

2.1 Responsibility for the Contents of this Prospectus

The "**Company**" or "**Issuer**" in this Prospectus refers to Befesa S.A. (and together with its direct and indirect consolidated subsidiaries and joint ventures the "**Group**", "**we**", "**us**" and "**ours**") at the date of this Prospectus. Where the term "Befesa", the "**Group**", "**we**", "**us**" and "**ours**" is used in a context that relates to the events prior to the change of legal form of Befesa S.A. to a public limited company (*société anonyme*), the respective term refers to Bilbao MidCo S.à r.l. ("**Bilbao MidCo**"), together with those of Bilbao MidCo's direct and indirect subsidiaries and joint ventures, which are direct and indirect subsidiaries and joint ventures of Befesa S.A. at the date of this Prospectus.

The Company assumes responsibility for the content of this Prospectus and hereby declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and that no material circumstances are omitted, and that it has taken all reasonable care to ensure that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Citigroup Global Markets Limited, London, Goldman Sachs International, London or J.P. Morgan Securities plc (together the "**Joint Global Coordinators**") as well as any of Joh. Berenberg, Gossler & Co. KG, COMMERZBANK Aktiengesellschaft, Banco Santander, S.A. and Stifel Nicolaus Europe Limited (the "**Joint Bookrunners**" and, together with the Joint Global Coordinators, the "**Underwriters**") make no representation or warranty as to the accuracy or completeness of any information contained in this Prospectus.

2.2 Purpose of this Prospectus

This prospectus relates to the offering of up to 18,600,400 of the Company's ordinary shares in dematerialized form with no nominal value, each representing an accounting par value (*pair comptable*) of €2.77619001743216 per share, consisting of:

- up to 16,454,200 ordinary shares in dematerialized form with no nominal value (the "**Sale Shares**") to come from the holdings of the Selling Shareholder after the Preference Share Conversion (defined in section 16.1 below); and
- up to 2,146,200 ordinary shares in dematerialized form with no nominal value from the holdings of the Selling Shareholder in connection with a potential over–allotment (the "**Greenshoe Shares**", and together with the Sale Shares to be referred to jointly as the "**Offer Shares**").

This prospectus also relates to the admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the entire share capital of the Company as of the listing date (after conversion of the existing class A preference shares into dematerialized ordinary shares, during which conversion the subscribed capital of the Company will be increased).

The Offering consists of an offer to the public of the Offer Shares to retail investors and institutional investors in Germany and to institutional investors in certain jurisdictions outside Germany under an exemption from the requirement to prepare a prospectus.

2.3 Certain Definitions

The "**Company**" or "**Issuer"** in this Prospectus refers to Befesa S.A. (and together with its direct and indirect subsidiaries and joint ventures the "**Group"**, "**Befesa**", "**we"**, "**us"** and "**ours**") at the date of this Prospectus. Where the terms the "**Group**", "**Befesa**", "**we**", "**us**" and "**ours**" is used in a context that relates to the events prior its change in legal form to Befesa S.A., the respective term refers to Bilbao MidCo S.à r.l. ("**Bilbao MidCo**"), together with those of Bilbao MidCo's direct and indirect subsidiaries and joint ventures, which are direct and indirect subsidiaries and joint ventures of Befesa S.A. at the date of this Prospectus.

The following table provides an overview of abbreviations used in this Prospectus for certain entities of the Group:

Name of the entity	Abbreviation
Befesa S.A. (formerly known as: Bilbao MidCo S.à r.l.)	"Company" or "Issuer"
Bilbao LuxCo S.A.	"Bilbao LuxCo"
Befesa Holding S.à r.l.	"Befesa Holding"
Befesa Medio Ambiente, S.L.	"Befesa Medio Ambiente"
Befesa Zinc, S.A.U.	"Befesa Zinc"

In addition, the term "Triton funds" refers to entities belonging to the group of companies of which Triton Partners ("**Triton**") is the controlling entity which have interests in the Issuer.

2.4 Forward–looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on our future earnings capacity, plans and expectations regarding our business growth and profitability, and the general economic conditions to which we are exposed. Statements made using words such as "predicts", "forecasts", "plans", "endeavors", "expects", "intends", "will" or words of similar meaning may be an indication of forward-looking statements.

The forward-looking statements in this Prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Company's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Forward–looking statements appear in a number of places in this Prospectus, including, without limitation, in the sections entitled "*Risk Factors*", "*Dividend Policy and Earnings per Share*", "*Management's Discussion and Analysis of Results of Operation and Financial Condition*" and "*Business*" and include, in particular, statements relating to:

- our strategy, outlook and growth prospects;
- our operational and financial targets and dividend policy;
- our liquidity, capital resources and capital expenditure;
- our planned investments;
- the expectations as to future growth in demand and prices for our products and services;
- general economic trends and trends in the markets and industries in which we operate;
- the impact of regulations on us and our operations; and
- the competitive environment in which we operate.

Although we believe that the expectations reflected in these forward–looking statements are reasonable, we can give no assurance that they will materialize or prove to be correct. Because these forward-looking statements involve risks and uncertainties as they relate to future events, the actual results or outcome could differ materially from those set forth in the forward-looking statements as a result of, without limitation:

- changes in environmental laws;
- changes in international, regional and local economic, political, business, industry and tax conditions, particularly in Europe and the automotive and construction industries;
- fluctuations in the price of Waelz oxide, aluminium and zinc;
- the level of the treatment charge deducted by our zinc smelter customers;
- a failure to retain key customers;
- the failure to secure sites for new facilities or permissions to construct new or expand existing sites;
- competition from other materials;
- increases in the cost of electricity or coke;
- operational or other risks that could cause substantial losses;

- changes in technology;
- our investment in joint ventures or actions of our co-investors;
- our ability to retain or replace key personnel;
- our significant existing indebtedness and the potential need to incur additional indebtedness;
- currency exchange rate exposure;
- our shareholder structure and potential conflicts of our interests with those of Triton; or
- changes in our business strategy, development and investment plans.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

These forward–looking statements speak only as of the date of this Prospectus. Neither the Company nor any of the Underwriters assumes any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. Nevertheless, the Company has the obligation to disclose any significant new event or significant error or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus, but before the admission of the securities to trading. These updates must be disclosed in a Prospectus supplement in accordance with Article 13(1) of the Luxembourg Prospectus Law.

2.5 Presentation of Financial Information

The Company changed its legal form to a public limited company (*société anonyme*) with the name Befesa S.A. on October 18, 2017. Prior to its change in legal form, the Company was named Bilbao MidCo S.à r.l.

Audited financial information of the Company included in this Prospectus has been extracted or derived from:

- the audited consolidated financial statements of Bilbao MidCo S.à r.l., as of and for the years ended December 31, 2016 (the "**2016 Audited Consolidated Financial Statements**"), 2015 (the "**2015 Audited Consolidated Financial Statements**"), and 2014 (the "**2014 Audited Consolidated Financial Statements**") (together, the "**Audited Consolidated Financial Statements**"), all prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**").

Unaudited financial information of the Company included in this Prospectus has been extracted or derived from:

- the unaudited interim condensed consolidated financial statements of Bilbao MidCo S.à r.l. as of and for the six-month periods ended June 30, 2017 and 2016 prepared in accordance with International Accounting Standard No. 34 ("**IAS 34**"), "Interim Financial Reporting" (the "**Unaudited Interim Consolidated Financial Statements**"); and
- the Company's internal accounting records and management accounts. This applies in particular to the adjusted consolidated income statement information provided to present comparable information for the group's continuing operations for the years ended December 31, 2015 and 2014.

The Company has directly or indirectly owned the entirety of our operations, assets and liabilities for the years ended December 31, 2016, 2015 and 2014 and the six-month period ended June 30, 2017. For more information see "*10. Management's Discussion and Analysis of Financial Condition and Results of Operation*". The presentation of the financial information herein aims to help the reader view the business as a whole and to provide meaningful and relevant information that the Company's directors believe is useful in evaluating the Group's ongoing operations in the same manner as the Group's management views and operates the business.

Financial information published by the Company after the closing of the Offering to comply with its on-going disclosure obligations will include consolidated financial statements of the Company in accordance with IFRS.

The Unaudited Interim Consolidated Financial Statements together with the respective notes and the Audited Consolidated Financial Statements, together with the respective notes and auditors' reports, are included in the Prospectus beginning on page F-2.

2.5.1 Non-IFRS Measures (Alternative Performance Measures)

This Prospectus includes non-IFRS measures and ratios (Alternative Performance Measures, or "**APMs**"), including EBIT, Adjusted EBIT, Adjusted EBIT Margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow and Free Cash Flow After Growth and Other Capital Expenditures which are not measures of financial performance or liquidity under IFRS. These non-IFRS measures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating, investing or financing activities or other financial measures of our results of operations or liquidity derived in accordance with IFRS. We include APMs in this Prospectus because we believe that they are useful measures of our performance and liquidity. Other companies, including those in our industry, may calculate similarly titled financial measures differently than we do. Because all companies do not calculate these financial measures in the same manner, our presentation of such financial measures may not be comparable to other similarly titled measures of other companies. These APMs are not audited. A reconciliation of these APMs to IFRS measures is included under "*9.4 Non-IFRS Measures (Alternative Performance Measures)*".

2.5.2 Rounding

Certain numerical figures set out in this Prospectus, including financial data presented in millions and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Prospectus may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set out in "*10. Management's Discussion and Analysis of Results of Operation and Financial Condition*" are calculated using the numerical data in the Audited Consolidated Financial Statements or the tabular presentation of other data (subject to rounding) contained in this Prospectus, as applicable, and not using the numerical data in the narrative description thereof. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. Some percentages in tables in this Prospectus have also been rounded and accordingly the totals in these tables may not add up to 100%.

2.5.3 Financial Year and Auditors

The Company's financial year begins on January 1 of a given calendar year and ends on December 31 of that calendar year.

PricewaterhouseCoopers, Société coopérative ("**PwC**"), *réviseur d'entreprises agréé* (approved statutory auditor) have audited the Company's consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014, prepared in accordance with IFRS, and issued unqualified auditors' reports for the Company's 2016, 2015 and 2014 consolidated financial statements. PwC is registered with the CSSF as a *cabinet de révision agréé* and with the Luxembourg Trade and Companies' Register (*Registre de Commerce et des Sociétés*) under number B65477 and is a member of the *Institut des Réviseurs d'Entreprises* in Luxembourg. PwC has its registered address at 2 rue Gerhard Mercator, L-2182 Luxembourg.

2.6 Information Derived from Third Parties

This Prospectus contains or refers to numerical data, market data, analyst reports and other publicly available information about our industry and estimates that we have made based largely on published market data or on numerical data derived from publicly available sources.

In particular, the following sources are cited in this Prospectus:

- Market study commissioned by the Company and prepared by McKinsey titled "Commercial Due Diligence Report" and dated June 22, 2017 ("**McKinsey Report**"). The Company commissioned the McKinsey Report as part of the Offering process. It is not an expert report within the meaning of Section 23.1 of Annex 1 to EU Regulation No 809/2004. While the Company did not verify or modify any of the market data or other data provided by McKinsey, it has delivered, upon request, certain factual information to, and has discussed underlying assumptions with, McKinsey;
- CRU International Limited: CRU Aluminium Monitor, June 2017;
- World Steel Association: World Steel Association, "Monthly Crude Steel Production Statistics", https://www.worldsteel.org/steel-by-topic/statistics/Statistics-monthly-crude-steel-and-iron-data-/steel-archive.html, published monthly throughout 2014, 2015, 2016 and to date;

- Federal Reserve Bank of New York (buying rates in the City of New York for wire transfers between euro and the US dollar as certified for customs purposes, published daily throughout 2014, 2015, 2016 and to date; and
- London Metal Exchange: London Metal Exchange Zinc, Primary Aluminium, and Aluminium Alloys Cash Seller & Settlement Prices, published daily throughout 2014, 2015, 2016 and to date.

We have accurately reproduced such third–party information and, as far as we are aware and are able to ascertain from information published by these third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward-looking and speculative. The Prospectus also contains estimates made by us based on third–party market data, which in turn are based on published market data or figures from publicly available sources.

Neither we, the Selling Shareholder nor the Underwriters have verified the figures, market data or other information on which third parties have based their studies nor have any of us verified the external sources on which our own estimates are based. Neither we, the Selling Shareholder nor the Underwriters can therefore guarantee or assume responsibility for the accuracy of the information from third–party studies presented in this Prospectus or for the accuracy of the information on which these estimates are based.

This Prospectus also contains estimates of market data and information derived therefrom that cannot be gathered from publications by market research institutions or any other independent sources. Such information is based on our own internal estimates. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organizations and institutions. We believe that our estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which we operate as well as of our position within this industry. Although we believe that our internal market observations are reliable, our own estimates are not reviewed or verified by any external sources. Neither we, the Selling Shareholder nor the Underwriters assume any responsibility for the accuracy of the information on which our own estimates are based and any information derived therefrom. Our estimates may deviate from estimates made by our competitors or future statistics by market research institutes or other independent sources.

2.7 Documents Available for Inspection

For as long as this Prospectus is valid, the following documents, or copies thereof, may be inspected during regular business hours at the registered office of the Company at 2C, Rue Albert Borschette, Building K2-D1, L-1246 Luxembourg:

- the Company’s articles of association (the “**Articles of Association**”);
- the Audited Consolidated Financial Statements; and
- the Unaudited Interim Consolidated Financial Statements.

The aforementioned documents will also be available in electronic form for as long as this Prospectus is valid on the website of the Company (www.befesa.com) and on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Company’s future annual reports will also be available on our website (www.befesa.com). Information on these websites and information accessible via these websites is neither part of nor incorporated by reference in this Prospectus.

In accordance with article 75 of the Luxembourg law of August 10, 1915 on commercial companies, as amended (*loi du 10 août 1915 sur les sociétés commerciales*, the “**1915 Companies Act**”), the annual financial reports are also filed with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) and an extract is published in the Luxembourg central electronic platform of official publications for companies and associations (*Recueil Electronique des Sociétés et Associations*).

2.8 Notices to Investors (Selling Restrictions)

2.8.1 Notice to U.S. Investors

The Offer Shares have not been and will not be registered under the Securities Act and are being offered and sold (i) in the United States only to QIBs in reliance on Rule 144A under the Securities Act and (ii) outside the United States in compliance with Regulation S. Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption of the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Offer Shares see “*21. Transfer Restrictions*”.

Until 40 days after the commencement of the Offering, an offer or sale of the Offer Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made other than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

This Prospectus is being furnished by the Company in connection with an offering exempt from, or not subject to, the registration requirements under the Securities Act. In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Company and by the other sources identified in this Prospectus. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any of the information contained in this Prospectus for any purpose other than considering an investment in the shares in connection with this Offering is prohibited. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

The Company is a public limited company organized under non-U.S. law, and its assets are located outside the United States. In addition, the members of the Company's management are non–residents of the United States whose assets are located primarily outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons or to enforce against them or us judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof.

2.8.2 Notice to EEA Investors

Except in respect of the Offering in Germany, this Prospectus is only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (the "**Qualified Investors**"). This Prospectus must not be acted on or relied on in any member state of the EEA by persons who are not Qualified Investors. The Offer Shares are only available to, and any investment or investment activity to which this Prospectus relates is available only to Qualified Investors, and will be engaged in only with such persons. This Prospectus has been prepared on the basis that all marketing activities with respect to the Offer Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States, from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the Offer Shares which are the subject of this Prospectus should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or any of the Underwriters to produce a prospectus or any other offering document for such offer.

2.8.3 Notice to UK Investors

In the United Kingdom, this Prospectus is being distributed only to, and is directed only at, Qualified Investors: (i) who have professional experience in matters relating to investments falling within Article 19(5) of the order regarding financial promotion, issued on the basis of the Financial Services and Markets Act 2000, as amended, (the "**Order**"); or (ii) who fall within Article 49(2)(a) to (d) of the Order; or (iii) to whom it may otherwise be lawfully communicated (all such persons together being referred to as **"Relevant Persons"**). This Prospectus must not be acted on or relied on in the United Kingdom by persons who are not Relevant Persons. The Offer Shares are only available to, and any investment or investment activity to which this Prospectus relates is available only to Relevant Persons, and will be engaged in only with such persons. This Prospectus has been prepared on the basis that all marketing activities with respect to the Offer Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in the UK, from the requirement to produce a prospectus for offers of ordinary shares. Accordingly, any person making or intending to make any offer within the UK of the Offer Shares which are the subject of this Prospectus should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or any of the Underwriters to produce a prospectus or any other offering document for such offer.

2.8.4 Notice to Investors in Canada

The Offer Shares may be sold only to investors purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide an investor with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the investor within the time limit prescribed by the securities legislation of the investor's province or territory. The investor should refer to any applicable provisions of the securities legislation of the investor's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

2.8.5 Notice to Investors in Switzerland

This document as well as any other material relating to the Offer Shares does not constitute an issue prospectus pursuant to Articles 652a and/or 1156 of the Swiss Code of Obligations. The Offer Shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the Offer Shares, including this document, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The Offer Shares are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the Offer Shares with the intention to distribute them to the public. The investors will be individually approached by or on behalf of the Company and the Selling Shareholder from time to time. This document as well as any other material relating to the Offer Shares is personal and confidential and does not constitute an offer to any other person. This document may be used only by those investors to whom it has been handed out in connection with the offering of Offer Shares described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied or distributed to the public in (or from) Switzerland.

2.8.6 Notice to Investors in the United Arab Emirates (Excluding the Dubai International Financial Centre)

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. If you are in any doubt about the contents of this document, you should consult an authorized financial adviser.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that this Prospectus has not been approved by or filed with the UAE Central Bank, the UAE Securities or Commodities Authority (the "SCA") or any other authorities in the UAE, nor have the Underwriters received authorization or licensing from the UAE Central Bank, SCA or any other authorities in the UAE to market or sell securities or other investments within the UAE. No marketing of any financial products or services has been or will be made from within the UAE other than in compliance with the laws of the UAE and no subscription to any securities or other investments may or will be consummated within the UAE.

It should not be assumed that any of the Underwriters is a licensed broker, dealer or investment adviser under the laws applicable in the UAE, or that any of them advise individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Offer Shares may not be offered or sold directly or indirectly to the public in the UAE. This does not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, (Federal Law No. 2 of 2015) or otherwise.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Any person considering acquiring securities should consult with an appropriate professional for specific advice rendered based on their respective situation.

2.8.7 Notice to Investors in Dubai International Financial Centre

This Prospectus relates to an Exempt Offer in accordance with the Rulebook of the Dubai Financial Services Authority ("**DFSA**"). It is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set out in it and has no responsibility for it. The securities to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offer Shares should conduct their own due diligence on the Offer Shares. If you do not understand the contents of this Prospectus, you should consult an authorized financial adviser.

2.8.8 Notice to Investors in Hong Kong

WARNING – The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

This Prospectus has not been delivered for registration to the Registrar of Companies in Hong Kong, and its contents have not been reviewed or approved by any regulatory authority in Hong Kong. Accordingly the Offer Shares have neither been offered or sold nor will be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**"), and any rules made under that Ordinance or as otherwise permitted under the SFO; or (b) in other circumstances which do not result in this document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance and as permitted under the SFO; and no advertisement, invitation or document relating to the Offer Shares has been or will be issued (or possessed for the purposes of issue), whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under that Ordinance.

2.8.9 Notice to Investors in Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares to be issued from time to time by the Selling Shareholder pursuant to the Offering may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the applicable conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are acquired by persons who are relevant persons specified in Section 275 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except:

    (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (2) where no consideration is or will be given for the transfer;

    (3) where the transfer is by operation of law;

    (4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

2.8.10 Notice to Investors in Kuwait

This Prospectus is not for general circulation to the public in Kuwait. The Offer Shares have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Offer Shares in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the by-laws thereto (as amended). No private or public offering of the Offer Shares is being made in Kuwait, and no agreement relating to the sale of the Offer Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Offer Shares in Kuwait.

3. EXCHANGE RATE INFORMATION

The following table sets forth, for the periods and dates indicated, the high, low, average and period–end noon buying rates in the City of New York for wire transfers between the euro and the US dollar as certified for customs purposes by the Federal Reserve Bank of New York expressed as US dollars per €1.00. We make no representation that the euro or US dollar amounts referred to in this Prospectus have been, could have been or could, in the future, be converted into US dollars or euros, as the case may be, at any particular rate, if at all.

Period	US dollars per €1.00			
Year ended December 31,	High	Low	Average[1]	End
2014	1.3927	1.2101	1.3297	1.2101
2015	1.2015	1.0524	1.1096	1.0859
2016	1.1516	1.0375	1.1072	1.0552
Month				
January 2017	1.0794	1.0416	1.0635	1.0794
February 2017	1.0802	1.0551	1.0650	1.0618
March 2017	1.0882	1.0514	1.0691	1.0698
April 2017	1.0941	1.0606	1.0714	1.0895
May 2017	1.1236	1.0873	1.1050	1.1236
June 2017	1.1420	1.1124	1.1233	1.1114
July 2017	1.1826	1.1336	1.1530	1.1826
August 2017	1.2025	1.1703	1.1812	1.1894
September 2017	1.2041	1.1747	1.1913	1.1813
October 2017 (through Oct. 13, 2017)	1.1847	1.1706	1.1781	1.1837

Note:
(1) The average of the noon buying rates on the last business day of each fiscal year or month during the relevant period.

On October 13, 2017 the noon buying rate in the City of New York for wire transfers between the euro and the US dollar as certified for customers purposes by the Federal Reserve Bank of New York was $1.1837 to €1.00.

The above rates may differ from the actual rates used in the preparation of the Audited Consolidated Financial Statements and other financial information appearing in this Prospectus.

4. THE OFFERING

4.1 Subject Matter of the Offering

This prospectus relates to the offering of up to 18,600,400 of the Company's ordinary shares in dematerialized form with no nominal value, each representing an accounting par value (*pair comptable*) of €2.77619001743216 per share, consisting of:

- up to 16,454,200 ordinary shares in dematerialized form with no nominal value value (the "**Sale Shares**") to come from the holdings of the Selling Shareholder after the Preference Share Conversion (defined in section 16.1 below) and
- up to 2,146,200 ordinary shares in dematerialized form with no nominal value from the holdings of the Selling Shareholder in connection with a potential over–allotment (the "**Greenshoe Shares**", and together with the Sale Shares to be referred to jointly as the "**Offer Shares**").

Taking into account the Preference Share Conversion, immediately prior to the consummation of the Offering, the Company's entire share capital totals €89,948,414.98 if the Offer price is at the mid-point of the Price Range. Approximately up to 59.67% of the Shares will be offered.

The Selling Shareholder intends to sell at least 14,308,000 Sale Shares in a base deal scenario (the "**Base Sale Shares**") in order to achieve sufficient freefloat of the Company's shares after listing. The Selling Shareholder will decide on the date of pricing, after consultation with the Joint Global Coordinators and in its free discretion, whether and which amount of the remaining up to 2,146,200 Sale Shares (the "**Additional Sale Shares**") shall be allocated to investors who have submitted orders during the Offer Period (as defined below) (the "**Upsize Option**").

The Offering consists of an offer to the public of the Offer Shares to retail investors and institutional investors in Germany and to institutional investors outside Germany under an exemption from the requirement to prepare a prospectus.

The Selling Shareholder intends to sell up to 18,600,400 Shares in the Offering, of which 14,308,000 Base Sale Shares are intended to be allocated to investors in a base deal scenario, and up to 2,146,200 Additional Sale Shares are offered subject to the exercise of the Upsize Option. Under the Upsize Option, the Selling Shareholder may decide on the date of pricing, after consultation with the Joint Global Coordinators and in its free discretion, to place some or all of the Additional Sale Shares with investors in addition to the Base Sale Shares. In addition, the Selling Shareholder will make a certain number of Shares available to the Stabilizing Manager, on behalf of the Underwriters, by way of a securities loan to cover potential over–allotments in connection with the Offering. The Selling Shareholder has also granted an option to the Stabilizing Manager, on behalf of the Underwriters, exercisable for 30 calendar days following the date on which the Shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange, to purchase up to 2,146,200 additional Shares at the Offer Price (less agreed commissions) in connection with the Offering (see "*4. The Offering—Stabilization Measures*, *Over–Allotments and Greenshoe Option*"). Following completion of the Offering, and assuming full placement of the Offer Shares and full exercise of the Greenshoe Option, the portion of the share capital held by the Selling Shareholder will be at least approximately 36.9% if the Offer Price falls at the high-end of the Price Range (see "*18. Shareholder Structure—Evolution of Shareholder Structure*").

In the Offering, the Selling Shareholder will receive all proceeds (less agreed commissions and expenses) from the sale of the Sale Shares and any Greenshoe Shares sold in connection with a potential over–allotment, if any. The Company will not receive any proceeds in connection with the Offering.

All Shares, including the Shares that form the subject matter of this Offering, are subject to and governed by Luxembourg law. Immediately prior to the Offering, all Shares will have equal rights and the Offer Shares confer no additional rights or benefits.

Information on the final number of Offer Shares will be made public by the Company together with information on the Offer Price for the Offer Shares.

Citigroup Global Markets Limited, London, Goldman Sachs International, London and J.P. Morgan Securities plc, London (the "**Joint Global Coordinators**") are acting as Joint Global Coordinators and Joint Bookrunners and Joh. Berenberg, Gossler & Co. KG, Hamburg and Banco Santander, S.A., Madrid and COMMERZBANK Aktiengesellschaft, Frankfurt am Main ("**COMMERZBANK**") and Stifel Nicolaus Europe Limited, London (the "**Joint Bookrunners**" and, together with the Joint Global Coordinators, the "**Underwriters**") are acting as Joint Bookrunners.

4.2 Price range, offer period, offer price, number of shares offered and allotment

The price range, within which purchase orders may be placed is €28.00 to €38.00 per Offer Share (the "**Price Range**").

The offer period will commence on (i) October 23, 2017 and ends on November 2, 2017, at 12.00 noon (Central European Time) for retail investors and (ii) October 23, 2017 and ends on November 2, 2017, at 2.00pm (Central European Time) for institutional investors (together, the "**Offer Period**"). Retail investors (natural persons with a depository account in Germany) may submit purchase orders for the offer to the public in Germany during the Offer Period at COMMERZBANK's subsidiary, comdirect bank Aktiengesellschaft or COMMERZBANK's retail branches; such Purchase orders must be expressed in full euro amounts or increments of 25 eurocents. There is no minimum or maximum amount that needs to be invested. Multiple purchase orders are permitted.

The Selling Shareholder reserves the right, in agreement with the Joint Global Coordinators, to reduce or increase the number of Offer Shares, to reduce or increase the upper/lower limits of the Price Range and/or to extend or curtail the Offer Period. If the option to change the terms of the Offering is exercised, the change will be announced through an announcement published in various media distributed across the entire European Economic Area and on the Company's website (www.befesa.com) and, in case the upper/lower limits of the Price Range are reduced or increased or in case the Offer Period is extended or curtailed or in any other case if required pursuant to the Luxembourg Prospectus Law, as a supplement to this Prospectus. Investors who have submitted purchase orders will not, however, be informed individually. Changes to the number of Offer Shares or the Price Range or extension or curtailment of the Offer Period will not invalidate purchase orders already submitted. Under the Luxembourg Prospectus Law, investors who have submitted a purchase order before a supplement is published are granted a period of two business days from publication of the supplement to withdraw their orders provided that the new factor, mistake or inaccuracy, which required a supplement to the Prospectus to be published, arose before the final closing of the Offer Shares. As an alternative to cancellation, investors who have submitted purchase orders before publication of the supplement may, within two days of publication of the supplement, change such orders or submit new limited or unlimited orders. For cases where the Offering is terminated prematurely as a result of a withdrawal by the Underwriters from the underwriting agreement, expected to be dated November 2, 2017 (the "**Underwriting Agreement**"), see "*20. Underwriting—Termination and Indemnity*." After the expiration of the Offer Period, the final offer price (the "**Offer Price**") and the final number of the Offer Shares placed in the Offering will be determined by the Selling Shareholder after consultation with the Joint Global Coordinators based on the status of the order book prepared during the book building process; it is anticipated that this will take place on or about November 2, 2017.

Purchase orders will be evaluated according to the prices offered and the investment horizons of the respective investors. This method of setting the number of Offer Shares that will be placed at the Offer Price is, in principle, aimed at maximizing proceeds. Consideration will also be given to whether the Offer Price and the number of Offer Shares to be placed allow for the reasonable expectation that the share price will demonstrate steady performance in the secondary market given the demand for the Company's shares noted in the order book. Attention will be paid not only to the prices offered by investors and the number of investors wanting shares at a particular price, but also to the composition of the group of shareholders in the Company that would result at a given price, investment horizons of the respective investors and expected investor behavior. For further information regarding allotment criteria, see *"4. The Offering—General Allotment Criteria*." The Company and the Selling Shareholder will not specifically charge any expenses and taxes related to the Offering to investors.

The Selling Shareholder will, after consultation with the Joint Global Coordinators, decide whether and to which extent to exercise the Upsize Option in its free discretion, taking into account the market demand and using the order book prepared during the bookbuilding process. The Selling Shareholder may thereby increase the number of Sale Shares placed in the Offering by up to 2,146,200 Additional Sale Shares to a total of up to 16,454,200 Sale Shares.

Investors are free to withdraw their offers to purchase until the end of the Offer Period. The Offering will not take place and can be revoked if the Underwriting Agreement is terminated. In this case, any allotments already made to investors will be invalidated, and investors will have no claim for delivery. Claims with respect to security commissions already paid and costs incurred by an investor in connection with the purchase of Offer Shares will be governed solely by the legal relationship between the investor and the institution to which the investor submitted its purchase order. Investors who engage in short selling bear the risk of being unable to satisfy their delivery obligations. See "*20. Underwriting—Termination and Indemnity*." After the Offer Price has been set, Offer Shares will be allotted to investors on the basis of the offers to purchase then available. The number of Offer Shares that will be placed and the Offer Price are expected to be published on or about

November 2, 2017, by means of an announcement in various media distributed across the entire European Economic Area, on the Company's website (www.befesa.com), on the website of the Luxembourg Stock Exchange (www.bourse.lu) and filed with the CSSF, all in accordance with article 10(1)(b) of the Luxembourg Prospectus Law.

Investors who have submitted offers to purchase will not be notified individually. Investors who have placed offers to purchase with one of the Underwriters can obtain information from that Underwriter about the Offer Price and the number of Offer Shares allotted to them on the first bank working day following the pricing at the earliest. Book-entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to occur two Frankfurt a.M., Germany banking days following the first day of trading on the Frankfurt Stock Exchange, i.e., on November 7, 2017. Particularly if the placement volume proves insufficient to satisfy all orders placed at the Offer Price, and irrespective of the exercise of the Upsize Option, the Underwriters reserve the right to reject orders, or to accept them in part only.

4.3 Expected Timetable for the Offering

The following is the expected timetable for the Offering, which may be extended or shortened:

Date	Action to occur
October 20, 2017	Approval of the Prospectus by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*) ("**CSSF**")
	Notification of the approved Prospectus to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**")
	Publication of the Prospectus on our website
October 23, 2017	Commencement of the Offer Period
	Application for listing expected to be filed with the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
November 2, 2017	Listing approval issued by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) regarding the Shares.
	Publication of the listing approval issued by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) regarding the shares.
	The Offer Period ends (i) at 12.00 noon (Central European Time) for retail investors and (ii) at 2.00pm (Central European Time) for institutional investors.
	Determination of the Offer Price and allotment; Preference Share Conversion; publication of Offer Price and number of Offer Shares placed as an announcement in various media distributed across the entire European Economic Area and on the Company's website (www.befesa.com) and on the website of the Luxembourg Stock Exchange (www.bourse.lu).
	Filing of the Offer Price with the CSSF.
November 3, 2017	First day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
November 7, 2017	Book–entry delivery of the Offer Shares against payment of the Offer Price (Closing)
Post Closing	Implementation of Shareholder Restructuring

This Prospectus and any supplements hereto will be published on our website at www.befesa.com after approval by CSSF and, according to the timetable set out above, on the website of the Luxembourg Stock Exchange at www.bourse.lu on October 20, 2017. This Prospectus and any supplements hereto are also available in printed form, without charge and during normal business hours, at our office at 2C, rue Albert Borschette, L-1246, Luxembourg, Grand Duchy of Luxembourg and at the offices of the Underwriters.

4.4 General Allotment Criteria

The allotment of Offer Shares to private investors and institutional investors will be decided after consultation with the Joint Global Coordinators. The decision ultimately rests with the Selling Shareholder. Allotments will be made on the basis of the quality of the individual investors and individual orders and other important allotment criteria to be determined after consultation with the Joint Global Coordinators.

The allocation to private investors will be compatible with the "Principles for the Allotment of Share Issues to Private Investors" published by the Commission of Stock Exchange Experts (*Börsensachverständigenkommission*). Qualified investors under the Prospectus Directive as well as professional clients and suitable counterparties under Directive 2004/39/EC on markets in financial instruments are not viewed as "private investors" within the meaning of the allocation rules.

4.5 Delivery and Settlement of the Offer Shares

Delivery of the Offer Shares against payment of the Offer Price and the customary securities commission is expected to take place two bank working days following commencement of trading of the Offer Shares. Citigroup Global Markets Limited is acting as Settlement Agent.

At the investor's option, Offer Shares purchased pursuant to this Offering will be credited either to a securities deposit account maintained by a German bank with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany, for the account of such investor, or to a securities deposit account of a participant in Euroclear Bank S A/N V, 1, Boulevard Roi Albert II, 1120 Brussels, Belgium, as the operator of the Euroclear system, or to Clearstream Banking S.A., 42 Avenue J.F.Kennedy, 1855 Luxembourg for the account of such investor.

4.6 Stabilization Measures, Over–Allotments and Greenshoe Option

In connection with the placement of the Offer Shares, Citigroup Global Markets Limited, London or any of its affiliates will act as stabilization manager (the "**Stabilizing Manager**") in connection with the Offering and may, acting in accordance with legal requirements (article 16(2) of the Luxembourg law of December 23, 2016 on market abuse (the "**Luxembourg Market Abuse Law**")) and in conjunction with article 5 paragraphs 4 and 5 of the EU Commission Regulation 596/2014 of April 16, 2014 on market abuse (the "**EU Market Abuse Regulation**"), and in conjunction with the EU Market Abuse Regulation, take measures aimed at stabilizing the stock exchange or market price of Shares in order to offset any sales pressure and demand for the Offer Shares that may exist (the "**Stabilization Measures**").

The Stabilizing Manager is under no obligation to take Stabilization Measures. Therefore, there is no guarantee that any such Stabilization Measures will be initiated at all. If Stabilization Measures are initiated, they may be terminated at any time without prior notice. Such measures may be undertaken beginning as of the date of commencement of trading of the Shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange and must be completed no later than 30 calendar days after such date (the "**Stabilization Period**").

Stabilization Measures may lead to the stock exchange price of the Shares being higher than it would have been in the absence of such measures. In addition, such measures may temporarily result in a stock exchange price at a level that is not sustainable.

With regard to potential Stabilization Measures, investors may be allotted additional shares (an overallotment). With regard to such potential over–allotment, 2,146,200 shares of the Selling Shareholder will temporarily be made available to the Stabilizing Manager, on behalf of the Underwriters by way of a securities loan. The Selling Shareholder has also granted the Stabilizing Manager, on behalf of the Underwriters the option of purchasing these Shares at the Offer Price less agreed commissions (the "**Greenshoe Option**"). This option will expire 30 calendar days following the date of commencement of trading of the Shares.

The maximum number of Greenshoe Shares will be equal to 15% of the total number of Base Sale Shares, i.e. 2,146,200 Shares.

Once the Stabilization Period has ended, an announcement will be made within one week in various media outlets distributed across the entire European Economic Area as to (i) whether stabilization measures were taken, (ii) when price stabilization started and finished, and (iii) the price range within which stabilization was taken; the latter will be made known for each occasion on which price stabilization measures were taken. Exercise of the Greenshoe Option, the timing of its exercise and the number and type of shares concerned will also be announced promptly in the same manner.

4.7 General and Specific Information on the Shares

4.7.1 Voting Rights

Each Share carries one vote at the Company's shareholders' meeting, subject to any limitations imposed by Luxembourg laws. All Shares carry the same voting rights, including the Shares held by the Selling Shareholder.

Voting rights can inter alia be suspended in relation to Shares:

(a) which are not fully paid up, notwithstanding calls thereto until such time as those calls which have been duly made and are payable, shall have been paid;

(b) to which more than one person is entitled, except in the event a single representative is appointed for the exercise of the voting right;

(c) which are subject to an usufruct notified to the Company or accepted by it in accordance with the provisions of article 1690 of the Luxembourg Civil Code, in this case the voting right of the bare owner is suspended in matters concerning the allocation of profits in favor of the usufructuary;

(d) which are owned by the Company itself;

(e) which are held by another company in which the Company directly or indirectly holds a majority of the voting rights or on which the Company can directly or indirectly exercise a dominant influence; and

(f) where a Shareholder who acquired or disposed of Shares has not notified the Issuer of the proportion of voting rights of the Issuer held by the Shareholder as a result of the acquisition or disposal or as a result of events changing the breakdown of voting rights where that proportion reached, exceeded or fell below the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3%; as long as such notification has not been made, the exercise of voting rights relating to the Shares exceeding the fraction that should have been notified is suspended.

4.7.2 Dividend and Share in the Liquidation Proceeds

The Offer Shares will entitle their holders to participate in all dividends declared by the Company after their issuance. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital.

4.7.3 Form and Certification of Shares

All of the Shares are ordinary shares without a nominal value. As of the date of the Prospectus, the Company's share capital amounted to € 64,093,192.67. The Sale Shares and the Greenshoe Shares are in dematerialized form. All Offer Shares will be in the form of dematerialized shares. All Offer Shares will be registered with the single securities issuance account with the settlement organization LuxCSD S.A., 42, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg ("**LuxCSD**"). Dematerialized shares are only represented, and the ownership of the shareholder over such shares is only established by a record in the securities account with LuxCSD. LuxCSD may, however, issue or request the Company to issue certificates relating to the Offer Shares for the purposes of the international circulation thereof.

4.7.4 International Securities Identification Number (ISIN)/Ticker Symbol

International Securities Identification Number (ISIN)	LU1704650164
German Securities Code (*Wertpapierkennnummer*)	A2H5Z1
Common Code	170465016
Ticker Symbol	BFSA

4.8 Transferability

The Shares are freely transferable in accordance with the legal requirements for shares in dematerialized form. Except for the restrictions set forth under "*Market Protection Agreement (Lock–up)*" below, there are no prohibitions with respect to the disposal or the transferability of the Shares.

4.9 Market Protection Agreement (Lock–Up)

Pursuant to the Underwriting Agreement, the Company will agree with each Underwriter that it will not, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), for a period ending six months after November 3, 2017:

- announce or effect an increase of the share capital of the Company out of authorized capital;
- submit a proposal for a capital increase to any meeting of the shareholders for resolution;
- announce to issue, effect or submit a proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; nor
- enter into any transaction in a way or act in a way that is economically similar to the actions listed above.

The Company may, however, offer, sell and issue options, warrants and shares of the Company (i) under future employee share purchase and share option schemes or (ii) in consideration of all or a portion of the acquisition price of any business acquired by the Company or for purposes of entering into a joint venture, provided that the Company shall in case of (ii), (x) consult with the Joint Global Coordinators prior to the issuance of the shares or other securities and (y) use its best efforts to negotiate an undertaking of the recipient of the shares or such other securities of the Company to comply with the below restrictions on the disposal of shares applicable to the Selling Shareholder.

The Selling Shareholder will agree with each Underwriter that it will not, for a period ending six months after November 3, 2017 without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), and the (i) MIP Vehicle and (ii) New MIP Vehicle, the new vehicle that will replace the MIP Vehicle in the course of the Shareholder Restructuring to be undertaken after consummation of the Offering and (iii) the four members of Senior Management individually and (iv) two further MIP Participants individually will agree with the Joint Global Coordinators, acting on behalf of the Underwriters, that they will not, for a period ending twelve months after November 3, 2017, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed):

(a) offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or any other securities of the Company, including securities convertible into or exercisable or exchangeable for Shares;

(b) make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company;

(c) propose any increase in the share capital of the Company, vote in favor of such a proposed increase or otherwise support any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or

(d) enter into a transaction or perform any action economically similar to those described in (a) through (c) above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise.

For the Selling Shareholder, the selling restrictions under (a) through (d) above do not apply to disposals within the framework of a public takeover bid or purchase offer made by a third-party or pursuant to private sales (*i.e.*, other than through stock exchange trades or transactions similar to stock exchange trades, such as accelerated book-building offerings) to third parties provided that such party or parties assume *vis-à-vis* the Joint Global Coordinators the aforementioned selling restrictions. Further excluded for the Selling Shareholder from the selling restriction under (a) through (d) above are transactions with companies affiliated with the Selling Shareholder, as well as the conveyance of an indirect interest in the Company through the members of the management, if the buyer is subject to the same selling restrictions as the respective seller.

The lock-up restrictions do not apply for the restructuring of the MIP which is contemplated to occur following the consummation of the Offering and during which the current shareholdings of the MIP Participants will be transferred from the MIP Vehicle to the new vehicle, except for the shareholdings of two MIP Participants who will hold a direct interest in the Company after consummation of the restructuring of the MIP.

4.10 Admission to Trading and Commencement of Trading of Shares

We intend to apply for admission of the Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post–admission obligations (Prime Standard) on or about October 23, 2017. An admission decision is expected to be granted on November 2, 2017. Commencement of trading is expected to take place on November 3, 2017.

4.11 Interests of Third Parties Involved in the Offering

In connection with the Offering and the admission to trading of the Company's shares, the Underwriters have formed a contractual relationship with the Company and the Selling Shareholder.

The Underwriters act for the Company and the Selling Shareholder on the Offering and coordinate the structuring and execution of the Offering. Citigroup Global Markets Limited has been appointed to act as settlement agent and BNP Paribas Securities Services, Luxembourg Branch has been appointed to act as the Luxembourg paying agent and LuxCSD principal agent (the "**LuxCSD Principal Agent**"). Upon successful implementation of the Offering, the Underwriters will receive a commission.

Some of the Underwriters or their affiliates have, and may from time to time in the future continue to have, business relations with the Group and the Selling Shareholder (including lending activities) or may perform services for the Group and the Selling Shareholder in the ordinary course of business.

The Selling Shareholder will receive the proceeds of the Sale Shares and Greenshoe Shares sold in the Offering.

5. USE OF PROCEEDS

The Company intends to achieve better access to the capital markets due to the planned listing of the Shares on the regulated market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) as well as on the sub-segment thereof with additional post-admission obligations (Prime Standard).

Given its strong cash flow profile, the Company will not receive any proceeds in connection with the Offering.

The Selling Shareholder will receive all net sales proceeds from the sale of the Sale Shares and of the Greenshoe Shares sold in connection with a potential over–allotment, if any.

The commissions payable to the Underwriters will be equally shared between the Company and the Selling Shareholder and will, at the midpoint of the Price Range, amount to €16.7 million (including a discretionary fee of up to €6.1 million) in a base deal scenario and upon full exercise of the Greenshoe Option, and to €18.9 million (including a discretionary fee of up to €6.9 million) assuming full exercise of the Upsize Option and of the Greenshoe Option. The remaining costs and expenses of the Offering, such as the administrative and material fees for accounting, legal and other advisory services, as well as the cost of printing and distribution of the Prospectus and the listing of the Shares will be borne by the Company. The Company estimates that such other costs and expenses related to the Offering would amount to approximately €5.5 million (excluding refinancing costs).

The amount of the net sales proceeds raised by the Selling Shareholder from the sale of the Offer Shares and the costs relating to the Offering depend on the Offer Price and the number of Offer Shares actually placed, including Shares that may be sold upon an exercise of the Greenshoe Option.

It is not possible at this time to know the precise proceeds and costs of the Offering because neither the total number of Offer Shares that will be placed (including Shares that may be sold upon an exercise of the Upsize Option and of the Greenshoe Option) nor the Offer Price (which together with the total number of placed Offer Shares determines the amount of the commissions) is currently known.

Assuming, in a base deal scenario without exercise of the Upsize Option and upon full exercise of the Greenshoe Option, 16,454,200 Offer Shares are sold at the midpoint of the Price Range, the Selling Shareholder's gross proceeds from the Offering would be €543 million, and the proceeds received net of all costs to be borne by the Selling Shareholder would amount to €535 million.

Assuming, upon full exercise of the Upsize Option and of the Greenshoe Option (each as defined below), 18,600,400 Offer Shares are sold at the midpoint of the Price Range, the gross proceeds received by the Selling Shareholder from the Offering would be €614 million, and net of all costs to be borne by the Selling Shareholder would amount to €604 million.

Neither the Company nor the Underwriters will charge expenses to investors. Investors will have to bear customary transaction and handling fees charged by their account-keeping financial institution.

6. DIVIDEND POLICY AND EARNINGS PER SHARE

6.1 Dividend Rights and Dividend Policy

The shareholders' share of profits is determined based on their respective interests in the Company's share capital. In a Luxembourg public limited company (*société anonyme*), resolutions concerning the distribution of dividends for a given financial year, and the amount thereof, are adopted by the annual general meeting of shareholders related to such financial year.

The annual general meeting of shareholders decides on the allocation of the annual profit, if any. In accordance with the Company's Articles of Association, every year at least 5% of the net profit of the Company will be set aside in order to build up the legal reserve. This allocation ceases to be compulsory when the legal reserve amounts to one-tenth of the issued share capital but shall again be compulsory if the reserve falls below such threshold of one-tenth. The remaining balance of the net profit will be at the disposal of the general meeting of shareholders. The general meeting of shareholders will also allocate to reserves other than the legal reserve, if such allocation is foreseen in the Articles of Association.

The annual general meeting of shareholders shall determine how the remainder of the annual net profits shall be disposed of and it may decide to declare and pay dividends from time to time, as in its discretion it believes best suits the corporate purpose and policy and within the limits of the 1915 Companies Act. Dividends, when payable, will be paid in euro or any other currency selected by the Company's Board of Directors and will be paid at the time and place fixed by the Board of Directors within the limits of the decision of the general meeting of shareholders.

Furthermore, interim dividends may be declared by the Board of Directors and paid by the Company within the conditions provided for by article 72-2 of the 1915 Companies Act.

No dividend distribution may be decided by the annual general meeting of shareholders when, on the closing date of the last financial year, the net assets as set out in the annual accounts are, or following such distribution would become, lower than the amount of the subscribed share capital plus the legal reserve or any other reserves that may not be distributed by virtue of the Articles of Association.

Immediately prior to the Offering, dividend distributions will be made to the shareholders pro rata to the aggregate amount of shares held by each shareholder.

Dividend distributions that have not been claimed within five years as from the date that they have become available shall lapse in favor of the Company in accordance with the prevailing interpretation of article 2277 of the Luxembourg Civil Code. There are no specific dividend restrictions or procedures for non-resident shareholders.

The Offer Shares carry dividend rights as of January 1, 2017.

The Company intends to pay a dividend of between 40% and 50% of net profit, with dividends being at the lower end of this range in periods involving large investments such as the investments into growth projects which we intend to make in the upcoming years. The first dividend will be paid in 2018 based on 2017 reported net profit after costs incurred in relation to the Offering and adjusted for one-off gains.

6.2 Earnings per Share

Earnings per Share are calculated by dividing results from continuing operations attributable to our shareholders by the weighted average number of Shares outstanding. The following summary shows our result from continuing operations on the basis of our Audited Consolidated Financial Statements, the earnings per Share (rounded to two decimal points), and the dividends declared by the Group as of and for the years ended December 31, 2016, 2015 and 2014. The per Share figures are calculated assuming that 32,399,949 shares (the number of Shares issued and outstanding after consummation of the Offering, assuming an Offer Price at the mid point of the Price Range) were issued and outstanding during the entire relevant fiscal year.

	For the year ended December 31,		
	2016	**2015**	**2014**
	(unaudited, unless otherwise indicated)		
Result for the year (*in € millions*) (*2016, audited; 2015 and 2014, unaudited and reclassified to exclude the effects from the IES Business*)	(51.1)	(36.1)	20.7
Assumed number of shares on December 31[1]	32,399,949	32,399,949	32,399,949
Earnings per share (*in €*)[2]	(1.58)	(1.11)	0.64
Dividends paid (*in € millions*)	–	3.9	–
Dividends per share (*in €*)[2]	–	0.12	–

Notes:

(1) For better comparability with future financial information, 32,399,949 shares in the Company has been used (representing the assumed number of shares issued and outstanding after consummation of the Offering, assuming an Offer Price at the mid point of the Price Range).

(2) Giving effect to the assumed number of 32,399,949 shares.

7. CAPITALIZATION AND INDEBTEDNESS

7.1 Capitalization

The data presented in the following table shows, on a consolidated basis, the Group's capitalization as of June 30, 2017 on a historical basis, which has been derived from our accounting records, and the changes in the Group's capitalization after consummation of the Shareholder Loan Clean-up and the Preference Share Conversion. There has been no subsequent material change in our capitalization as at the date of this Prospectus.

After consummation of the Offering, the Company intends to refinance the Group's current and non-current borrowings, including its payment obligations in connection with the proceeds loan in respect of the €300.0 million nominal amount Zinc Notes which matures in May 2018, in connection with the €150.0 million nominal amount PIK Notes which mature in December 2018 and in connection with the Non-Zinc Loan with the proceeds from the new TLB Facility. See "*1. Risk Factors – Financial Risks – We are exposed to risks in connection with our post-IPO refinancing*" for certain risks in connection with such re-financing and "*14.4. Refinancing Facility*" for more detailed information on the TLB Facility and other post-IPO financing. The effects of such post-IPO refinancing are not reflected in the table below.

	As of June 30, 2017	A. Adjustments to reflect the Shareholder Loan Clean-up(1) and the Offering	B. Adjustments to reflect the Preference Share Conversion(1)	As of June 30, adjusted for the effects from A. and B.
	(in € millions, unaudited)			
Total current debt(2)	**325.8**			**325.8**
of which guaranteed	5.4			5.4
of which guaranteed and secured	320.4			320.4
of which unguaranteed / unsecured	0.0			0.0
Total non-current debt(3)	**212.7**			**212.7**
of which guaranteed	0.1			0.1
of which secured	0.4			0.4
of which guaranteed and secured	212.2			
of which unguaranteed / unsecured	0.0			0.0
Total debt(4)	**538.5**			**538.5**
Total equity	**198.6**	(31.8)	–	**166.8**
of which share capital(5)	297.1	(16.8)	–	280.3
of which legal reserves(6)	(34.6)			(34.6)
of which other reserves(7)	(63.9)	(15.0)		(78.9)
Total capitalization(8)	**737.1**	(31.8)	–	**705.3**

(1) See "*16. Description of Share Capital—Share Capital and Shares, Development of Share Capital over the last three years*".
(2) Includes Short-term finance debt/borrowings and Accounts payable for short-term finance leases. Majority of current debt expected to be refinanced with proceeds from our TLB Facility, see: "*14.4 Refinancing Facility*".
(3) Includes Long-term finance debt/borrowings and Accounts payable for long-term finance leases. The PIK Notes and Non-Zinc Loan included hereunder expected to be refinanced with proceeds from our TLB Facility, see: "*14.4 Refinancing Facility*".
(4) Total debt represent the sum of current debt and non–current debt.
(5) Includes Share capital and Share premium. As of June 30, 2017, €64.1 million attributable to Share capital and €233.1 million attributable to Share premium.
(6) Includes Hedging and revaluation reserves.
(7) Includes Other reserves, Translation differences, Net profit / (loss) for the period and Non-controlling interests. As of June 30, 2017, -€100.1 million were attributable to Other reserves (reserves of consolidated companies), -€4.8 million were attributable to Translation differences, €32.8 million were attributable to Net profit / (loss) for the period and 8.2 million were attributable to Non-controlling interests.
(8) Total capitalization represents the sum of total debt and total equity.

7.2 Net Indebtedness

The following table shows, on a consolidated basis, the Group's net financial indebtedness (i.e., non-current and current financial liabilities less liquidity and current financial receivables) as of June 30, 2017, on a historical basis which has been derived from our accounting records, and the changes in the Group's net indebtedness after consummation of the Shareholder Loan Clean-up. There has been no subsequent material change in our net indebtedness as at the date of this Prospectus. The table also reflects the costs of the Offering.

After consummation of the Offering, the Company intends to refinance the Group's current and non-current borrowings, including its payment obligations in connection with the proceeds loan in respect of the €300.0 million nominal amount Zinc Notes which matures in May 2018, in connection with the €150.0 million nominal amount PIK Notes which mature in December 2018 and in connection with the Non-Zinc Loan with the proceeds from the new TLB Facility. See "*1. Risk Factors – Financial Risks – We are exposed to risks in connection with our post-IPO refinancing*" for certain risks in connection with such re-financing and "*14.4. Refinancing Facility*" for more detailed information on the TLB Facility and other post-IPO financing. The effects of such post-IPO refinancing are not reflected in the table below.

	As of June 30, 2017	Adjustments to reflect the Shareholder Loan Clean-up and the Offering	As of June 30, adjusted to reflect the effects from the Shareholder Loan Clean-up and the Offering
		(in € millions, unaudited)	
A. Cash	84.6	(15.0)[8]	69.6[8]
B. Cash equivalents	0.0		0.0
C. Trading Securities	0.3		0.3
D. Liquidity [A]+[B]+[C]	**84.9**	(15.0)	**69.9**
E. Current financial receivables	**–**		–
F. Current bank debt[1][2]	320.9		320.9
G. Current portion of non-current debt[3]	4.8		4.8
H. Other current financial debt[4]	0.1		0.1
I. Current financial debt [F]+[G]+[H]	**325.8**		**325.8**
J. Current net financial debt [I]-[E]-[D]	**240.9**	(15.0)	**255.9**
K. Non-current bank loans[5][6]	51.9		51.9
L. Bonds issued[6]	160.7		160.7
M. Other non-current loans[7]	0.1		0.1
N. Non-current financial indebtedness [K]+[L]+[M]	**212.7**		**212.7**
O. Net financial indebtedness [J]+[N]	**453.6**	(15.0)	**468.5**

(1) Includes Current bank loans and current credit facilities, including the Zinc Notes with a nominal amount of €300.0 million which are intended to be repaid following the Offering, see: "*14.4 Refinancing Facility*".
(2) The Zinc Notes mature in May 2018 and are intended to be refinanced using proceeds from the TLB Facility, see: "*14.4 Refinancing Facility*".
(3) Includes Unmatured accrued interest.
(4) Includes Accounts payable for short-term finance leases.
(5) Includes Non-current finance debt, excluding the PIK Notes with a nominal amount of €150 million (see L).
(6) The Non-Zinc Loan and PIK Notes are intended to be repaid following the Offering, see: "*14.4 Refinancing Facility*".
(7) Includes Accounts payable for long-term finance leases.
(8) Taking into account an adjustment of €15.0 million to reflect the costs (including €9.5 million in underwriting commissions) to be borne by the Company in connection with the Offering. Excludes post-IPO refinancing costs in an amount of €7.5 million.

7.3 Indirect, Contingent Indebtedness and other Financial Commitments

We and certain of our subsidiaries have provided various guarantees, pledges and mortgages in favor of third parties. As of June 30, 2017, several of our Group companies had provided guarantees of €35.7 million (December 31, 2016: €32.8 million).

The price of Waelz oxide is linked to the price of zinc, and in order to mitigate our exposure to fluctuations in the price of zinc we engage in certain zinc hedging transactions. Please see "*14. Description of Certain Indebtedness and Financing Agreements—Zinc Hedging Agreements*".

We also have financial commitments in the estimated amount of €3.0 million per year related to a portion of our power supply in France within the framework of a cooperative agreement with other corporate entities referred to as Exceltium.

7.4 Statement on Working Capital

The Company is of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the twelve months following the date of this Prospectus.

8. DILUTION

The equity of the Company on its consolidated condensed interim balance sheet as at June 30, 2017, excluding non-controlling interests, amounted to €190.4 million, and would have amounted to €8.25 per share based on 23,086,745 outstanding shares of the Company immediately before the Offering.

After giving effect to the issuance of the maximum number of 11,000,593 new ordinary shares of the Company (the "**New Shares**") in the context of the Preference Share Conversion at the Offer Price, but before subtracting expenses to be borne by the Company and ignoring any effects of the Shareholder Loan Clean-up, the equity of the Company attributable to shareholders as of June 30, 2017 would have been €190.4 million or €5.59 per share. That would correspond to a direct dilution of €22.41 (80.0%) per share for the parties acquiring the Offer Shares at the low end of the Price Range. At the mid-price and high end of the Price Range and assuming the issuance of 9,333,837 and 8,105,700 New Shares, the corresponding figures would be €27.12 (82.2%) and €31.89 (83.9%), respectively. The table below illustrates the amount by which the low-, mid- and high-point of the Price Range exceeds the total share capital per share after completion of the Offering, assuming execution of the Preference Share Conversion at the Offer Price:

	Low End	Mid Point	High End
Price per share, in €	28.00	33.00	38.00
Equity attributable to shareholders of the Company per share as of June 30, 2017 (based on 23,066,112 outstanding shares of the Company), in €	8.25	8.25	8.25
Equity attributable to shareholders of the Company per share following the Preference Share Conversion (based on 34,066,706, 32,399,949 and 31,171,812 outstanding shares of the Company at the low end, mid point, and high end of the Price Range, respectively), in €	5.59	5.88	6.11
Amount by which the price per share exceeds the equity per share (immediate dilution per share), in €	22.41	27.12	31.89
Immediate dilution to the new shareholders, in %	80.0	82.2	83.9
Number of shares after completion of the Preference Share Conversion	34,066,705	32,399,949	31,171,812

9. SELECTED CONSOLIDATED FINANCIAL INFORMATION

This section should be read together with the information contained in "2. General Information—Presentation of Financial Information", "7. Capitalization and Indebtedness", "10. Management's Discussion and Analysis of Financial Condition and Results of Operations", the Audited Consolidated Financial Statements, the Unaudited Interim Consolidated Financial Statements and the respective notes thereto included elsewhere in this Prospectus.

The following tables set forth consolidated income statement, balance sheet and cash flow information for the periods indicated. Our consolidated financial information presented as of and for the years ended December 31, 2016, 2015 and 2014 set forth below was derived from our Audited Consolidated Financial Statements prepared in accordance with IFRS, except where otherwise disclosed. Our consolidated financial information presented as of and for the six-month periods ended June 30, 2017 and 2016 set forth below was derived from our Unaudited Interim Consolidated Financial Statements prepared in accordance with IAS 34 "Interim Financial Reporting".

During 2015, the Group acquired Solarca S.L. and its subsidiaries for a total consideration of €18.6 million. Together with Befesa Gestión de Residuos Industriales, S.L., Befesa Gestión PCB S.A., Gestión y Valorización Ecología, Canaria S.A., Betearte, S.A., Befesa Argentina S.A., Befesa Perú S.A:, Befesa Plásticos, S.L., Befesa Valorización de Azufre S.L.U., and Soluciones Ambientales Del Norte, they are referred to as the "**IES Business**" which, prior to the end of 2016, operated as part of an industrial waste management segment.

The IES Business was sold through a series of transactions, beginning with the sale of the Group's stake in Befesa Valorización de Azufre S.L.U., a company within the IES Business, on December 29, 2015. In December 2016, we disposed of the majority of our IES Business. In particular, the entire share capital of Befesa Gestión de Residuos Industriales, S.L., Befesa Gestión PCB, S.A., Gestión y Valorización Integral del Centro S.L., Residuos Industriales de la Madera de Córdoba, S.A., Betearte, S.A., Ecología Canaria, S.A., Befesa Plásticos, S.L. and other minor not consolidated operations were sold. As required under IFRS 5 "Non-Current Assets held for sale and discontinued operations", the operations of these companies in 2016 (to the date of sale for the first group of companies) are classified under profit /(loss) for the year from discontinued operations in the consolidated income statement. Following the sale of these subsidiaries in December 2016, on March 29, 2017 we sold our subsidiaries Befesa Perú, S.A., Soluciones Ambientales del Norte, S.A., and Solarca, S.L and its subsidiaries, all of which were also involved in the IES Business that we owned, for consideration giving rise to a profit from discontinued operations recognized in the Group in the amount of €12.8 million in the six-month period ended June 30, 2017. We also sold the full share capital in Befesa Colombia S.A.S. and Befesa Industrial Services USA, Inc., for a symbolic price of €1 and US$1 in March and August 2017, respectively. Following these transactions, Befesa Argentina, S.A. was sold on August 30, 2017. We have also begun the wind down and sale of the remaining subsidiaries that were part of the IES Business, i.e. Befesa Mexico and two subsidiaries in the Middle East.

The 2016 Audited Consolidated Financial Statements present the Group's results organized into our current segments: Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services (divided into Salt Slags and Secondary Aluminium), while the historical segment which previously covered the IES Business is presented as discontinued operations. The 2015 and 2014 Audited Consolidated Financial Statements present our historical financial results divided into our three historical segments: the steel dust recycling segment, aluminium residue recycling segment and the industrial waste management operations segment.

In order to enhance comparability of our financial information relating to our continuing operations, we have included certain additional consolidated income statement information in this Prospectus in order to fully reflect the effects from the disposal of the IES Business. Such information has been compiled from management accounts and internal accounting records to remove effects from the IES Business (which was at the time not yet qualified as discontinued operations) and present certain income statement information relating only to our continuing operations. This adjusted information (i.e. the consolidated income statement information for 2015 and 2014 presented in footnote (3) to the table under Section 9.1 below) is unaudited.

The line item captions used below and throughout this Prospectus are based on the 2016 Audited Consolidated Financial Statements. The 2015 and 2014 Audited Consolidated Financial Statements use different line item denominations to refer to the same line item captions shown in the 2016 Audited Consolidated Financial Statements, although the corresponding amounts are the same.

9.1 Consolidated Income Statement Information

The table below sets forth consolidated income statement information for the years ended December 31, 2016, 2015 and 2014 which has been derived from our Audited Consolidated Financial Statements, as well as consolidated income statement information for the six-month periods ended June 30, 2017 and 2016 which has been derived from our Unaudited Interim Consolidated Financial Statements.

	For the six-month period ended June 30, 2017 (unaudited)	For the six-month period ended June 30, 2016 (unaudited)	For the year ended December 31, 2016 (audited)	For the year ended December 31, 2015[(1)] (restated)	For the year ended December 31, 2015[(2)] (audited)	For the year ended December 31, 2014 (audited)
	(€ thousand)					
Continuing operations:[(3)]						
Revenue	374,383	300,817	611,687	661,082	743,504	651,193
Changes in stocks of finished products and work in progress	712	(3,022)	(3,595)	(1,047)	2,591	(6,625)
Cost of sales	(203,601)	(152,420)	(297,163)	(336,170)	(365,380)	(295,446)
Other operating income	5,799	3,598	9,344	10,085	12,273	19,476
Staff costs	(38,272)	(37,514)	(72,136)	(75,287)	(104,038)	(92,060)
Other operating expenses	(68,298)	(58,765)	(119,334)	(126,008)	(145,065)	(136,400)
Amortization/depreciation, impairment and provisions	(15,111)	(16,537)	(44,496)	(92,685)	(101,678)	(46,283)
Operating profit	**55,612**	**36,157**	**84,307**	**39,970**	**42,207**	**93,855**
Financial income	1,722	3,711	6,335	6,757	2,660	3,970
Financial expenses	(24,658)	(23,608)	(58,123)	(62,896)	(65,396)	(66,796)
Net exchange differences	(236)	460	1,960	(920)	(563)	925
Finance income/(loss)	**(23,172)**	**(19,437)**	**(49,828)**	**(57,059)**	**(63,299)**	**(61,901)**
Share in results of investments carried under the equity method	–	–	–	–	175	299
Profit/(loss) before tax	**32,440**	**16,720**	**34,479**	**(17,089)**	**(20,917)**	**32,253**
Corporate income tax	(10,053)	(6,088)	(13,736)	(13,910)	(15,135)	(11,580)
Profit/(loss) for the period from continuing operations	**22,387**	**10,632**	**20,743**	**(30,999)**	**(36,052)**	**20,673**
Discontinued operations:[(3)]						
Profit/(loss) for the period from discontinued operations	12,773	(1,825)	(71,795)	(5,053)	–	–
Profit/(loss) for the period	**35,160**	**8,807**	**(51,052)**	**(36,052)**	**(36,052)**	**20,673**
Attributable to:						
Parent company owners	32,830	9,020	(52,914)	(35,394)	(35,394)	18,368
Non-controlling interests	2,330	(213)	1,862	(658)	(658)	2,305

(1) Extracted from our audited consolidated financial statements for the year ended December 31, 2016. In 2016, the historical consolidated income statement information for the year ended December 31, 2015 was restated to provide comparable information following the disposal of our IES Business (but not restating information related to Befesa Valorización de Azufre S.L.U., which was sold on December 29, 2015 as part of our IES Business, but was not accounted for as discontinued operations in 2015 or 2016).

(2) Extracted from our audited consolidated financial statements for the year ended December 31, 2015. These figures include the IES Business, none of which was accounted for as discontinued operations in 2015.

(3) The consolidated income statement information presented for the year ended December 31, 2016 and for the six-month periods ended June 30, 2017 and June 30, 2016 present the results of operations with the entire IES Business (including Befesa Valorización de Azufre S.L.U.) shown as discontinued operations, while the consolidated income statement information for the years ended December 31, 2015 and December 31, 2014 either partially include (for the restated 2015 numbers) or fully include (for the unrestated 2015 and 2014 numbers) the effects from the IES Business.

In order to facilitate the comparison of the financial information for the year ended December 31, 2016 with the financial information presented for the years ended December 31, 2015 and 2014, in the following table we have compiled consolidated income statement figures from our accounting records for the years ended December 31, 2015 and December 31, 2014, presenting the full IES Business as discontinued operations. This comparative financial information is unaudited.

	For the six-month period ended June 30,		For the year ended December 31,		
	2017 (unaudited)	2016 (unaudited)	2016 (audited)	2015[(a)] (unaudited)	2014[(b)] (unaudited)
			(€ thousand)		
Continuing operations:					
Revenue	374,383	300,817	611,687	631,195	554,477
Changes in stocks of finished products and work in progress	712	(3,022)	(3,595)	(2,316)	(7,210)
Cost of sales	(203,601)	(152,420)	(297,163)	(318,065)	(259,320)
Other operating income	5,799	3,598	9,344	9,833	17,103
Staff costs	(38,272)	(37,514)	(72,136)	(72,250)	(66,849)
Other operating expenses	(68,298)	(58,765)	(119,334)	(120,370)	(113,343)
Amortization/depreciation, impairment and provisions	(15,111)	(16,537)	(44,496)	(44,905)	(37,246)
Operating profit	**55,612**	**36,157**	**84,307**	**83,122**	**87,611**
Financial income	1,722	3,711	6,335	8,773	11,089
Financial expenses	(24,658)	(23,608)	(58,123)	(62,767)	(62,794)
Net exchange differences	(236)	460	1,960	(620)	1,350
Finance income/(loss)	**(23,172)**	**(19,437)**	**(49,828)**	**(54,614)**	**(50,355)**
Profit/(loss) before tax	**32,440**	**16,720**	**34,479**	**28,508**	**37,256**
Corporate income tax	(10,053)	(6,088)	(13,736)	(14,212)	(11,742)
Profit/(loss) for the period from continuing operations	**22,387**	**10,632**	**20,743**	**14,296**	**25,514**
Discontinued operations:					
Profit/(loss) for the period from discontinued operations	12,773	(1,825)	(71,795)	(50,348)	(4,841)
Profit/(loss) for the period	**35,160**	**8,807**	**(51,052)**	**(36,052)**	**20,673**
Attributable to:					
Parent company owners	32,830	9,020	(52,914)	(35,394)	18,368
Non-controlling interests	2,330	(213)	1,862	(658)	2,305

(a) The following table sets out the difference between our unaudited consolidated income statement information for the year ended December 31, 2015 contained in the table above and our audited consolidated income statement information for the year ended December 31, 2015, as contained in our audited consolidated financial statements for the year ended December 31, 2015. The difference between the two columns is attributable to and shows the effects from the full IES Business. The IES Business is no longer reflected in the column highlighted in grey which reflects our business on an ongoing operations basis, using the Company's current scope of consolidation as basis.

	For the year ended December 31, 2015 (audited)	Effects from the IES Business (unaudited)	For the year ended December 31, 2015 (unaudited)
Continuing operations:			
Revenue	743,504	112,309	631,195
Changes in stocks of finished products and work in progress	2,591	4,907	(2,316)
Cost of sales	(365,380)	(47,315)	(318,065)
Other operating income	12,273	2,440	9,833
Staff costs	(104,038)	(31,788)	(72,250)
Other operating expenses	(145,065)	(24,695)	(120,370)
Amortization/depreciation, impairment and provisions	(101,678)	(56,773)	(44,905)

	For the year ended December 31, 2015 (audited)	Effects from the IES Business (unaudited)	For the year ended December 31, 2015 (unaudited)
Operating profit	**42,207**	**(40,915)**	**83,122**
Financial income	2,660	(6,113)	8,773
Financial expenses	(65,396)	(2,629)	(62,767)
Net exchange differences	(563)	57	(620)
Finance income/(loss)	**(63,299)**	**(8,685)**	**(54,614)**
Share in results of investments carried under the equity method	175	175	–
Profit/(loss) before tax	**(20,917)**	**(49,425)**	**28,508**
Corporate income tax	(15,135)	(923)	(14,212)
Profit/(loss) for the period from continuing operations	**(36,052)**	**(50,348)**	**14,296**
Discontinued operations:			
Profit/(loss) for the period from discontinued operations	–	(50,348)	(50,348)
Profit/(loss) for the period	**(36,052)**	**–**	**(36,052)**
Attributable to:			
Parent company owners	(35,394)	–	(35,394)
Non-controlling interests	(658)	–	(658)

(b) The following table sets out the difference between our unaudited consolidated income statement information for the year ended December 31, 2014 and from our audited consolidated income statement information for the year ended December 31, 2014, as contained in our audited consolidated financial statements for the year ended December 31, 2014. The difference between the two columns is attributable to and shows the effects from the full IES Business. The IES Business is no longer reflected in the column highlighted in grey which reflects our business on an ongoing operations basis, using the Company's current scope of consolidation as basis.

	For the year ended December 31, 2014 (audited)	Effects from the IES Business (unaudited)	For the year ended December 31, 2014 (unaudited)
Continuing operations:			
Revenue	651,193	96,716	554,477
Changes in stocks of finished products and work in progress	(6,625)	585	(7,210)
Cost of sales	(295,446)	(36,126)	(259,320)
Other operating income	19,476	2,373	17,103
Staff costs	(92,060)	(25,211)	(66,849)
Other operating expenses	(136,400)	(23,057)	(113,343)
Amortization/depreciation, impairment and provisions	(46,283)	(9,037)	(37,246)
Operating profit	**93,855**	**6,244**	**87,611**
Financial income	3,970	(7,119)	11,089
Financial expenses	(66,796)	(4,002)	(62,794)
Net exchange differences	925	(425)	1,350
Finance income/(loss)	**(61,901)**	**(11,546)**	**(50,355)**
Share in results of investments carried under the equity method	299	299	–
Profit/(loss) before tax	**32,253**	**(5,003)**	**37,256**
Corporate income tax	(11,580)	(162)	(11,742)
Profit/(loss) for the period from continuing operations	**20,673**	**(4,841)**	**25,514**

	For the year ended December 31, 2014 (audited)	Effects from the IES Business (unaudited)	For the year ended December 31, 2014 (unaudited)
Discontinued operations:			
Profit/(loss) for the period from discontinued operations	–	(4,841)	(4,841)
Profit/(loss) for the period	**20,673**	**–**	**20,673**
Attributable to:			
Parent company owners	18,368	–	18,368
Non-controlling interests	2,305	–	2,305

9.2 Consolidated Balance Sheet Information

The table below sets forth our consolidated balance sheet information as of December 31, 2016, 2015 and 2014 derived from the Audited Consolidated Financial Statements and as of June 30, 2017 derived from our Unaudited Interim Consolidated Financial Statements.

Such information includes the IES Business as of December 31, 2015 and 2014. As of December 31, 2016, the consolidated balance sheet information reflects the assets and liabilities of our continuing operations (i.e. it excludes the portion of the IES Business sold in December 2016 that have been classified separately as Assets Held for Sale). Similarly, the consolidated balance sheet information as at June 30, 2017 also excludes the portion of the IES Business sold in March 2017.

(€ thousand)	As of June 30,	As of December 31,		
	2017	2016	2015	2014
ASSETS	(unaudited)	(audited)	(audited)	(audited)
Intangible Assets[(1)]	428,121	430,186	452,103	450,140
Property, plant and equipment, net[(2)]	246,194	250,335	360,523	409,432
Other non-current assets[(3)]	23,347	21,832	28,574	27,542
Deferred tax assets	86,377	93,626	81,400	78,128
Assets classified as held for sale	–	57,591	–	–
Inventories	30,483	30,410	48,489	41,900
Trade receivables and other current financial assets[(4)]	104,258	85,721	115,032	104,886
Cash and cash equivalents	84,647	59,054	57,443	81,726
Total Assets	**1,003,427**	**1,028,755**	**1,143,564**	**1,193,754**
EQUITY AND LIABILITIES				
Equity of the Company	190,413	149,254	242,332	230,243
Non-controlling interests	8,227	8,931	16,929	17,837
Total Equity	**198,640**	**158,185**	**259,261**	**248,080**
Liabilities related to assets held for sale	–	7,209	–	–
Provisions[(5)]	5,654	8,216	13,067	14,985
Borrowings[(6)]	538,520	581,884	608,292	622,531
Trade and other accounts payable[(7)]	130,824	114,376	136,957	125,152
Deferred tax liabilities	56,208	59,180	61,647	62,534
Other liabilities[(8)]	73,581	99,705	64,340	120,472
Total Liabilities	**804,787**	**870,570**	**884,303**	**945,674**
Total Equity and Liabilities	**1,003,427**	**1,028,755**	**1,143,564**	**1,193,754**

(1) Includes Goodwill and Other intangible assets, net.

(2) Includes Property, plant and equipment in use and Property, plant and equipment under construction.

(3) Includes investments carried under the equity method, Investments in subsidiaries and associates and Other non-current financial assets.
(4) Includes Trade and other receivables, Trade receivables from related companies, Accounts receivables from public authorities, Other receivables and Other current financial assets.
(5) Includes Long-term provisions and Short-term provisions.
(6) Includes Long-term finance debt/borrowings, Short-term finance debt/borrowings, Accounts payable for long-term finance leases and Accounts payable for short-term finance leases.
(7) Includes Trade payables to related companies, Trade and other payables, and Accounts payable to public administrations.
(8) Includes other non-current liabilities and Other current liabilities.

9.3 Consolidated Cash Flow Information

The table below sets forth consolidated cash flow information for the years ended December 31, 2016, 2015 and 2014 derived from our Audited Consolidated Financial Statements and for the six-month periods ended June 30, 2017 and 2016 derived from our Unaudited Interim Consolidated Financial Statements.

Such cash flow information fully includes the IES Business for the years ended December 31, 2015 and 2014. For 2016, our consolidated cash flow information includes the IES Business for the period prior to our disposal of the majority of the IES Business in December 2016. For the periods after such disposal, only the parts of the IES Business not yet diosposed were included.

(€ thousand)	For the six-month period ended June 30, 2017[(1)] (unaudited)	2016[(1)] (unaudited)	For the year ended December 31, 2016[(1)] (audited)	2015[(2)] (audited)	2014[(2)] (audited)
Net cash flows from operating activities	32,434	9,525	56,070	54,574	59,486
Net cash flows from investing activities	41,139	(18,916)	(33,172)	(22,237)	(39,938)
Net cash flows from financing activities	(50,129)	(3,562)	(17,466)	(56,222)	(8,665)
Effect of foreign exchange rate changes on cash and cash equivalents	(806)	(273)	(868)	(398)	273
Net increase in cash and cash equivalents	**22,638**	**(13,226)**	**4,566**	**(24,283)**	**11,156**
Cash and cash equivalents at the beginning of the period[(3)]	62,009	57,443	57,443	81,726	70,570
Cash and cash equivalents at the end of the period	84,647	44,217	62,009	57,443	81,726

(1) Includes parts of the IES Business prior to disposal in December 2016 and March 2017.
(2) Includes the IES Business for the year.
(3) As at December 31, 2016, it included the cash and cash equivalents from the operations classified as held for sale.

9.4 Non-IFRS Measures (APMs)

This Prospectus includes APMs, including Free Cash Flow, Free Cash Flow After Growth and Other Capital Expenditures, EBIT, Adjusted EBIT, Adjusted EBIT Margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and capital expenditures which are not measures of liquidity or financial performance under IFRS. Free Cash Flow, Free Cash Flow After Growth and Other Capital Expenditures, EBIT, Adjusted EBIT, Adjusted EBIT Margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and capital expenditures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating, investing or financing activities or other financial measures of our results of operations or liquidity derived in accordance with IFRS. We include these APMs in this Prospectus because we believe that they are useful measures of our performance on an ongoing basis and liquidity. Other companies, including those in our industry, may calculate similarly titled financial measures differently than we do. Because all companies do not calculate these financial measures in the same manner, our presentation of such financial measures may not be comparable to other similarly titled measures of other companies. With the exception of 2016 EBIT, which represents our operating profit, and 2016 EBITDA which, as calculated by us, represents operating profit from operations before depreciation and amortization charge and impairment and provisions (in connection with both our consolidated EBITDA and on a segment basis), these non-IFRS measures are not audited.

9.4.1 *Selected key performance measures and other financial data for continuing operations*

(€ millions)	As of and for the six-month period ended June 30, 2017	2016	As of and for the year ended December 31, 2016	2015	2014	2013[(1)]
	(unaudited, unless otherwise indicated)					
Revenue[(2)]	374.4	300.8	611.7	631.2	554.5	535.2
EBIT (Operating Result)[(3)]	55.6	36.2	84.3	83.1	87.6	57.6
Adjusted EBIT[(3)]	69.1	39.1	103.4	95.0	97.4	70.1
EBITDA[(3)]	70.7	52.7	128.8	128.0	124.9	103.3
Adjusted EBITDA[(3)]	83.1	53.9	132.8	122.9	122.8	94.9
Free Cash Flow[(4)]	68.7	39.4	109.8	100.8	88.4	n.a.
Capital expenditures[(5)]	11.2	10.1	37.3	40.5	54.2	n.a.

(1) During 2013, Bilbao MidCo was not the holding company of the Group's operating companies. The 2013 alternative performance measures in this table are based on the consolidated financial statements of Befesa Medio Ambiente for the year ended December 31, 2013 and may not reflect effects, costs or positions associated with consolidation under Bilbao MidCo that would make them comparable to the alternative performance measures and financial information derived from the audited consolidated financial statements as of and for the year ended December 31, 2016 and the accounting records of the Company with regards to the six-month periods ended June 30, 2017 and 2016 and the years 2015 and 2014.

(2) Revenue for the year ended December 31, 2016 is audited. All other revenue figures are complied from our accounting records to reflect the disposal of the IES Business. Such revenue figures for the years ended December 31, 2015, 2014 and 2013 are unaudited.

(3) EBIT is equal to operating result as shown in the consolidated income statement for the respective period. Our operating result is the closest reconcilable line item presented in the financial statements to EBITDA, Adjusted EBITDA and Adjusted EBIT.
Adjusted EBIT has been calculated based on the reported operating result adjusted for holding, restructuring and one-time effects. The table below shows the reconciliation of Adjusted EBIT to the Group's consolidated operating result.
EBITDA has been calculated based on operating result, adding back charges taken for amortization/depreciation, impairment and provisions.
Adjusted EBITDA is calculated by adjusting EBITDA to account for the impact of the IES divestment and for one time effects (including holding and restructuring effects) and, in the case of 2013, for the impact of the first time consolidation with the Company's results of Befesa's first half year EBITDA.
A reconciliation of EBITDA, Adjusted EBITDA, and Adjusted EBIT to our IFRS operating result (EBIT) is presented in the table below:

(€ millions) Reconciliation from operating result	For the six-month period ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014	2013[(a)]
EBIT (Operating Result)	**55.6**	**36.2**	**84.3**	**83.1**	**87.6**	**57.6**
Amortisation/depreciation, impairment and provisions	15.1	16.5	44.5	44.9	37.2	45.7
EBITDA	**70.7**	**52.7**	**128.8**	**128.0**	**124.9**	**103.3**
Holding effects	0.8	(0.7)	(0.4)	(0.5)	(1.3)	(1.1)
Restructuring effects	0.4	1.1	1.9	2.3	2.8	1.8
Other one-off effects[(b)]	11.2	0.8	2.4	(6.9)	(3.6)	(9.1)
Adjusted EBITDA	**83.1**	**53.9**	**132.8**	**122.9**	**122.8**	**94.9**
Depreciation and amortization adjustments	(14.0)	(14.8)	(29.4)	(27.9)	(25.4)	(24.8)
Adjusted EBIT	**69.1**	**39.1**	**103.4**	**95.0**	**97.4**	**70.1**

(a) In 2013, Bilbao MidCo was not the holding company of the Group's operating companies. The 2013 alternative performance measures in this table are based on the consolidated financial statements of Befesa Medio Ambiente for the year ended December 31, 2013 and may not reflect effects, costs or positions associated with consolidation under Bilbao MidCo that would make them comparable to the alternative performance measures and financial information derived from the audited consolidated financial statements as of and for the year ended December 31, 2016 and the accounting records of the Company with regards to the six-month periods ended June 30, 2017 and 2016 and the years 2015 and 2014.

(b) Other one-off effects particularly included costs incurred in relation to the stoppage of our Scandust facility and other advisory costs in 2017, costs in relation to Scandust and consultancy costs in relation to an acquisition which was ultimately aborted in 2016, extraordinary incomes in Argentina in 2015, as well as construction margins in Korea and Turkey in 2014.

(4) Free Cash Flow is calculated from Adjusted EBIT (see footnote (3) above) adjusted for depreciation and amortization, change in net working capital, cash taxes and maintenance capital expenditures. In addition to Free Cash Flow, we also use Free Cash Flow After Growth and Other Capital Expenditures to track our cash flows taking into account expansion activities and other capital expenditures. The table below presents a reconciliation of Free Cash Flow and Free Cash Flow After Growth and Other Capital Expenditures to Adjusted EBIT as defined (and reconciled to operating result) in footnote (3) above.

(€ millions) Reconciliation from Adjusted EBIT	For the six-month period ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014
Adjusted EBIT	**69.1**	**39.1**	**103.4**	**95.0**	**97.4**
Adjustments for depreciation and amortization	14.0	14.8	29.4	27.9	25.4
Change in Net Working Capital	1.9	(0.9)	4.9	1.0	(14.8)
Cash Taxes	(10.4)	(9.4)	(17.8)	(10.8)	(10.4)
Maintenance Capital Expenditures	(6.0)	(4.2)	(10.1)	(12.3)	(9.2)
Free Cash Flow	**68.7**	**39.4**	**109.8**	**100.8**	**88.4**
Growth and Other Capital Expenditures	(5.2)	(6.0)	(27.2)	(28.3)	(45.0)
Free Cash Flow After Growth and Other Capital Expenditures	**63.5**	**33.4**	**82.6**	**72.5**	**43.4**

(5) Capital expenditure includes maintenance capital expenditures, growth capital expenditures, and expenditures for IT, productivity, and other, including financial investments in Korea (€12.1 million in 2014 and €14.9 million in 2016) and the disposal of a plant previously operated through our joint venture with Silvermet, Inc. in Adana, Turkey (€1.3 million in 2015). The figures shown for maintenance capital expenditures, growth capital expenditures, other capital expenditures and total capital expenditures are based on our accounting records and may deviate from cash expenses actually incurred. Please see section 10.12 "*Capital Expenditures*" for more information on capital expenditures as well as a breakdown by segment and type.

9.5 Segment Reporting

The results from our Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services are presented in sub-segments under four headings: Steel Dust Recycling Services, Salt Slags, Secondary Aluminium, and Corporate/Eliminations.

9.5.1 Steel Dust Recycling Services Segment Results

(€ thousand, unless otherwise specified) Steel Dust Recycling Services (Continuing Operations)	For the six-month period ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014
		(unaudited, unless otherwise indicated)			
Revenue	156,997	126,154	281,081(4)	253,865(4)	262,252(4)
Income/Expenses from operations (except revenue, depreciation and amortization/depreciation charge and provisions)	(102,565)	(88,872)	(184,459)(4)	(173,785)(4)	(169,607)(4)
Amortization/Depreciation, impairment and provisions(1)	(7,894)	(8,717)	(23,204)(4)	(28,228)(4)	(19,553)(4)
EBIT (Operating profit/(loss))	**46,538**	**28,565**	**73,418**	**51,852**	**73,092**
EBITDA (Operating profit/(loss) before amortization/depreciation and provisions)	**54,432**	**37,282**	**96,622**	**80,080**	**92,645**
Adjusted EBIT(2)	**53,373**	**28,797**	**81,309**	**61,148**	**70,817**
Adjusted EBITDA(2)	**61,267**	**37,322**	**98,950**	**78,325**	**87,118**
Adjusted EBITDA Margin (in %)(3)	*39.0*	*29.6*	*35.2*	*30.9*	*33.2*

(1) Includes impairment of property, plant and equipment at December 31, 2016 in the amount of €5.0 million. Includes impairment at December 31, 2015 of goodwill in the amount of €7.9 million and intangible assets in the amount of €1.6 million, both in the Steel Dust Recycling Services segment.

(2) The most directly reconcilable line item for Segment EBITDA, Adjusted EBITDA and Adjusted EBIT is our segment IFRS operating profit/(loss) (EBIT). The table below provides a reconciliation of these figures back to operating profit for each period shown:

(€ thousand, unless otherwise specified) Reconciliation from operating result	For the six-month period ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014
EBIT (Operating profit/(loss))	**46,538**	**28,565**	**73,418**	**51,852**	**73,092**
Depreciation, amortization, impairment and provisions	7,894	8,717	23,204	28,228	19,553
EBITDA	**54,432**	**37,282**	**96,622**	**80,080**	**92,645**
Adjustments	6,835	40	2,328	(1,755)	(5,527)
Adjusted EBITDA	**61,267**	**37,322**	**98,950**	**78,325**	**87,118**
Depreciation and amortization and other EBIT adjustments	(7,894)	(8,525)	(17,641)	(17,177)	(16,301)
Adjusted EBIT	**53,373**	**28,797**	**81,309**	**61,148**	**70,817**

(3) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Revenue.
(4) Audited.

9.5.2 Aluminium Salt Slags Recycling Services Segment Results

(€ thousand, unless otherwise specified) Aluminium Salt Slags Recycling Services (Continuing Operations)	For the six-month period ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014
		(unaudited, unless otherwise indicated)			
Revenue(1)	234,909	190,219	364,371(6)	404,744	314,959
Thereof Salt Slags	*43,221*	*40,786*	*78,896(6)*	*84,006*	*68,845*
Thereof Secondary Aluminium	*191,688*	*149,433*	*285,475(6)*	*320,738*	*246,114*
Income/Expenses from operations (except revenue, depreciation and amortization/depreciation charge and provisions)(1)(2)	(215,802)	(175,640)	(332,667)(6)	(362,427)	(284,563)
Thereof Salt Slags(2)	*(29,534)*	*(28,079)*	*(54,856)(6)*	*(55,425)*	*(47,800)*
Thereof Secondary Aluminium(2)	*(186,268)*	*(147,561)*	*(277,811)(6)*	*(307,002)*	*(236,763)*
Amortization/Depreciation, impairment and provisions(3)	(6,438)	(6,343)	(19,084)(6)	(11,418)	(9,276)
Thereof Salt Slags(3)	*(3,616)*	*(3,422)*	*(12,176)(6)*	*(6,503)*	*(6,185)*
Thereof Secondary Aluminium	*(2,822)*	*(2,921)*	*(6,908)(6)*	*(4,915)*	*(3,091)*
EBIT (Operating profit/(loss))	**12,669**	**8,236**	**12,620**	**30,899**	**21,120**
Thereof Salt Slags	*10,071*	*9,285*	*11,864*	*22,078*	*14,861*
Thereof Secondary Aluminium	*2,598*	*(1,049)*	*756*	*8,821*	*6,260*
EBITDA (Operating profit/(loss) before amortization/depreciation and provisions)(4)	**19,107**	**14,579**	**31,704**	**42,317**	**30,396**
Thereof Salt Slags	*13,687*	*12,707*	*24,040*	*28,581*	*21,046*
Thereof Secondary Aluminium	*5,420*	*1,872*	*7,664*	*13,736*	*9,350*
Adjusted EBIT(4)	**12,854**	**9,256**	**20,941**	**32,458**	**21,995**
Thereof Salt Slags	*10,256*	*9,429*	*17,969*	*23,031*	*14,926*
Thereof Secondary Aluminium	*2,598*	*(173)*	*2,972*	*9,427*	*7,069*
Adjusted EBITDA(4)	**19,292**	**15,459**	**33,367**	**43,782**	**30,997**
Thereof Salt Slags	*13,872*	*12,851*	*24,352*	*29,534*	*21,111*
Thereof Secondary Aluminium	*5,420*	*2,608*	*9,015*	*14,248*	*9,886*
Adjusted EBITDA Margin (in %)(5)	**8.2**	**8.1**	**9.2**	**10.8**	**9.8**
Thereof Salt Slags	*32.1*	*31.5*	*30.9*	*35.2*	*30.7*
Thereof Secondary Aluminium	*2.8*	*1.7*	*3.2*	*4.4*	*4.0*

(1) Includes intra-segment results of operations.
(2) Includes Additions to non-current assets in the amount of €14.1 million in 2016 (€9.6 million within Salt Slags and €4.6 million within Secondary Aluminium) and €14.8 million in 2015 (€8.2 million within Salt Slags and €6.6 million within Secondary Aluminium). Additions to non-current assets in 2014 amounted to €29.5 million (€24.9 million within Secondary Aluminium and €4.6 million within Salt Slags).
(3) Includes depreciation of property, plant and equipment at December 31, 2016 in the amount of €5.0 million within Salt Slags.
(4) The most directly reconcilable line item for Segment EBITDA, Adjusted EBITDA and Adjusted EBIT is our segment IFRS operating profit/(loss) (EBIT). The table below provides a reconciliation of these figures back to operating profit for each period shown:

(€ thousand, unless otherwise specified) Reconciliation from operating result	For the six-month period ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014
EBIT (Operating profit/(loss))	**12,669**	**8,236**	**12,620**	**30,899**	**21,120**
Depreciation, amortization, impairment and provisions	6,438	6,343	19,084	11,418	9,276
EBITDA	**19,107**	**14,579**	**31,704**	**42,317**	**30,396**
Adjustments	185	880	1,663	1,465	601
Adjusted EBITDA	**19,292**	**15,459**	**33,367**	**43,782**	**30,997**
Depreciation and amortization adjustments	(6,438)	(6,203)	(12,426)	(11,325)	(9,002)
Adjusted EBIT	**12,854**	**9,256**	**20,941**	**32,457**	**21,995**

(5) Adjusted EBITDA Margin is Adjusted EBITDA divided by Revenue.
(6) Audited.

9.5.3 Corporate / Eliminations Segment Results

(€ thousand, unless otherwise specified) Corporate / Eliminations (Continuing Operations)	Six-month period ended June 30, 2017	2016	Year ended December 31, 2016	2015[1]	2014[1]
	(unaudited, unless otherwise indicated)				
Revenue	(17,523)	(15,556)	(33,765)[3]	(27,414)	(22,733)
Income/Expenses from operations (except revenue, depreciation and amortization/depreciation charge and provisions)	14,707	16,389	34,242[3]	33,044	24,550
Amortization/Depreciation, impairment and provisions	(779)	(1,477)	(2,208)[3]	(5,258)	(8,418)
EBIT (Operating profit/(loss))[2]	**(3,595)**	**(644)**	**(1,731)**	**372**	**(6,601)**
EBITDA (Operating profit/(loss) before amortization/depreciation and provisions)[2]	**(2,816)**	**833**	**477**	**5,630**	**1,817**
Adjusted EBIT[2]	**2,867**	**1,079**	**1,113**	**1,367**	**4,573**
Adjusted EBITDA[2]	**2,540**	**1,114**	**439**	**761**	**4,688**

(1) Includes retrospective adjustments for the disposal of the IES Business as discontinued operations.
(2) Segment EBITDA, Adjusted EBITDA and Adjusted EBIT are reconciled to our segment IFRS operating profit/(loss) (EBIT) as shown in the table below:

(€ thousand, unless otherwise specified) Reconciliation from operating result	For the six-month period ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014
EBIT (Operating profit/(loss))	**(3,595)**	**(644)**	**(1,731)**	**372**	**(6,601)**
Depreciation, amortization, impairment and provisions	779	1,477	2,208	5,258	8,418
EBITDA	**(2,816)**	**833**	**477**	**5,630**	**1,817**
Adjustments	5,356	281	(38)	(4,869)	2,871
Adjusted EBITDA	**2,540**	**1,114**	**439**	**761**	**4,688**
Depreciation and amortization adjustments	327	(35)	674	606	(115)
Adjusted EBIT	**2,867**	**1,079**	**1,113**	**1,367**	**4,573**

(3) Audited.

9.5.4 *Geographical Split*

The split of sales by geographical region is as follows (figures do not include the IES Business classified as discontinued operations):

(€ thousand) Geographical area	For the six-month period ended June 30, 2017	2016 (*)	For the year ended December 31, 2016 (*)	2015 (*)	2014 (*)
Spain	95,253	89,350	160,830	178,270	163,573
Germany	49,731	45,637	90,022	80,024	59,747
France	23,384	23,031	49,005	58,930	40,019
United Kingdom	29,550	12,423	29,070	20,888	30,353
Rest of Europe	87,446	83,285	171,406	184,235	169,809
Turkey	–	2,619	7,217	4,776	4,971
South Korea	12,402	5,548	13,517	16,237	20,401
Rest of the world	76,617	38,924	90,620	87,835	65,604
Total sales	**374,383**	**300,817**	**611,687**	**631,195**	**554,477**

(*) Includes retrospective adjustments for the disposal of the IES Business as discontinued operations.

10. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the results of operations and financial condition of the Group for the years ended December 31, 2016, 2015 and 2014 and for the six-month periods ended June 30, 2017 and 2016. The following discussion and analysis should be read in conjunction with the Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements included elsewhere in this Prospectus, including the notes thereto, the information relating to our business set out in "Business" and "Risk Factors" and other information about us included elsewhere in this Prospectus.

This discussion and analysis contains forward-looking statements about our future revenue, operating results and expectations that have not been audited and involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, the risks discussed in "Risk Factors" and in "General Information—Forward-Looking Statements".

10.1 Overview

We are a services company, specializing in the recycling of steel dust and aluminium residues, as well as a provider of other related industrial services and logistics. We have steel and aluminium residues recycling facilities (including through joint ventures) in Germany, Spain, Sweden, France, South Korea, the United Kingdom and Turkey.

We organize our activities into two business segments: the Steel Dust Recycling Services segment and the Aluminium Salt Slags Recycling Services segment, the latter being divided into two sub-segments: Salt Slags and Secondary Aluminium.

10.1.1 Steel Dust Recycling Services

In our Steel Dust Recycling Services segment we collect and recycle crude steel dust and other steel residues generated in the production of crude, stainless and galvanized steel through EAF steel production. We sell the Waelz oxide we produce in the recycling of crude steel dust to zinc smelters, and, to a lesser extent, return metals, mainly nickel, chromium and molybdenum, recovered in the recycling of stainless steel residues, to stainless steel producers for a tolling fee or sell such recovered metals on the market. In this segment we receive the bulk of our revenues from sales of Waelz oxide, but other revenue sources in this segment are (i) the service fees we charge for collecting and recycling crude steel dust, (ii) the tolling fees we charge for collecting and recycling stainless steel residues and for returning the recovered metals to the stainless steel producers and (iii) market sales of recovered metals.

10.1.2 Aluminium Salt Slags Recycling Services

(a) Salt Slags

In the Salt Slags operations of our Aluminium Salt Slags Recycling Services segment, we recycle salt slags, which we receive from our customers for a service fee or generate during our own production of secondary aluminium. In addition, we recycle spent pot linings or SPLs generated by primary aluminium producers. In the course of the recycling process, we recover aluminium concentrate, salt and oxides with different commercial names (such as Paval in Spain, Serox in Germany, BFA in the United Kingdom). We also sell products obtained from the recycling of salt slags and SPLs to customers for use in a variety of applications, including civil works, fiber insulation, and building materials.

Revenues from our salt slags and SPLs recycling operations are mainly derived from fees we charge for recycling salt slags and SPLs, and from the sales of aluminium concentrates and salt obtained from recycling salt slags and SPLs. A large amount of the aluminium concentrates we recover are sold and used within the Group for the production of aluminium alloys.

(b) Secondary Aluminium

In our Secondary Aluminium operations, we collect and recycle aluminium scrap and other aluminium residues such as aluminium drosses, shavings and cuttings or aluminium concentrates from, amongst others, aluminium foundries, scrap dealers and collectors, as well as from primary aluminium producers. We also generate aluminium concentrates in the course of our salt slags recycling process. We produce secondary aluminium alloys from these aluminium residues, which we sell to customers mainly in the automotive and construction industries at single digit profit margins. In addition, but to a lesser extent, we design and manufacture machinery and equipment for the aluminium and zinc industries. Revenues from our secondary aluminium operations are mainly derived from sales of secondary aluminium alloys and, to a lesser extent, sales of machinery and equipment to the aluminium and zinc industries.

10.2 Presentation of financial statements in the periods under review

10.2.1 Presentation of segments over time

In addition to its current steel and aluminium residues recycling services operations, the Group's former IES Business provided management services and environmental solutions for industrial waste (other than steel dust and aluminium residue) across Spain and Latin America throughout 2016 and sulphur valorization in Spain until the end of 2015. These services included temporary storage, classification, valorization (recovery of valuable resources from waste) and disposal of waste, as well as additional environmental services such as industrial cleaning, plastics recycling and PCBs (polychlorinated biphenyls) recycling. The IES Business was disposed of in a series of transactions between 2015 and 2017, with the exception of minor remaining subsidiaries which we have also begun to wind down.

The 2015 and 2014 Audited Consolidated Financial Statements present the Group's historical financial results divided into our three former segments: the steel dust recycling segment, the aluminium residue recycling segment, and the industrial waste management operations segment (the IES Business).

The 2016 Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements for the six-month period ended June 30, 2017 present the Group's results organized into our two current segments: Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services, while the former industrial waste management segment (which previously covered the IES Business) is presented as discontinued operations.

We currently operate Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services segments as described in 10.1 above. Segment reporting results are included in this prospectus above in section "9.4 Segment Reporting." The discussion of our results of operations below is on a consolidated basis (excluding the IES Business), but also includes certain additional information regarding the performance of our operating segments which we believe is helpful for understanding our Group's consolidated results.

10.2.2 Presentation of continuing operations

In order to show the effect of the disposal of the IES Business and to provide a more comparable presentation of our continuing operations, we have presented herein adjusted consolidated income statements as well as certain APMs, for the years ended December 31, 2015 and 2014 to provide certain qualitative and quantitative information relating to the disposal of the IES Business which was not included in our continuing operations in the 2016 Audited Consolidated Financial Statements. This also applies to certain income statement information relating only to our continuing operations, and other balance sheet and cash flow information relating to our IES Business. The adjusted consolidated income statement information of the Group's current continuing operations for 2015 and 2014 and other adjusted figures are based on or derived from internal reporting and management accounts and have not been audited.

10.2.3 Discussion of financial results

In order for investors to be able to properly assess the future performance of our continuing operations, we present the financial performance and results of the Group in the three years under review and for the six-month period ended June 30, 2017 with respect only to our continuing operations. As our 2015 and 2014 Audited Consolidated Financial Statements present the Group's results of operations including the IES Business, our discussion of financial results for the three years ended December 31, 2016, 2015 and 2014 and the six-month period ended June 30, 2017 which follows (see "*10. Management's Discussion and Analysis of Financial Condition and Results of Operation—Operating and Financial Results—Discussion of Consolidated Financial Results*" below) is based on income statement information relating to, and capturing only, our continuing operations, and in particular:

- for the six-month period ended June 30, 2017, on the Unaudited Interim Consolidated Financial Statements;
- for the year ended December 31, 2016, on the consolidated income statement contained in the 2016 Audited Consolidated Financial Statements;

- for the years ended December 31, 2015 and 2014, on unaudited, adjusted consolidated income statement information which excludes the IES Business and, with respect to 2015, also takes into account the disposal of Befesa Valorización de Azufre S.L.U. (sold in December 2015) from the total consolidated income statement figures.

10.2.4 Discussion of cash flows

Since a large portion of the IES Business was not disposed of until the end of 2016, our consolidated cash flow statement in the 2016 Audited Consolidated Financial Statements reflects twelve months of operations of the IES Business. Similarly, the 2015 and 2014 Audited Consolidated Financial Statements reflect our cash flows from both our continuing operations and the IES Business for the full years 2015 and 2014 (see "*10. Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources—Cash Flows*" below). Our consolidated cash flow statement in the Unaudited Interim Consolidated Financial Statements only includes cash flows attributable to the portion of the IES Business sold in 2017 and is only comparable to the first six months of 2016 to the same extent.

10.3 Factors Affecting Comparability of our Results of Operations

Key factors affecting the comparability of our results of operations include the following:

10.3.1 Disposal of the IES Business

The Group sold the vast majority of its assets held in the IES Business through a series of transactions, beginning with the sale of the Group's stake in Befesa Valorización de Azufre S.L.U. on December 29, 2015. In December 2016, we disposed of the majority of our IES Business. In particular, the entire share capital of Befesa Gestión de Residuos Industriales, S.L., Befesa Gestión PCB, S.A., Gestión y Valorización Integral del Centro S.L., Residuos Industriales de la Madera de Córdoba, S.A., Betearte, S.A., Ecología Canaria, S.A., Befesa Plásticos, S.L. and other minor not consolidated operations were sold. As required under IFRS 5 "Non-Current Assets held for sale and discontinued operations", the operations of these companies in 2016 (to the date of sale for the first group of companies) are classified under profit /(loss) for the year from discontinued operations in the consolidated income statement. Following the sale of these subsidiaries in December 2016, on March 29, 2017 we sold our subsidiaries Befesa Perú, S.A., Soluciones Ambientales del Norte, S.A., and Solarca, S.L and its subsidiaries, all of which were also involved in the IES Business that we owned, for consideration giving rise to a profit from discontinued operations recognized in the Group in the amount of €12.8 million in the first six months of 2017. We also sold the full share capital in Befesa Colombia S.A.S. and Befesa Industrial Services USA, Inc., for a symbolic price of €1 and US$1 in March and August 2017, respectively. Following these transactions, Befesa Argentina, S.A. was sold on August 30, 2017. We have also begun the wind down and sale of the remaining subsidiaries that were part of the IES Business, i.e. Befesa Mexico and two subsidiaries in the Middle East.

The comparability of our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 is particularly affected by this disposal of the IES Business. As a result of such disposal, the audited consolidated financial statements as of and for the years ended December 31, 2014 and 2015 present the IES Business as ongoing operations, while in the audited consolidated financial statements as of and for the year ended December 31, 2016 and in the unaudited interim consolidated financial statements as of and for the period ended June 30, 2017, the effects from IES Business are no longer reflected. In order to facilitate the comparison of the financial information included in this prospectus on an ongoing operations basis, we have compiled consolidated income statement figures from our accounting records for the years ended December 31, 2015 and December 31, 2014, presenting the full IES Business as discontinued operations. This comparative financial information is unaudited. For further details see "*9.1. Consolidated Income Statement Information*" above.

As stated above, the discussion of our financial results for the six-month period ended June 30, 2017 and 2016 and for the three years ended December 31, 2016, 2015 and 2014 which follows (see "*10. Management's Discussion and Analysis of Financial Condition and Results of Operation —Operating and Financial Results—Discussion of Consolidated Financial Results*" below) is based on the results of our continuing operations only, excluding the results of the IES Business.

The following tables set forth our audited consolidated results of operations, including the IES Business in 2015 and 2014, and the corresponding overall change in our results of operations.

	Year ended December 31, 2016	2015	Change between years ended December 31, 2015 and 2016 Change (€ thousand)	Change (in %)
	(audited) (€ thousand)			
Continuing operations:				
Revenue	611,687	743,504	(131,817)	-17.73
Changes in stocks of finished products and work in progress	(3,595)	2,591	(6,186)	n.m.[1]
Cost of sales	(297,163)	(365,380)	68,217	-18.67
Other operating income	9,344	12,273	(2,929)	-23.87
Staff costs	(72,136)	(104,038)	31,902	-30.66
Other operating expenses	(119,334)	(145,065)	25,731	-17.74
Amortization/depreciation, impairment and provisions	(44,496)	(101,678)	57,182	-56.24
Operating profit	**84,307**	**42,207**	**42,100**	**99.75**
Financial income	6,335	2,660	3,675	138.16
Financial expenses	(58,123)	(65,396)	7,273	-11.12
Net exchange differences	1,960	(563)	2,523	n.m.[1]
Finance income/(loss)	**(49,828)**	**(63,299)**	**13,471**	**-21.28**
Share in results of investments carried under the equity method	–	175	(175)	-100.0
Profit/(loss) before tax	**34,479**	**(20,917)**	**55,396**	n.m.[1]
Corporate income tax	(13,736)	(15,135)	1,399	-9.24
Profit/(loss) for the period from continuing operations	**20,743**	**(36,052)**	**56,795**	n.m.[1]

(1) Not meaningful - changes from positive to negative and from negative to positive not measured and disclosed in % amounts.

Profit/(loss) from continuing operations in 2016 increased by €56.8 million from a loss of €36.1 million in 2015 (including the IES Business as continuing operations) to a profit of €20.7 million in 2016 (when the IES Business was accounted for as discontinued operations). The large increase in profit was mainly due to the disposal of the IES Business, since in 2015, the IES Business recorded a loss of €50.3 million, and no such loss was accounted for in 2016. The rest of the increase was caused by the current business.

	Year ended December 31,		Change between years ended December 31, 2014 and 2015	
	2015	2014	Change (€ thousand)	Change (in %)
	(audited) (€ thousand)			
Continuing operations:				
Revenue	743,504	651,193	92,311	14.18
Changes in stocks of finished products and work in progress	2,591	(6,625)	9,216	n.m.[1]
Cost of sales	(365,380)	(295,446)	(69,934)	23.67
Other operating income	12,273	19,476	(7,203)	-36.98
Staff costs	(104,038)	(92,060)	(11,978)	13.01
Other operating expenses	(145,065)	(136,400)	(8,665)	6.35
Amortization/depreciation, impairment and provisions	(101,678)	(46,283)	(55,395)	119.69
Operating profit	**42,207**	**93,855**	**(51,648)**	**-55.03**
Financial income	2,660	3,970	(1,310)	-33.00
Financial expenses	(65,396)	(66,796)	1,400	-2.10
Net exchange differences	(563)	925	(1,488)	n.m.[1]
Finance income/(loss)	**(63,299)**	**(61,901)**	**(1,398)**	**2.26**
Share in results of investments carried under the equity method	175	299	(124)	-41.47
Profit/(loss) before tax	**(20,917)**	**32,253**	**(53,170)**	n.m.[1]
Corporate income tax	(15,135)	(11,580)	(3,555)	30.70
Profit/(loss) for the period from continuing operations	**(36,052)**	**20,673**	**(56,725)**	n.m.[1]

(1) Not meaningful - changes from positive to negative and from negative to positive not measured and disclosed in % amounts.

Profit/(loss) from continuing operations in 2015 decreased by €56.7 million from a profit of €20.7 million in 2014 to a loss of €36.1 million in 2015. Of the €56.7 million decrease, €45.5 million thereof was due to losses of the IES Business. The large loss in the IES Business was mainly due to a one-off impairment of €44.2 million.

10.3.2 Production facilities developments

Over the three-year period ended December 31, 2016, we made significant investments in our production facilities, many of which have impacted our results over this three-year period. The most important developments within our production facilities over these three years are set out below.

We completed the construction of a new and more efficient secondary aluminium production plant in Bernburg, Germany. The new plant in Bernburg came into operation in December 2014. Since then, we have benefited from lower transportation costs of input materials, as Bernburg is closer to the source of the bulk of the aluminium residue we recycle. Bernburg also produces more profitable hot liquid aluminium which is delivered to customers for direct application without the need of melting the aluminium before use.

In addition, in a four-step process beginning in 2012 and completed in 2016, we acquired a crude steel dust recycling facility in South Korea. We brought in our design and engineering team and substantially increased operational efficiency in addition to building a second kiln, doubling capacity of the facility between 2014 and today. We believe the plant is state-of-the-art, reflecting all the best practices from our other plants.

Such developments at our production facilities affect our total revenues, the relationship of revenues to operating costs due to better efficiency, and can increase depreciation and in some cases, amortization costs affecting overall profitability and our results of operations. We believe improvements in the coming years will also have a material impact on our results and financial condition in similar ways, but likely to a greater extent than over the previous three years.

10.4 Key Factors Affecting our Results of Operations

Our performance and results of operations have been, and continue to be, affected by a number of factors, including price, volume and other drivers as described in this section (see also "*1. Risk Factors—Risks relating to our business and industry—The downturn in the global economy has caused in the past and may continue to cause in the future a reduction in demand for our services and products", "1. Risk Factors—Risks relating to our business and industry—The prices of Waelz Oxide, aluminium and zinc are volatile and this can affect our results of operations*", and "*1. Risk Factors—Financial Risks—We are exposed to currency exchange rate risks*").

10.4.1 Steel Dust Recycling Services

The majority of our Steel Dust Recycling Services revenue is generated from processing crude steel dust as a combination of payments we receive for collecting and treating crude steel dust and of payments received for the sale of Waelz oxide we produce as part of the recycling process. Stainless steel residue produces a much smaller amount of segment revenues as a combination of a tolling fee we charge to process dust and return metals, or, for customers who relinquish title to the metals in the stainless steel residue, the sale of such metals we recover on the market.

Crude Steel Dust	
	Service Fees
+	Sales from Waelz Oxide
=	Total Crude Steel Revenue

Stainless Steel Residue	
	Tolling Fees
+	Sales of metals
=	Total Stainless Revenue

(a) Collected volume

The results of our Steel Dust Recycling Services segment are substantially affected by the volume of steel residue we are able to collect and recycle. These volumes are dependent on the levels of industrial EAF production of crude and stainless steel, primarily by mini mill customers. These production levels are closely linked to general macroeconomic conditions and therefore general macroeconomic conditions affect demand for our services. When demand for and production of crude steel and stainless steel declines, the volume of steel dust we collect and recycle is adversely affected and, therefore, our production volume (including Waelz oxide and metals we recover from the recycling of stainless steel residues) also declines.

Over the prior three years, volumes of crude steel dust we treated have fluctuated with a low of 580,253 tons in 2015 and a high of 605,564 tons in 2014. Consequently, we sold the most Waelz oxide in 2014 (208,918 tons) and the least in 2015 (199,534 tons), with tons of Waelz oxide sold in 2016 increasing by 2% to 203,443 tons.

In the 12 months ended June 30, 2017, we treated 628,104 tons of crude steel dust and sold 215,010 tons of Waelz oxide. For the six-month period ended June 30, 2017, this corresponds to 315,549 tons of crude steel dust (276,288 tons for the six-month period ended June 30, 2016, or a 14.2% increase) and 107,770 tons Waelz oxide sold (96,203 tons for the six-month period ended June 30, 2016, or a 12.0% increase).

(b) Capacity

Low volumes of steel residue also lead to low capacity utilization which has a negative effect on our profit margins due to relatively high fixed costs associated with our recycling facilities. In our Steel Dust Recycling Segment we own and operate nine plants (including through joint ventures) with capacities that exceed those of our competitors in most regions in which we operate. In 2016, we processed approximately 680,000 tons of steel dust (crude and stainless), producing more than 200 thousand tons of Waelz oxide and recovered metal (mainly nickel, chromium and molybdenum) in the process. We expect our total capacity to process steel dust to increase as we implement our expansion strategy. Increases in our capacity utilization, particularly in those plants where it is inefficiently low or does not correspond to demand for Waelz oxide or for our steel dust collection services, will improve margins and increase profitability.

As at January 1, 2014, our average annual steel residue recycling capacity measured 770,967 tons. Our annual average capacity increased to 954,300 tons, including 174,000 tons of stainless steel recycling capacity, as of December 31, 2016 through both the acquisition in 2012 of a crude steel dust plant in Korea and expanding that facility to include a second kiln in 2015.

(c) Service fees

A portion of our revenues are attributable to service fees we charge our customers for retrieving, transporting, and treating their crude steel dust. The amount of the fee varies based on many factors, including, among others, the distance the dust must be transported, the cost and time associated with obtaining permits for the transport and the cost of alternative disposal (e.g. landfill costs in the region). In some cases, the service fees we are able to charge do not cover our costs to transport or treat the steel dust. However, because we take ownership of the valuable zinc in the crude steel dust when we collect it, we are still able to generate a profit from the sale of the Waelz oxide we produce, making the collection expenses we incur economical for us when zinc prices exceed certain levels. An example of this is Southeast Asia, where service fees do not cover the expenses of shipping the dust to South Korea for processing. Excess collection costs such as those for shipping are netted against service fees, reducing average service fees per ton for the business.

Countries with strict environmental enforcement that makes landfilling expensive and which requires permits to be obtained to move steel dust tend to have higher service fees than regions with low levels of enforcement or free landfilling alternatives. While service fees have historically provided a steady revenue base, high zinc prices and higher zinc content in dust has put downward pressure on service fees, reflected in decreases in service fee revenue over the past three years.

Service fees in our Steel Dust Recycling Services segment generally account for between approximately 10-20% of our consolidated Steel Dust Recycling Services segment revenues. However, higher zinc prices and higher zinc content in the steel dust collected tend to reduce this amount as a percentage of overall revenue, and in 2016 the service fees accounted for even less than 10% of our segment revenues as a larger percentage was attributed to the sales of Waelz oxide.

(d) Sales of Waelz Oxide

In 2015, we treated 580,253 tons of crude steel dust and sold 199,534 tons of Waelz oxide. These numbers increased slightly in 2016, when we sold 203,443 tons of Waelz oxide from 588,843 tons of crude steel dust. The price of the Waelz oxide we sell to our customers is a key factor affecting our Steel Dust Recycling Services revenue as Waelz oxide sales are the largest component of segment revenue. The price of Waelz oxide is determined by a combination of the volume of Waelz oxide, the zinc content of the Waelz oxide, zinc price, and a treatment charge levied by zinc smelter customers. The example in the following paragraph and the tables below aim to demonstrate the way these components interact to impact our revenue:

Payable Zinc		Price per ton of Waelz Oxide		Waelz Oxide Sales Revenue	
	Zinc content in Waelz Oxide		Payable zinc in Waelz Oxide		Waelz Oxide price per ton
-	"free metal" discount of 15%	x	Annual average zinc price	-	Treatment charge per ton
=	Payable zinc in Waelz Oxide	=	Waelz Oxide price per ton	=	Waelz Oxide sales per ton

In 2016, we sold 203,443 tons of Waelz Oxide which had an average zinc content of 66.6%. The average LME zinc price relevant for our sales in 2016 was €1,990 per ton, and the average treatment charge we paid was €193 per ton. During the first six months of 2017, we sold 107,770 tons of Waelz oxide which had average zinc content of 66.9%. Our average LME zinc price relevant for our sales in the first six months of 2017 was €2,469 per ton, and the average treatment charge (including washing allowances) we paid was €172 per ton. The decrease in treatment charges is also due to the fact that in 2017, other than in previous years, a flat treatment charge without escalators or de-escalators has been negotiated. Below is an illustration of how our Waelz oxide sales are calculated based on volume of Waelz oxide sold and our average LME zinc price, zinc content and treatment charges we had in 2016 stated in the previous two sentences:

Volume of Payable Zinc		Price of Waelz Oxide		Waelz Oxide Net Sales	
	203,443 tons x 66.6%		115,195 tons of payable zinc		gross sales (approximately €229,238,304)
x	85% (free metal)	x	€1,990	-	€193 TC x 203,443 tons
=	115,195 tons payable zinc	=	gross sales (approximately €229,238,304)	=	net sales (approximately €189,973,805)

Assuming zinc content of 66.6%, 203,443 tons of Waelz oxide would have approximately 135,524 tons of zinc, but only approximately 115,195 tons of "free metal", or tons of zinc for which our zinc smelter customers will pay. The prevailing London Metal Exchange price (to the extent our production is not hedged) for zinc is used to calculate the price per ton of the Waelz oxide. Using the figures from 2016, this would be based on approximately 115,195 tons of payable zinc. A treatment charge is then deducted from the amount payable to us. This treatment charge represents the fees that miners pay smelters to refine zinc concentrate into metal. The treatment charge is usually linked to the London Metal Exchange price for zinc and industry benchmarking. In general, the higher the LME price of zinc is over the base reference price, the larger the treatment charge deducted will be, and vice versa; however, in 2017, a flat treatment charge without escalators or de-escalators has been negotiated. The Waelz oxide price per ton, less the treatment charge per ton (approximately between €150 and €225 per ton) is the net revenue per ton we realize on sales of our Waelz oxide. For a more detailed example of how this treatment charge is calculated, please see the discussion on zinc smelters under section 12.5.1.

Our steel dust recycling activities are uniquely affected by reductions in industrial output, specifically in crude steel production, not only because this drives the volume of our input materials, but also because our steel dust recycling activities produce Waelz oxide, which we sell to zinc smelters who use it to extract pure zinc, which in turn and among other things, is used as an input in the production of galvanized steel. Galvanized steel accounts for an estimated 50% of the global demand of zinc, thus a downturn in the level of industrial output of galvanized steel decreases the demand for the Waelz oxide we produce, and therefore affects the results of operations of our Steel Dust Recycling Services segment.

In addition to volumes of dust and demand for zinc, equally important is the amount of zinc content in the dust as higher zinc content in dust means higher zinc content in our Waelz oxide which drives higher revenues. Revenue from higher zinc content in Waelz oxide, however, are vulnerable to partial offsets due both to the downward pressure that dust with high zinc content puts on our service fees and larger treatment fees deducted by zinc smelter customers. Although industrial practices are increasing the amount of zinc in the dust we collect for our customers, the average zinc content in the dust we have treated has decreased slightly from 67.2% in 2015 to 66.6% in 2016, mainly due to the expansion of our collection services in regions like Turkey and Southeast Asia where zinc content in dust is still lower than it is in Europe.

Of all the factors that impact our revenue, stronger zinc prices have the largest long term impact on our profitability. Since zinc is a commodity and subject to volatile fluctuations, we use hedging policies described below to moderate the potentially volatile effects of zinc price movements on our Steel Dust Recycling Segment revenues.

(e) Stainless Steel

Our stainless steel operations also contribute to our Steel Dust Recycling Services revenue. We charge tolling fees for extracting marketable metals from stainless steel residue we collect, and generally return the metals to our customers. Our tolling fee is based on an agreed level of metal recovery and depends on the metal composition of the stainless steel residue and the metal recovery level at our plants. Tolling fees also generally take into account the cost of electricity, coke and transportation related to stainless steel residue recycling. It is economically beneficial for producers to recycle their residues because the tolling fee is lower than the value of metals recovered for the customer. Because the tolling fee is a service charge for the extraction of metals from the stainless steel residue, it is similar to the treatment charge levied on our Waelz oxide sales and less susceptible to fluctuation when compared with the service fees we charge for the collection and treatment of crude steel dust. Higher tolling charges have a positive impact on our revenues and, to the extent they exceed our costs, on our results.

Not all of our stainless steel producer customers require recovered metals to be returned to them, and in such cases, we sell the recovered metals in the market, with the sales making up a portion of our revenue. In these cases, we do not charge stainless steel producers a tolling fee, as we recover our recycling costs from the price of metals sold. Commodities prices, particularly the price of nickel, impacts the profitability of these sales.

Revenues for stainless steel have been slowly decreasing over the past few years and only make up a small portion of our Steel Dust Recycling Services segment revenue, accounting for €47.0 million in 2014, €44.0 million in 2015, and €43.3 million in 2016.

10.4.2 Aluminium Salt Slags Recycling Services (Salt Slags)

The profitability of our Aluminium Salt Slags Recycling Services business is driven primarily by the results of our Salt Slags sub-segment. In our Salt Slags sub-segment, we recycle salt slags which we receive from secondary aluminium producers or generate during our own production of secondary aluminium. We also recycle SPLs supplied by primary aluminium producers, albeit to a much lesser extent.

(a) Recycled volume

Industrial output in the automotive and construction industries is a key driver of aluminium demand and thus a driver for salt slags as a residual waste of aluminium production. In addition, the appliance, machinery, equipment and transportation industries are also significant markets for our products and drivers of our business. When production of secondary aluminium declines, we recycle lesser amounts of salt slags and produce lesser amounts of secondary aluminium alloys. Consequently, our results of operations are adversely affected when our aluminium residue recycling and secondary aluminium alloys production volumes decrease.

We recycled 432,174 tons of salt slags and SPLs in 2014. Volumes increased by 7% in 2015 to 464,557 tons and increased again to 492,382 tons in 2016. In the 12 months ended June 30, 2017, we treated 505,683 tons of salt slags and SPLs.

(b) Capacity

Low volumes of salt slags and SPLs also lead to low capacity utilization in our recycling facilities which has a negative effect on our profit margins due to the fixed costs and depreciation charges associated with our plants. In our Aluminium Salt Slags Recycling Services segment we own and operate six plants across Europe, four of which are salt slags and SPL recycling facilities. Improving capacity utilization at our salt slags recycling plants will improve margins and increase profitability.

As of January 1, 2014, our salt slags and SPL recycling capacity was 607,000 tons, thereof 127,000 tons at our Valladolid facility. Due to debottlenecking improvement operations, we were able to increase installed capacity at our Valladolid facility first to 129,000 during 2014, and then to 150,000 during 2016, resulting in a total salt slags and SPL recycling capacity of 630,000 tons effective as of December 31, 2016. 100,000 tons of this total capacity is attributable to our salt slags recycling plant in Töging (Germany) which has been idle since we acquired it in 2009 due to overcapacity and under-supply of input materials in this area.

(c) Service fee

A significant portion of our revenue is attributable to service fees we charge customers for recycling salt slags and SPLs. Unlike service fees for the collection and treatment of zinc-rich steel dust, service fees for the recycling of salt slags and SPLs are less volatile and represent a comparatively larger portion of the salt slags sub-segment revenues. In the year ended December 31, 2016, service fees represented 40% of the revenues in our Salt Slags subsegment, and revenues from service fees in this subsegment have risen in each recent year, mainly driven by higher amounts of materials recycled and decreased values of the residues contained therein, namely salt, aluminium concentrate and oxides.

(d) Demand for end products (Aluminium Concentrate, Aluminium Oxide, and Salt)

Within our Salt Slags operations, we produce aluminium concentrates, aluminium oxides, and salts which we either use internally or sell to third parties. As demand for these end products increases, prices also increase, which leads to higher revenues. A further driver of revenues in this segment are service fees and tolling fees we charge our customers in exchange for our services. These are primarily driven by the volume of aluminium scrap or salt slags being recycled.

In 2016, we recycled 492,382 tons of salt slags and SPLs, from which we were able to produce 166,292 tons of salt and 37,741 tons of aluminium concentrate. In 2015, we recycled 464,557 tons of salt slags and SPLs, from which we were able to produce 170,747 tons of salt and 37,957 tons of aluminium concentrate. In 2014, we recycled 432,174 tons of salt slags and SPLs, from which we were able to produce 161,739 tons of salt and 34,320 tons of aluminium concentrate.

10.4.3 Aluminium Salt Slags Recycling Services (Secondary Aluminium)

In addition to recycling salt slags and SPLs for aluminium producers, we engage in secondary aluminium production. Secondary aluminium production improves capacity utilization at our salt slags recycling plants. Our revenues within the secondary production sub-segment mainly comprise proceeds from the sale of aluminium alloys and are impacted both by the volume we produce and the price at which we can sell. The price per ton of secondary aluminium alloy we produce is set mainly in bilateral negotiations with our customers. There are also contracts where the prices are set by reference to an independent quotation, such as the Metal Bulletin FM, or to the price of aluminium quoted on the LME, in both cases plus a premium depending on the alloys sold.

10.4.4 Capacity and utilization

Utilization levels of our plants depend on the volumes of our main inputs, steel dust and aluminium residues and salt slags, which vary depending on the levels of industrial production of crude and stainless steel and primary and secondary aluminium, especially in the geographic areas in which we operate. In particular, our stainless steel waste recycling plants operate at lower but increasing utilization levels due to the low stainless steel production currently experienced in the European market. We usually tend to adjust utilization levels of our plants according to the amount of inputs we receive from our steel and aluminium recycling customers, which affects our results of operations as described in 10.5.1 (b) and 10.5.2 (b) above.

We do not operate our plants at their full installed capacity, due to planned maintenance stoppages and fluctuations in demand for our services, but seek to operate at efficient levels.

The table below shows installed capacity and utilization levels of our fully operating plants in our segments for the period from 2013 until 2016.

	For the year ended December 31,			
	2016	2015	2014	2013
Crude steel dust recycling				
Installed capacity (*tons*)	780,300	670,300	670,300	596,967
Utilization[1] (%)	75.3	86.6	90.3	91.8
Stainless steel residue recycling				
Installed capacity (*tons*)	174,000	174,000	174,000	174,000
Utilization[1] (%)	52.6	53.9	51.3	60.9
Salt Slags				
Installed capacity[2] (*tons*)	609,000[(5)]	609,000	607,000	607,000
Utilization[3] (%)	96.5	91.3	85.2	86.2
Secondary Aluminium				
Installed capacity (*tons*)	205,000	205,000	126,000	120,000
Utilization[4] (%)	88.1	83.0	100.4	95.0

(1) Utilization represents crude steel dust or stainless steel residue, as applicable, processed against annual installed capacity.
(2) Includes the 100,000 tons of capacity at our Töging (Germany) plant, which has been idle since 2009.
(3) Utilization represents the volume of salt slags and SPLs recycled against annual installed capacity (not including the 100,000 tons of capacity at our Töging (Germany) plant, which has been idle since 2009).
(4) Utilization represents secondary aluminium produced against annual installed capacity.
(5) Total installed capacity was increased to 630,000 tons effective as of December 31, 2016.

10.4.5 Zinc hedging policies

We use zinc hedges to hedge a portion of our production capacity of Waelz oxide. Such hedges affect our financial results by eliminating sharp increases or decreases in revenues in our Steel Dust Recycling Services segment and we believe in recent years this hedging has reduced our exposure to volatility in zinc prices and enabled us to keep revenues and margins relatively stable and cash flows predictable. Under our prior zinc hedging strategy, for 2017 and 2018, we fixed the price per ton of zinc in euro for more than half of the expected volume of zinc to be extracted from our Waelz oxide by entering into financial swap agreements with several financial institutions. Under our current zinc hedging strategy we have strengthened our hedging strategy further and extended our hedging both in terms of volume percentage as well as covered periods. We have committed recently to hedges covering a period until mid-2020, thereby consistently hedging over 70% of the expected volume of zinc to be extracted from our Waelz oxide for the respective years. We constantly review options for further renewing and extending our existing hedges in light of the current zinc market environment and are committed to hedge about 60-75% of the expected volume of zinc to be extracted from our Waelz oxide for a period of 2-4 years going forward. Also, we assess options for further extending our hedges up to 2021.

During the years ended December 31, 2015 and 2016, our portfolio of zinc hedges resulted in financial losses of €0.8 million (all accounted for as financial expenses) and €8.6 million (€8.1 million therefrom accounted for as fewer sales and €0.4 million accounted for as financial expenses), respectively, as a result of zinc market prices being higher than the hedged prices during 2015 and 2016.

10.4.6 Foreign currency fluctuations

We are subject to both translational and transactional foreign currency risks. Our reporting currency is the euro. However, during the past three years, we have had subsidiaries and operations with revenue and expenses in a number of jurisdictions, including the United Kingdom, Sweden, Turkey, South Korea, Argentina, Chile and Peru, where we generate revenues in currencies other than the euro and, in light of our growth plans we may operate in additional jurisdictions with currencies other than the euro. For the year ended December 31, 2016, 15.4% of our consolidated revenue from continuing operations was denominated in currencies other than the euro, principally the US dollar, South Korean won and the Swedish krona. We incur expenses and liabilities in these currencies, naturally hedging some of the impact of currency fluctuations in these regions, but we also face transactional impacts from movements in the US dollars, because Waelz oxide (which contains zinc) and other commodities we sell are priced by reference to their quotations in US dollars.

We are also subject to translation impacts when the results of operations of our foreign subsidiaries and our products priced in currencies other than the euro are translated into euros at the applicable exchange rate for inclusion in our consolidated financial statements. See Note 4.1 to the 2016 Audited Consolidated Financial Statements for information about the functional currency of certain of the Group's subsidiaries and joint ventures and for information on assets exposed to the risk of foreign currency translation.

We aim to minimize the effect of foreign exchange fluctuations by matching revenues, expenses and liabilities in each currency, to the extent commercially practicable and by hedging a part of the transactions in foreign currency pursuant to the Group's hedging policy.

10.4.7 Supplies and input materials

As described in 10.4.1 and 10.4.2 above, our business model relies on customers providing us with, and paying us for the recycling of, the majority of our main input materials, being steel dust, salt slags and SPL. For the aluminium residues we collect we pay in proportionally to the metal recovery and treatment difficulty, but we also receive a portion of our main input materials required for secondary aluminium production from our own salt slags recycling plants. Therefore, our exposure to fluctuations in input material prices is limited due to this feature of our business model.

However, we are required to pay for some of our other inputs, in particular electricity, natural gas and coke. In 2016, electricity, gas and coke combined to account for 12%, of our total operating expenses. We procure electricity, gas and coke and our other ancillary input materials from a small number of suppliers, but we do not have any significant concentration in the supply of any one input material. The supply and prices of input materials we purchase have in the past and can in the future fluctuate widely as a result of a number of factors beyond our control, including government regulations and legislation affecting the production or transportation of coke, unpredictable short-cuts in electricity and gas supplies, consolidation or closure of suppliers and speculative movements in the commodities markets.

Furthermore, we contract with third parties (transportation companies) for the transportation to our plants of steel and aluminium waste and to our customers of Waelz oxide, secondary aluminium alloy, recovered metals and other products of our recycling processes. While we are generally able to pass through the related transportation costs to our customers, we might not be able to do so or our costs might increase in the future.

10.4.8 Environmental laws and regulations

Our results of operations are affected and are expected to be affected by environmental laws and regulations in most jurisdictions where we operate.

Our results of operations are substantially dependent on the availability of steel and aluminium residue, which is the industrial output of a number of industries, including the automotive value chain industries, construction value chain industries, industrial, appliance, machinery, equipment and transportation industries. Environmental laws and regulations governing transportation and disposal, of industrial waste, in particular in the European Union, have affected in the past and are expected to continue to affect these industries, including by prioritizing recycling over landfilling. As relevant laws and regulations are enacted and enforced and countries continue to impose stricter requirements regarding the environmentally-safe disposal, treatment and recycling of industrial waste, we expect demand for our services to increase.

While we do expect stringent regulation to generally increase demand for our services, we also incur significant expenses related to compliance with environmental laws and regulations, and in particular with the conditions of our permits and authorizations. As environmental laws and regulations governing our business become stricter, both within and outside the EU, the cost of our environmental compliance may increase, which may lead to increased operating expenses and capital expenditures. We are also exposed, in particular in the European Union, to significant liabilities, fines and penalties if found responsible for releases of hazardous substances and pollution of the soil, water, underground water, air or other type of contamination. Any occurrence of non-compliance could materially adversely affect our business and result of operations in the future. See "*1. Risk Factors—Risks relating to our business and industry—Our operations are subject to stringent laws and regulations, particularly under applicable environmental laws*".

In addition, strict regulation on hazardous wastes such as the import ban on steel dust currently in place in Turkey, can have a negative impact on our business as well. If the import ban in Turkey were lifted, we believe we could import dust from neighboring regions to increase the capacity utilization of our facility there which in turn would improve margins and increase profitability. Likewise, if a new import ban were to be put in place in a country like South Korea, where we have begun to import input materials from other Asian countries, this would reduce utilization in our South Korean facility and negatively impact our results.

10.5 Explanation of key consolidated income statement items

The line item captions used below and throughout this Prospectus are based on the 2016 Audited Consolidated Financial Statements. The 2015 and 2014 Audited Consolidated Financial Statements use different line item denominations to refer to the same line item captions as the 2016 Audited Consolidated Financial Statements, although the corresponding amounts are the same. Our consolidated revenue consists primarily of revenues from our steel dust recycling services and aluminium residue recycling services, particularly salt slags recycling and secondary aluminium production.

10.5.1 Revenue

In our Steel Dust Recycling Services segment, we derive revenue primarily from (i) the collection and treatment of crude steel dust; (ii) the sale of Waelz oxide to zinc smelters; (iii) charging a tolling fee to stainless steel manufacturers, which compensate us for recycling the stainless steel residues they generate and for returning to them the recovered metals resulting from the recycling process; and (iv) the sale on the market of recovered metals resulting from the recycling of stainless steel residues from customers who do not want recovered metals returned to them. In 2016, 8.3% of our revenue for our Steel Dust Recycling Services segment was derived from service fees and remainder was primarily derived from the sale of Waelz oxide.

In addition, in our Steel Dust Recycling Services segment we record as revenue (i) realized gains and losses derived from the settlement of derivatives we enter into to hedge ourselves against fluctuations in the price of zinc, and (ii) revenue resulting from the passing-through of certain costs (mainly transportation, electricity and coke purchases) to our stainless steel customers.

In our Aluminium Salt Slags Recycling Services segment, we derive revenue primarily from (i) sales of secondary aluminium alloys, (ii) recycling of salt slags and SPLs from our customers, (iii) sales of the aluminium concentrates, salts and oxides produced in the course of our salt slags recycling operations, and (iv) sales of machinery and equipment.

In 2016, 69.5% of our revenue for our Aluminium Salt Slags Recycling Services segment was derived from the sale of secondary aluminium alloy and 21.7% was derived from the fees we charge for recycling of salt slags and SPLs and from the sale of products of salt slags' and SPLs' recycling, while the remainder was derived from the sale of other output materials as well as machinery and equipment.

10.5.2 Changes in stocks of finished products and work in progress

Change in stocks of finished products consists of variations in the level of stocks of finished products and work in progress at the end of the most recent period compared with the end of the prior period. Work in progress and finished goods are measured at the lower of acquisition cost (first-in-first-out basis) or net realizable value. This caption is also affected by the estimated write-down, if any, of obsolete, defective or slow-moving inventories within our Secondary Aluminium sub-segment.

10.5.3 Cost of sales

Cost of sales comprise purchases of raw materials and other supplies, changes in goods held for resale, raw materials and other inventories and other external expenses.

(a) Purchases of raw materials and other supplies:

This encompasses the accrued expense of all purchases necessary to our ordinary activity during a fiscal year.

(b) Changes in goods held for resale, raw materials and other inventories:

This reflects the variations in the level of inventories of goods held for resale, raw materials, ancillary products, consumables and spare parts. These items are measured at the lower of the acquisition cost (first-in-first-out basis) or market value.

(c) Other external expenses:

This includes mainly works performed by third parties and transport costs related to recycling.

10.5.4 Other operating income

Other operating income is comprised mainly of in-house work on non-current assets, income from grants and services, other operating income and reversal of provisions for contingencies and charges.

(a) In-house work on non-current assets:

This includes the cost accrued and capitalized during a fiscal year associated with internally generated assets.

(b) Income from grants:

This includes the effect of the recognition on a systematic basis in the profit and loss account over the periods in which the entity recognizes as expenses the related cost for which the grants are intended to compensate or over the useful life of the asset which the grants are intended to fund.

(c) Services and other operating income:

This includes different types of re-invoicing related to logistics and other services, income coming from insurance compensation and some asset sales, and sales of byproducts.

10.5.5 Staff costs

Staff costs comprise wages and salaries, employer social security costs and other employee benefit costs.

(a) Wages and salaries:

This includes the annual distribution to the workforce, as well as expenses related to the termination of employment relationships.

(b) Employer social security costs:

This encompasses payments made by us in favor of social security agencies for the benefits that they provide.

(c) Other employee benefit costs:

This includes other miscellaneous expenses related to our workforce.

10.5.6 Other operating expenses

Other operating expenses comprise research and development expenditure, outside services, taxes other than income tax, losses on, impairment of and changes in allowances and current operating expenses.

(a) Research and development expenditure:

This includes costs incurred by us in connection with research and development activities that do not meet the criteria to be considered an intangible asset.

(b) Outside services:

This includes mainly professional services, maintenance expenses, operating leases, transportation costs, insurance premiums and power supply expenses.

(c) Taxes other than income tax:

This includes other minor local taxes such as business tax or property tax.

(d) Losses on, impairment of and changes in allowances:

This reflects mainly the variation of the provision for impairment of trade receivables.

(e) Other current operating expense:

This includes management fees and other miscellaneous expenses.

10.5.7 Depreciation, amortization, impairment and provisions

Depreciation, amortization, impairment and provisions reflect the depreciation of property, plant and equipment and the amortization of intangible assets with a limited useful life, as well as charges for the impairment of goodwill, intangible assets with limited and indefinite useful life and of property, plant and equipment.

10.5.8 Financial income

Financial income consists primarily of interest earned from credit agreements, primarily with non-consolidated subsidiaries.

10.5.9 Financial expenses

Financial expenses consist of interest expense and other finance costs.

10.5.10 Net exchange differences

Net exchange differences represent the impact of gains and losses from foreign exchange differences related to assets and liabilities denominated in foreign currencies.

10.5.11 Corporate income tax

Corporate income tax expense consists of current and deferred taxes calculated in accordance with the relevant tax laws in force in the jurisdictions in which we operate. In view of the international nature of our activities, we are subject to tax rates in various jurisdictions, each of which depend on applicable legislation. These statutory tax rates range between 20 and 35% in the jurisdictions in which we are active, with the main jurisdictions being Germany with 31.5% and the Basque country with 28% statutory tax rates. The Company currently has loss carry-forwards and tax credits which could reduce the effective cash tax rate significantly in the future.

Although we are a Luxembourg company, some of our subsidiaries' tax domiciles are in the autonomous Spanish community of the Basque Country of Spain. As such, these subsidiaries are subject to certain tax rules which, under certain circumstances, result in reduced corporate taxes applicable to companies domiciled in the Basque Country. Historically, these reduced corporate taxes have not been reflected in our financial statements because our operations in the Basque Country have been loss making. Assuming we generate substantial profits in the Basque Country going forward, we could expect a decrease in taxes as a percentage of income, both from a cash and accounting perspective, after application of tax credits at our Basque entities. Because we believe we can apply the Basque entities' off balance sheet tax credits first, we do not expect to need to release deferred tax assets to reduce our taxes as a percentage of our income.

10.5.12 Profit/(loss) for the period from discontinued operations

Profit/(loss) for the period from discontinued operations represents the net profit from discontinued operations after deducting income tax expense. Our discontinued operations for the year 2016 mainly consist of the IES Business, which we sold through multiple transactions in December 2016 and in the first quarter of 2017.

10.5.13 Adjusted EBIT

We include Adjusted EBIT in the discussion of our results because we believe that it provides a good measure of our performance on an ongoing basis. Adjusted EBIT reflects our operating result before interest and taxes and other items, such as holding company costs, restructuring effects and other one-off or non-recurring items.

10.6 Operating and Financial Results

10.6.1 Discussion of consolidated financial results

The discussion of our consolidated financial results for the six-month periods ended June 30, 2017 and 2016 and for the three years ended December 31, 2016, 2015 and 2014, which follows is based:

- for the six months ended June 30, 2017 and 2016 on the consolidated income statement for the period ended June 30, 2017 contained in the Unaudited Interim Consolidated Financial Statements;

- for the year ended December 31, 2016 on the consolidated income statement contained in the 2016 Audited Consolidated Financial Statements, with unaudited comparable figures for 2015 adjusted for impacts from the IES Business based on internal accounting records and management accounts; and
- for the years ended December 31, 2015 and 2014 on unaudited adjusted consolidated income statement information presented by the Company to adjusted for impacts from the IES Business based on internal accounting records and management accounts.

10.6.2 Results of operations

The following table sets forth our consolidated results of operations for the six-month periods ended June 30, 2017 and 2016 and for the year ended December 31, 2016 derived from the Unaudited Interim Consolidated Financial Statements and the 2016 Audited Consolidated Financial Statements, respectively, as well as consolidated results of operations for the years ended December 31, 2015 and 2014 excluding the IES Business based on internal accounting records and management accounts. In order to facilitate comparison of our consolidated results of operations and for the best comparability and understanding of the financial information included herein, the tables and discussions below present the IES Business as discontinued operations. For a detailed discussion of the impacts the IES Business had on our audited financial results for the periods prior to its classification as discontinued operations (e.g. 2015 and 2014), please see "*10.3.1 Disposal of the IES Business*" above.

	Period ended June 30,		Year ended December 31,		
	2017 (unaudited)	2016 (unaudited)	2016 (audited)	2015[(1)] (unaudited)	2014[(1)] (unaudited)
	(€ thousand)				
Continuing operations:					
Revenue	374,383	300,817	611,687	631,195	554,477
Changes in stocks of finished products and work in progress	712	(3,022)	(3,595)	(2,316)	(7,210)
Cost of sales	(203,601)	(152,420)	(297,163)	(318,065)	(259,320)
Other operating income	5,799	3,598	9,344	9,833	17,103
Staff costs	(38,272)	(37,514)	(72,136)	(72,250)	(66,849)
Other operating expenses	(68,298)	(58,765)	(119,334)	(120,370)	(113,343)
Amortization/depreciation, impairment and provisions	(15,111)	(16,537)	(44,496)	(44,905)	(37,246)
Operating profit	**55,612**	**36,157**	**84,307**	**83,122**	**87,611**
Financial income	1,722	3,711	6,335	8,773	11,089
Financial expenses	(24,658)	(23,608)	(58,123)	(62,767)	(62,794)
Net exchange differences	(236)	460	1,960	(620)	1,350
Finance income/(loss)	**(23,172)**	**(19,437)**	(49,828)	**(54,614)**	**(50,355)**
Profit/(loss) before tax	**32,440**	**16,720**	**34,479**	**28,508**	**37,256**
Corporate income tax	(10,053)	(6,088)	(13,736)	(14,212)	(11,742)
Profit/(loss) for the period from continuing operations	**22,387**	**10,632**	**20,743**	**14,296**	**25,514**
Discontinued operations:					
Profit/(loss) for the period from discontinued operations	12,773	(1,825)	(71,795)	(50,348)	(4,841)
Profit for the period	**35,160**	**8,807**	**(51,052)**	**(36,052)**	**20,673**
Attributable to:					
Parent company owners	32,830	9,020	(52,914)	(35,394)	18,368
Non-controlling interests	2,330	(213)	1,862	(658)	2,305

(1) Unaudited information reflecting adjustments to the consolidated income statement set out in the 2015 and 2014 Audited Consolidated Financial Statements for impacts of the IES Business and to present it as discontinued operations. The

audited consolidated income statement information for the years ended December 31, 2015 and December 2014 are set out in 9.1 Consolidated Income Statement Information above.

The following discussion examines our consolidated results of operations for the six-month periods ended June 30, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014 with respect to our continuing operations.

10.6.3 Revenue

Our revenue from continuing operations was €374.4 million for the six-month period ended June 30, 2017, as compared to €300.8 million for the six-month period ended June 30, 2016, representing an increase of 24.5% (or €73.6 million) in 2017 as compared to 2016. The increase was primarily due to increased revenue from Waelz oxide sales and stronger revenues from aluminium production due to higher prices for both zinc and aluminium alloys, respectively.

Our revenue from continuing operations was €611.7 million for the year ended December 31, 2016, as compared to €631.2 million and €554.5 million for the years ended December 31, 2015 and 2014, respectively, representing a decrease of 3.1% (or €19.5 million) in 2016 as compared to 2015, and an increase of 13.8% (or €76.7 million) in 2015 as compared to 2014.

The decrease in 2016, as compared to 2015, was due primarily to lower revenues from aluminium production, which faced lower average aluminium alloy selling prices despite producing more tons of secondary aluminium alloys in 2016 when compared with 2015.

The increase in 2015, as compared to 2014, was principally due to the increased production and sales volumes of secondary aluminium, mainly due to the inclusion of full year sales from secondary aluminium production at our plant in Bernburg, which came online at the end of 2014.

(a) Steel Dust Recycling Services

Six-month periods ended June 30, 2017 and 2016

Our revenue from Steel Dust Recycling Services was €157.0 million for the six-month period ended June 30, 2017, as compared to €126.2 million for the six-month period ended June 30, 2016, representing an increase of 24.4% (or €30.8 million) in 2017 as compared to 2016.

The increase was primarily due to significantly higher average zinc prices (blended rate of €2,113/ton in the first six months of 2017 versus €1,724/ton in the same period in 2016) as well as increased volumes of Waelz oxide sold in the first six months of 2017 (107,770 tons versus 96,203 tons in the same period in 2016). The increase was partially offset by lower service fee revenue due to downward pressure on fees in light of increasing zinc prices (down 13.1% in the first six months of 2017 compared with the same period in 2016) and slightly lower zinc content in the Waelz oxide sold attributable to more of the overall mix of steel dust collected being from developing countries, as well as lower tolling fees and volumes of stainless steel dust treated (down 50% compared to the same period in 2016).

Years ended December 31, 2016 and 2015

Our revenue from Steel Dust Recycling Services was €281.1 million for the year ended December 31, 2016 as compared to €253.9 million for the year ended December 31, 2015, representing an increase of 10.7% (or €27.2 million).

The increase of 10.7% (or €27.2 million) in 2016, as compared to 2015, was principally due to higher prices as a result of our hedging arrangements and the volume of Waelz oxide sold (up 2% to 203 thousand tons), offset by lower revenues from service fees for the collection of crude steel dust (down €1.5 million to €23.2 million in 2016 from €24.7 million in 2015). Our average annual zinc price increased to €1,990 for 2016, from €1,706 for 2015 (this hedging price related to approximately 60% of our zinc sales in 2016, which were hedged, and is based on previous months' figures relevant for the respective period), while the average price in euro we collected for zinc sales in 2016 increased, as compared to 2015 (the average LME price of zinc in US dollars also increased in 2016, as compared to 2015). The volume of Waelz oxide sold in 2016, as compared to 2015, increased by 2.0% (to 203,443 tons in 2016 from 199,534 tons in 2015) and the volume of Waelz oxide produced in 2016, as compared to 2015, increased by 1.8%. Zinc content in our Waelz oxide sold decreased slightly between 2015 and 2016, again due to more steel dust being collected in Turkey and Southeast Asia where zinc is not used to the same levels as in Europe.

Revenue in 2016 was also supported to a much smaller extent by an increase in the volume of alloys sold (albeit at slightly lower prices), offset by a slight reduction in the volume of stainless steel dust processed in 2016 as compared to 2015.

Years ended December 31, 2015 and 2014

Our revenue from Steel Dust Recycling Services was €253.9 million for the year ended December 31, 2015 as compared to €262.2 million for the year ended December 31, 2014, representing a decrease of 3.2% (or €8.3 million).

The decrease of 3.2% (or €8.3 million) in 2015, as compared to 2014, was principally due to a decrease of 4.5% in tons of Waelz oxide sold in 2015 (199,534 tons versus 208,918 in 2014) and unfavorable treatment charges which were 28% higher in 2015 compared to 2014, partially offset by an overall increase in zinc blended price of 6%. The decrease was also driven to a lesser extent by a decrease in metals sold and lower average nickel prices in 2015 as compared to 2014, partially offset by increased volume of stainless steel dust treated and a slightly higher zinc content in our Waelz oxide sold.

(b) Aluminium Salt Slags Recycling Services

Six-month periods ended June 30, 2017 and 2016

Our revenue from Aluminium Salt Slags Recycling Services was €234.9 million for the six-month period ended June 30, 2017, as compared to €190.2 million for the six-month period ended June 30, 2016, representing an increase of 23.5% (or €44.7 million) in 2017 as compared to the same period in 2016.

The increase was primarily due to higher average aluminium alloy prices as well as increased volumes of aluminium alloys produced (98,835 tons in the first six months of 2017 compared with 97,563 tons in the same period during 2016). The increase was further supported by 265,222 tons of salt slags and SPL recycled in the first six months of 2017, corresponding to a 5.3% growth compared with the same period in 2016, when we recycled 251,921 tons of salt slags and SPL.

Years ended December 31, 2016 and 2015

Our revenue from Aluminium Salt Slags Recycling Services segment was €364.4 million for the year ended December 31, 2016 as compared to €404.8 million for the year ended December 31, 2015, representing a decrease of 10.0% (or €40.4 million). Within this segment, revenue from secondary aluminium production decreased to €285.5 million for the year ended December 31, 2016, from €320.7 million in 2015, while revenue from salt slags decreased to €78.9 million for the year ended December 31, 2016 from €84.0 million for the year ended December 31, 2015.

The decrease of 10.0% (or €40.4 million) in 2016, as compared to 2015, was principally due to lower average prices for aluminium alloys which fell from an average of approximately €1,609/ton in 2015 to approximately €1,398/ton in 2016. These average effective selling prices include the effect from the tolling volumes. The impact from lower alloy prices was partially offset by higher volumes of alloys sold (up 6.5% year over year), as well as higher revenue from service fees in our salt slags sub-segment (an increase of 8.6% to €31.6 million in 2016 compared to €29.1 million in 2015).

Years ended December 31, 2015 and 2014

Our revenue from Aluminium Salt Slags Recycling Services segment was €404.8 million for the year ended December 31, 2015 as compared to €315.0 million for the year ended December 31, 2014, representing an increase of 28.5% (or €89.8 million). Within this segment, revenue from secondary aluminium production increased to €320.7 million for the year ended December 31, 2015 from €246.1 million for the year ended December 31, 2014, while revenue from salt slags increased to €84.0 million for the year ended December 31, 2015 from €68.8 million for the year ended December 31, 2014.

The increase of 28.5% (or €89.8 million) in 2015, as compared to 2014, was principally due to higher secondary aluminium alloys produced (170,108 tons in 2015, a 35% increase over 2014) as a result of the new Bernburg plant, higher salt slags volumes (up approximately 7.5% or 32,383 tons), greater revenues from salt slags due to greater aluminium concentrate production, and higher services fees charged to aluminium producers.

10.6.4 Changes in stocks of finished products and work in progress

Our stocks of finished products and work in progress from continuing operations was a positive change of €0.7 million for the six months ended June 30, 2017, and negative change of €3.0 million for the comparable period ended June 30, 2016.

Changes in stocks of finished products and work in progress from continuing operations was negative €3.6 million for the year ended December 31, 2016, as compared to negative €2.3 million and negative €7.2 million for the years ended December 31, 2015 and 2014, respectively. The decreases in carrying amounts of stocks of finished products and work in progress remained consistent with the contracts we receive for technical design services.

10.6.5 Cost of sales

Our cost of sales was €203.6 million for the six months ended June 30, 2017 compared with €152.4 million for the comparable period ended June 30, 2016, representing an increase of 33.6% (or €51.2 million). This was primarily due to higher activity levels (to which cost of sales are linked) in both our steel and aluminium segments.

Our procurements were €297.2 million for the year ended December 31, 2016, as compared to €318.1 million and €259.3 million for the years ended December 31, 2015 and 2014, respectively, representing a decrease of 6.6% (or €20.9 million) in 2016 as compared to 2015, and an increase of 22.7% (or €58.7 million) in 2015 as compared to 2014.

The decrease of 6.6% in 2016 was principally due to the decrease in costs for aluminium purchases and supplies, driven by lower sales in our Aluminium Salt Slags Recycling Services segment in 2016. The increase of 22.7% in 2015 was mainly due to a rise in aluminium prices during the first half of 2015 as compared to 2014 and to increases in volume of input materials needed for secondary aluminium production at our Bernburg plant, which came online at the end of 2014.

10.6.6 Other operating income

Other operating income was €5.8 million for the six months ended June 30, 2017 compared with €3.6 million for the comparable period ended June 30, 2016, representing an increase of 61.1% (or €2.2 million). This increase was primarily due to proceeds from an insurance claim related to the temporary closure of our Scandust plant in Sweden.

Other operating income was €9.3 million for the year ended December 31, 2016, as compared to €9.8 million and €17.1 million for the years ended December 31, 2015 and 2014, respectively, representing a decrease of 5.1% (or €0.5 million) in 2016 as compared to 2015, and a decrease of 42.7% (or €7.3 million) in 2015 as compared to 2014.

The decreases were mainly due to extraordinary internal improvements of non-current assets, such as work performed in our plants in Turkey, South Korea and Bernburg.

10.6.7 Staff costs

The following table sets forth the breakdown of our staff costs for the periods indicated:

	For the six-month period ended June 30,		For the year ended December 31,		
(€ thousands)	**2017**	**2016**	**2016**	**2015**	**2014**
Staff costs					
Wages and salaries	31,152	30,727	58,172	57,682	53,209
Employer's social security contributions	6,071	5,775	11,803	12,243	11,482
Other welfare costs	1,049	1,012	2,161	2,326	2,158
Total	**38,272**	**37,514**	**72,136**	**72,250**	**66,849**

Our staff costs relating to continuing operations were €38.3 million for the six months ended June 30, 2017 compared with €37.5 million for the comparable period ended June 30, 2016, representing a slight increase of 2.1% (or €0.8 million).

Our staff costs relating to continuing operations were €72.1 million for the year ended December 31, 2016, as compared to €72.3 million and €66.8 million for the years ended December 31, 2015 and 2014, respectively, representing a decrease of 0.2% (or €0.1 million) in 2016 as compared to 2015, and an increase of 8.1% (or €5.4 million) in 2015 as compared to 2014.

Overall staff costs in 2016, as compared to 2015, remained relatively stable. The increase in 2015 was principally in relation to staffing of our Bernburg plant, partially offset by the impact of a reduction in the average number of our employees for the year.

In 2016 the average number of employees employed in our continuing operations was 1,135, as compared to an average of 1,112 employees in our continuing operations in 2015 and 1,058 in 2014.

10.6.8 Other operating expenses

Other operating expenses relating to continuing operations were €68.3 million for the six months ended June 30, 2017 compared with €58.8 million for the comparable period ended June 30, 2016, representing an increase of 16.2% (or €9.5 million). This was primarily due to higher activity levels in Korea related to our steel operations, costs incurred in connection with the temporary closure of our Scandust plant in Sweden, and other advisory costs.

Other operating expenses relating to continuing operations were €119.3 million for the year ended December 31, 2016, as compared to €120.4 million and €113.3 million for the years ended December 31, 2015 and 2014, respectively, representing a decrease of 0.9% (or €1.0 million) in 2016 as compared to 2015, and an increase of 6.2% (or €7.0 million) in 2015 as compared to 2014. The decrease in 2016 was principally due to savings obtained through our operational excellence program. The increase in 2015 was principally due to expenses associated with running the new Bernburg plant.

10.6.9 Depreciation/amortization, impairment and provisions

Our depreciation/amortization, impairment and provisions were €15.1 million for the six months ended June 30, 2017 compared with €16.5 million for the comparable period ended June 30, 2016, representing a decrease of 8.5% (or €1.4 million). This was primarily due to lower amortization charges related to some assets in our Steel Dust Recycling Services segment which have been fully amortized.

Our depreciation/amortization, impairment and provisions were €44.5 million for the year ended December 31, 2016, as compared to €44.9 million and €37.2 million for the years ended December 31, 2015 and 2014, respectively, representing a decrease of 0.9% (or €0.4 million) in 2016 as compared to 2015, and an increase of 20.6% (or €7.7 million) in 2015 as compared to 2014. The increase in depreciation, amortization, impairment and provisions amount in 2015 was principally due to write-off of goodwill at our plant operated by Befesa Valera S.A.S. (**"Befesa Valera"**) in Gravelines, France in the amount of €7.9 million.

10.6.10 Operating Profit

As a result of the foregoing factors, our operating profit from continuing operations was €55.6 million for the six months ended June 30, 2017 compared with €36.2 million for the comparable period ended June 30, 2016, representing an increase of 53.6% (or €19.4 million).

As a result of the foregoing factors, our operating profit from continuing operations was €84.3 million for the year ended December 31, 2016, as compared to € 83.1 million and €87.6 million for the years ended December 31, 2015, and 2014 respectively, representing an increase of 1.4% (or €1.2 million) in 2016 as compared to 2015, and a decrease of 5.1% (or €4.5 million) in 2015 as compared to 2014. Operating margin was 13.8% for the year ended December 31, 2016, as compared to 13.2% and 15.8% for the years ended December 31, 2015 and 2014, respectively.

10.6.11 Finance income/(loss)

Our finance loss was €23.2 million for the six months ended June 30, 2017 compared with €19.4 million for the comparable period ended June 30, 2016, representing an increase of 19.6% (or €3.8 million). This was primarily due to a decrease in interest income from subsidiaries that have been divested.

Our finance loss was €49.8 million for the year ended December 31, 2016, as compared to €54.6 million and €50.4 million for the years ended December 31, 2015 and 2014, respectively, representing an decrease of 8.8% (or €4.8 million) in 2016 as compared to 2015, and an increase of 8.3% (or €4.2 million) in 2015 as compared to 2014. The decrease in 2016 was principally due to lower interest rates after debt refinancing. The change in 2015 was principally due to lower financial income and a negative impact of exchange rate differences.

10.6.12 Profit/(loss) before tax

Our profit before tax was €32.4 million for the six months ended June 30, 2017 compared with €16.7 million for the comparable period ended June 30, 2016, representing an increase of 94.0% (or €15.7 million).

As a result of the foregoing factors, our profit before tax from continuing operations was €34.5 million for the year ended December 31, 2016, as compared to €28.5 million and €37.3 million for the years ended December 31, 2015, and 2014 respectively, representing an increase of 21.1% (or €6.0 million) in 2016 as compared to 2015, and a decrease of 23.5% (or €8.7 million) in 2015 as compared to 2014.

10.6.13 Corporate income tax

Our tax expense was €10.1 million for the six months ended June 30, 2017 compared with €6.1 million for the comparable period ended June 30, 2016, representing an increase of 65.6% (or €4.0 million).

Our tax expense was €13.7 million for the year ended December 31, 2016, as compared to €14.2 million and €11.7 million for the years ended December 31, 2015 and 2014, respectively, representing a decrease of 3.5% (or €0.5 million) in 2016 as compared to 2015, and an increase of 21.4% (or €2.5 million) in 2015 as compared to 2014. See "*10. Management's Discussion and Analysis of Financial Condition and Results of Operation*—Explanation of Key Consolidated Income Statement Items—Corporate income tax" for further information about changes in our tax expense.

10.6.14 Profit/(loss) for the period from continuing operations

Our profit for the period from continuing operations was €22.4 million for the six months ended June 30, 2017 compared with €10.6 million for the comparable period ended June 30, 2016, representing an increase of 111.3% (or €11.8 million).

As a result of the foregoing factors, our profit for the year from continuing operations was €20.7 million for the year ended December 31, 2016, as compared to a profit of €14.3 million and profit of €25.5 million for the years ended December 31, 2015, and 2014 respectively, representing an increase of 44.8% (or €6.4 million) in 2016 as compared to 2015, and a decrease of 44.0% (or €11.2 million) in 2015 as compared to 2014.

10.6.15 Profit/(loss) for the period from discontinued operations

Our profit for the period from discontinuing operations was €12.8 million for the six-month period ended June 30, 2017 compared with a loss of €1.8 million for the six-month period ended June 30, 2016. Our results for the periods from discontinued operations reflect the results of operations generated during the respective period by the IES Business and, for 2017, profit generated from the sale of Solarca group, Befesa Perú S.A. and Soluciones Ambientales del Norte S.A., which made up part of the IES Business.

Our loss for the year from discontinued operations was €71.8 million for the year ended December 31, 2016, as compared to a loss of €50.3 million and €4.8 million for the years ended December 31, 2015 and 2014, respectively. In 2016 profit for the year from discontinued operations reflects losses from the disposals within the IES Business. In 2015, profit for the year from discontinued operations reflects losses from the disposal of Befesa Valorización de Azufre S.L.U. and, as well as for 2014, the results of operations generated by the IES Business during the year.

10.6.16 Profit/(loss) for the period

Our profit for the period from continuing and discontinuing operations was €35.1 million for the six months ended June 30, 2017 compared with €8.8 million for the comparable period ended June 30, 2016, representing an increase of 298.9% (or €26.3 million).

Although continuing operations were profitable over the past three years, we had significant losses in 2016 and 2015 from discontinued operations, resulting in an overall loss for those periods. Our loss for the year from continuing and discontinued operations was €51.1 million for the year ended December 31, 2016, as compared to a loss of €36.1 million and profit of €20.7 million for the years ended December 31, 2015, and 2014 respectively, representing an increase in loss of 41.6% (or €15.0 million) in 2016 as compared to 2015, and a decrease in profit of 274.4% (or €56.7 million) in 2015 as compared to 2014.

10.7 Adjusted EBIT

Six-month periods ended June 30, 2017 and 2016

Our Adjusted EBIT was €69.1 million for the six months ended June 30, 2017 compared with €39.1 million for the comparable period ended June 30, 2016, representing an increase of 76.6% (or €30.0 million). Our Adjusted EBIT margin (Adjusted EBIT divided by Revenue) in the first six months of 2017 was 18.5% compared with 13.0% in the first six months of 2016.

The significant increase between the first six months of 2016 and the first six months of 2017 reflects benefits from higher Waelz oxide volumes and increasing zinc prices and the implementation of operational excellence initiatives. In the first six months of 2017, a one-time adjustment in the amount of €6.8 million was made for the temporary closure of our Scandust facility in Sweden for environmental remediation work, as well as other one-time consultancy costs. For the 12 months ended June 30, 2017, our adjusted EBIT was €133.3 million and our adjusted EBIT margin was 19.5%, benefitting from the trends above.

On a segment basis, from the first six months of 2016 to the first six months of 2017 Adjusted EBIT margins in our Steel Dust Recycling Services segment improved from 22.8% to 34.0% due to increased margins on Waelz oxide sales, attributable to both higher zinc prices and lower treatment charges.

In our Secondary Aluminium sub-segment Adjusted EBIT margins (Adjusted EBIT divided by revenue) for the period increased from negative 0.1% to positive 1.4% following improving metal margins on the back of increases in utilization as Bernburg continues to ramp up, and in our Salt Slags sub-segment, they remained stable with only a slight increase from 23.1% to 23.7%.

For the 12 months leading up to June 30, 2017, our Adjusted EBIT margin in our Steel Dust Recycling Services segment was 33.9% compared to 28.9% in 2016. In our Salt Slags and Secondary Aluminium sub-segments, our adjusted EBIT margins for the 12 months leading up to June 30, 2017 were 23.1% and 1.8% respectively.

Years ended December 31, 2016 and 2015

Our Adjusted EBIT was €103.4 million for the year ended December 31, 2016 as compared to €95.0 million for the year ended December 31, 2015, while our Adjusted EBIT margin was 16.9% for the year ended December 31, 2016 as compared to 15.1% for the year ended December 31, 2015.

The most significant adjustments in 2016 were asset write-offs in Befesa Valera and our salt slags recycling plant in Whitchurch, UK, amounting to €10.6 million in aggregate, and a one-time impact in the amount of €1.7 million for consultancy and legal fees associated with the assessment of a potential acquisition which was not pursued further.

On a segment basis, from the year ended December 31, 2015 to the year ended December 31, 2016, the Adjusted EBIT margin for our Steel Dust Recycling Services segment improved from 24.1% to 28.9% driven by higher weighted average zinc prices including hedging, and declined within our Salt Slags sub-segment from 27.4% to 22.8% due to drop in concentrates prices, while in our Secondary Aluminium sub-segment it decreased from 2.9% to 1.0%.

Years ended December 31, 2015 and 2014

Our Adjusted EBIT was €95.0 million for the year ended December 31, 2015 as compared to €97.4 million for the year ended December 31, 2014, while our Adjusted EBIT margin was 15.1% for the year ended December 31, 2015 as compared to 17.6% for the year ended December 31, 2014.

Of note in 2015 was an adjustment for extraordinary income in Argentina (€4.2 million) resulting from the disposal of assets and the sale of commercial contracts in one of its plants. In 2014, an adjustment was made for taxes payable in Portugal in the amount of €7.4 million.

On a segment basis, from the year ended December 31, 2014 to the year ended December 31, 2015, the Adjusted EBIT margin for our Steel Dust Recycling Services segment declined from 27.0% to 24.1%. Adjusted EBIT margin remained stable at 2.9% within Secondary Aluminium, but increased within our Salt Slags sub-segment from 21.7% to 27.4%.

10.8 Liquidity and capital resources

Our principal liquidity and capital requirements consist of the following:

- costs and expenses relating to the operation of our businesses;

- capital expenditures for existing and new operations; and
- debt service requirements on our existing and future debt.

Historically, we have financed our liquidity and capital requirements through internally generated cash flows, debt financings, including our bond issuances, and borrowings from Triton funds, our shareholders.

10.8.1 Working capital

We aim to maintain low working capital levels by reducing the number of days inventory is in stock and negotiating favorable payment terms with suppliers. In addition, we use non-recourse factoring facilities to reduce the number of days that payments for sales are outstanding and to transfer debt risk to financing partners. Our working capital for continuing operations as a percentage of sales has declined steadily from -0.3% as of December 31, 2014 to -1.3% as of December 31, 2016 and to -2.6% at the end of the first six months of 2017. The table below shows a breakdown of our working capital (excluding cash on our balance sheet):

	As of June 30,	As of December 31,		
(€ million)	2017	2016	2015	2014
Receivables	79.6	78.7	73.4	74.6
Inventory	30.5	30.4	36.0	35.0
Payables	(119.8)	(116.9)	(112.3)	(111.6)
Working Capital	**(9.7)**	**(7.8)**	**(2.9)**	**(1.9)**

10.8.2 Cash flows

Our consolidated cash flow statements in the 2015 and 2014 Audited Consolidated Financial Statements reflect our consolidated cash flows from both our continuing operations (our recycling business) and the IES Business for the full years 2015 and 2014. We believe our consolidated cash flow statement in the 2016 Audited Consolidated Financial Statements is largely comparable as it reflects the fact that the IES Business was largely disposed of in December 2016 and thus, the cash flows statement for 2016 reflects almost the full year of operations of the IES Business. Our consolidated cash flow statement for the six-month period ended June 30, 2017, however, as well as future cash flow reporting, will not contain the IES business and may not be easily comparable to the historical information provided below. Please also see pages F-9, F-44, F-144, and F-235 of this Prospectus for further details.

The following table sets out a summary of our cash flows for the periods indicated:

	For the six-month period ended June 30,		For the year ended December 31,		
(€ thousand)	2017	2016(1)	2016(1)	2015(2)	2014(2)
Net cash flows from operating activities	32,434	9,525	56,071	54,574	59,486
Net cash flows from investing activities	41,139	(18,916)	(33,172)	(22,237)	(39,938)
Net cash flows from financing activities	(50,129)	(3,562)	(17,466)	(56,222)	(8,665)
Effect of foreign exchange rate changes on cash and cash equivalents	(806)	(273)	(868)	(398)	273
Net increase in cash and cash equivalents	22,638	(13,226)	4,566	(24,283)	11,156
Cash and cash equivalents at the beginning of the period(3)	62,009	57,443	57,443	81,726	70,570
Cash and cash equivalents at the end of the period	84,647	44,217	62,009	57,443	81,726

(1) Includes the IES Business prior to its disposal in December 2016 and March 2017.
(2) Includes the IES Business for the year.
(3) As at December 31, 2016, it included the cash and cash equivalents from the operations classified as held for sale.

10.8.3 Net cash flows from operating activities

Our net cash flows from operating activities were €32.4 million for the six-month period ended June 30, 2017, as compared to €9.5 million for the six-month period ended June 30, 2016, representing an increase of €22.9 million. This change was primarily due to additional revenues from our business, but also from positive changes in work capital.

Our net cash flows from operating activities were €56.1 million for the year ended December 31, 2016, as compared to €54.6 million for the year ended December 31, 2015, representing an increase of €1.5 million. This change was primarily due to the better operational performance and less interest paid, partially offset by higher taxes paid.

Our net cash flows from operating activities were €54.6 million for the year ended December 31, 2015, as compared to €59.5 million for the year ended December 31, 2014, representing a decrease of €4.9 million. This change was primarily due to higher payments of interest for the PIK Notes in 2015.

10.8.4 Net cash flows from investing activities

Our net cash flows from investing activities were €41.1 million for the six-month period ended June 30, 2017, compared to outflows of €18.9 million for the six-month period ended June 30, 2016, representing an increase of €60.0 million. The substantial increase was attributable to a €52.4 million cash payment received for the disposal of our IES business in March 2017 and lower outflows for investments in property, plants and equipment in the first six months of 2017, partially offset by non-recurring investments in subsidiaries.

Our net cash outflows from investing activities were €33.2 million for the year ended December 31, 2016, compared to outflows of €22.2 million for the year ended December 31, 2015, representing a decrease of €11.0 million. This principally reflects lower outflows for investments in property, plant and equipment in 2016 offset by lower collections from disposals of Group and associated companies net of cash which amounted to €29.8 million in 2015 due to the disposal of Befesa Valorización de Azufre S.L.U.

Our net cash outflows from investing activities were €22.2 million for the year ended December 31, 2015 compared to outflows of €39.9 million for the year ended December 31, 2014, representing reduced outflows in the amount of €17.7 million. The difference was primarily due to non-recurring cash inflows of €29.8 million in 2015 attributable to collections from the disposal of Befesa Valorización de Azufre S.L.U. Our non-recurring net cash flows from investing activities in 2015, excluding the IES Business, principally reflect our investment in our Bernburg plant and construction costs for a second kiln at our plant in South Korea. Significant recurring cash flows from investing represent on-going maintenance capital expenditure.

10.8.5 Net cash flows from financing activities

Our net cash outflows from financing activities were €50.1 million for the six-month period ended June 30, 2017, compared to €3.6 million for the six-month period ended June 30, 2016, representing an increase of €46.6 million. Outflows in the first six months of 2017 reflect significant repayments of borrowings to reduce leverage (with proceeds received for the disposal of parts of our IES Business in March 2017) as well as a dividend paid in the amount of €2.4 million. In the six-month period ended June 30, 2016, repayments of debt were also partially offset by cash inflows from bank borrowings, which was not the case in the comparable period in 2017.

Our net cash outflows from financing activities were €17.5 million for the year ended December 31, 2016, compared to €56.2 million for the year ended December 31, 2015, representing an increase of €38.7 million. In 2016, the net cash outflows from financing activities were mainly related to the acquisition of a remaining 20% stake in Befesa Zinc Korea, while in 2015 the higher net cash outflows from financing activities were related to the repayment of Korea facility loan and partial repayment of our non-zinc loan which we mainly repaid with proceeds received from the disposal of Befesa Valorización de Azufre S.L.U.

Our net cash outflows from financing activities were €8.7 million for the year ended December 31, 2014. This reflects the difference between inflows and outflows from bank borrowings and other liabilities.

10.8.6 Free Cash Flow and Free Cash Flow After Growth and Other Capital Expenditures

To better measure recurrent cash flows, we use Free Cash Flow, which is calculated from Adjusted EBIT adjusted for depreciation and amortization, change in net working capital, cash taxes and maintenance capital expenditures. In addition to Free Cash Flow, we also use Free Cash Flow After Growth and Other Capital Expenditures which we believe is helpful to track our recurrent cash flows taking into account expansion activities and other capital expenditures. Both of these performance measures are calculated from Adjusted EBIT, which includes recurrent activities, but excludes one-off items and other non-recurring charges/receipts.

(€ millions)	For the six-month period ended June 30, 2017	2016	For the year ended December 31, 2016	2015	2014
Adjusted EBIT	**69.1**	**39.1**	**103.4**	**95.0**	**97.4**
Adjustments for depreciation and amortization	14.0	14.8	29.4	27.9	25.4
Change in Net Working Capital	1.9	(0.9)	4.9	1.0	(14.8)
Cash Taxes	(10.4)	(9.4)	(17.8)	(10.8)	(10.4)
Maintenance Capital Expenditures	(6.0)	(4.2)	(10.1)	(12.3)	(9.2)
Free Cash Flow	**68.7**	**39.4**	**109.8**	**100.8**	**88.4**
Growth and Other Capital Expenditures	(5.2)	(6.0)	(27.2)	(28.3)	(45.0)
Free Cash Flow After Growth and Other Capital Expenditures	**63.5**	**33.4**	**82.6**	**72.5**	**43.4**

10.9 Cash management, pooling and restrictions

10.9.1 Cash management and restrictions

We are a holding company, and substantially all of our assets are held in, our revenues are derived from and our operations are conducted through our subsidiaries and joint ventures, some of which are based in foreign jurisdictions. Consequently, we rely on dividends, repayment of intercompany debt and interests arising thereof and other transfers of funds from our subsidiaries, including subsidiaries that are not wholly-owned, to pay our expenses and meet any future obligations and to pay any future dividends. Certain of our subsidiaries are parties to various loan and credit agreements that contain, and future credit agreements may contain, covenants that take into account our consolidated financial condition or restrict movements of cash among the Group unless certain conditions are satisfied. In particular, the terms of the Proceeds Loan Agreement entered into by Befesa Zinc in respect the Zinc Notes and certain of our project financing agreements restrict movements of cash among the Group unless certain conditions are satisfied. In addition, a certain amount of cash and cash equivalents on our balance sheet is effectively pledged in connection with a cash confirming line.

10.9.2 Balance sheet

(a) Assets

As at June 30, 2017, our total non-current assets were €784.0 million, as compared to €796.0 million, €922.6 million, and €965.2 million as at December 31, 2016, 2015, and 2014, respectively. These included intangible assets of €428.1 million, €430.2 million, €452.1 million and €450.1 million as at June 30, 2017, December 31, 2016, 2015 and 2014, respectively, and property, plant and equipment of €246.2 million, €250.3 million, €360.5 million and €409.4 million as at June 30, 2017, December 31, 2016, 2015 and 2014, respectively. As at June 30, 2017, our total current assets were €219.4 million, as compared to €232.8 million, €221.0 million, and €228.5 million as at December 31, 2016, 2015, and 2014, respectively. As at June 30, 2017, our total assets were €1,003.4 million, as compared to €1,028.8 million, €1,143.6 million, and €1,193.8 million as at December 31, 2016, 2015, and 2014, respectively.

(b) Equity

As at June 30, 2017, our total equity was €198.6 million, as compared to €158.2 million, €259.3 million, and €248.1 million as at December 31, 2016, 2015, and 2014, respectively.

(c) Liabilities

As at June 30, 2017, our non-current liabilities were €297.9 million, as compared to €666.8 million, €635.1 million, and €768.8 million as at December 31, 2016, 2015 and 2014, respectively. As at June 30, 2017, our current liabilities was €506.9 million, as compared to €203.7 million, €249.2 million, and €176.9 million as at December 31, 2016, 2015 and 2014, respectively. The changes were mainly related to the inclusion as at December 31, 2016, 2015, and 2014 of our liabilities relating to discontinued operations, as well the reclassification under current liabilities of our €300.0 million Zinc Notes which will mature in May 2018. For more information relating to our liabilities see below under "*10. Management's Discussion and Analysis of Financial Condition and Results of Operation—Indebtedness*".

10.10 Indebtedness

As at December 31, 2016, our outstanding borrowings (including finance debt and accounts payable for finance leases) were €581.9 million, including €29.3 million in current borrowings. As at June 30, 2017, our outstanding borrowings (including finance debt and accounts payable for finance leases) were €538.5 million, including €325.8 million in current borrowings. The change was mainly due to a reclassification of the €300.0 million Zinc Notes, maturing in May 2018, as current liabilities.

10.10.1 Borrowings as at June 30, 2017 and as at December 31, 2016

The main terms and conditions of the Company's outstanding borrowings as at June 30, 2017 and as at December 31, 2016 were as follows:

Limit in nominal currency (€ thousands)	Effective interest rate	Maturity date	June 30, 2017 Current maturity	June 30, 2017 Non-Current maturity	Dec. 31, 2016 Current maturity	Dec. 31, 2016 Non-Current maturity
a) €300,000 (Zinc Notes)	8.875%	2018	302,492	–	3,328	298,671
b) €150,000 (PIK Notes)	10.50%-11.25%	2018	1,359	160,666	1,359	160,666
c) €167,500 (Non-Zinc Loan)	Euribor + 1.75%	2020	16,515	51,480	23,151	92,578
d) Other			5,433	575	1,469	662
			325,799	**212,721**	**29,307**	**552,577**

Further details of our capitalization and net indebtedness as at June 30, 2017 are set out in "*Capitalization and Indebtedness—Capitalization*" and "*Capitalization and Indebtedness – Indebtedness*".

As at December 31, 2016, we had €16.9 million of long-term debt and €0.3 million of short-term debt outstanding receivables from Triton or Triton funds, and we owed €1.2 million in long-term payables and €0.4 million as short-term payables to Triton or Triton funds.

10.10.2 Preference Share Conversion

Prior to the closing of the Offering, all class A preference shares will be converted into ordinary shares in dematerialized form. Please see "*16. Description of Share Capital—Share Capital and Shares, Development of the Share Capital over the last three years*" for more details.

10.10.3 Refinancing Facility

On October 19, 2017, the Company as parent and certain of its subsidiaries as borrowers and guarantors entered into a €636.0 million facilities agreement to secure future financing needs. See *14.4 Refinancing Facility* below.

10.11 Factoring

The Group derecognises trade receivables for the amount of the receivables sold to banks provided that the factor assumes in full the bad and past-due debt risk relating to non-recourse factoring agreements. As at December 31, 2016 and 2015, the unmatured receivables derecognized as a result of the aforementioned non-recourse factoring transactions amounted to €33.1 million and €36.8 million, respectively. However, the Group does not derecognise collection rights factored when substantially all the risks associated with them are retained.

10.12 Capital expenditures

(a) Historical capital expenditure

The following table shows our total capital expenditures and investments for our continuing operations segments and for our discontinued operations for the years ended December 31, 2016, 2015 and 2014:

€ millions (unaudited) Year	Steel	Aluminium	Subtotal	Corporate & Eliminations	Total
2016	22.6	14.1	36.8	0.5	37.3
2015	25.2	14.8	40.0	0.5	40.5
2014	22.1	29.5	51.5	2.7	54.2

The following table shows our total capital expenditures for the years ended December 31, 2016, 2015 and 2014 split by type (maintenance, growth and other):

(€ millions) (unaudited)	For the year ended December 31, 2016	2015	2014
Maintenance	10.1	12.3	9.2
Growth	16.7	24.1	40.4
Other[(1)]	10.6	4.2	4.5
Total capital expenditures	**37.3**	**40.5**	**54.2**

(1) Other includes productivity and compliance capital expenditures.

Capital expenditure in 2016 principally related to cash outlays for expansion projects within our crude steel operations and maintenance as well as productivity and compliance investments within our steel and aluminium operations. In 2015, growth capital expenditure was largely limited to our steel operations in Korea with the majority of the remainder of our capital expenditures related to maintenance as well as productivity and compliance investments within our aluminium and steel operations. In 2014, growth capital expenditure related mainly to investments in our secondary aluminium plant in Bernburg and equity investments and continued improvements in South Korea. These capital expenditures were funded by cash generated from our recycling operations.

As of June 30, 2017, we have spent €11.2 million for capital expenditures in 2017, primarily for maintenance, but we expect to spend approximately €25 million in total capital expenditures for the full year 2017. Total 2017 capital expenditures will principally be for maintenance within both segments, but also for compliance expenditures for a post-combustion kiln in Freiberg and changes to a holding furnace in Bilbao.

(b) Future capital expenditure

Our growth strategy envisages, among other items, (i) upgrading facilities in Turkey to add 45,000 tons of capacity within our steel dust operations, (ii) upgrading facilities in Hannover and Whitchurch to add approximately 80,000 tons of capacity in total within our salt slags sub-segment, (iii) upgrading our facility in Bernburg to increase capacity by 40,000 tons within our secondary aluminium production sub-segment, and (iv) changing furnaces to holding furnaces in our Spanish secondary aluminium plants in Bilbao and Barcelona. Between the date of this prospectus and 2020, we expect that the aggregate cost for these projects will be approximately €70-80 million, with more than half of that cost being spent in 2018 and most of the remainder in 2019. We intend to fund these projects with cash currently available to us, cash generated from operations, by using bank financing, or raising capital on the capital markets and contributions from our partners. Our actual capital expenditures may vary significantly from our estimates and depend on a variety of factors, including market conditions, levels of demand for our services and capacity at our facilities, the availability of funding, operating cash flow and other factors fully or partially outside our control. See "*1. Risk Factors—Risks Relating to our Business and Industry—Our growth strategy requires capital expenditure and we may not be able to obtain additional financing on favorable terms*".

10.13 Contractual obligations and commitments

The table below sets forth the amount of our contractual obligations and commitments, as at December 31, 2016, based on contractual undiscounted payments:

(€ thousands)	Within 1 Year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bank Borrowings	29,307	483,845	68,732	–
Trade and other payables (excluding capital grants)	164,261	4,099	35,940	1,415
Unaccrued interest payable	45,456	26,905	1,837	–
Total	**239,024**	**514,849**	**106,509**	**1,415**

10.14 Contingent commitments and off-balance sheet arrangements

We and certain of our subsidiaries have provided various guarantees, pledges and mortgages in favor of third parties and as of December 31, 2016, several of our Group companies had provided guarantees of €32.8 million (2015: €35.4 million). The price of Waelz oxide is linked to the price of zinc, and in order to mitigate our exposure to fluctuations in the price of zinc we engage in certain zinc hedging transactions. Please see "*14. Description of Certain Indebtedness and Financing Agreements—Zinc Hedging Agreements*".

As of December 31, 2016, the Company has off-balance sheet tax loss carryforwards in respect of Valera (in the amount of €35.9 million), Biscay (in the amount of €192.6 million), Befesa Salt Slags (in the amount of €11.3 million), BZ Germany (in the amount of €1.1 million), and Luxembourg (in the amount of €28 million). In addition, the Company also uses off-balance sheet factoring arrangements.

10.15 Related Party Transactions

In the course of our business we have entered transactions with related parties including Triton and entities wholly or partially owned or controlled by it, including the Selling Shareholder. See "*19. Related Party Transactions*."

10.16 Quantitative and Qualitative Disclosures about Market Risk

We have exposure to various market risks, such as market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Our risk management policies focus on the uncertainty in financial markets and attempt to minimise the potential adverse effects on our earnings.

Our Corporate Financial Department is in charge of monitoring our risk management policies. It assesses and hedges financial risks in close cooperation with our operating units. Our internal management rules include 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. See Note 4 to the 2016 Audited Consolidated Financial Statements for more information.

Our key risk policies can be summarized as follows:

10.16.1 Foreign currency risk

We operate internationally and, therefore, are exposed to foreign exchange risks arising from currency exposures (primarily fluctuation in the rates of exchange of the US dollar, Korean won, the Swedish krona and Turkish lira). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage foreign currency risk deriving from future commercial transactions and recognized assets and liabilities, we use forward currency contracts. Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency other than our functional currency.

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

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

10.16.2 Cash flow and fair value interest rate risk

Our interest rate risk arises from variable interest rate borrowings. In the past, we have managed cash flow interest rate risk through floating-to-fixed interest rate swaps; either for the total amount or a portion of the loan and either for the full term or a portion thereof. Through these interest rate swaps, we can swap a loan's floating rate of interest for a fixed interest rate, hedging some or all of the outstanding principal and covering all or part of the term of the loan. We do not, however, currently have any hedging instruments in place for interest rates.

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

(€ thousands)	2016	2015
Total external finance debt	581,884	608,292
Finance debt included as liabilities related to assets held for sale	1,353	–
Fixed-rate finance debt	(464,024)	(478,752)
Effect of interest rate swaps	–	(81,750)
Finance debt subject to interest rate	**119,213**	**47,790**

10.16.3 Capital risk

We manage our equity investments in order to ensure the continuity of subsidiaries from an equity and financial standpoint, maximizing the returns for shareholders through the optimization of the equity/borrowings structure on the liability side of their respective balance sheets.

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

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

10.16.4 Price risk

Earnings in the zinc, salt slags and aluminium segments are exposed to the volatility of recycled metal prices (zinc and aluminium). The Group manages price risk through the acquisition of options in exchange for a premium through which it assures a minimum sale price or through commodity swaps. The Company's policy in the Steel Dust Recycling Services segment is to hedge between 60% and 70% of the zinc content in Waelz oxide sale transactions, which are subject to the risk of changes in selling prices.

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

Note 17 to the 2016 Audited Consolidated Financial Statements and Note 12 of the Interim Condensed Consolidated Financial Statements contain a breakdown of derivative financial instruments arranged on the selling prices of these metals.

10.16.5 Credit risk

Most of our receivables and work in progress are payable by customers located in various different industries and countries. In most cases, the contracts provide for progress billings, billings at the beginning of the provision of a service or billings upon delivery of the product. It is our standard practice to reserve the right to cancel projects in the event of any material payment breach or, in particular, payment default. In addition to the foregoing, in most contracts, we secure firm commitments from various banks for the acquisition, without recourse, of receivables. Under these agreements, we pay a fee to the banks for assuming the associated credit risk, plus interest and a spread on the financing received and we assume liability for the validity of the receivables.

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

Our policy is to transfer the credit risk related to the items included in the balance of trade and other receivables through the use of non-recourse factoring arrangements. Consequently, as regards the balance of trade and other receivables, the potential effect of trade receivables for which there are factoring agreements would have to be excluded, as well as the effect of other trade receivables that can be factored but which have not yet been sent to the factor at year-end and assets that are covered by credit insurance and that are reflected in this balance. Through this policy we minimize our credit risk exposure in relation to these assets.

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

10.16.6 Liquidity risk

Prudent management of liquidity risk entails maintaining sufficient cash and marketable securities, ensuring available funding in the form of sufficient committed credit facilities and the ability to monetize market positions. Given the dynamic nature of our core businesses, our treasury department aims to maintain flexible financing at all times by means of undrawn credit facilities.

10.17 Critical Accounting Policies

The preparation of consolidated financial statements under IFRS requires making assumptions and estimates that have an impact on the recognition of balance sheet assets and liabilities, on income and expense in the income statement and on disclosures concerning the existence of contingent liabilities. We have identified the accounting policies discussed below as critical to our business and results of operations. The following accounting policies are important to the portrayal of our reported amounts of expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date and require our management's most subjective or complex judgments, often as a result of the need to estimate the effects of matters that are inherently uncertain. Our management bases its estimates and assumptions on historical experience, where applicable and other factors believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. Our management cannot offer any assurance that the actual results will be consistent with these estimates and assumptions. The most critical accounting policies, which reflect significant management estimates and judgment to determine amounts in the Audited Consolidated Financial Statements, are as follows:

- Impairment of non-current assets and goodwill
- Income taxes and recoverable amount of deferred tax assets
- Derivative financial instruments

Although these estimates and assumptions are being made using all available facts and circumstances, it is possible that future events may require management to amend such estimates and assumptions in future periods. Changes in accounting estimates are recognized prospectively, in accordance with IAS 8, in the income statement of the year in which the change occurs. The Group's significant accounting policies are more fully described in Notes 2 and 3 to the 2016 Audited Consolidated Financial Statements.

10.17.1 Impairment of non-current assets and goodwill

Goodwill and non-current assets which have not yet come into operation or that have an indefinite useful life are not amortized and are tested for impairment on an annual basis or whenever there is an impairment indicator. Goodwill is tested for impairment within the cash-generating unit to which it belongs. Other non-current assets are tested individually, unless they do not generate cash flows independently from other assets, in which case they are tested within the cash-generating unit to which they belong.

For those cash-generating units with high growth potential, we use cash flow projections for a period of 10 years based on the cash flows identified in the Group's strategic plans, which are reviewed and approved every six months by the management of the Group. The residual value is calculated based on the cash flows of the latest year projected using a steady or nil growth rate. The use of a 10 year period is based on the consideration that this is the minimum period that needs to be used in order to appropriately reflect all the potential growth of these cash generating units. These projections are prepared based on the historical experience of the Group in preparing long-term strategic plans and prepared on the basis of the Group's internal control system.

For other cash-generating units we use cash flow projections based on a period of five years, calculating the residual value based on the cash flows of the latest year projected, using a growth rate which does not exceed the long-term rate for the market in which the cash-generating unit operates. Projected cash flows are discounted using a discount rate (see Note 7 to the 2016 Audited Consolidated Financial Statements) based on the weighted average cost of capital, adjusted for the specific risks associated to the business unit to which the cash-generating unit belongs.

Based on the calculations of value in use in accordance with the assumptions and hypotheses described above and in the Notes to the Audited Consolidated Financial Statements, the recoverable amount of the cash generating units to which goodwill was assigned was significantly in excess of their carrying amount, even after having performed certain sensitivity analyses on discount rates and residual values. During the years 2016, 2015 and 2014, there were no intangible assets with indefinite useful life or intangible assets not yet in use that were impaired. In 2016, asset write-offs in Befesa Valera and our salt slags recycling plant in Whitchurch, UK amounted to €10.6 million in aggregate.

On an annual basis, we review our property, plant and equipment, intangible assets with finite and indefinite useful life and goodwill to identify any indicators of impairment. In case any indicator of impairment is identified, we review the particular asset to determine whether there has been any impairment. To establish whether there has been any impairment of an asset, it is necessary to calculate the asset's recoverable amount. In the event that the recoverable amount of an asset is lower than its carrying value, an impairment charge for the difference between the recoverable amount and the carrying value of the asset is recorded in the consolidated income statement under the item "Depreciation, amortization and impairment charges". With the exception of goodwill, impairment losses recognized in prior periods which are later deemed to have been recovered are credited to the same income statement heading.

10.17.2 Income taxes and recoverable amount of deferred tax assets

The current income tax provision is calculated on the basis of relevant tax laws in force at the date of the statement of financial position in the countries in which the subsidiaries and associates operate and generate taxable income. Subsidiaries which are not included in the consolidated income tax returns filed in Bizkaia (Basque Country, Spain) file income tax returns in numerous tax jurisdictions around the world.

Determining income tax payable requires judgment in assessing the timing and the amount of deductible and taxable items, as well as the interpretation and application of tax laws in different jurisdictions. Due to this fact, contingencies or additional tax expenses could arise as a result of tax inspections or different interpretations of certain tax laws by the corresponding tax authorities.

As of December 31, 2016, a significant portion of our deferred tax assets are tax credits, which include mostly tax loss carry-forwards in Bizkaia and tax credits relating to tax incentives principally generated in Bizkaia from our investments in venture promotion companies and export activities. We have tax loss carry-forwards in Bizkaia of approximately €326.2 million which entail tax credits over €91.3 million. These tax loss carry-forwards expire over a period of up to 15 years, and their recoverability is based on our ability to generate taxable income from our Spanish subsidiaries over this time period.

Our management assesses the recoverability of deferred tax assets on the basis of estimates of future taxable profit. These estimates are derived from the projections, which are prepared on a yearly basis and reviewed twice a year for the accuracy of the assumptions used. Based on our current estimates we expect to generate sufficient future taxable income to achieve the realization of our current tax credits and tax loss carry-forwards, supported by our historical trend of business performance.

In assessing the recoverability of our deferred tax assets, our management also considers the foreseen reversal of deferred tax liabilities and tax planning strategies. To the extent management relies on deferred tax liabilities for the realization of our deferred tax assets, such deferred tax liabilities are expected to reverse in the same period and jurisdiction and are of the same character as the temporary differences giving rise to the deferred tax assets. There are no significant tax planning strategies on which we are counting for the realization of our current deferred tax assets.

Our current and deferred income taxes may be impacted by events and transactions arising in the normal course of business as well as by special non-recurring items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred tax assets and the timing of income tax payments.

Actual collections and payments may materially differ from these estimates as a result of changes in tax laws as well as unforeseen future transactions impacting the income tax balances.

10.17.3 Derivatives and hedging

Our activities expose us mainly to the financial risks of changes in foreign exchange rates and interest rates and of changes in the fair value of certain assets (mainly zinc and aluminium). To hedge this exposure to foreign exchange rate changes and to totally or partially hedge sales transactions of physical tons containing aluminium or zinc, we use foreign currency hedges, currency futures and zinc and aluminium futures to hedge highly probable transactions. We do not use derivative financial instruments for speculative purposes.

The basis of recognizing the resulting gain or loss depends upon whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group documents at the inception of the transaction the relationship between the hedging instrument and the hedged item as well as its risk management objectives and strategy for undertaking various transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value of or cash flows of the hedged items.

The changes in the fair value of a fair value hedging instrument are recorded in the consolidated income statement, together with any changes in the fair value of the asset or liability that is being hedged. The changes in the fair value of a cash flow hedging instrument are recorded in equity for the effective portion and in the consolidated income statement for the ineffective portion. Changes in the fair value of derivative instruments which do not qualify for hedge accounting are recognized immediately in the consolidated income statement.

The fair value of the various financial instruments is calculated as follows:

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

11. MARKET

Statements or data sourced to McKinsey in the following section are based on a study commissioned by the Company and prepared by McKinsey titled "**Commercial Due Diligence Report**" and dated June 22, 2017, as more fully explained under "*2. General Information—2.8 Information Derived from Third Parties*". While the Company did not verify or modify any of the market data or other data provided by McKinsey, it has delivered, upon their request, certain factual information to, and discussed certain underlying assumptions with McKinsey.

11.1.1 The Company

We are a services company, specializing in the recycling of steel dust, salt slags and aluminium residues, as well as related logistics and other related industrial services. Our business model is based on a full-service approach, offering waste management solutions to our customers from the steel and aluminium industries. Our services comprise the timely and efficient collection and treatment of hazardous waste – mainly steel dust and salt slags – from our customers' facilities, which is critical for our customers to manage the environmental liability and legal or regulatory obligations to recycle the hazardous waste generated in the course of their operations.

On the input side, our business strongly depends on the recycling needs of our customers for the materials treated. A significant share of our revenues are driven by service fees paid by our customers, which we charge in Europe on a euro-per-ton basis and which thus depend on the volume of materials treated. On the sell-side, market prices of our output materials, primarily zinc for our Steel Dust Recycling Services segment and aluminium alloys in the Aluminium Salt Slags Recycling Services segment, particularly impact our revenues.

The recycling needs of our customers are particularly driven by the volumes of their production, i.e. the industrial markets for steel and aluminium production in general. Moreover, the regulatory environment, namely legal recycling requirements in further developed markets, such as the European Union play a particularly important role.

11.1.2 The industrial recycling market

As the recycling markets in which we operate, namely the market for steel dust recycling services and for salt slags and SPLs recycling services, are particularly affected by the industrial markets for steel and aluminium production in general, our business is affected and supported by several megatrends in the steel and aluminium industry, which currently provide a stable and growing outlook for these industries, and accordingly also for the recyclers. Specifically an increasing population, a growing middle class, and increased industrialization are all expected to drive growth in general, and the steel and aluminium production in particular, and consequentially also drive a need for recycling. The overall population is expected to grow at a compound annual growth rate ("**CAGR**") of 1.0% from 2015 to 2025 (Source: McKinsey). Within this population, a booming, environmentally conscious middle class is expected to grow from 48% of total population in 2015 to 63% of total population in 2025 (corresponding to a CAGR of 3.5%) and is expected to become a driver for demand for products requiring steel and aluminium, such as vehicles, and consequentially is expected to increase the demand for recycling services (Source: McKinsey). Increased industrialization, and particularly increased use of higher quality steel and galvanized materials carrying a higher zinc content, also supports the industry and potentially allows recyclers to compete with landfills in markets where regulation is unenforced or does not yet exist.

There are profound differences between the markets for steel and aluminium production, as well as for the resulting recycling services and needs. Consequentially, the markets affecting our two business segments shall in the following paragraphs be separately described in more detail.

11.1.3 Steel Dust Recycling Services

(a) Market for collection of steel dust

Befesa offers collection and transportation services for steel producers to both remove and treat their steel dust, and thereby to manage their environmental liabilities associated therewith. In consideration for the collection and treatment services provided, Befesa (i) receives cash compensation through a service fee, in Europe charged in euros per ton collected, and (ii) receives title to the steel dust it collects, putting it in a position to sell the zinc content within the dust to zinc smelter customers once recovered through the recycling process.

Even though the fees charged for the collection and treatment services in the Steel Dust Recycling Services segment contribute a smaller revenue share than in the Salt Slags sub-segment when compared to the overall revenues generated from the sale of output materials, they form an essential component of Befesa's revenues in the Steel Dust Recycling Services segment.

Crude steel is generally produced using either the electric arc furnace ("**EAF**") or basic oxygen furnace ("**BOF**") method. The steel dust we collect and treat is a hazardous waste generated in the crude steel production process throught the EAF method. The EAF steel production method uses scrap as raw material input and steel dust is generated during the production process in so called "mini mills". While in the case of the EAF method, up to 100% of the weight of input materials consist of scrap, producing EAF steel dust with a relatively high zinc content of around 20%, the BOF method uses less scrap (representing up to 30% of the weight of input materials) and the steel dust produced contains a comparatively lower zinc content (approximately 4%) making its recycling inviable. While the BOF production process is more productive than the EAF method due to its use of faster chemical reactions, it results in a higher waste of metal, and start-up and shut-down costs are high.

Steel dust is considered a hazardous waste. It contains significant amounts of zinc (varying by region given that the zinc content depends on the type of steel scrap used) and gets collected and recycled by the Company in its Steel Dust Recycling Services segment. EAF steel production volumes to a large extent drive the amount of steel dust generated. The amount of steel dust available for recycling is further driven by our customers' preference to recycle, the availability and the prices of possible alternative disposal methods, such as landfill, and environmental regulations, including possible obligations to recycle.

(b) Development of relevant markets

Overall steel production has been strongly increasing in non-OECD countries over the last decades, while it has been relatively stable in OECD countries. Worldwide demand for steel is expected to grow from 1,500 mt in 2015 to 1,621 mt in 2025, with Europe contributing 161 mt in 2015 and 173 mt in 2025, respectively (Source: McKinsey). In Europe, this expectation is based on the anticipated demand of the main end markets for steel, mainly being the construction industry, followed by engineering, transportation and utilities.

In the OECD, due to the general trend towards more sustainable industry practices, there has been a steady shift from the BOF steel production method towards EAF steel production method. The EAF steel production method has lower overall energy consumption and significantly reduced CO2 emissions. Additionally, BOF overcapacity is significantly higher than EAF overcapacity in OECD countries. Available scrap in a given geographical area also drives the demand for local EAF steel production as transportation costs of scrap are high. This is evident in Europe, where an abundance of scrap has led to a well-developed EAF steel production industry. The share of EAF steel production in Western Europe is expected to further increase from 39% in 2015 to 40% in 2021, from 65% in 2015 to 68% in 2021 in Turkey and from 30% in 2015 to 36% in 2021 in South Korea (Source: McKinsey).

Worldwide scrap supply has increased from 523 million tons in 2005 to 634 million tons in 2015, and is expected to increase further to up to 876 million tons in 2025 (Source: McKinsey).

(c) Market for sales of Waelz oxide

The essential end-market for the Company's recycled materials, a zinc-containing Waelz oxide, is the zinc industry (zinc smelters). The zinc extracted by zinc smelters from the Waelz oxide is used as an input material by various industries, and in particular the galvanized steel production industry. The galvanized steel production industry itself is driven by demand from various steel consuming end-markets, including automotive and construction. Demand for Waelz oxide is thus, similarly to the availability of crude steel dust we collect, to a large extent driven by the market developments of the steel market and the demand for zinc generally. Zinc demand is particularly driven by the development of and demand for galvanized steel, given zinc is a key input in the production of galvanized steel, and, in fact, the single largest demand for zinc comes from the galvanized steel industry.

The net sales price paid by zinc smelters for the Company's Waelz oxide is influenced both by the current zinc price and the percentage of zinc contained in the Waelz oxide, and is calculated based on the prevailing zinc price quoted on the London Metal Exchange ("**LME**") at the time, less an agreed upon discount (historically around 15% agreed among market participants), and the percentage of zinc contained in the particular batch of Waelz oxide. A treatment charge is then deducted from the amount payable to the Company, which is paid to the zinc smelters for the cost of processing the Waelz oxide into the final zinc product ready for sale and which is also linked to the LME zinc price. The net sales price is thus calculated by applying the discount to the current zinc price, as quoted on LME, multiplying this number with the percentage of zinc contained in the Waelz oxide, and deducting the treatment charge:

Sales = LME-price*85% (discount)*zinc content in Waelz oxide – treatment charge.

The individual components of each Waelz oxide sale, namely the current LME zinc price as a function of the zinc demand and supply, and the zinc content in batches of Waelz oxide are described in more detail below.

Based on current production figures, from 100 thousand tons of crude steel dust, Befesa is able to produce approximately 33-39 thousand tons of Waelz oxide, which is equivalent to a zinc content of 20-26 thousand tons of zinc.

(d) Zinc supply and demand

Supply and demand of zinc, being both zinc contained in the steel dust collected and zinc contained in the Waelz oxide produced in the course of the recycling process, play a predominant role for the Steel Dust Recycling Services segment.

In particular, the demand for the Waelz oxide the Company sells to zinc smelters is driven by the global supply of and demand for zinc. Global zinc demand has been estimated to grow at a CAGR of 2.0% between 2016 and 2021 with GDP growth, with automotive production and steel consumption being the main drivers. At the same time, supply of zinc is expected to grow at 0.9% annually due to mine closures, expected to lead to a supply deficit of around 0.9 million tonnes by 2021 (Source: McKinsey). This supply gap benefits us by supporting the price/tonne of zinc. Additionally, the demand for efficient recycling of steel dust to enable the re-use of existing zinc is also expected to rise in the face of general zinc shortages. While new zinc mines are expected to be opened, potentially easing pressure on rising zinc prices, production costs will be higher as it becomes more costly to exploit these mines. Over the medium to long-term, the zinc price is expected to remain above the cost level at which the mines will extract the zinc.

Galvanization is one of the key drivers for zinc demand, as zinc is a key input material for the galvanization process and the use of galvanization in the construction, automotive and other industries thus to a large extent drives the demand for zinc. In galvanization, a thin zinc film protects steel from corrosion. Demand for zinc is expected to continue to increase in line with the increased use of galvanized products.

Over the past decade, the LME price of zinc per ton has been volatile, but has overall risen, after a sharp decline during the 2008/2009 financial crisis, from about €846 or 1,177 U.S. dollars as of December 31, 2008, to about € 2,432 or 2,563 U.S. dollars as of December 31, 2016 (LME cash seller prices), and is expected to stabilize at about € 2,000 to 2,100 in 2021 based on broker market consensus (Source: McKinsey). Additionally, the marginal cost of production at which the zinc industry is able to produce around 90% of the total worldwide demand volume in zinc is at about €1,800-€2,000 euros per ton. Historically, the actual zinc price has been above the marginal cost of production at which 90% of the global demand can be filled, such that those mines, that are filling 90% of the global demand operate at or above their break even point. Given today's higher costs to exploit zinc and assuming that zinc miners will, also in the future, operate at or above their break even point, the future zinc price is expected to exceed the above stated level of €1,800-€2,000 euros per ton (Source: McKinsey).

Finally, the zinc price also may have an influence on the amounts of our service fees, and on the treatment charges to be paid to the zinc smelters.

(e) Zinc content

The zinc content of the steel dust collected is an important metric for steel dust recyclers, as it drives the value of the Company's recycled output (Waelz oxide). Steel dust with higher zinc content is likely to yield a higherzinc recovery resulting in higher zinc content of the produced Waelz oxide and thus a higher product value. Zinc content varies with the different types of steel produced and galvanized steel is mainly contributing to higher zinc content. The production of galvanized steel has significantly increased in the last 15 to 20 years leading to higher zinc content within the scrap that is currently being recycled. As zinc content and zinc prices increase, the value of the steel dust to be recycled also increases, which may put downward pressure on service fees, particularly from producers of steel with high zinc content. However, this does not affect the steel producers' legal obligation to recycle the hazardous waste. The Waelz oxide produced by the Company typically has a zinc content between 60% and 68%. Over the past ten years, the average zinc content contained in EAF scrap in Western Europe has continuously increased from around 0.45% of zinc per kilogram in scrap in 2010, and is expected to grow further in the future to about 0.60% of zinc per kilogram in scrap in 2020, such estimate being mainly based on estimates of current waste production and anticipations for steel products which have been produced over the past years, and will likely need to be replaced in the future (Source: McKinsey).

Also, the use of galvanized steel, which accounts for 58% of global zinc consumption, has increased over the past years, resulting in higher zinc contents of the steel produced (Source: McKinsey). In Germany, for example, the use of galvanized steel in the construction and automotive industries increased from 8% to 28% and 12% to 39%, respectively, between 1990 and 2015 (Source: McKinsey). Increased galvanization thus impacts the Company not only by creating a demand for zinc but also by eventually increasing the zinc content of the steel dust in the market.

While in South Korea and Turkey, the zinc content in EAF steel dust is generally lower than in Western Europe, the Company expects levels to converge with increasing development of these countries. Between 2015 and 2021, the average zinc content in EAF dust is expected to grow at a CAGR of 3.7% in South Korea, 1.6% in Western Europe and 0.8% in Turkey (Source: McKinsey).

As the amount of zinc contained in the steel dust collected is a key driver of Befesa's business model, the Company actively screens markets that it enters for zinc content in steel dust and assesses the attractiveness of a market not only by the availability of steel dust and the regulatory framework, but also by the level of zinc content in the steel dust.

(f) Environmental regulation

Regulatory bodies have categorized EAF steel dust as a hazardous waste and have implemented strict rules and procedures for its handling, transport and treatment. The level of regulation and its enforcement across geographies influence the need for the services offered by the Company. In Europe, the Company's primary market, strict regulations make the landfilling of steel dust illegal unless no viable economic alternative – such as recycling – exists. In addition, transportation and treatment of steel dust require permits which often take a long time to obtain. Improper storage, transportation, or disposal of steel dust can lead to fines and economic consequences for steel producers, and regulations that encourage recycling make it beneficial to partner with a knowledgeable third party like the Company to collect and treat the steel dust.

In contrast to developed regions like Europe, regulation of steel dust is currently less pronounced in emerging markets (Source: McKinsey). Nonetheless, regulation in these markets is expected to converge towards the EU's regulatory framework as these markets develop and become more environmentally cautious. While regulation provides incentives for recycling, it also makes it more difficult for recyclers and service providers like the Company to operate, as it becomes more difficult to obtain permits for the construction of recycling plants, or to transport and treat hazardous waste, providing an advantage to existing service providers who understand the regulations and are familiar with the acquisition of permits and recycling/treatment processes involved. In addition, regulation can also hamper a recycler's ability to import or export hazardous waste, resulting in an inability for a recycler to optimize capacity at plants or to collect or transport input materials internationally. Bans in Turkey on importing steel dust for example illustrate this issue in practice as facilities may be underutilized since steel dust from surrounding countries cannot be treated in Turkish plants.

(g) Stainless Steel Residue

In addition to crude steel dust, the Company also recycles stainless steel residue. Demand for stainless steel residue recycling services is driven by the level of stainless steel residue being produced by the Company's customers which is removed and treated by the Company for a fee, and the demand for the metals (mainly nickel, chromium and molybdenum) contained in the dust which are either returned to customers or sold to third parties on the commodities market.

11.1.4 Aluminium Salt Slags Recycling Services

(a) Recycling of Salt Slags and SPLs

The basis for the services offered by Befesa in the Aluminium Salt Slags Recycling Services business is the secondary aluminium production market in Europe. In contrast to primary aluminium production, during which mined alumina is smelted to make pure aluminium metal, secondary aluminium production is a process through which aluminium scrap and other aluminium residues are recycled into pure metal aluminium that can be used again. Secondary production is much more energy efficient than primary production, and has resulted in significant economic and environmental gains for both consumers and industrial players. Because aluminium scrap and other aluminium residues are required for secondary aluminium production, it is most prevalent in developed regions such as the United States, Europe or Japan. Secondary aluminium production generates salt slags, which are categorized as a hazardous waste in Europe and other markets, and which we collect from our customers or which we receive internally within the Group for treatment. The SPLs which we receive are generated by primary aluminium producers.

Service fees for the recycling of salt slags and SPLs generally make up a larger portion of revenues or profits of salt slags recyclers than service fees for other hazardous wastes, such as steel dust. While in 2016 we generated 40% of our revenues in our Salt Slags subsegment of our Aluminium Salt Slags Services segment through service fees, service fees in the past years generally contributed to approximately 10-20% of revenues in our Steel Dust Recycling Services segment. Also on our customers' side, the service fees payable for the aluminium industry are higher, when compared to overall operating costs, than for steel dust, both because the timely and efficient disposal of salt slags is essential for the operating success of our customers and because taking title to the salt slags is less economically beneficial than taking possession of the zinc within crude steel dust. Even though service fees are significant cost positions for secondary aluminium producers, the lack of economically viable alternative disposal possibilities under regulations necessitate the need for producers to build the cost of recycling into their operating models. Thus the outlook for service fees is strong, with positive growth being supported by aluminium market growth drivers.

(b) Development of relevant markets

The amount of salt slags produced and the corresponding need of our customers for our recycling services is mainly driven by the secondary aluminium production market. In Europe, as secondary aluminium production keeps pace with increased demand from the automobile industries, the amount of salt slags generated, and thus the demand for the Company's recycling services, is also expected to increase.

Secondary aluminium production is driven primarily by the automotive end market. On the back of expanded production of light vehicles in the European automotive industry and in an effort to meet legislative requirements for improved vehicle emissions and fuel efficiency, secondary aluminium production in Western Europe is expected to grow at 4.6% CAGR until 2021 (Source: McKinsey). Specifically, this estimate is based on the assumption that the number of vehicles produced in Europe will grow at 1.3% CAGR between 2016 and 2021 and the aluminium content per vehicle will increase from 155kg of aluminium per light vehicle in 2010 to 222kg in 2021 (Source: McKinsey).

The primary aluminium market is of particular relevance with regards to our SPL recycling services, albeit to a much lesser extent than the secondary aluminium market.

(c) Sales of salt, aluminium concentrate and aluminium oxides

In Befesa's salt slags and SPLs recycling process, the Company generates aluminium concentrate, aluminium oxides and salt. Aluminium concentrates are also used as an input factor in the secondary aluminium production process. As a result, the essential direct end-market for Befesa is the secondary aluminium production market which produces aluminium from aluminium scrap, and is therefore itself a recycling market. Aluminium recycling markets are well developed in Europe and the US, given that in those countries the availability of aluminium scrap is high. In contrast, for developing countries, particularly China which is the largest aluminium producer globally, primary aluminium production still dominates. Secondary aluminium production of 1 ton of aluminium produces approximately 400-500kg of salt slags, which, according to Company information, can be recycled into approximately 39kg of aluminium concentrates, approximately 166 kg of salt, as well as aluminium oxides.

(d) Environmental Regulation

Secondary aluminium producers in the markets in which we operate are subject to strict environmental regulations and their enforcement supports the market for Befesa's recycling services. As secondary aluminium producers are by their very nature recyclers themselves, recycling costs paid to us or our competitors represent one of their key operating expenses. Landfilling salt slags is illegal in many markets, Europe included, and secondary aluminium producers are legally obligated to recycle. We remove hazardous wastes from a producer's premises and fulfill a producer's obligation to recycle, both of which are critical for producers to manage their storage capacities and environmental liability risks, and to continue to operate. In addition, we assist our customers with the administrative procedures imposed on them in connection with the transport and disposal of hazardous waste.

Regulation is still most prevalent in developed markets, but is expected to increase in emerging markets as they develop and become more industrialized.

(e) Secondary Aluminium

In addition to recycling salt slags and SPLs, we are a secondary aluminium producer. The secondary aluminium alloys we produce are mainly used to manufacture casting products primarily used for the automotive industry. Demand for casting products is expected to support moderate increases in aluminium prices and scrap margins (i.e. the difference between the LME three months high-grade aluminium price plus EU high grade aluminium premium and the scrap price), which are a key driver in profitability of secondary aluminium producers. For 2021, we expect the scrap margin for Befesa to be between 380 and 470 U.S. dollars (or € 320-400) per ton (Source: McKinsey).

Befesa's Secondary Aluminium business compliments its Salt Slags business. Firstly, when producing secondary aluminium, the salt slags that are generated can be used to fill and optimise utilization at our salt slags recycling plants, improving efficiency and increasing profitability through operating leverage. Secondly, by-products from the salt slags recycling process are required as inputs in the secondary aluminium production process and can be utilized within the Group.

11.1.5 Competition

(a) Steel Dust Recycling Services

Although Befesa is an international company, the markets we operate in are local in nature as the costs and risks associated with the transportation of the hazadarous wase collected are generally comparatively high.

Steel dust recycling in general is a niche industry within the recycling market with a strong regional nature and regulatory requirements, high capital investment and process know-how all impose high barriers to entry for new players. For this reason, competition is partially limited to local competitors in close regional proximity, and particularly includes zinc smelters who have their steel dust recycling facilities integrated into their zinc production businesses.

We believe our main European competitors for steel dust recycling include Portovesme S.p.A., located in Sardinia, Italy, Pontenossa S.p.A., located in Ponte Nossa, Italy, and Harz-Metall GmbH, located in Goslar, Germany, which, based on the Company's estimates of installed capacity, together have a combined market share of approximately two-fifths of the European steel dust recycling market. The Company's main competitor in Turkey is Cincom (Kayseri), and its main competitor in South Korea is ZincOx Resources.

According to our own estimates, we hold about 45% of the total installed recycling capacity for steel dust in Europe, and approximately 20% of the total installed recycling capacity for steel dust in Asia, excluding China.

(b) Aluminium Salt Slags Recycling Services

The market for salt slags and SPLs recycling is a highly concentrated market, with relatively high entry barriers due to regulatory requirements and the high levels of capital and time investment involved. We believe that our main European competitors include companies such as K+S Aluminium-Technologie GmbH (Germany), Récupération et Valorisation de l'Aluminium, S.A. (France), Raffmetal (Italy), Sacal Societa Alluminio Carisio S.p.a. (Italy), Vedani Carlo Metalli S.p.A. (Italy), Raffinerie Metalli Capra S.p.A. (Italy), Alustockach GmbH (Germany), and Real Alloy (U.S.A., Germany).

According to our own estimates, we believe we are the main salt slags recycling company in Germany and the only company in Spain and the UK dedicated to salt slags and SPLs recycling and the largest salt slags and SPLs recycling company in Western Europe, where we estimate a market share of approximately 45% of the market's total salt slags recycling capacity.

Competition within the secondary aluminium production market is high, characterized by the presence of a large number of small and medium-sized companies for which limited public information is available. Main competitors include Hydro, Aleris and Oetinger in Germany and Aluminio La Estrella, Idalsa and Fundial in Spain.

12. BUSINESS

12.1 Overview

We are a services company, specializing in the recycling of steel dust, salt slags and other aluminium residues, as well as related logistics and other related industrial services. Our business model is based on a full-service approach, offering waste management solutions to our customers from the steel and aluminium industries. Our services comprise the timely and efficient collection and treatment of hazardous waste – mainly steel dust and salt slags – from our customers' facilities, which is critical for our customers to manage the environmental liability and regulatory obligations to dispose of the hazardous waste generated in the course of their operations. We also offer regulatory services in connection with the management of hazardous waste, such as regulatory filings and applications for transport permits. After collection of the hazardous waste from our customers, who are mostly based in close proximity to our recycling facilities, we recycle the hazardous waste collected, thereby producing non-hazardous output materials (mainly Waelz oxide, aluminium concentrate and salt) which we sell to our customers, mainly in the zinc and aluminium industries.

Our business is strongly linked to the regulatory environment, assisting our customers to comply with their legal obligations, as well as to the local market environment of the markets in which we operate. As our customers may have potential alternatives to our recycling services, such as landfillling, the success of our business model is dependent on our ability to offer cost-efficient, environmentally friendly and reliable recycling services in close proximity to our customers, thereby reducing transportation costs and risks, and tailoring our services to specific needs of the local markets and the regulatory environment in which we operate. We have recycling facilities (including through joint ventures) in Germany, Spain, Sweden, France, South Korea, the United Kingdom and Turkey.

We currently organize our activities into two business segments: our Steel Dust Recycling Services segment and our Aluminium Salt Slags Recycling Services segment.

In 2016, we generated total revenues of €611.7 million, thereof €281.1 million in our Steel Dust Recycling Services segment and €364.4 million in our Aluminium Salt Slags Recycling Services segment, and taking into account a loss of €33.8 million from corporate and eliminations, and had a total Adjusted EBIT of €103.4 million, thereof €81.3 million in our Steel Dust Recycling Services segment and €20.9 million in our Aluminium Salt Slags Recycling Services segment, and taking into account an Adjusted EBIT of €1.1 million from corporate and eliminations.

12.1.1 Steel Dust Recycling Services

Our Steel Dust Recycling Services segment, which in 2016 accounted for 46% of our total revenues and for 78.6% of our total Adjusted EBIT is focused on the collection and recycling of steel dust, which is generated in the steel production process, and accompanying regulatory services. We primarily sell the Waelz oxide we produce in the recycling of crude steel dust to zinc smelters and derive further revenues from the service fees we charge for collecting and recycling crude steel dust.

We own and operate six crude steel dust recycling plants. Two of the plants are located in Germany, one in Spain, one in Turkey, and one in South Korea. We also operate a plant in France through a joint venture that is 50% owned by us. In addition, we own and operate a Waelz oxide leaching facility in France.

In addition to our crude steel dust recycling operations, we collect and recycle stainless and galvanized steel residues and offer accompanying regulatory services. We also sell the return metals, mainly nickel, chromium and molybdenum, recovered in the recycling of stainless steel residues, to stainless steel producers for a tolling fee or sell such recovered metals on the market.

We own and operate two stainless steel residue recycling plants, located in France and Sweden, and two galvanized steel residue recycling plants located in Spain.

12.1.2 Aluminium Salt Slags Recycling Services

Our Aluminium Salt Slags Recycling Services segment which in 2016 accounted for 59.6% of our total revenues and for 20.2% of our total Adjusted EBIT is divided into the two sub-segments Salt Slags and Secondary Aluminium.

While in 2016 in the Aluminium Salt Slags Recycling Services segment we derived 21.7% of our segmental revenues from the Salt Slags sub-segment, this sub-segment contributed to 85.8% of our segmental Adjusted EBIT.

(a) Salt Slags

In our Salt Slags operations, we recycle salt slags, which we collect or receive from our customers or generate during our own production of secondary aluminium. In addition, we recycle spent pot linings or SPLs generated by primary aluminium producers. In the course of the recycling process, we recover salt, aluminium concentrate and aluminium oxides which we sell to customers. A large amount of the aluminium concentrates we recover are sold and used within the Group for the production of aluminium alloys.

We own and operate four salt slags and SPLs recycling facilities, thereof two in Germany (Hannover and Lünen), and one in each of Spain (Valladolid) and the United Kingdom (Whitchurch). In addition, we have a salt slags recycling plant in Töging (Germany) which is currently idle.

(b) Secondary Aluminium

In our Secondary Aluminium operations, which are to a large extent complementary to and strengthening our Salt Slags operations, we collect and recycle aluminium scrap and other aluminium residues such as aluminium drosses, shavings and cuttings or aluminium concentrates from, amongst others, aluminium foundries, scrap dealers and collectors, as well as from primary aluminium producers. We also generate aluminium concentrates ourselves in the course of our salt slags recycling service. We produce secondary aluminium alloys from these aluminium residues, which we mainly sell to customers in the automotive and construction industries. In our Bernburg plant, we also produce hot liquid aluminium which can be directly used by our customers in their operations.

We own and operate three secondary aluminium production facilities, thereof two in Spain (Erandio and Les Franqueses del Vallés) and one in Germany (Bernburg).

12.2 Competitive Strengths

We believe we have developed certain key competitive strengths that have supported our growth, resilient high margin levels and strong cash flow generation to date and that we expect to underpin our future growth, including:

12.2.1 Leading position in markets with favorable macro and mega trends supporting steel dust and aluminium residues recycling

We believe we are the leading crude steel dust and salt slags recycling service business in Europe. We estimate to hold circa 45-50% market share in the European installed capacity for both crude steel dust and salt slags recycling. Our competitors in these two attractive niche markets in Europe are significantly smaller than we are, which gives us competitive advantages through a larger scale and our ability to offer services to our customers across several countries. We also hold a leading position in the crude steel dust recycling market in Korea and Turkey, two markets with positive growth momentum that we successfully entered over the last years.

We continue to benefit from favorable macro and mega trends driving both the crude steel dust and salt slags recycling markets. In our view, demand for steel and aluminium is expected to continue to experience sustained growth driven by a combination of (a) a global trend of increasing industrialization driven by population growth and an increasingly important middle class, and (b) industry specific factors such as a recovery in the automotive and construction industries including a sustained move towards lighter vehicles. Higher demand for steel and aluminium will lead to increasing production volumes and thus, as a result, to higher recycling needs for hazardous waste such as crude steel dust, as a by-product of steel production, and salt slags, as a by-product of secondary aluminium production. Further, higher production of galvanized steel significantly improves the quality of our inputs, raises the zinc content in the crude steel dust we recycle, thereby resulting in greater recoverable metal for us to sell and generate revenues. The positive demand development for zinc as the key recycling end product of our Steel Dust Recycling Services segment will positively impact prices for zinc going forward and thus allow us to generate higher revenues from the sale of recoverable metals. While being volatile, the zinc price has over the past decade significantly increased to around 2,432 euros per ton (as of December 31, 2016), confirming this positive trend, with an expected persisting supply and demand gap for zinc. Additionally, the marginal cost of production at which the zinc industry is able to produce around 90% of the total worldwide demand volume in zinc is at about €1,800-€2,000 euros per ton, which level has historically acted as a natural hedge ("floor") at such level (Source: McKinsey), which in the near to mid-term future supports sustainability of cash flows for the marginal zinc producers (Source: McKinsey).

Finally, the demand for our services is also driven by environmental regulations. Pursuant to EU regulations, steel dust, salt slags and SPLs, are considered hazardous wastes, required to be managed either by their generator or owner or by an authorized manager. As regulation of hazardous wastes continuously increases and existing regulations are enforced to a greater extent, recycling of hazardous waste is increasingly replacing disposing of waste by means of landfill globally and we are well placed to capitalize on our market position and large capacity to take on new customers or to use our expertise to enter new markets.

12.2.2 Competitive advantage from plants close to our customers

Our recycling plants are located in attractive markets, strategically distributed across Western Europe, Turkey and South Korea in close proximity to major customers. We operate steel dust recycling plants in Europe in Germany, Spain, France and Sweden, and in both South Korea and Turkey in Asia. Our salt slags recycling plants are located across Europe in Germany, Spain and the United Kingdom. Germany, France and Spain were the first, third and fourth largest steel producing countries in the EU in 2016, according to the World Steel Association, and the first, second and third largest aluminium producing countries in the EU in 2016, according to CRU.

Due to high transportation costs and to efficiently control the handling of hazardous wastes, steel and aluminium producers commonly prefer using recyclers in close proximity to their plants. Having established ourselves early in our markets, usually at the time when effective regulation was introduced, we built our plants close to the most important operators in the region, with large steel and aluminium producers being typically located in regional clusters. Each of our recycling plants typically collects hazardous waste from 10-15 local customers. Examples for our locations close to regional clusters are the German Rhine-Ruhr area, serviced by our steel dust recycling plant in Duisburg, or the region around Bilbao, serviced by both one of our steel dust and salt slags recycling plants. Our attractive geographical footprint and proximity to our key customers has allowed us to become their recycler of choice and get most and in some cases all of their business out of these local markets which typically have a well balanced recycling supply and demand structure. The benefits of this local positioning are evidenced by the high market share we enjoy in all of the countries where we operate facilities.

We have replicated our successful strategy in Europe in Asia as well where we have once again built our plants in structurally important markets near some of the biggest producers of steel. We were able to accomplish this by leveraging our experience in developing our extensive network of facilities across Europe, and applying that know how to acquire and develop once fledging joint venture projects in Turkey and South Korea. This track record for successful expansion is demonstrated by our successful turnaround of the steel dust recycling facility in Turkey, in which we invested as a joint venture partner. At our Turkish facility, we demonstrated our turnaround capabilities by applying our process know-how and implementing our best practice plant design, leading to an increase in throughput and efficiency. Another example of successfully expanding into new markets is demonstrated by our South Korean operations, through an entry in 2013 followed by acquiring successive stakes and expanding the plant to build the largest treatment plant in the region. Currently the plant does not only service South Korean customers, but also offers recycling services to customers in other neighboring Asian countries. These opportunities were both underpinned by clearly identifiable sources of additional steel dust with high zinc content in markets adopting more stringent environmental regulation.

12.2.3 Our services are critical to our long-term customers

Our customers pay us to collect and recycle steel dust, and to recycle salt slags and SPL in order to comply with strict environmental regulations. Our customers have a legal obligation to properly dispose of hazardous wastes such as steel dust or salt slags, and any failure to do so could result in our customers' environmental liability as well as in situations where they are no longer able to operate their production facilities without first disposing of their hazardous wastes. These customers rely on us to properly transport and recycle their hazardous wastes, providing a cost-effective alternative to landfills and managing their liability for the hazardous wastes under applicable regulations. We are an authorized manager of the hazardous wastes under the regulation, and make recycling easy for our customers by arranging the collection and transportation, including proper permits, of the hazardous waste to our facilities. Our most loyal customers have trusted us with their business for more than 20 years, and we believe that our long-standing customer relationships with nearly all our customers provide us with relatively stable collection revenues and predictable demand, and which in turn provides us with a steady output supply of zinc-containing Waelz oxide and secondary aluminium concentrates and salt from which we generate additional revenues.

The environmental regulation is most developed in Western Europe and the United States of America. Other countries are beginning to develop their own regulation – however, the trends are similar to those in Western Europe where producers of steel and aluminium are being increasingly encouraged to recycle their residue in an environmentally conscious way.

12.2.4 *Balanced services business with a protected competitive positioning*

Both our crude steel dust and salt slags recycling businesses are service businesses with a high degree of stability. We have observed and continue to observe only limited competitive pressure from new entrants into our well balanced local markets with long-established customer relationships. We also have not seen any competitive pressure from vertical integration of our customers into the recycling business.

The substantial investments of time and capital needed to develop new plants discourage new market entrants who may lack the required customer relationships to secure the supply of hazardous waste in such well balanced local markets as well as potentially the technical know-how. Once a recycling plant has been established close to a cluster of customers, such customers are usually reluctant to switch their recycling service provider as there is significant downside risk if the hazardous waste is not properly treated in line with strict regulation. In addition, permits and licenses for new recycling plants in Europe are difficult to obtain, with the process often lasting for periods of up to two or three years. New market entries typically only occur if the recycling capacity in specific countries or regions is significantly below the production volume of crude steel dust or salt slags, in particular once local regulation has been tightened. This has in the past allowed the Company to enter the Korean and Turkish markets.

Likewise, the investment required for a recycling plant is not economical for steel or aluminium producers who could vertically integrate, as our size allows for economies of scale and our expertise provides a way for us to offer our services at an economical advantage over in-house recycling by bundling recycling for multiple steel or aluminium producers in proximity to our plants. We do not expect steel and aluminium producers to undertake substantial investments into a non-core business area that only results in marginal costs for them, but can entail significant downside risk in case the hazardous waste is not properly dealt with. We have not experienced any competitive pressure from vertical integration in the past.

Furthermore, there is very limited substitution risk for our services as there is no viable alternative to recycling and regulation is increasingly getting stricter on a global scale. We only procure commodity products and services with low differentiation such as water and other basic utilities. On the customer side, we sell commoditized products with an outlook of growing demand such as Waelz oxide in our Steel Dust Recycling Services segment and salt and aluminium concentrates in our Salt Slags segment.

There is also limited risk that the capacity of our suppliers of crude steel dust and salt slags in our local markets falls away. Crude steel and aluminium production is fairly stable in Europe and increasing in our non-European markets Korea and Turkey. Crude steel dust is a hazardous waste generated by the production of EAF steel from scrap in mini-mills. As it is expensive to transport scrap, e.g. to Asia, such mini-mills are usually located where the scrap is generated. Production of high quality steel and aluminium also needs to be located close to the end customers such as the automotive and construction industries, which limits the producers' flexibility to move the production to any other regions.

12.2.5 *Attractive growth and high margins combined with proven resilience and cash flows through the cycle*

We have generated Adjusted EBIT margins (Adjusted EBIT divided by Revenue) of more than 24% in the Steel Dust Recycling Services segment and of more than 22% in the Salt Slags sub-segment since the financial year 2014 despite historical periods of low steel and aluminium production, as well as volatile zinc prices. Even in the years before and especially during the financial crisis in 2008 and 2009, our margin levels remained relatively unchanged. The ability to generate stable margins through the cycle is the result of service fees building part of our revenues, a prudent hedging policy and a flexible cost base. Our group Adjusted EBIT margin has been in a range of 15.1% - 17.6% since the financial year 2014. The comparatively lower margin on a group level is the result of our lower margin Secondary Aluminium business.

In the past years, service fees paid by our customers for the collection and treatment of hazardous wastes accounted for about 10-20% of our revenues in our Steel Dust Recycling Services segment and accounted for 40% of revenues in our Salt Slags subsegment in 2016. These service fees only to some extent depend on the development of raw material prices and thus form a relatively stable source of revenues. The remainder of our revenues are mostly related to commodity prices, but our prudent and active rolling hedging policy has ensured that we faced consistently lower our exposure to volatile commodity markets, in particular the zinc price.

Our ability to generate stable margins also drives our strong cash flows, providing a steady source of funding for capital expenditures to consistently invest in our asset-base, ultimately keeping our maintenance capital expenditure requirements low. We have also been able to use the cash generation of our business to generate substantial cash amounts used to repay debt, whilst additionally undertaking growths projects, and we expect to be able to use this cash generation for regular dividends in the future in line with our dividend policy.

Between 2013, the first year under the ownership of our current shareholder, and 2016, we have been able to grow our revenues – on a restated and adjusted basis excluding divestments – from €535.2 million to €611.7 million driven by additional revenues from our new plant in Bernburg since 2014 and by capacity extensions in Korea since 2015 and our Adjusted EBIT from €70.1 million to €103.4 million with comprehensive operational excellence measures improving the efficiency of our operations. Our results show strong momentum in the first six months of 2017, with revenues of €374.4 million and Adjusted EBIT of €69.1 million (compared to €300.8 million and €39.1 million, respectively, in the six-month period ended June 30, 2016).

12.2.6 Experienced and disciplined management team with a strong growth track record

Our recycling business benefits from an experienced, disciplined and internationally well regarded management team. Our CEO Javier Molina has been in his role in our Company and at predecessors since 1994 and has been the driving force behind the build-up of our Company since. Since 2006, our management has successfully focused on and expanded our Steel Dust Recycling Services and our Aluminium Salt Slags Recycling Services internationally through a balanced program of organic growth and acquisitions in certain countries and the disposal of non-core businesses such as the IES Business and our old water concession business which we sold to Abengoa in 2012. During this period our management has also increased the number of countries in which we are present through subsidiaries or joint ventures, representative offices, installations and projects. For example, in 2012 we acquired a partial stake in a plant in South Korea, and over the next three years, built our leading position in the steel dust recycling market in South Korea, doubling the plant capacity in 2015, until we had fully acquired the plant in 2016. Our central management team uses disciplined capital allocation policies and works closely with our local country-based management, which has extensive local industry knowledge in order to maximize the returns on our projects and we believe we can leverage our management's experience with multiple projects in multiple countries in Latin America, Europe and Asia in the future.

12.3 Strategy

The strategic objective is to achieve strong top- and bottom-line growth, maintain our resilient and high margin levels as well as our strong cash flow generation, and further improve our competitive positioning. Our strategy benefits from positive underlying volume developments in our core markets. The key points of achieving our strategy are as follows:

12.3.1 Drive capacity utilization for our existing sites.

Our strategy is based on a continuous improvement of capacity utilization of our plants. This will be driven by gradually increasing volumes in both of our segments as a result of the expected continued volume growth in steel and aluminium production generally. Specifically, we expect to benefit from higher volumes in our steel dust recycling plants in Turkey and South Korea. We significantly expanded our footprint and capacities in South Korea in recent years, but capacity utilization is still comparatively low compared to most of our European facilities. However, we have already observed positive volume trends in 2016 and particularly in recent months on the back of a strong momentum in local steel production leading to increasing recycling needs. We target to further increase our capacity utilization and thus our profitability and cash flow generation in both countries on the back of a favorable outlook for steel production.

12.3.2 Realize benefits from higher zinc content in steel dust.

The zinc content of the steel dust collected is an important metric for steel dust recyclers, as it drives the value of the Company's recycled output (Waelz oxide), and steel dust with higher zinc content is likely to yield a higher product value. In particular, we expect that the increased use of galvanization and the resulting increased zinc content in the steel dust collected will enable us to more efficiently utilize our plants. While in South Korea and Turkey, the zinc content in EAF steel dust is generally still lower that in Western Europe, the Company expects zinc content levels in dust from those areas to reach today's levels in Europe by 2020 due to increasing development of these countries, supporting the Company's expectation of 70% average zinc content in its Waelz oxide over the medium term.

With higher zinc content in the steel dust it collects, the Company is able to leverage its existing recycling capacity to generate more revenue from the same amount of Waelz oxide. This makes the amount of zinc contained in the steel dust collected a key driver of Befesa's business model, which is why the Company actively screens markets that it enters for zinc content in steel dust and assesses the attractiveness of a market not only by the availability of steel dust and the regulatory framework, but also by the level of zinc content in the steel dust collected.

12.3.3 Continue operational excellence.

We have an established track record of implementing operational excellence measures, achieving based on our own estimates approximately €33 million of cumulative savings with a focus on energy, maintenance and labor costs over the last 3 years. Energy savings consisted mainly of lower coke consumption, renegotiation of gas prices for our aluminium plants and efficiencies related to the set-up of a second kiln in South Korea. Other savings were made in the main operational areas such as personnel, auxiliary supplies and administrative expenses.

We see further upside potential from additional operational efficiencies, in particular through growth in throughput by increased process optimization, additional savings on energy costs and optimizing labor and maintenance execution. We have developed a detailed execution plan together, following a thorough review of some of our key recycling facilities by an external advisor. We estimate that these efficiency measures will allow us to unlock further cost savings by 2021 (Source: McKinsey).

Moreover, we will continue to leverage on our technological know-how. In particular, we will change the current furnaces to tilting furnaces at our Bilbao and Barcelona secondary aluminium plants, a technology we currently have at our state of the art facility in Bernburg, Germany. This will allow the reduction of the production of salt slags in our own facilities, thus reducing costs and freeing capacity at our Valladolid salt slags recycling plant, which currently runs close to full capacity.

12.3.4 Execute well-defined and accretive organic expansion opportunities

In addition to our successful inorganic expansions demonstrated by our market entry in Turkey and South Korea, we also have the key capabilities and track record to expand through greenfield or brownfield opportunities within our existing markets. Our organic expansion strategy has proven effective as evidenced by the inauguration of our state-of-the-art Bernburg facility and the addition of a second kiln in our Korean plant. We continuously evaluate growth opportunities to expand capacity or enter new markets and have identified several attractive expansion projects over the near term. After a thorough and detailed review of potential organic expansion projects, a concrete list of five growth opportunities has been selected to which management has committed to execute between 2018 and 2020. One project relates to our Steel Dust Recycling Services segment, the other four to our Aluminium Salt Slags Recycling Services segment. Four of these projects relate to capacity expansions of existing facilities where we see additional demand from our local customers that cannot be met with our current capacities. This also limits our execution risk as we well know these local markets. Moreover, it is much easier to get permits for expansion projects than greenfield facilities.

We believe that the execution of these growth projects will further accelerate our growth profile going forward, with all projects expected to generate margins at least in line with our current business activities. Based on our current assessment, we believe that the execution of all five projects will require between €70 million and €80 million of capital expenditures. We see the potential for a substantial increase in our annual EBITDA once all projects become operational based on our current assumptions underlying our investment plan. We maintain full control and flexibility around these projects and as such would be able to adjust our investment plan and the list of projects to be executed should the market environment change (Source: McKinsey).

The specific projects are (i) the expansion of capacity (increasing capacity by up to 45,000 tons) in our Turkish steel dust recycling plant, (ii) the expansion of our salt slags facility in Hannover in Germany, (iii) the expansion of our salt slags facility in Whitchurch in the United Kingdom (increasing salt slags capacity, together with the Hannover expansion, by up to 80,000 tons), (iv) the further expansion of our new secondary aluminium production facility in Bernburg in Germany, which is currently at full capacity, by up to 40,000 tons and (v) the changing to tilting furnaces in our secondary aluminium plants in Bilbao and Barcelona.

The Turkish expansion will allow us to capture the upside of the expected lifting of the steel dust import ban and a stricter implementation of regulation in the Turkish market, a market with high zinc content in steel dust (c. 24%). The planned capacity expansion in Whitchurch will allow us to process additional salt slags and SPL volumes from producers from the Gulf, Nordic countries and other regions and upgrade the plant size to best in class plant (cost leverage). The simultaneous Hannover and Bernburg capacity enhancements will allow us to further benefit from the synergistic effect between the plants: the Hannover plant recycles salt slags produced in Bernburg into aluminium concentrate and salt, which are subsequently reused in Bernburg. These integrated plants are expected to benefit from the positive evolution in the German automotive market.

12.3.5 Capture upside potential from attractive M&A opportunities

The industries in which we operate are generally fragmented, with most players only having one plant or a small number of facilities. These local players often command attractive position in well balanced and stable local markets with an attractive and long-term customer base. As there are significant barriers to entry in our industry, acquisitions are often the only effective way to grow into markets with an established regulatory framework.

We have been able to successfully grow through acquisitions, such as the acquisition of three German steel plants in 2009 and the acquisition of a steel plant in South Korea, and through joint venture interests, such as those in Turkey. We continuously review opportunities available in different regions in a very structured screening approach, such as the United States, Europe, Asia and the Middle East, for potential acquisitions. Among other criteria, we are particularly focused on opportunities in countries where there is a strong regulatory environment in favor of industrial residues recycling, favorable supply and demand dynamics, and a positive outlook for the availability of steel dust or salt slags. When we are able to find opportunities with strong investment return rates and acceptable payback periods, we believe our strong cash flows will provide ample headroom for financing. Our large relative size in the industry also often limits the competitive environment in case certain companies or facilities are being sold.

12.3.6 Minimize volatile raw material exposure through prudent hedging policy

We view our business as a service business, with our customers paying us for the collection and recycling of steel dust and salt slags, which we use as the main input material for our recycling process. In addition, we sell the recycled materials (specifically zinc-containing Waelz oxide, aluminium alloys, aluminium concentrates and salt) to the market. As the sale of Waelz oxide we produce is strongly dependent on the market price of zinc, we enter into hedging agreements for 60-75% of the expected volume of zinc to be extracted from our Waelz oxide to minimize volatility in earnings and cash flow. In our Aluminium Salt Slags Recycling Services segment, the exposure to raw material prices is even lower due to the fact that our revenues are to a larger share generated from service fees and some of our products like salt show less volatile prices than the zinc price. As such, we believe that we can generate stable margins and cash flows in our Aluminium Salt Slags Recycling Services segment without hedging as proven by our past track record.

Our current hedging provides us with pricing visibility until mid-2020. While under our prior zinc hedging strategy for 2017 and 2018 we fixed the price per ton of zinc in euro for more than half of the expected volume of zinc to be extracted from our Waelz oxide by entering into financial swap agreements with several financial institutions, under our current zinc hedging strategy we have strengthened our hedging strategy further and extended our hedging both in terms of volume percentage as well as covered periods. We have committed recently to hedges covering a period until mid-2020, thereby consistently hedging over 70% of the expected volume of zinc to be extracted from our Waelz oxide for the respective years. We entered these hedges to maintain mid-term visibility on our output prices and thus also of our cash flows in line with our proven hedging strategy. As a result, however, we only partially capture the upside from higher zinc prices which increased to more than €2,700 per ton in the recent past. Nevertheless, we still benefit from higher zinc prices through the unhedged part of our volumes and there is upside potential from a renewal and prolongation of hedges in the currently favorable market environment and are committed to hedge about 60-75% of the expected volume of zinc to be extractred from our Waelz oxide for a period of 2-4 years going forward. While we will continue with our prudent hedging policy, rather targeting stability even if foregoing short term upside from higher zinc prices, we also constantly monitor and re-evaluate our hedges in light of the current market environment. We also believe that we have additional protection from the supply gap in the zinc market, which we expect to persist over the next years, and the marginal cost of production from zinc producers covering 90% of the global zinc demand, which we believe serves as a natural hedge or floor in zinc prices at around €1,800-€2,000 per ton (Source: McKinsey), which is above average prices achieved by us in, for example, 2014 and 2015.

12.4 History

The origin of the Group dates back to 1987, when Metallgesellschaft AG, a German industrial conglomerate involved in metal trading activities, created a specialized metal recycling company, Berzelius Umwelt Service AG ("**Berzelius**"). Over the ensuing 30 years, the Group has expanded its business organically, through the acquisition of various environmental companies and plants, and a number of corporate restructurings, to become a German, European and international leader in industrial waste recycling services and management.

In particular, in 1993, Berzelius combined its environmental and recycling assets in Spain with two other Spanish recycling companies to form a new Spanish company, Berzelius Felguera, S.A., which in 1997 was renamed Befesa Medio Ambiente, S.A. ("**BMA**"). In 1999, BMA acquired 51% of the shares in two galvanized steel residue recycling plants, Zindes, S.A. and Sondika Zinc, S.A., both based in Vizcaya (Spain), which are now wholly-owned members of the Group.

In 2000, Abengoa, which already owned 7.4% of the shares of BMA, acquired a further 51.0% of BMA from Berzelius. By June 2000, Abengoa held 90.5% of the shares in BMA following a take-over bid to purchase all of the outstanding shares in BMA.

In the following years, BMA, through its subsidiaries, acquired a salt slags recycling plant in the United Kingdom, four steel dust recycling plants, of which two were located in Germany and one in each of Sweden and France (Gravelines), and 50% of the shares of Recytech S.A. ("**Recytech**"), which owns a plant in Fouquières-lès-Lens (France). Further acquisitions of the Group included Aluminio Catalán, S.A., whose assets included one plant in Spain that was subsequently integrated with our second plant in Spain and three salt slag recycling plants in the German municipalities of Hannover, Lünen and Töging (with the plant in Töging being idle since its acquisition). In October 2010, the Group entered the Turkish steel dust recycling market by establishing a joint venture entity (Befesa Silvermet) with a Canadian company, Silvermet, through which the Group acquired a 51% stake in a steel waste recycling plant in Iskenderun (Turkey). The Group also acquired a 10% stake in Silvermet.

Between 2012 and 2016, the Group in a four-step acquisition process acquired Hankook, a South Korean steel dust recycling company. We commenced operations of a crude steel dust recycling plant in Gyeongju, South Korea, in March 2013 and now independently operate this plant.

In 2013, Triton acquired the Group, initiating the construction of a new, efficient plant in Bernburg, Germany which came into operation during the second half of 2014 and the further expansion of our steel dust recycling plant in South Korea, where we commissioned a second Waelz kiln in 2015, thereby doubling our recycling capacity in that plant.

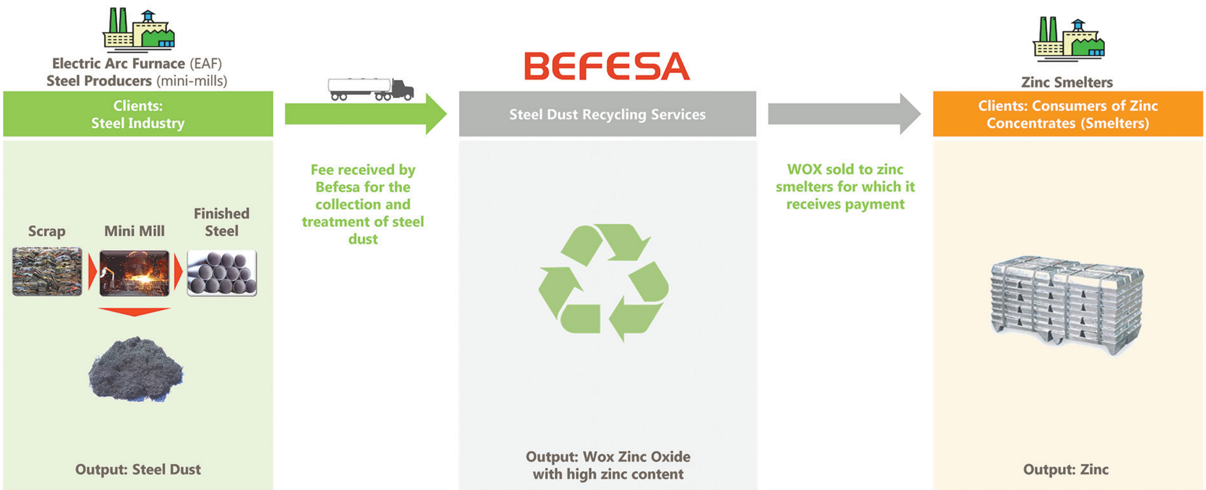
As of the date of this Prospectus, 89.257% of our Shares are held by the Selling Shareholder, though which the various Triton funds bundle their shareholding in the Group. The remaining shares are held by Triton Luxembourg II GP Bilbao SCA (the "**MIP Vehicle**"). Through the MIP Vehicle, the MIP Participants hold an interest in Befesa.

12.5 Business Segments

We operate our steel dust and aluminium residue recycling business in two segments: Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services.

12.5.1 Steel Dust Recycling Services

We provide essential collection and recycling services to crude and stainless steel producers that use electric arc furnaces (mainly mini-mill producers). In particular, we collect and recycle steel dust generated in the production of crude and stainless steel and sell the Waelz oxide we produce in the recycling process to zinc smelters. In our Stainless Steel sub-segment, we additionally return the metals (mainly nickel, chromium and molybdenum) recovered in the recycling of stainless steel waste to stainless steel producers for a tolling fee or sell such recovered metals on the market. We also provide ancillary regulatory services, as well as transportation and logistics services.



Our six crude steel dust recycling plants have a total aggregate recycling capacity of 780,300 tons of steel waste per year. Our leaching plant in France has an annual leaching capacity of 100,000 tons of leached Waelz oxide, and our two stainless steel residue recycling plants have a total aggregate annual recycling capacity of 174,000 tons of stainless steel residue per year. The two galvanized steel recycling plants have a total aggregate annual recycling capacity of 16,000 tons of galvanized steel residue per year.

In 2016, we had revenues of €281.1 million in our Steel Dust Recycling Services segment and processed approximately 588,843 tons of crude and 91,567 tons of stainless steel waste, sold approximately 203,443 tons of Waelz oxide and approximately 7,026 tons of metal alloys containing mainly nickel, chromium and molybdenum through the recycling of stainless steel residues.

(a) Recycling process and technologies

(i) Steel Dust

Once the key input for our steel dust recycling process, steel dust from mini-mill producers, is collected, we transport it to our steel dust recycling plants using our own means or third-party transportation companies. This is a valuable service to our customers as the steel dust is classified as a hazardous waste and its disposal is heavily regulated.

Mini-mill producers obtain most of the iron required for steel production from recycled scrap steel, as opposed to obtaining it directly from iron ore (which is the primary iron resource used in traditional blast furnace steel factories) and melt such recycled scrap steel in the mini-mills (electric arc furnaces), which can be easily stopped and started to respond to changes in demand. Recycled scrap steel is readily available in Europe and Turkey, where mini-mill producers represent approximately 46% and 76% of the production capacity, respectively, according to the World Steel Association. We estimate that for each ton of crude and stainless steel produced, 18 to 20 and 17 to 21 kilograms of crude steel and stainless steel residue, respectively, are generated.

At our six crude steel dust recycling plants, we recycle steel dust by applying the Waelz kiln process, which produces Waelz oxide.

In the Waelz kiln process we mix coke and lime with steel waste in a kiln containing a rotating furnace (the Waelz kiln). This process vaporizes zinc and lead components contained in the steel waste and produces Waelz oxide, a product with high zinc content.

Subsequently, we submit the Waelz oxide we have produced to a leaching process, a hydrometallurgical process which helps increase the zinc content in leached Waelz oxide. The majority of our zinc smelter customers require Waelz oxide to undergo a leaching process before it is processed by them. Leached Waelz oxide is easier to transport and can be more easily sold to a broader group of customers than unleached Waelz oxide and at a higher price, because of the increased content of zinc.

We sell the leached and unleached Waelz oxide we produce to zinc smelters for use in zinc production.

(ii) Stainless Steel

At our two stainless steel residue recycling plants, we recycle stainless steel residue, which typically consists of 8% to 18% nickel, 17% to 20% chromium and 2.5% molybdenum, with the remainder being iron, to recover metals, mainly nickel, chromium and molybdenum, which we sell to stainless steel producers. The two main technological processes we use are:

- submerged arc welding furnace:

  a process whereby stainless steel residue is mixed with coke and lime and treated through a furnace which is tapped several times per day, and where metals and salt slags are gravimetrically separated using a charging device; and

- plasma furnace:

  a process whereby stainless steel residue is mixed with coke and lime and treated through a furnace that employs a plasma generator to recover metals.

  Following each of these processes, we typically transport the recovered metals back to stainless steel producers in the form of granules or large blocks, or sell them on the market. These recovered metals can be used again as input materials by stainless steel producers in their steel production processes.

  At our two galvanized steel residue recycling plants we recycle zinc residues from the galvanized steel industry in a rotary oven and produce zinc ingots, which we sell to the zinc industry.

For information on our steel waste recycling customers see "*12. Business—Business Segments—Steel Dust Recycling Services—Customers and Pricing*" below.

(b) Facilities and production

Our European steel dust recycling plants are located in close geographic proximity to our main European mini-mill producer customers. These customers are required under EU regulations to manage or recycle their residues of steel waste, due to its classification as waste or hazardous waste, either at their own facilities or with an authorized manager, in order to recover the waste or hazardous waste for another use. Although there is no specific obligation on our customers to deliver steel dust to us for recycling solely for reasons of geographic proximity, because transportation of steel dust requires permits and authorizations and is a relatively expensive and burdensome activity, it is often more economical to transport to and recycle steel dust at facilities located nearby.

The following table provides further details about our steel waste recycling plants as of December 31, 2016:

Plant location	Technology	Recycled waste	Annual installed recycling capacity (tons)
Germany			
Duisburg	Waelz kiln	Crude steel dust	86,700
Freiberg	Waelz kiln, leaching	Crude steel dust	193,600
Spain			
Erandio	Waelz kiln, leaching	Crude steel dust	160,000
Amorebieta	Rotary oven	Galvanized steel residue	7,000
Sondika	Indirect method (oxidation)	Galvanized steel residue	9,000
France			
Fouquières-lès-Lens[1]	Waelz kiln	Crude steel dust	55,000
Gravelines	Submerged arc welding furnace	Stainless steel residue	110,000
Gravelines[2]	Leaching	–	100,000
Turkey			
Iskenderun[3]	Waelz kiln, leaching	Crude steel dust	65,000
Sweden			
Landskrona	Plasma furnace	Stainless steel residue	64,000
South Korea			
Gyeongju	Waelz kiln	Crude steel dust	220,000
Total			**1,070,300**

(1) The Group owns 50% of the joint venture company Recytech, which owns the plant in Fouquières-lès-Lens (France). The other 50% is owned by Recylex, S.A. The recycling capacity presented in the table represents 50% of the total annual recycling capacity of the plant, which is 110,000 tons.

(2) This facility leaches Waelz oxide produced at our plant in Duisburg (Germany) and some of the Waelz oxide produced at our plant in Freiberg (Germany), which also has its own leaching facility.

(3) The Group owns a 51% interest in Befesa Silvermet, which owns and operates a steel waste recycling plant in Iskenderun (Turkey). Silvermet, the Group's joint venture partner in Turkey, holds a 49% interest in the venture, currently through Silvermet Malta Limited. In addition, we acquired a 10% interest in Silvermet, as a result of which our indirect holding in Befesa Silvermet increased to 55.9%. Befesa Silvermet is wholly consolidated in our results of operations and the recycling capacity presented in the table represents 100% of the annual recycling capacity of the steel waste recycling plant in Iskenderun.

Each of our plants functions on a stand-alone basis and can handle various tasks of our steel dust recycling operations, including collection, storage and processing of the crude steel dust and steel residues. At each of our crude steel dust recycling plants we are able to store steel dust in closed silos that have average storage capacities of one to two months of annual recycling capacity at 100% utilization.

The table below shows key utilization data for our steel dust recycling activities split between crude steel and stainless steel for the five year period (2016 – 2012) ending December 31, 2016:

	Year ended December 31,				
	2016	2015	2014	2013	2012
Crude steel dust recycling					
Installed capacity1 (*tons*)	780,300	670,300	670,300	596,967	560,300
Utilization[2] (%)	75.3	86.5	90.3	91.8	94.5
Stainless steel residue recycling					
Installed capacity (*tons*)	174,000	174,000	174,000	174,000	174,000
Utilization[1] (%)	52.5	53.9	51.3	60.9	71.0

(1) Consolidated 100% of the total annual recycling capacity of BZ Korea, in which we own a 100% stake since July 2016.
(2) Utilization represents crude steel or stainless steel residue, as applicable, processed against annual installed capacity.

(c) Expansion projects

In our Steel Dust Recycling Services segment, management has identified the expansion of capacity in our Turkish steel dust recycling plant as a potential expansion project to be executed between 2018 and 2020.

(d) Customers and pricing

We have two types of customers in our Steel Dust Recycling Services segment:

- mini-mill producers who generate steel waste, which we collect and recycle for a service fee; and
- zinc smelters who buy the Waelz oxide we produce in our recycling process.

In our stainless steel residue recycling operations, we have another type of customer, which is international stainless steel producers with operations mainly in Europe and, at a more limited extent, in South Africa who pay us a tolling fee for collecting their stainless steel residue, processing it at our plants and returning to them the recovered metals (mainly nickel, chromium and molybdenum). Not all of our stainless steel producer customers require recovered metals to be returned to them, and in such cases we sell the recovered metals in the market.

(i) Mini-mill producers

On the supply side, our mini-mill producer customers generate steel dust, which we collect and recycle for a service fee. Most of our mini-mill producer customers are subsidiaries of international steel production companies with operations in the countries where we have operating facilities (i.e. Germany, Spain, Sweden, France, Turkey and South Korea) or in the neighboring countries (i.e. Portugal, Austria, Netherlands and Luxembourg).

For recycling at our European plants, our mini-mill producer customers pay us a fee for the collection of their steel dust based upon a variety of factors, including frequency of pick-up, transport distance, and volume. We believe our fees are generally lower than the cost of alternative steel dust disposal solutions, such as landfill. In addition, recycling has a lower impact on the environment and is, in some jurisdictions in which we operate, even a required method of waste management whenever that is an economically viable alternative to landfill. Also, the location of our plants in close proximity to our main mini-mill producer customers helps minimize transportation expenses for us and our customers.

Most of our contracts with our mini-mill producer customers are long-term ones (which we define as contracts with a term of at least one year). The average length of our commercial relationships with our four main mini-mill producer customers, all of which are located in the EU and which accounted for 25% of our crude steel dust recycling revenues from service fees in 2016, exceeds 15 years.

(ii) Zinc smelters

On the sell-side, our zinc smelter customers buy Waelz oxide that we produce in our recycling process. Most of our zinc smelter customers are located in Germany, Spain, France, Finland, Norway, the Netherlands, Belgium and South Korea, which together accounted for the substantial majority of our revenues from zinc smelters. We have also made particular efforts to diversify our customer base of zinc smelters by expanding to Poland and Japan in the wake of the global economic downturn.

Waelz oxide typically has a zinc content of 60% to 68%. We are paid only for a percentage of the zinc contained in the Waelz oxide (typically 85% of the relevant price for zinc) and are subject to an additional deduction as a treatment charge. The price used to calculate the value of the payable zinc is the prevailing London Metal Exchange price for zinc. A treatment charge is then deducted from the amount payable to us. This treatment charge represents the fees that miners pay smelters to refine zinc concentrate into metal. The treatment charge is linked to the London Metal Exchange price for zinc and the benchmark treatment charge is negotiated annually between major zinc concentrate producers and smelters.

The table below illustrates the calculation of the treatment charge at different LME Price of zinc using an example base treatment charge of US$188/ton:

Calculation of the treatment charge at different LME zinc prices					
Parameter	Formula code				
LME Price (*US$/ton*)	A	1,000	1,500	2,000	3,000
Base treatment charge[1] (*US$/ton*)	B	188	188	188	188
Basis (reference) price (*US$/ton*)	C	2,000	2,000	2,000	2,000
Escalator[2]	E	5%	5%	5%	5%
De-escalator[2]	F	2%	2%	2%	2%
Treatment charge[3] (*US$/ton*)	**G**	**168**	**178**	**188**	**238**
Percentage of LME Price		**16.8%**	**11.9%**	**9.4%**	**7.9%**

Notes:

(1) Base treatment charge represents a fixed component of the treatment charge.

(2) In 2017, other than in previous years, no escalators or de-escalators were applied.

(2) The treatment charge is calculated on the basis of the following formulas depending on whether the LME Price is higher or lower than the basis price of zinc:

If LME Price < Basis price B + (A – C) x F

If LME Price > Basis price B + (A – C) x E

As a result of the escalator and de-escalators, the higher the LME price of zinc is over the base reference price, the larger the treatment charge deducted will be, and vice versa. The benchmark treatment charge is negotiated annually between major zinc concentrate producers and smelters. The base treatment charge in 2016 was 196 U.S. dollars per ton with an escalator of 9% for zinc prices from $2,000-$2,500 per ton and an escalator of 8% for zinc prices over $2,500 per ton De-escalators in 2016 were -3.0% for zinc prices from $1,500 - $2,000 zinc prices under $1,500, the de-escalator fell away. Unlike previous years, however, for 2017, a flat base treatment charge of 196 U.S. dollars per ton with no escalators or de-escalators was negotiated, resulting in a further reduction of realized treatment charges in the six-month period ended June 30, 2017.

Under our prior zinc hedging strategy, for 2017 and 2018, we fixed the price per ton of zinc in euro for more than half of the expected volume of zinc to be extracted from our Waelz oxide by entering into financial swap agreements with several financial institutions. Under our current zinc hedging strategy we have strengthened our hedging strategy further and extended our hedging both in terms of volume percentage as well as covered periods. We have committed recently to hedges covering a period until mid-2020, thereby consistently hedging over 70% of the expected volume of zinc to be extracted from our Waelz oxide for the respective years. We constantly review options for further renewing and extending our existing hedges in light of the current zinc market environment and are committed to hedge about 60-75% of the expected volume of zinc to be extracted from our Waelz oxide for a period of 2-4 years going forward. Also, we assess options for further extending our hedges up to 2021.

These zinc price hedges are settled at the beginning of each month based on the average euro-denominated zinc price of the prior month. They are cash settled, and we receive a payment to the extent that zinc prices are below the hedge level, or pay our hedge counterparty to the extent zinc prices are above the hedged level. Our Price per Ton of Waelz oxide is set in euro and we hedge our zinc prices in euros in order to help mitigate our exposure to exchange rate risk, because the price of zinc on the LME is quoted in US dollars.

The table below shows the price per ton of zinc at which we hedged and the volume of zinc we hedged in respect of sales in 2015 and 2016, and the current hedges for sales in 2017, 2018, 2019 and the first six months of 2020:

	Year ending December 31,					
(unaudited)	2015	2016	2017	2018	2019	6 months ending June 30, 2020
Zinc hedged (*tons*)	**73,200**	**73,200**	**73,200**	**92,400**	**92,400**	**46,200**
Price per ton of zinc (*euro*)	**€1,275***	**€2,038 / €1,250***	**€1,876**	**€2,050**	**€2,306**	**€2,235**

(*) Floor price per ton of zinc

See also "*14. Description of Certain Indebtedness and Financing Agreements—Zinc Hedging Agreements*".

Approximately 75% of the volume of Waelz oxide we sell is purchased by customers with whom we have maintained strong commercial relationships for over 15 years. We estimate that the sale of Waelz oxide accounted for 67% of revenues from our Steel Dust Recycling Services segment in 2016, generated largely from our top five zinc smelter customers. For the Steel Dust Recycling Services segment in total, our five largest customers represented 76.8% of the segment revenues generated for the year ended December 31, 2016 (79.3% for the six-month period ended June 30, 2017).

(iii) International stainless steel producers

Our stainless steel residue recycling customers are principally international stainless steel producers with operations in Europe. Certain international stainless steel producers pay us a tolling fee for collecting their stainless steel residue, processing it at our plants and returning to them the recovered metals (mainly nickel, chromium and molybdenum). Our tolling fee is based on an agreed level of metal recovery and depends on the metal composition of the stainless steel residue and the metal recovery level at our plants. In our tolling fee, we are typically able to pass-through to our stainless steel customers the cost of electricity and coke related to stainless steel residue recycling as well as transportation costs. The value of metals recovered from stainless steel residue recycling is higher than the tolling fee charged, therefore it is economically beneficial for stainless steel producers, particularly for our main customers located in Europe, to recycle rather than to dispose of stainless steel residue.

Not all of our stainless steel producer customers require recovered metals to be returned to them, and in such cases we sell the recovered metals in the market. In these cases we do not charge stainless steel producers a tolling fee, as we recover our recycling costs from the price of metals sold.

Our contracts with stainless steel producers typically have durations of one to five years and are typically renewed for the same term. However, some of our relationships with stainless steel producer customers date as far back as 1989. We believe we offer our customer base a high level of metal recovery, reliable waste disposal services and closely integrated services with their stainless steel operations to reduce on-site waste inventories.

(e) *Input materials and transportation*

(i) *Input materials.*

We receive crude steel dust and stainless steel residue from our mini-mill and stainless steel producer customers, as part of our recycling arrangements with them. In our recycling processes we also use additional auxiliary materials such as electricity, coke and, to a more limited extent, lime. Electricity, coke and lime are readily available to us from a large number of suppliers. We obtain these auxiliary materials from a small number of strategic suppliers, but do not believe we have significant concentration in our supply sources for any single input material. In addition, to maintain steady recycling process we typically maintain inventories of one to two months' supply of our input materials, which we manage based on estimates of future demand for our products and services.

(ii) *Transportation.*

We transport the crude steel dust from steel dust generators' facilities to our recycling plants, the Waelz oxide we produce to zinc smelters and the metals we recover to stainless steel producers. Our steel residue transportation expenses are generally included in our service fees. We typically do not charge for transporting stainless steel residues, Waelz oxide and recovered metals, as our related transportation expenses are included in the service fee and the tolling fee. For the transportation of Waelz oxide to our zinc smelter customers, we typically use third party transportation companies.

12.5.2 *Aluminium Salt Slags Recycling Services segment*

The activities of our Aluminium Salt Slags Recycling Services segment include:

- recycling of salt slags, a hazardous waste generated in the secondary aluminium production process, either by us or our customers, out of which we generate aluminium concentrates, salt and oxides, and of aluminium electrolysis cells (spent pot lining or SPLs) generated by primary aluminium producers. We collect fees for recycling salt slags and SPLs, and sell products obtained from the recycling of salt slags and SPLs to customers. The aluminium concentrates and salt can be used by secondary aluminium producers, and the oxides are used in a variety of applications, including civil works, fiber insulation, and building materials; and
- collecting and recycling of aluminium residues and scrap from which we produce secondary aluminium alloys, which we sell to customers mainly in the automotive and construction industries.

The following chart shows the recycling cycle of our Salt Slags business:

The following chart provides an overview of the amounts of salt slags and SPLs recycled and the aluminium concentrate, salt and aluminium alloys produced in the period from 2013-2016:

	Year ended December 31,			
	2016	2015	2014	2013
tons of Salt Slags and SPLs recycled	492,382	464,557	432,174	437,053
tons of aluminium concentrate produced	37,741	37,957	34,320	33,427
tons of aluminium salt produced	166,292	170,747	161,739	180,814
tons of secondary aluminium alloys produced	181,124	170,108	126,464	114,055

We operate seven plants in our Aluminium Salt Slags Recycling Services segment:

- four salt slags and SPLs recycling facilities, with an aggregate recycling capacity of 530,000 tons of aluminium residue per year. In addition, we have an idle salt slags recycling plant in Töging (Germany) with a recycling capacity of 100,000 tons per year which has been idle since we acquired it in 2009 due to overcapacity and under-supply of input materials in this area; and
- three secondary aluminium production facilities, with an aggregate production capacity of approximately 205,000 tons of secondary aluminium alloys per year.

In addition to recycling aluminium residues and scrap, salt slags and SPLs, our Aluminium Salt Slags Recycling Services segment has a separate unit that provides technical support to aluminium waste recycling plants, and specializes additionally in the design, assembly and delivery of machinery and equipment for the aluminium and zinc industries.

In 2016, we generated revenues of €364.4 million in our Aluminium Salt Slags Recycling Services segment (thereof €78.9 million in the Salt Slags sub-segment and €285.5 million in the Secondary Aluminium sub-segment) and we treated approximately 492,382 tons of salt slags and SPLs and produced approximately 181,124 tons of secondary aluminium alloys.

(a) Recycling process and technologies

(i) Salt Slags

The secondary aluminium production process generates a number of residues, the majority of which are salt slags. Salt slags are typically classified as hazardous waste because of their high potential of producing toxic and flammable gases when in contact with water. We recycle salt slags generated by our customers and by our secondary aluminium production activities. We have also developed a proprietary technology which allows us to recycle SPLs, a hazardous waste generated by primary aluminium producers.

In the recycling process, which we consider to be among the best available technologies in the market, the toxic components are removed from salt slags and SPLs to obtain useful secondary input materials such as salt and aluminium concentrates for the secondary aluminium producers, and oxides for different end usages in construction, refractory, insulation and mineral wood. We recycle salt slags through an integrated valorization process which separates aluminium metal concentrates, industrial salt and metal oxides (mostly oxides of aluminium). These components are reintroduced for different uses: aluminium metal concentrates are separated and reintroduced into the secondary aluminium production cycle; industrial salt is crystallized and reused as melting component in the secondary aluminium production cycle; and high-alumina content oxides (such as Paval in Spain, Serox in Germany and BFA in the United Kingdom) are commercialized for different end uses such as in construction, refractory, insulation and mineral wood.

We reintegrate aluminium concentrates and salt produced through our recycling of salt slags into our secondary aluminium production process.

SPLs contain leachable fluoride salts and cyanides that under certain conditions could generate highly toxic hydrogen cyanide (HCN). We process SPLs at our plants in Valladolid (Spain), Whitchurch (United Kingdom) and Lünen (Germany) by our proprietary recycling technology in order to eliminate toxic components and obtain useful secondary materials.

(ii) Secondary Aluminium

In addition to our salt slags and SPLs recycling operations, in our Aluminium Salt Slags Recycling Services segment we produce aluminium alloys through the recycling of aluminium scrap and other aluminium residues such as aluminium drosses, shavings and cuttings derived from the aluminium content of various goods that have reached completion of their useful lives or from the aluminium industry. We mainly purchase this scrap and other aluminium residues from scrap dealers and collectors and from aluminium foundries, aluminium remelters and primary aluminium producers, as well as aluminium concentrates generated in our salt slags recycling process.

Once purchased, we treat aluminium scrap at our two aluminium recycling plants in Spain and our aluminium recycling plant in Bernburg, Germany through a metallurgical process that separates the aluminium content from the waste. We use this aluminium content to produce secondary aluminium alloys, either as ingots or in liquid form. We sell the secondary aluminium alloys to our customers, which primarily consist of aluminium foundries to produce aluminium component mainly for the automotive and construction industries.

Our secondary aluminium alloys production process includes the following stages:

- pre-treatment:

  aluminium residue (our plants accept various aluminium residues, including aluminium scrap, aluminium drosses and aluminium shavings) is pre-treated through a grinding and drying process in order to homogenize the residues for smelting in our furnaces;

- smelting:

  pre-treated aluminium residue is smelted through rotatory furnaces (both tilting and fixed furnaces are used in our plants);

- alloying:

  After melted in the rotary furnaces the liquid aluminium is poured into the holding furnaces where, once analysed, we add the alloying element required by customer specification (copper, silicon, magnesium etc). The aluminium alloy is casted into ingot through an authomatic casting line or alternatively delivered in liquid form to our customers.

(b) Facilities and production

The following table provides details about the plants in our Aluminium Salt Slags Recycling Services segment as of December 31, 2016:

Plant location	Product Produced / Recycled Materials	Installed production/recycling capacity (tons/year)
Germany[1]		
Hannover	Salt slags	130,000
Lünen	Salt slags	170,000
Spain		
Valladolid	Salt slags and SPLs	150,000
United Kingdom		
Whitchurch	Salt slags and SPLs	80,000
Total (Salt Slags)[1]		**530,000**
Spain		
Erandio	Secondary aluminium alloys	64,000
Franqueses del Vallés	Secondary aluminium alloys	66,000
Germany		
Bernburg	Secondary aluminium alloys	75,000
Total (Secondary Aluminium)		**205,000**

(1) In addition, we have an idle salt slags recycling plant in Töging (Germany) with a capacity of 100,000 tons per year. Operations at this plant have been on hold since 2009 due to overcapacity and under-supply of input materials in the area.

The table below shows the capacity utilization in our Aluminium Salt Slags Recycling Services segment for the period from 2013 until 2016:

	Year ended December 31,			
	2016	2015	2014 (unaudited)	2013
Salt Slags				
Installed capacity[1] (*tons*)	609,000[5]	609,000	607,000	607,000
Utilization[2] (%)	96.5	91.3	85.2	86.2
Secondary Aluminium				
Installed capacity[3] (*tons*)	205,000	205,000	126,000	120,000
Utilization[4] (%)	92.6	87.2	100.4	95.0

(1) Includes the 100,000 tons of capacity at out Töging (Germany) plant, which is currently idle.
(2) Utilization represents the volume of salt slags and SPLs recycled against annual installed capacity (not including the 100,000 tons of capacity at our Töging (Germany) plant, which is currently idle).
(3) The installed capacity since 2015 includes our Bernburg plant.
(4) Utilization represents the volume of secondary aluminium produced against annual installed capacity.
(5) Total installed capacity was increased to 630,000 tons effective as of December 31, 2016.

(c) Expansion projects

Four of our five envisaged expansion projects to be executed between 2018 and 2020 relate to our Aluminium Salt Slags Recycling Services segment. Three of these projects relate to capacity expansions of existing facilities where we see additional demand from our local customers that cannot be met with our current capacities.

The specific projects are (i) the expansion of our salt slags facility in Hannover in Germany, (ii) the expansion of our salt slags facility in Whitchurch in the United Kingdom, (iii) the further expansion of our new secondary aluminium production facility in Bernburg in Germany, which is currently at full capacity and (iv) the changing to tilting furnaces in our secondary aluminium plants in Bilbao and Barcelona.

(d) Customers and Pricing

We have a diverse customer portfolio for our Aluminium Salt Slags Recycling Services segment, where approximately 40% of our customers are Spanish companies, while overall approximately 60% of our customers are international companies with operations in Europe.

We have the following main types of customers in our Aluminium Salt Slags Recycling Services segment:

- purchasers of our secondary aluminium alloys;
- secondary aluminium producers who recycle salt slags with us for a treatment charge;
- primary aluminium producers who recycle SPLs with us for a treatment charge; and
- purchasers of aluminium concentrate and salt obtained from the recycling of salt slags and SPLs; and
- primary and secondary aluminium producers who deliver other residues to be treated in our plants for a treatment charge, and who commonly buy back the aluminium produced in the course of the recycling process; and
- purchasers of oxides.

Our customers in the Aluminium Salt Slags Recycling Services segment include companies such as Fagor Ederlan Group, Volkswagen Group, Georg Fischer Automobilguß GmbH, Real Alloy or Innova Automotive.

Our five largest customers represented 27% of our revenue from the Aluminium Salt Slags Services segment for 2016, while the remaining 73% was derived from a large number of other customers. We typically maintain long-term commercial relationships with our customers while the typical term of our customer contracts ranges from one to three months up to three years. In 2016, approximately 50% of our revenue from the Aluminium Salt Slags Recycling Services segment was from sales to customers with which we have maintained a relationship for more than five years. Based on our analysis, we believe that we are the leading provider of salt slags recycling in, Germany, Spain and the United Kingdom.

(i) Salt Slags

Our main salt slags and SPLs recycling customers are primary and secondary aluminium producers primarily located in Germany, Spain and United Kingdom. Our salt slags and SPLs customers pay us a fee for the treatment of their salt slags and SPLs.

We sell most of the products obtained from recycling salt slags and SPLs to a large number of customers either to our secondary aluminium and salt slags providers or for use in a variety of applications, including civil works, fiber insulation, and building materials. Our five largest European salt slags and SPLs recycling customers represented 31.5% of the revenue generated from recycling salt slags and SPLs for the year ended December 31, 2016 (30.26% for the six-month period ended June 30, 2017). The remaining revenues were derived from a large number of other customers. Our main salt slags and SPLs recycling customers include companies such as Real Alloy, Trimet and Tandom Metallurgical Group.

(ii) Secondary Aluminium

The main customers who purchase our secondary aluminium alloys are companies primarily linked directly or indirectly to the automotive and construction industries, as well as household appliance manufacturers. Our five largest secondary aluminium alloy customers represented 29% of our revenue from our secondary aluminium production operations for the year ended December 31, 2016, while the remaining 71% of revenue derived from a large number of other secondary aluminium alloy customers. For the six-month period ended June 30, 2017, our five largest customers in this segment accounted for 43% of segment revenues.

Our secondary aluminium alloy customers pay us a euro price per ton, which is set by bilateral negotiations with customers. In most cases, the prices are negotiated on a spot basis, while in other cases they are negotiated with reference to independent quotations such as the Metal Bulletin FM or the price of aluminium quoted on the LME, with a negotiated premium in each scenario.

(e) Input materials and transportation

(i) Input materials

The salt slags we recycle are either received from our customers, or are generated in the course of our secondary aluminium production activities. The SPLs which we recycle are generated by and received from primary aluminium producers.

Our primary input for secondary aluminium production is aluminium scrap and other aluminium residues such as aluminium drosses, shavings or cuttings which we mainly purchase from aluminium foundries, scrap dealers and collectors and from primary aluminium producers as well as aluminium concentrates generated in our salt slags recycling process. Our five largest aluminium scrap suppliers represented 16% of our input material procurements for the year ended December 31, 2016. The remaining input material procurements were received from a large number of other suppliers, out of which 13% of the input materials needed for our production of secondary aluminium came from our own salt slags and SPLs recycling plants. We also generate aluminium concentrates ourselves in the course of our salt slags recycling service which we use for the production of aluminium alloys.

(ii) Transportation

In connection with our salt slags and SPLs recycling services, our customers generally transport such input materials to our facilities directly, or use third party transportation companies for transportation.

In connection with our secondary aluminium production, we collect the material either in the supplier warehouses or it is delivered to our plants. In both cases the material is commonly transported by independent transport companies either on behalf of us or on behalf of our suppliers. We also use third party transportation companies to transport the salt slags generated by our secondary aluminium production to our salt slags recycling facilities in Hannover (Germany) and Valladolid (Spain).

(f) Our technical support, design and sales of machinery and equipment unit

In addition to recycling services, our Aluminium Salt Slags Recycling Services segment includes a separate unit that provides technical support to our plants, and sells machinery and equipment for the aluminium and zinc industries. We have developed over 100 projects in 40 countries, including plants located in Bahrain, Canada, Iceland, Oman, Russia, Qatar, United Arab Emirates, Spain and India. The main products offered by this unit include automated casting lines for the production of aluminium and Zinc ingots: The revenues of our sales of machinery and equipment represented 3% of the revenues of our Aluminium Salt Slags Recycling Services segment in the year ended December 31, 2016.

12.6 Property

We own and lease land and properties in various regions including Germany, Spain, France, Sweden, the United Kingdom, Turkey and South Korea. Some of our borrowings are secured by charges over certain of our property, plant and equipment, however, as of December 31, 2016, no significant amount of fixed assets was pledged. We own all our steel dust recycling plants and land upon which such plants are situated, except for (i) the land upon which our stainless steel recycling plant and our leaching facility in Gravelines (France) are situated, which we lease and operate pursuant to an administrative concession valid until 2037; and (ii) the land upon which two galvanized steel recycling plants in Sondika (Spain) and Amorebieta (Spain) are situated, which we lease.

We own all of our secondary aluminium production and salt slags and SPLs recycling plants and the land upon which such plants are situated, except for the land where our salt slags recycling plant in Lünen (Germany) is situated. We rent the land on which our plant in Lünen is situated pursuant to a lease agreement valid until December 31, 2029.

The size of the real estate on which our plants are situated ranges from approximately 10,000m² to 40,000m². Other than as described above, we do not own or lease real property which is material to our operations.

12.7 Research and Development

12.7.1 Steel Dust Recycling Services

Our steel dust recycling research and development activities are aimed at developing sustainable improvements to existing technologies and creating new proprietary technologies for use by the Group. We also frequently collaborate with research groups, public research centers and universities on our research and development projects.

We have developed.

at our plants in Freiberg (Germany), Erandio (Spain), Gravelines (France) and Iskenderun (Turkey), a technology of Waelz oxide washing, which enables us to produce Waelz oxide with higher zinc concentration at lower cost.

We are also in the process of installing gas-cleaning equipment (post-combustion) in order to comply with upcoming stricter emission levels contemplated by the new BREF for non-ferrous metals in our crude steel dust recycling business

For the years ended December 31, 2016, 2015 and 2014 we spent €347 thousand, €358 thousand and €339 thousand, respectively, on our Steel Dust Recycling Services research and development activities.

12.7.2 Aluminium Salt Slags Recycling Services

Our research and development activities in the Aluminium Salt Slags Recycling Services segment focus on improving the recovery rate of input materials, aluminium alloys and aluminium residues (salt slags and SPLs), optimizing our operational processes and product quality, and developing improved technologies that contribute to a sustainable environment.

(a) Salt Slags

We aim our research work mainly at developing new applications for the oxides we produce in different industries. Our recent projects include:

- Developing oxides specifications to be used in the refractory industry: thermal, physical and chemical processes to remove impurities.
- Developing oxides specifications to be used in the ceramic industry: use of the oxides as a source of alumina for designing new formulations to improve ceramic products.

(b) Secondary Aluminium

We are currently researching:

- the process of the recuperation of complex aluminium scraps, recover the polyamide to reintroduce it into the market as a valuable product.
- optimization of the aluminium alloys production process, introducing improvements and technologies to increase the energetic efficiency: Waste hot streams use; new rotary furnace components design; temperature control.
- the development of a new aluminium alloy composition to improve properties and allow to increase the HPDC molds end life in the manufacturing of aluminium motor blocks and disc brakes.

For the years ended December 31, 2016, 2015 and 2014 we spent €1.2 million, €1.2 million and €1.0 million, respectively, on our aluminium residues recycling research and development activities.

12.8 Sales and marketing

Our sales and marketing teams in the Steel Dust Services segment are based in Ratingen (Germany) and Erandio (Spain) and cover all of our sales and marketing needs. Sales and marketing in our Aluminium Salt Slags Recycling Services segment are carried out through direct relationships with our customers and in some cases through commercial agents.

12.9 Intellectual Property

As of the date of this Prospectus, we believe our business is not materially dependent on patents, intellectual property licenses or trademarks, but rather on know-how we have gained over time, and there are in our view no material patents, intellectual property licenses or trademarks necessary for the operation of our business that we do not have or cannot obtain on reasonable terms. We maintain a corporate website and the rights to this website's domain name is owned by us.

12.10 Environmental Matters, Health and Safety

We are subject to numerous international, national and local environmental laws and regulations, as well as laws and regulations regarding health and safety. For further information about the regulatory environment applicable to us and our operations in the EU see "*13. Regulation—European Union Regulation—General Principles*", and, in particular, in Germany see "*13. Regulation—German Regulation—Regulatory Framework for waste management*" and Spain see "*13. Regulation—Spanish Regulation*". See also "*1. Risk Factors—Risks Relating to our Business and Industry—Our operations are subject to stringent laws and regulations, particularly under applicable environmental laws*" and "*1. Risk Factors—Risks Relating to our Business and Industry—Our employees may be exposed to health and safety risks*".

Environmental laws and regulations in the EU make recycling of steel, aluminium and other industrial residues (particularly hazardous waste such as crude steel dust, salt slags and SPLs) critical for European producers of steel, aluminium and other industrial products. Steel dust, aluminium residues and other industrial residues which we manage are considered waste or hazardous waste which, under EU regulations, needs to be either managed or recycled by the generator or owner of such waste or hazardous waste or with an authorized manager, in order to recover the waste or hazardous waste for another use. In addition, some regional environmental regulations of EU Member States (e.g. in the Basque Region in Spain) require that the hazardous waste generated in the region be managed or recycled in the same region, unless a generator or owner of waste can justify before the competent regional authority that it is technically impossible or economically unsustainable. Although there is no specific obligation on our customers to deliver steel, aluminium and other industrial waste or hazardous waste to us for management or recycling solely for reasons of geographic proximity, transportation of such waste requires permits and authorizations and is a relatively expensive and burdensome activity and, therefore, it is often more economical to transport and recycle such waste at facilities located nearby.

12.11 Employees

The tables below set forth the average number of employees as of December 31, 2016, 2015 and 2014 by professional category and geographic location (excluding our discontinued operations in our former industrial waste management segment):

Professional category	As of December 31, 2016	2015	2014
Management	54	63	59
Experts	217	175	147
Professionals	386	336	295
Operators and assistants	1,276	1,395	1,350
Total	**1,933**	**1,969**	**1,851**

Location	As of December 31, 2016	2015 (unaudited)	2014
Spain	888	947	879
Germany	373	344	295
France	108	102	97
United Kingdom	53	52	45
Rest of Europe	85	84	78
Turkey	104	110	107
South Korea	53	51	51
Rest of the world	269	279	299
Total	**1,933**	**1,969**	**1,851**

Of the Group's average headcount as of December 31, 2016, 798 employees were working in discontinued operations (December 31, 2015: 857 employees). Of the Group's average headcount in 2016, 517 had temporary employment contracts.

As of September 30, 2017, we had an average number of 1,144 employees, thereof 39 employees in management, 136 experts, 200 professionals and 753 operators and assistants. There has been no material change in these numbers of employees as of the date of this Prospectus.

Most of our employees are subject to labor regulations or collective bargaining agreements, which vary depending on the nature of their activities and the country in which they are located. See "*1. Risk Factors—Most of our employees are subject to several collective labor agreements and are represented by labor unions. Any labor disputes could affect our operations, public reputation and relationships with our customers*".

We consider our employee relations to be good and have not experienced any significant labor disputes, work stoppages or strikes during the last three year period. We invest significant resources (€0.3 million for the year 2016 excluding discontinued operations) in training programs for our employees in order to increase their skills and productivity.

In all countries where we operate we are required by law to make certain social security contributions. In addition, pursuant to our collective bargaining agreements we are required to make pension contributions with respect to our subsidiaries Befesa Zinc Freiberg GmbH, Befesa Zinc Duisburg GmbH and Befesa Salzschlacke Befesa Steel Services, Befesa Silvermet Iskenderun, Befesa Zinc Korea, Befesa Scandust, as well as to certain personnel of Befesa Aluminio in our Valladolid plant. In 2016, our employer's social security contributions were €11.8 million.

12.12 Insurance

We believe we maintain the types and amounts of insurance customary in our industry and the jurisdictions in which we operate and consider our insurance coverage to be adequate for our businesses, however we cannot guarantee that our insurance coverage will adequately protect us from all risks that may arise or in amounts sufficient to prevent material loss. We maintain insurance policies as required by applicable laws of the jurisdictions in which we operate. We maintain insurance policies to cover environmental, financial and technical risks (including assembly and construction risks, where applicable) and possible responsibility for injuries or damages to the equipment or materials used by us and by third parties. Our directors and officers are covered against third-party liabilities under the directors and officers insurance policy.

12.13 Litigation

From time to time in the ordinary course of our business, we are party to various governmental, legal and arbitration proceedings. We are not currently, nor have been in the past 12 months, party to any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which we are aware) that may have, or have had in the recent past, significant effects on our financial position or profitability.

With respect to risks arising from Abengoa's prior ownership of our Group, including a singular enforcement proceeding recently brought against us, see: "*1. Risk Factors - Risks Relating to our shareholder structure - We may incur losses or reputational damage from risks, known and unknown, stemming from prior ownership and businesses that we have sold*".

12.14 Material Agreements

The following section describes the material agreements we have entered into outside of our ordinary course of business over the past three years or under which we have material existing obligations.

12.14.1 Joint ventures

(a) Joint venture with Silvermet, Inc.

On October 27, 2010 we entered into a shareholders agreement with, Silvermet, Inc. (Silvermet), Befesa Silvermet Turkey, S.L. (Befesa Silvermet) and Befesa Silvermet Iskenderum Celik Ozu Gerni Donusumu A.S. (previously named "SYI Metalurji Madencilik Sanayi Ve Ticaret A.S.") (**"BSI"**), as amended on December 17, 2015, with respect to the steel dust recycling plant owned by BSI in Iskenderun, Turkey. Silvermet currently holds its interest in Befesa Silvermet through Silvermet Malta Limited and we through Befesa Zinc, S.A.U. The agreement relates to our mutual desire to devise a strategy for the development of an additional treatment capacity at the site in Iskenderun (Turkey) or in general in Turkey and it establishes the terms for the governance, funding and operation of Befesa Silvermet and BSI in relation to this purpose. The operation of the plant was funded through our initial investment of USD 6 million and by equity contributions from cash flows from operations. Additional funds for the joint venture, if required, shall be obtained through commercial borrowing from a lender who is approved by the board of Befesa Silvermet with the assets of Befesa Silvermet or BSI offered as security.

For the term of the agreement and two years thereafter, neither we, nor Silvermet shall directly or indirectly, either alone or in partnership have any involvement (which amounts to greater than 5% of outstanding publicly-traded shares) in another electric arc furnace recycling business in Turkey, except through Befesa Silvermet or BSI.

By way of a management fee, BSI shall pay a pro rata sum to us based upon a percentage of gross sales or such other basis as decided from time to time by the Befesa Silvermet and BSI. We are also entitled to appoint the chairman of the board and three out of five directors to the boards of each of BSI and Befesa Silvermet – so long as we continue to hold more than 50% of the shares in Befesa Silvermet.

Neither we nor Silvermet may transfer our shares in Befesa Silvermet or BSI unless a party is in default of the agreement but transfers to affiliates may be permitted in certain circumstances. Either ourselves or Silvermet may transfer all (but not some) of our shares in Befesa Silvermet to a bona fide third party provided that an offer notice is provided to the other shareholder by way of a right of first refusal.

Should the right of first refusal not be accepted by the non-selling party, the offeror may sell the shares to an equally reputable third party at a price not less than and on terms no less favorable than those at which the shares were offered to the third party. Upon revealing the identity of the third party purchaser, the non-selling shareholder may, within ten days, serve the third party purchaser with a tag-along demand to have its shares purchased on the same terms and conditions which were offered under the right of first refusal.

In the event that any shareholder's holding falls to 10% or less, that shareholder whose holding has diminished may put its shares to the majority shareholder or the majority shareholder may opt to buy out the diminished shareholding for fair market value.

The agreement shall terminate upon the written agreement of the parties or where we purchase all of the shares of Silvermet or vice versa. The agreement is governed by and construed in accordance with the laws of the Province of Ontario except where Turkish mandatory laws are applicable or to the extent that Spanish laws are mandatory.

(b) Joint venture with Recylex in France

In 1991, B.U.S. Berzelius Umwelt-Service AG entered into a joint venture with the French stock corporation Metaleurop S.A. regarding the processing of steel dust and similar zinc bearing residues suitable for treatment and metal values recovery in a waelz kiln operation. The current joint venture partners are Befesa Steel Services GmbH and Recylex S.A. The name of the joint venture company is Recytech S.A.

The rights and obligations of the joint venture partners are set forth in a French law governed shareholders' agreement entered into in 1991 (the "**French SHA**"). Befesa Steel Services GmbH and Recylex S.A. each hold 50% in Recytech S.A. Recytech S.A. owns and operates a crude steel dust recycling plant in Fouquirés-les-Lens, France.

The French SHA had an initial term of 20 years and it provides that following the expiry of the initial term, the duration shall automatically be extended by periods of two years each, unless either of the parties terminates upon notice of one year. No termination notices have been served to date.

(c) French energy consortium with Exeltium

Pursuant to an industrial partnership agreement between Electricité de France ("**EDF**") and Exeltium S.A.S. ("**Exeltium**") dated July 31, 2008, as amended from time to time, EDF has agreed to deliver volumes of electricity to Exeltium and Exeltium has agreed to pay for the volumes of electricity on a take-or-pay basis. The partnership agreement has a term until 1 May 2034. By way of downstream contracts each entered into between Exeltium as supplier and Befesa Valera S.A.S. as purchaser, Exeltium has agreed to on-sell electricity to Befesa Valera S.A.S ("**Befesa Valera**"). Befesa Zinc S.A.U. has granted a guarantee to Exeltium to cover Befesa Valera's obligation to purchase electricity.

(d) Acquisition of the remaining shares in Befesa Zinc Korea Co., Ltd.

In September 2012, Befesa Zinc Germany GmbH (at that time: B.U.S. Germany GmbH; "**BZ Germany**") entered into a joint venture with the Korean Hankook group in relation to the steel dust recycling business in Korea. The joint venture company was Befesa Zinc Korea Co., Ltd. (formerly Hankook R&M Co., Ltd.).

Pursuant to the investment agreement entered into on September 12, 2012, BZ Germany was granted the option to acquire in the course of several phases all of the shares in Befesa Zinc Korea Co., Ltd. After the completion of the last step and the acquisition of the remaining shares held by the co-shareholders on July 18, 2016, BZ Germany became the sole shareholder of BZ Korea. The investment agreement contained standard representations and warranties, as well as contractual non-compete and non-solicitation obligations from Hankook.

12.14.2 Major Disposals

(a) Sale of Befesa Valorización de Azufre S.L.U.

By way of a share purchase agreement dated December 15, 2015, Alianza Medioambiental, S.L.U. ("**AMA**") sold 100% of the shares in Befesa Valorización de Azufre S.L.U. to Ineos Enterprises Group Limited. Closing took place on December 29, 2015.

(b) Sale of Befesa Gestión de Residuos Industriales, S.L.

By way of a share purchase agreement dated December 22, 2016, AMA sold its entire interest in Befesa Gestión de Residuos Industriales, S.L. ("**BGRI**"), and (indirectly) its subsidiaries and participations, to Diseños y Proyectos Técnicos S.A. BGRI held interests (directly and indirectly) in: Residuos de la Madera de Córdoba, S.A. (71.09%), Gestión y Valorización del Centro, S.L. (50%), Befesa Gestión PCB, S.A.U. (100%), Betearte, S.A. (33,33%), Ecología Canaria, S.A. (45%), and Befesa II Tratamentos, Limpeza e Serviços, Unipessoal, Lda (100%).

Under the share purchase agreement, the purchaser agreed to release Befesa Medio Ambiente, S.L. ("**BMA**") from certain guarantees granted to BGRI in the context of various financing arrangements within a period of 180 working days expiring on October 17, 2017. However, due to a delay in the release approval processes of the financing banks, on the date of this Prospectus guarantees in an amount of €18.7 million were approved to be released but had not yet been released, and guarantees in an amount of €9.4 million were still pending approval for release.

Additionally, certain guarantees arranged by BMA in favor of BGRI towards the regional environmental directorate of Murcia (amounting to €7.5 million) may be amended to fix the guarantees at a maximum amount of €1.5 million. AMA and BMA shall maintain the guarantees until the amendment occurs, but the purchaser has agreed to counter-guarantee the guarantees until such time in an amount of (i) 20% in the first year from the date of the public deed of sale, (ii) 50% in the second year, and (iii) 100% in the third year. There have been several meetings in 2017 between BGRI and the regional environmental directorate of Murcia which indicated that it intends to make a decision regarding the requested reduction in the near future.

12.14.3 Other material agreements

On September 27, 2016, Befesa Steel R&D, S.L.U., Befesa Zinc Aser, S.A.U., Befesa Zinc Freiberg GmbH and Recytech S.A. entered into a Regenerative Thermal Oxidizer (systems) (RTO)-framework agreement with a third party under which such third party undertook to engineer, manufacture, implement and commission RTO systems in accordance with the maximum emission values and the requirements stipulated by the agreement. Individual orders may be placed by Befesa under the agreement. The counterparty's liability is capped at 75% of the value of all orders issued under the agreement or 100% of the relevant order value. The agreement shall remain in force and effect until the last final acceptance certificate has been issued by the customers.

12.15 Recent Developments

12.15.1 Disposal of our IES Business

Since June 30, 2017, we further disposed of various businesses in connection with our disposal of the IES Business.

In particular, on August 1, 2017, we sold 100% of the share capital previously held in Befesa Industrial Services USA, Inc. for a symbolic price of US$1.

On August 30, 2017, we sold 100% of the share capital in Befesa Argentina, S.A., to a local player for a purchase price of US$ 50,000.

In the course of these and other previous transactions by which we disposed of our IES Business, AMA and BMA granted customary warranties and indemnities to the purchasers. The Company does not believe that the economical risk relating to these warranties and indemnities to be significant.

Other than that, there has been no material change in our financial position or trading position since June 30, 2017 to the date of this Prospectus.

12.15.2 Shareholder Loan Clean-up

On October 17, 2017, the following steps were taken so as to implement a clean up of the outstanding shareholder loans between the Selling Shareholder and the Fund, on the one hand, and the Company and Befesa Holding, on the other hand (the "**Shareholder Loan Clean up**"):

1. The Fund and Triton Fund IV F&F LP both assigned to the Selling Shareholder (i) a loan receivable of €1,197,750 (including a €1,197,410.20 receivable of the Fund and a €339.80 receivable of Triton Fund IV F&F LP) held against Befesa Holding (the "**Befesa Holding Loan**") and (ii) a loan receivable of €20,000 (including a EUR 19,994.33 receivable of the Fund and a EUR 5.67 receivable of Triton Fund IV F&F LP) held against the Company (together the "**Assigned Loan**");
2. Following such assignment:
    a. the Fund held an aggregate receivable of €1,217,404.53 against the Selling Shareholder
    b. Triton Fund IV F&F LP held an aggregate receivable of €345.47 against the Selling Shareholder; and
    c. the Selling Shareholder held a €1,197,410.20 receivable against Befesa Holding; and a €20,000 receivable against the Company.
3. Befesa Holding and the Selling Shareholder carried out a set-off of Befesa Holding's obligation to repay the €1,197,750 receivable to the Selling Shareholder under the Befesa Holding Loan against the partial repayment of a loan receivable of €18,441,153.23 held by Befesa Holding against the Selling Shareholder (the "**Upstream Loan**");
4. Befesa Holding carried out a distribution in kind of the remaining receivable under the Upstream Loan of €17,243,403.23 to the Company by way of a share premium repayment;
5. The Company and the Selling Shareholder carried out a set-off of the Company's obligation to repay (i) a €20,000 receivable under the Assigned Loan held against the Company, (ii) a loan receivable of €50,000 held against the Company and (iii) a loan receivable of €344,178.08 held against the Company against the partial repayment of the remaining receivable of €17,243,403.23 under the Upstream Loan held by the Company against the Selling Shareholder;
6. Following such set-off, the Company held a receivable of €16,829,225.15 against the Selling Shareholder.
7. The Company approved an interim dividend distribution to the Selling Shareholder under the class A preference shares in an aggregate amount of €16,829,225.15 which was implemented by way of interim dividend distribution (the "**Interim Dividend Distribution**");
8. Following the payment of the Interim Dividend Distribution of €16,829,225.15 to the Selling Shareholder, the creditor and the debtor under the Upstream Loan were merged and the outstanding €16,829,225.15 debt and receivable under the Upstream Loan were extinguished.
9. The €345.47 receivable of Triton Fund IV F&F LP against the Selling Shareholder has been contributed by Triton Fund IV F&F LP to the equity reserve account (account 115, "*apport en capitaux propres non rémunéré par des titres*") of the Selling Shareholder. Following such contribution, the Selling Shareholder became at the same time creditor and debtor of the same receivable. As a result, the receivable was extinguished.

12.16 Outlook

12.16.1 Steel Dust Recycling Services

In our Steel Dust Recycling Services segment, we have seen strong momentum in the first six months of 2017, with a volume of around 316 thousand tons of EAF steel dust recycled (compared to 276 thousand tons in the first six months of 2016). This was driven both by an increase in volumes of steel dust recycled in our plants in Turkey and South Korea, the latter mainly due to the successful expansion of our steel dust collection services to neighboring countries such as Thailand and Taiwan, and favorable volume growth in Europe. Increasing capacity utilization due to a second kiln in South Korea has also contributed to recent growth in volumes of steel dust treated. For the remainder of 2017, we expect similar volumes across the segment with volumes thereafter developing in line with expected growth rates for EAF steel production in our three core markets of Western Europe, Turkey and South Korea. We anticipate revenues from service fees in this segment to remain stable.

We believe we can expect to achieve greater revenues per ton of Waelz oxide sold due to higher zinc content in the EAF steel dust we collect over the medium term, driven by the production of higher quality steel. As we are a service company, we intend to continue to hedge a significant portion of the zinc content in our Waelz oxide in line with past practice to reduce earnings volatility caused by fluctuating zinc prices.

Adjusted EBIT in our Steel Dust Recycling Services segment is expected to increase gradually in the medium term, driven by higher utilization rates and operational efficiencies we intend to implement.

12.16.2 Aluminium Salt Slags Services

In our Salt Slags sub-segment, we expect modest growth rates in the volumes of materials recycled, in line with the development of the secondary aluminium production market generally, increasing collection revenues over the medium term to contribute approximately 40% of revenues generated within the sub-segment. Total revenues per ton of material recycled (including the service fees paid by customers for the collection of materials and the revenues generated from the sale of the recycled materials) are expected to increase from the levels achieved in 2016. Based on current momentum in this sub-segment, we believe that in 2017 we could expect to reach Adjusted EBIT levels in 2017 closer to the levels seen in 2015 than those in 2014 or 2016.

With a view to our Secondary Aluminium sub-segment, we expect this sub-segment to continue to contribute the majority of revenues within our Aluminium Salt Slags Services segment. Secondary Aluminium production levels are expected to grow in line with general market developments. We expect volume growth to be modest. We expect metal scrap margins to continue to recover from the low levels seen in 2016, which could enable us to increase our Adjusted EBIT levels in this sub-segment closer to levels seen in 2014 or 2015.

13. REGULATION

The industry in which we operate is heavily regulated and is subject to extensive environmental legislation. See "*1. Risk Factors*" and "*12. Business*".

Our recycling and waste management plants located within the EU have to comply with the EU regulatory regime, as well as with the national and regional environmental regulations of the EU Member States in which we operate. Most of EU Member States' current environmental laws and regulations do not differ materially from environmental regulations applicable at the EU level. As a consequence, the regulatory frameworks applicable to our recycling and industrial residues management activities in the EU Member States in which we operate, including Germany, Spain, France, Sweden and the United Kingdom, are substantially similar to the EU regulatory framework.

We are also subject to varying environmental legislation and controls in other countries where we have operations, such as Turkey and South Korea, and will be subject to additional legislation in jurisdictions where we plan to or may in the future operate.

Set forth below is a summary of material environmental regulations relating to our operations in the EU and our key markets of Germany and Spain.

13.1 European Union Regulation

13.1.1 General principles

EU regulations with respect to waste are governed by:

- the "polluter pays" principle, a requirement that waste management costs should be attributed to the possessor/holder of the waste source, the previous possessor/holder of the waste source or the producer of the waste; and
- a policy to reduce the use of resources and to prevent waste, and favor re-use and recycling.

Directive 2008/98/EC of the European Parliament and of the Council of the European Union (the "**Council**") of November 19, 2008 on waste (the "**Waste Framework Directive**") establishes the general regulatory framework governing waste at the EU level. The Waste Framework Directive is supplemented by a series of additional EU directives and regulations that deal with specific types of waste and its treatment, e.g. Council Regulation (EU) No 333/2011 of March 31, 2011 establishes the criteria upon which certain types of scrap metal cease to be waste under the Waste Framework Directive.

The Waste Framework Directive establishes, among other things, various principles of waste management, including the responsibility of waste possessors/holders for the treatment of waste and principles of recycling and recovery. In addition, the Waste Framework Directive establishes the following hierarchy as a priority order in waste prevention and management legislation and policy of the EU Member States: (i) prevention, (ii) preparing for re-use, (iii) recycling, (iv) other recovery, e.g. energy recovery, and (v) disposal. In addition, under the Waste Framework Directive, EU Member States are required to draft individual national waste management plans and waste prevention programs, setting forth specific targets for prevention, re-use, recycling, other forms of recovery and disposal of waste, measures by which these targets are to be obtained, and the evaluation process.

In 2015, the European Commission published its Communication 614/2015 "Closing the loop – An EU action plan for the Circular Economy". It names several proposals for EU legislation on waste treatment. Among other things, the Commission aims to create a dynamic market for secondary raw materials, explicitly naming steel. One of the legislative proposals is an amendment to the Waste Framework Directive. This proposal mainly deals with municipal and packaging waste, but also includes some rules on industrial residues. One of these is the reduction of residues generation in processes related to industrial production, extraction of minerals and construction and demolition.

These legislative proposals were published on December 2, 2015. The proposed amendment to the Waste Framework Directive was discussed in the European Parliament in the First Reading on March 14, 2017. The Joint Declaration of the EU Parliament, Council and Commission on the EU's legislative priorities for 2017 aims to enact the amendment to the Waste Framework Directive and the other proposals of the EU action plan for the Circular Economy by the end of 2017.

13.1.2 European Union targets for the recovery of waste

The Waste Framework Directive requires EU Member States to take the necessary measures designed to achieve the following targets of waste management by 2020:

- to increase to at least 50% by weight the preparation for re-use and the recycling of residues materials such as paper, metal, plastic and glass from households (and possibly other similar sources); and
- to increase to at least 70% by weight the preparation for re-use, recycling and other recovery, including backfilling operations using residues to substitute other materials, of non-hazardous construction and demolition residues excluding naturally occurring material defined in category 17 05 04 of the European Union List of Waste (soil and stones containing no dangerous substances).

The European Commission's proposal to amend the Waste Framework Directive includes new targets for the recovery of waste from households, aiming at 60% by 2025 and 65% by 2030. However, there are no new targets for the recovery of construction and demolition residues (70% by 2020 as before, see above) or industrial residues in general.

13.1.3 Waste treatment permits

The Waste Framework Directive sets forth that EU Member States shall require companies intending to conduct waste treatment to obtain a permit from the competent authorities in the relevant EU Member State. These permits should specify the following:

- the types and quantities of waste that may be treated;
- for each type of permitted operation, the technical and any other requirements relevant to the site concerned;
- the safety and precautionary measures to be taken;
- the method to be used for each type of operation;
- the necessary monitoring and controls; and
- such site closure and after-closure care provisions as may be necessary.

While the Waste Framework Directive allows EU Member States to introduce certain exemptions for companies that engage in waste recovery activities or disposal of their own non-hazardous waste at the place of production, any company conducting a waste treatment activity within the EU must apply for the relevant administrative permits in the EU Member State in which the waste treatment process is to be conducted.

13.1.4 Waste shipment and transportation

Regulation (EC) No 2006/1013 of the European Parliament and of the Council of June 14, 2006 on shipments of waste (the "**Shipment Regulation**") establishes inter alia prior notification and/or consent requirements for the cross-border movement of steel residues, aluminium residues and other industrial residues. The Shipment Regulation provides that the competent authorities of the country of destination that have jurisdiction over specific recovery facilities may issue "pre-consents" to such facilities. Such decisions shall be limited to a specific period and may be revoked at any time. If a "pre-consent" has been issued, period for objections against shipments raised by the competent authorities concerned shall be usually subject to a time limit of seven working days (instead of 30 working days for shipments to facilities without "pre-consent"). All steel and aluminium residues recycling plants of Befesa have obtained a "pre-consent" for such transborder shipments that are executed regularly or on an on-going basis, even though sporadic. Moreover, the Shipment Regulation stipulates take-back obligations for cases in which a shipment cannot be completed as intended or is illegal. It cannot be excluded that costs for take-back are charged to Befesa in such cases based on the Shipment Regulation. Among various other provisions, the Shipment Regulation also contains restrictions on the import of waste into the European Union from non-members of the European Union. Regulation (EU) No 2014/660 amended the Shipment Regulation, establishing, inter alia, the obligation for EU Member States to increase their waste shipment inspections and provide inspection plans. However, the shipment framework in general as described above remained unchanged.

13.1.5 Air quality legislation

Directive 2008/50/EC of the European Parliament and of the Council of May 21, 2008 on ambient air quality (the "**Air Quality Directive**") may indirectly affect the operation of industrial plants, including our steel dust and aluminium recycling plants. The Air Quality Directive, together with the Decision 2011/850/EU of the European Commission of December 12, 2011, imposes an obligation on the EU Member States to submit plans and programs for air quality zones in the areas where air quality assessment thresholds set out in the Air Quality Directives are exceeded.

13.1.6 Permit on industrial emissions

Directive 2010/75/EU of the European Parliament and of the Council of November 24, 2010 on industrial emissions (the "**Industrial Emissions Directive**"), like previous directives of the European Parliament and of the Council on integrated pollution prevention and control, aims to minimize pollution from certain industrial sources throughout the EU and regulates certain activities at certain industrial installations and plants. The Industrial Emissions Directive requires EU Member States to ensure that certain waste management installations and plants, which include our steel residues recycling and waste management facilities, have to hold a permit granted by the competent authority of the relevant EU Member State, ensuring that all requirements set out in the Industrial Emissions Directive are met by such installations and plants. In addition, EU Member States must ensure that the permit conditions are complied with. The requirements of the Industrial Emissions Directive for the waste management installations and plants inter alia include obligations to obtain permission for the operation of industrial installations and impose certain reporting, monitoring and cultivating obligations (the latter may include actions necessary for the removal, control, containment or reduction of relevant hazardous substances). The Industrial Emissions *Directive* also requires the application of Best Available Techniques ("**BAT**") and BAT (as concluded in a procedure defined in the Industrial Emissions Directive) must be the reference for setting the permit conditions. EU Member States must take the necessary measures to ensure that the competent authority periodically reconsiders all permit conditions and, where necessary to ensure compliance with the Industrial Emissions Directive, updates those conditions. This includes the requirement that within 4 years of publication of a decision on the BAT relating to the main activity of an installation all conditions of the permit issued for the installation must be reviewed and, if necessary, updated. The Industrial Emissions Directive has been implemented into German national law in May 2013. Directive 2015/2193/EU of the European Parliament and of the Council of November 25, 2015 on the limitation of emissions of certain pollutants into the air from medium combustion plants established similar rules for medium sized waste combustion plants, as long as they do not already fall into the scope of the Industrial Emissions Directive. Directive 2015/2193/EU has to be implemented into national law by December 19, 2017.

13.1.7 Greenhouse gas emissions reduction

The European waste treatment sector is also subject to regulation on the reduction of greenhouse gas emissions, such as the European Commission's decision 406/2009/EC for reduction targets from 2013 to 2020 and Regulation (EU) No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change.

In September 2016, the European Commission proposed the Regulation of the Parliament and of the Council on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030. It aims a 30% reduction of greenhouse gas emissions by 2030 compared to 2005 in sectors which are not part of the Emission Trading System. The proposed Regulation is in the legislative procedure of the Council.

13.1.8 Effects of the European Union environmental legislation on our business

The EU regulatory framework affects our business in three principal ways:

- our steel and aluminium residues recycling operations, as well as other residues management operations fall within a general definition of waste management (which includes the collection, transportation, recovery, recycling and disposal of waste) as set forth within the EU regulation, therefore representing a regulated activity that requires administrative permits in each of the EU Member States in which it is conducted;
- whilst the EU regulatory framework and policies impose an obligation on EU Member States to adopt measures that incentivize the recovery of waste, thereby subjecting companies in the EU to increased pressure to recover waste, primarily through recycling, the EU regulatory framework and policies at the same time rank waste prevention and preparation of residues for re-use over recycling and other waste recovery and thereby potentially restrict our business; and
- the EU regulatory framework on waste production and treatment activities is particularly developed, extensive and complex, and has required us to develop significant expertise in managing our regulatory obligations.

13.2 German Regulation

13.2.1 Regulatory Framework for waste management

The regulatory framework for waste management in Germany is determined by the EU and national German legislation as well as the legislation of the Federal States (*Bundesländer*). This framework is complemented by various ordinances and guidelines that establish various requirements for particular areas of waste management, e.g. such as the Waste Deposit Ordinance (*Deponieverordnung*) and the Packaging Ordinance (*Verpackungsverordnung*). The applicability of the regulatory framework depends on the type of residues and the type of residues management.

13.2.2 Implementation of the EU legislation

The Waste Framework Directive has been implemented in the German law by the new Closed Substance Cycle Management Act (*Gesetz zur Förderung der Kreislaufwirtschaft und Sicherung der umweltverträglichen Bewirtschaftung von Abfällen – Kreislaufwirtschaftsgesetz* – „**KrWG**"). The KrWG came into force on June 1, 2012 and replaced the Federal Act for Promoting Closed Substance Cycle Waste Management and Ensuring Environmentally Compatible Waste Disposal (*Kreislaufwirtschafts- und Abfallgesetz – KrW-/AbfG*).

The KrWG is based on regulations set forth in the Waste Framework Directive and determines the principles of waste management in Germany. The waste hierarchy of the Waste Framework Directive is also a part of the KrWG. The KrWG regulates the basic obligations of generators or owners of waste and a closed substance cycle management, which aim is to prevent and recover waste in order to protect natural resources, human beings and environment. Therefore, according to the KrWG generators or owners of waste are obliged to recover waste instead of a disposal. This general priority of recovery is limited only in specific circumstances. The KrWG places the responsibility for waste management primarily on the generators or owners of waste.

The KrWG imposes a general obligation on the generators and owners of waste to recycle, recover or dispose of their waste themselves. Generators or owners of waste that are unable or do not intend to recycle (such as owners of waste from private households or owners that do not dispose of waste at their own facilities) have an obligation to make such waste available to specific companies established in compliance with the Federal States laws so that these companies may carry out the relevant waste management (*öffentlich-rechtlicher Entsorgungsträger*) for such generators or owners of waste.

With certain exceptions, the Ordinance on Waste Recovery and Disposal Records (*Nachweisverordnung*) requires the relevant authority to check particular information provided by a waste generator or owner before delivery and handover of waste to a waste management company.

The KrWG also contains an extended waste generator responsibility, which establishes that persons that professionally develop, manufacture, process, treat, sell or import products are also responsible for fulfilling targets of closed substance cycle management. Specific obligations and responsibilities of waste generators are set forth in specific ordinances on specific types of products or waste. Specific obligations apply for the treatment of hazardous waste. Furthermore, according to the KrWG the government is entitled to regulate specific obligations with respect to the recovery, recycling or deposit of waste. Therefore, our waste management business might be subject to further restrictions as the government is entitled to regulate the standards or quality of waste management measures.

Waste management plans are set up by the Federal States for their respective territories. A national waste prevention program has been adopted in July 2013.

13.2.3 Waste treatment permits

In implementing the requirements of the Waste Framework Directive on waste treatment permits, the KrWG sets forth the requirements for the applicants for waste treatment permits. Pursuant to the KrWG, collectors, transporters, dealers or brokers who handle waste must notify governmental authorities of their waste treatment business in advance of commencing any operations. If collectors, transporters, dealers or brokers are carrying out their activities with respect to hazardous waste, a governmental permit must be obtained. The residues which are considered as hazardous waste are described in the Ordinance on the Implementation of the European Waste Catalogue (*Verordnung über das Europäische Abfallverzeichnis – Abfallverzeichnis-Verordnung* (*AVV*)). Waste treatment companies have to comply with a number of rules to be authorized for the respective activities. In particular, they have to be reliable and need to employ experts in relevant fields.

Governmental authorities can require the applicants to comply with additional conditions and may set time limits for the permits and operations if it is necessary for the protection of general public interests. The governmental authorities can also restrict the waste treatment operations which were previously notified or revoke previously granted treatment permits.

13.2.4 Transportation of waste

German law contains a number of rules relating to the transportation of waste, which apply in addition to the EU regulations governing the transportation of waste. According to the KrWG, a governmental permit is only needed for transportation of hazardous waste. Transportation of non-hazardous waste is subject only to a notification. Certain other obligations related to the transportation of waste (such as an obligations to keep documentation) are set forth in the Ordinance on Waste Recovery and Disposal Records (*Nachweisverordnung*).

In Germany, as in other EU Member States, cross-border shipments of waste are regulated by the Shipment Regulation. Based on the Shipment Regulation, a planned cross-border shipment of waste has to be accompanied by certain documentation with information on the waste shipped or might require a prior written notification and a consent depending on the intended disposal method, the country of destination and the classification of the waste. The German Waste Movement Act (*Abfallverbringungsgesetz*) supplements the Shipment Regulation, in particular, with respect to the allocation of competencies between various governmental authorities. Due to the amendment of the Shipment Regulation by Regulation (EU) No 2014/660, the German Waste Movement Act (*Abfallverbringungsgesetz*) has been amended as well, stipulating rules on waste shipment inspections and increasing the number of administrative sanctions.

13.2.5 Permission for waste management facilities

In Germany, the construction and operation of plants that may cause serious environmental damage or any other harm to the community or the neighborhood as well as stationary waste disposal facilities for storage or treatment of waste is subject to a governmental permission granted according to the Federal Emission Control Act (*Bundesimmissionschutzgesetz* – **"BImSchG"**). The construction and operation of waste management plants in Germany requires a permission according to the BImSchG. The type of such permission depends on the type of residues and the type of residues management operations. The BImSchG only sets forth the basic rules with respect to the issuance of construction and operation permissions. More detailed obligations of the applicants are contained in several ordinances based on the BImSchG, in particular the Ordinance on Facilities Subject to Permission (*Verordnung über genehmigungsbedürftige Anlagen*). Technical Instructions (*Technische Anleitungen*) which are also based on the BImSchG, such as Technical Instructions on Waste, Noise and Air Quality, impose additional obligations on the operators of waste recycling plants. A construction and operation permission issued pursuant to the BImSchG typically covers all specific environmental permissions needed for the waste management plant's construction and operation, including the building permit and those related to compliance with the terms and conditions of industrial emissions.

We operate our facilities in Germany pursuant to construction and operation permissions granted according to the BImSchG. The construction and operation of our facilities in Germany is therefore highly regulated and subject to permissions which contain certain environmental obligations. Any changes or improvements that we might consider for our facilities are subject to a notification to the governmental authorities and in case of a material change of the plant a new permission is required. The permissions which we hold might be subject to subsequent orders by the governmental authorities if such orders are necessary for compliance with the legal obligations resulting from the BImSchG or relevant ordinances. In addition, plant operators are subject to certain basic obligations stipulated in the BImSchG, which aim is to ensure a high level of environmental protection and which are expected to further evolve as technology develops.

13.2.6 Industrial Emissions Directive

The Industrial Emissions Directive has been implemented into German national law in 2013 by changing the BImSchG, the KrWG, the Water Act (*Wasserhaushaltsgesetz – WHG*) and certain other ordinances based on these acts, especially the Ordinance on Facilities Subject to Permission (*Verordnung über genehmigungsbedürftige Anlagen*).

Due to the mandatory use of Best Available Techniques, as stipulated in the Industrial Emissions Directive and implemented into German national law in the BImSchG, we have to continuously adapt all our plants to the regularly published BAT-standards within four years from the respective publication. The implementation of the Industrial Emissions Directive also leads to more frequent inspections of the plants by the competent authorities.

13.2.7 Sanctions for violation of environmental regulations

The violation of obligations set forth in the KrWG or other German environmental laws may trigger administrative sanctions. For example, the treatment of hazardous waste without a governmental permit is subject to an administrative fine of up to €100,000. A violation of obligations imposed by the BImSchG or the Shipment Regulation might be subject to an administrative fine of up to €50,000. A violation of environmental obligations might also lead to a criminal liability in Germany.

In addition, the German law has implemented the European Environmental Liability Directive 2004/35/EC in the German Environmental Damages Act (*Umweltschadensgesetz*). The Environmental Damages Act (*Umweltschadensgesetz*) establishes the framework for environmental liability aimed at preventing and remedying environmental damages and is complemented by special statutes with respect to certain environmental matters (e.g. the Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*) with respect to soil contamination). Plant operators may be liable for contamination caused by them or which is present at their sites.

13.2.8 The effects of German environmental legislation on our business

The German regulatory framework affects our business and financial results as follows:

- German environmental and waste law imposes several on-going environmental obligations on us as generators and holders of waste or our waste management activities;
- we need certain governmental permissions for our German plants in order to conduct our operations, in particular a construction and operation permission for our plants located in Germany;
- our waste management business might be subject to further governmental restrictions with respect to standard or quality of waste management;
- material changes to the conditions of our German plants' operations would require us obtaining additional governmental permissions which might impose additional environmental obligations on us;
- the operations at our German plants, as well as our transport activities or handling of hazardous waste, must comply with applicable German environmental laws and regulations; and
- we may be subject to sanctions if we breach our obligations under applicable German environmental laws and regulations.

13.3 Spanish Regulation

Waste management regulation in Spain distinguishes between hazardous and non-hazardous waste. Hazardous waste is categorized as such due to its content, form or other features. The criteria for categorizing waste as hazardous are set forth in Law 22/2011 of July 28, 2011 On Waste and Contaminated Soils (*Ley 22/2011, de 28 de julio, de Residuos y Suelos Contaminados*), modified by Law 5/2013 of June 11, 2013 (*Ley 5/2013, de 11 de junio, que modifica la Ley 16/2002, de 1 de Julio, de prevención y control integrados de la contaminacion y la Ley 22/2011, de 28 de Julio, de residuos y suelos contaminados*) (the "**Law 5/2013**") (together, the "**Spanish Waste Law**"); Annexes I and III of Regulation approved by Royal Decree 833/1988 of July 20, 1988 (*Reglamento para la ejecución de la Ley 20/1986, Básica de Residuos Tóxicos y Peligrosos, aprobado por Real Decreto 833/1988, de 20 de julio*) ("**Royal Decree 833/1988**"); and the Order from the Ministry for the Environment 304/2002, of February 8, 2002 and include (i) certain features of that waste which categorize it as hazardous (including, explosive, oxidant, highly flammable, flammable, toxic, carcinogenic, corrosive, infectious and mutagenic); (ii) a specific list of waste considered to be hazardous; and (iii) activities, industries and processes which are considered producing hazardous waste. Hazardous waste includes hospital and pharmaceutical waste, oils, pigments, resins, chemicals, explosives and batteries, as well as containers and packages used for hazardous waste which are used for landfilling hazardous waste. We recycle steel and aluminium waste and manage a number of other liquid and solid industrial wastes, all of which are considered hazardous. Non-hazardous waste is all waste which does not fall into that hazardous waste category.

Furthermore, there is regulation about landfill management in Royal Decree 1481/2001 of December 27, 2001 (*Real Decreto 1481/2001 de 27 de Diciembre, por el que se regula la eliminación de residuos mediante depósito en vertedero*) and Decision 2003/33/CE of 19 December (*Decisón 2003/33/CE del 19 de Diciembre de 2002, por el que se establecen criterios y procedimientos de admisión de residuos en los vertederos con arreglo al art´ıculo 16 y Anexo II de la Directiva 1999/31/CE*)).

National regulations are normally further supplemented by EU regulations (e.g., Commission Regulation (EU) No 1357/2014 of December 18, 2014 replacing Annex III to Directive 2008/98/EC of the European Parliament and of the Council on waste and repealing certain Directives and Commission Decision of December 18, 2014 amending Decision 2000/532/EC on the list of waste pursuant to Directive 2008/98/EC of the European Parliament and of the Council, which amend the definitions and requirements of hazardous properties) and regional regulations (e.g., Law 3/1998 of February 27, 1998 (*Ley 3/1998, de 27 de febrero, General de Protección del Medio Ambiente del País Vasco*)), which may be more stringent than national regulations.

13.3.1 Regulatory framework for the handling of waste

The regulatory framework applicable in Spain is established by the Spanish Waste Law, which implements the Waste Framework Directive in Spain, and by certain articles and Annexes of Royal Decree 833/1988 which applies only to hazardous waste, as amended from time to time and most recently by Royal Decree 180/2015 of March 13, 2015 (*Real Decreto 180/2015 de 13 de marzo, por el que se regula el traslado de residuos en el interior del territorio del Estado*) ("**Royal Decree 180/2015**"). Spanish Waste Law excludes from its scope, like the Waste Framework Directive, certain types of waste, such as, for example, atmospheric emissions, radioactive waste and residual waste-water. In addition, the Spanish regulatory framework relating to waste management includes specific regulations for different types of waste which, due to their specifications or production volumes, require special regulation, including, for example, batteries, accumulators, packaging waste, electrical and electronic waste or construction and demolition waste. Also, the Spanish Waste Law has been further implemented and developed by the Spanish regional parliaments and governments, which are constitutionally competent to regulate environmental law matters.

Under the Spanish Waste Law hazardous waste (which includes steel and aluminium waste that we recycle) needs to be either managed or treated by the producer or owner of such hazardous waste or with an authorized manager, for the recovery, if possible, or disposal of the hazardous waste. The regional environmental authorities should promote efficient waste collection methods in their plans and programs for waste prevention and management. Although the principle of proximity applies, there is no specific obligation on producers or owners of hazardous waste to deliver the hazardous waste, such as steel and aluminium waste, to a determined manager for its treatment. However, the transportation of hazardous waste requires permits and prior notifications and is a relatively expensive and burdensome activity and, therefore, it is often more economical to transport and recycle hazardous waste at nearby located facilities.

13.3.2 Competences of Spanish administration

The Spanish Waste Law distributes powers concerning the regulation of waste among state, regional and local governments.

The State must approve the general regulatory framework and set forth national waste plan to integrate the regional governments' (*gobiernos autonómicos*) plans and targets into the national waste plan. The national waste plan includes specific targets for waste reduction, reuse, recycling and other forms of recovery, and disposal, and addresses measures to reach these targets, including financing and monitoring. The current Spanish National Waste Management Framework Plan (*Plan Estatal Marco de Gestión de Residuos*) was approved by Agreement of the Council of Ministers of November 6, 2015 for the period between 2016 and 2022.

According to the general objectives set out by the Waste Framework Directive, the Spanish National Integrated Waste Plan (*Plan Nacional Integrado de Residuos*) sets forth targets in relation to the different waste management activities, which include the following:

- The waste hierarchy of five levels (prevention, preparing for re-use, recycling, other forms of recovery and disposal) should be applied as a guiding principle in legislation and policy on waste prevention and management.
- Coordination between all the public administrations involved.
- Improve information and increase transparency in the field of waste. In this sense plays an essential role the implementation of the Register of Production and Management of waste, unique and shared registration for the entire territory of Spain.
- Strengthen, increase and coordinate inspection, control and surveillance activities, especially to avoid market distortions associated with illegal waste management.
- Allocate more human and economic resources to the waste sector, among others, to improve knowledge about treatments and base decisions on technical criteria.

- Facilitate the reintegration of materials obtained from waste into the market, ensuring protection of human health and the environment.

In addition, the General Administration of State (*Administración General del Estado*) has the power to authorize the transport of waste from or to countries outside the European Union, as well as any transits through Spain.

Regional governments are entitled to approve additional protective rules and regulations. Their waste management regulatory competencies include:

- drafting regional waste plans;
- authorizing recovery and disposal operations, as well as the production of waste;
- monitoring, inspecting and sanctioning activities relating to waste management and production;
- granting transit authorizations;
- inspecting and sanctioning transit activities; and
- any other activities related to waste that are not specific competencies of the State or local governments.

Local governments are entitled to conduct non-hazardous urban waste management operations (and must provide the households, shops and services waste management), and may develop local waste plans.

13.3.3 Implementation of the EU legislation

The Spanish Waste Law, which implements the Waste Framework Directive in Spain, establishes that waste recovery and disposal activities of any type are subject to authorization by the environmental departments of the relevant regional governments. The Spanish Waste Law allows regional governments to exempt from such authorization companies carrying out recovery and disposal activities with respect to non-hazardous waste they produce. Companies that carry out non-hazardous waste production (in an amount of less than 1000 tonnes per year) transportation and storage, are generally only responsible for notifying such activities to the relevant regional governments.

13.3.4 Transportation of waste

In addition to the European Union regulations governing the transportation of waste (including the Shipment Regulation), the Spanish Waste Law contains a number of rules relating to the transportation of waste, and Royal Decree 180/2015 regulates the shipment of waste at national level.

In particular, companies that collect and transport waste shall: (i) do so in compliance with all requirements set by Spanish national transportation rules and other subordinate applicable rules; (ii) maintain all hazardous waste properly packaged and labeled in compliance with international, EU and Spanish laws; (iii) deliver the waste for disposal to authorized companies and obtain the relevant documentation evidencing its delivery. Also, the operator who intends to carry out the shipment of waste for its treatment must sign a waste treatment contract with the consignee, being the waste accompanied by an identification document, and, in case, among others, of hazardous waste and waste for disposal, such operator must submit a prior notification to the regional authority of origin and destination.

Furthermore, the transportation of waste destined for disposal, as well as the transportation of mixed domestic waste for recovery, shall be carried out taking into account the principles of self-sufficiency and proximity.

In Spain, as in other EU Member States, cross-border shipments of waste are regulated by the Shipment Regulation. Pursuant to the Shipment Regulation, a planned cross-border shipment of waste has to be accompanied by certain documentation with information on the waste shipped and may require a prior written notification and/or a consent, depending on the type of treatment at destination, the country of origin, destination and route and the type of waste. The Spanish Waste Law supplements the Shipment Regulation in Spain.

13.3.5 Sanctions for violations of environmental regulations

Violation of obligations set forth by the Spanish Waste Law may result in administrative sanctions, such as fines of up to €1,750,000 and disqualification from managing waste, among others, or criminal proceedings, the severity of which may vary depending on a number of factors, including the circumstances of the parties involved, the type of infringement, the recurrence of the infringement, the type of involvement and benefits obtained, and the actual environmental damage. Sanctions may be issued whether by regional governments or by the General Administration of the State, each of them within their own competences. In addition, any infringing party is required to rectify its infringement by repairing the damage caused in accordance with the conditions specified by the sanctioning body. Additionally, Law 26/2007 of October 23, 2007 on Environmental Liability (*Ley 26/2007, de 23 de octubre, de Responsabilidad Medioambiental*), which implemented in Spain the European Union Directive 2004/35 on environmental liability and was amended by Law 11/2014 of July 3, 2014 (*Ley 11/2014, de 3 de julio, de Modificación de la Ley 26/2007 de Responsabilidad Medioambiental*), establishes a number of preventive and reparative administrative obligations and applies generally to operators whose activities cause environmental damage or an imminent threat of environmental damage. Law 26/2007 is aimed at preventing and remedying environmental damages under the principles of "prevention" and "polluter pays."

13.3.6 Management of hazardous waste

Waste recovery and disposal activities related to hazardous waste are subject to authorization by the environmental departments of the relevant regional government, valid for a maximum period of eight years. In order to satisfy the issuing conditions the applicant for the authorization must: (i) obtain civil liability insurance policies to cover damages that might be caused to third parties and their property or to the environment by the waste management activities of the applicant; and (ii) deposit with the relevant regional government an amount sufficient to cover all of the obligations of the applicant with respect to the protection of the environment from the waste management activities and possible fines that could be imposed on the applicant by the relevant regional government for the breach of the applicable environmental laws and regulations. The authorization must specify the period and conditions under which such authorization is granted. In particular, the holder of an authorization for waste treatment must submit before the environmental regional authority an annual report, including information on the type and quantity of waste treated. When transporting of hazardous waste, carriers may apply for an authorization, provided they agree to assume responsibility for the waste transported. In addition, carriers transporting hazardous materials are required to provide documents identifying the waste transported.

13.3.7 Air quality legislation

Air emissions are regulated in Spain by Law 34/2007 of November 15, 2007 on Air Quality and Atmosphere Protection (*Ley 34/2007, de 15 de noviembre, de calidad del aire y protección de la atmósfera* – the "**Atmosphere Protection Law**"), adopted prior to the Air Quality Directive. The Atmosphere Protection Law sets forth specific requirements for obtaining relevant administrative authorization on air emissions, which must be renewed every eight years. Royal Decree 102/2011 of January 28, 2011 on the Improvement of the Air Quality (*Real Decreto 102/2011, de 28 de enero, relativo a la mejora de la calidad del aire*), implemented the Air Quality Directive in Spain and has recently been modified by Royal Decree 39/2017 of January 27, 2017 (*Real Decreto 39/2017, de 27 de enero, de modificación del Real Decreto 102/2011*).

13.3.8 Permits on industrial emissions

The Restated Text of the Integrated Pollution Prevention and Control, approved by Royal Legislative Decree 1/2016, of December 16, 2016 (*Texto Refundido de la Ley de prevención y control integrados de la contaminación, aprobado por Real Decreto Legislativo 1/2016, de 16 de diciembre*) ("**Royal Legislative Decree 1/2016**") sets forth specific requirements and process for obtaining a permit for industrial emissions, referred to as Integrated Environmental Authorization. The competent authority to grant this authorization is the regional government of the place at which the facility or activity is located. The regional government must also ensure that the authorization is always updated. This includes the requirement that within four years of the publication of the decision on the BATs relating to the activity, all conditions of the authorization are reviewed and, if necessary, updated, to ensure that the best standards on emission levels and compliance with environmental regulations are achieved. The Integrated Environmental Authorization will include the authorization for waste recovery and disposal activities described in section 13.3.6.

Royal Legislative Decree 1/2016 is supplemented, at state level, by Regulation approved by Royal Decree 815/2013 of October 18, 2013 (*Reglamento de Emisiones Industriales y de desarrollo de la Ley 16/2002, de 1 de julio, de prevención y control integrados de la contaminación*), which, after Law 5/2013, completed the implementation of the Industrial Emissions Directive 2010/75 into Spanish law, and, at regional level, by regulations approved by the different regional governments.

13.3.9 Water legislation

Discharges into the Public Domain Water are regulated in Spain by the restated text of the Water Law, approved by Royal Legislative Decree 1/2001 of July 20, 2001 (*Texto Refundido de la Ley de Aguas, aprobado por Real Decreto Legislativo 1/2001, de 20 de julio*) and by Royal Decree 849/1986, of April 11, 1986 (*Real Decreto 849/1986, de 11 de abril, por el que se aprueba el Reglamento del Dominio Público Hidráulico*), as amended from time to time and most recently by Royal Decree 638/2016 of December 9, 2016 (*Real Decreto 638/2016, de 9 de diciembre*).

In accordance with the above regulations, administrative authorizations on discharges into Public Domain Water may be granted for a maximum period of five years and may be renewed for successive additional periods, provided that the applicable quality standards and environmental objectives are complied with.

13.3.10 The effects of Spanish environmental legislation on our business

The Spanish regulatory framework affects our business and costs in five principal ways:

- we need certain authorizations for our Spanish steel, aluminium and industrial waste recycling plants in order to conduct our activities;
- the activities we conduct at our Spanish steel, aluminium and industrial waste recycling plants, as well as our waste management activities, must comply with applicable environmental regulations;
- our management of hazardous waste requires us to comply with additional rules, including contracting civil liability insurance policies, placing deposits with the relevant administration and presenting before the environmental regional authority an annual report specifying the nature, amount and destination of hazardous materials managed; and
- we may be subject to a number of sanctions for breaches of our obligations under applicable environmental laws, regulations and permits; and
- we may be liable for the remediation of contamination (including in relation to soil and ground water) that is present on our sites or attributable to our activities.

14. DESCRIPTION OF CERTAIN INDEBTEDNESS AND FINANCING AGREEMENTS

The following is a summary of certain of our most significant indebtedness and certain financing agreements that we expect to be outstanding following the Offering. The summary is subject to, and qualified in its entirety by reference to, the underlying documents, including the Proceeds Loan Agreement, the ISDA framework agreements and the Intercreditor Agreement (as defined below).

14.1 €300 Million Zinc Notes and Proceeds Loan Due May 2018

14.1.1 Zinc Notes and Proceeds Loan

On May 11, 2011, Zinc Capital S.A. ("**Zinc Capital**") issued €300 million aggregate principal amount of 8.875% Senior Secured Notes due May 15, 2018 (the "**Zinc Notes**") under an indenture dated May 11, 2011 (the "**Indenture"**) between, among others, Zinc Capital, Citibank N.A., London Branch, as the trustee (the "**Trustee"**) and Citicorp Trustee Company Limited as the security agent (the **"Security Agent"**).

Zinc Capital is an independent, stand-alone special purpose financing company formed for the purpose of issuing the Zinc Notes (and any additional notes having identical terms and conditions to the Zinc Notes). All of Zinc Capital's issued shares are held by Stichting Zinc Capital, a foundation incorporated under the laws of the Netherlands. Zinc Capital is not one of our subsidiaries nor can be considered our affiliate.

Zinc Capital lent the proceeds from the sale and issuance of the Zinc Notes (the "**Proceeds Loan"**) to our indirect subsidiary Befesa Zinc under the terms of a senior secured proceeds loan agreement (the "**Proceeds Loan Agreement**"). The terms and conditions of the Proceeds Loan Agreement mirror those of the Indenture.

As of December 31, 2016, an amount of €298.7 million was outstanding under the Proceeds Loan.

After consummation of the Offering, the Company intends to repay the Zinc Notes and associated proceeds loan with the proceeds from a new TLB Facility. See "*1. Risk Factors – Financial Risks – We are exposed to risks in connection with our post-IPO refinancing*" for certain risks in connection with such re-financing and "*14.4. Refinancing Facility*" for more detailed information on the TLB Facility and other post-IPO financing.

14.1.2 Proceeds Loan Agreement

The Proceeds Loan maturing on May 14, 2018, one day prior to the maturity date of the Zinc Notes, is denominated in euros and bears interest at a rate of 8.875%, which is equal to the stated interest rate of the Zinc Notes. In addition, whenever any amount, whether principal, interest, premium or otherwise, is payable by Zinc Capital under the Indenture or the Zinc Notes, a corresponding amount will become due from Befesa Zinc to Zinc Capital under the Proceeds Loan Agreement. Interest on the Proceeds Loan is payable to Zinc Capital semi-annually in arrears on May 14 and November 14 of each year.

The obligations of Befesa Zinc under the Proceeds Loan Agreement are guaranteed by certain of its subsidiaries, in particular: Befesa Zinc Comercial, S.A.U., Befesa Zinc Aser, S.A.U., Befesa Zinc Germany GmbH, Befesa Steel Services GmbH, Befesa Zinc Freiberg GmbH, Befesa Zinc Duisburg GmbH, Befesa Valera S.A.S., Befesa Zinc Oxido, S.A.U. and Befesa Zinc Gravelines, S.A.S. (collectively, the "**Guarantors**"). In addition, Befesa Zinc's obligations under the Proceeds Loan Agreement are secured by first-ranking share pledges over all of its shares and the shares of the Guarantors.

14.1.3 Restrictive Covenants and Events of Default

The Proceeds Loan Agreement contains certain covenants and other terms which restrict, subject to certain exceptions, Befesa Zinc's and its subsidiaries operations, including but not limited to, their ability to pay dividends to shareholders, make investments, incur indebtedness, grant liens, enter into sale and leaseback transactions, engage in mergers or other corporate reorganizations or dispose of assets.

In addition, the Proceeds Loan Agreement contains certain events of default including, without limitation, non-payment of principal, interest or other amounts due thereunder, failure by Befesa Zinc to comply with the covenants provided for in the Proceeds Loan Agreement and certain insolvency related events.

14.1.4 Optional Redemption

Befesa Zinc may at any time on any one or more occasions redeem or prepay all or a part of the Proceeds Loan, at a redemption price of 100.00% of its principal amount, plus accrued and unpaid interest on the

Proceeds Loan to the applicable date of redemption. In addition, the Zinc Notes and the Proceeds Loan may be redeemed at any time at par in case of certain changes in tax laws.

14.1.5 Change of Control

If a 'Change of Control' (as defined in the Indenture) occurs, each holder of Zinc Notes has the right to require Zinc Capital to repurchase all or part of that holder's notes at a price equal to 101% of the principal amount plus accrued, but unpaid, interest to the repurchase date. Pursuant to the Proceeds Loan Agreement, Befesa Zinc is required to prepay an amount of the Proceeds Loan equal to the amount necessary for Zinc Capital to pay the purchase price for any Zinc Notes that it is required to repurchase following such a 'Change of Control'. Under the terms of the Indenture, a 'Change of Control' occurs, among other things, in case of a disposal of all, or substantially all, assets of Befesa Zinc and its subsidiaries to a third party, if a plan for the dissolution or liquidation of Befesa Zinc. is adopted or if a person, or a group of persons, other than Triton directly or indirectly beneficially owns more than 50% of the voting stock in Befesa Zinc.

14.2 €150 million PIK Notes and Proceeds Loan Due December 2018

On October 24, 2013, Bilbao (Luxembourg) S.A. (the "**PIK Issuer**") issued €150 million aggregate principal amount of PIK Toggle Notes (the "**PIK Notes**") due December 1, 2018 under an indenture dated October 24, 2013 (the "**PIK Indenture"**) between, among others, the PIK Issuer, Triton III No. 14 S.à r.l. (now Befesa Holding S.à r.l.) as parent guarantor and Citibank N.A., London Branch, as the trustee and the security agent. The PIK Issuer has on-lent the proceeds received from the offering of the PIK Notes to Befesa Holding S.à r.l. pursuant to a proceeds loan agreement dated October 24, 2013.

Interest on the PIK Notes is payable at a rate of 10.50% p.a. (cash interest) or 11.25% p.a. (PIK interest) semi-annually in arrears on June 1 and December 1 of each year. Interest on the PIK Notes is generally payable in cash unless the PIK Issuer and Parent Guarantor have insufficient cash (including cash of their subsidiaries available for distribution to the PIK Issuer or the Parent Guarantor) to make such payment, or making such payment would result in certain agreed minimum cash requirements not being met. If these conditions are met, the PIK Issuer may pay part or all of the interest on the PIK Notes by increasing the principal amount of the PIK Notes or issuing additional PIK Notes. Notwithstanding the foregoing, the first and the last interest payment must be made in cash.

The obligations of the PIK Issuer under the PIK Indenture and the PIK Notes are guaranteed by the Parent Guarantor. In addition, the PIK Issuer's obligations under the PIK Indenture and the PIK Notes are secured by first-ranking share pledges over all of its shares and the shares of the Parent Guarantor, a first-ranking lien over the PIK Issuer's claims and rights under the proceeds loan in respect of the PIK Notes and a first-ranking lien over all claims and rights under loans made available to the Parent Guarantor by its majority shareholder.

As of June 30, 2017, the outstanding amount under the PIK Notes was €162 million.

After consummation of the Offering, the Company intends to repay the PIK Notes and the related proceeds loan with the proceeds from a new TLB Facility. See "*1. Risk Factors – Financial Risks – We are exposed to risks in connection with our post-IPO refinancing*" for certain risks in connection with such re-financing and "*14.4. Refinancing Facility*" for more detailed information on the TLB Facility and other post-IPO financing.

14.2.1 Restrictive Covenants and Events of Default

The PIK Indenture contains certain covenants and other terms which restrict, subject to certain exceptions, the PIK Issuer's and its subsidiaries' operations, including but not limited to, their ability to pay dividends to shareholders, make investments, incur indebtedness, grant liens, enter into sale and leaseback transactions, engage in mergers or other corporate reorganizations or dispose of assets.

In addition, the PIK Indenture contains certain events of default including, without limitation, non-payment of principal, interest or other amounts due thereunder, failure by the PIK Issuer or its subsidiaries to comply with the covenants provided for in the PIK Indenture and the PIK Notes and certain insolvency related events.

14.2.2 Optional Redemption

At any time prior to December 1, 2017, the PIK Issuer may on any one or more occasions redeem all or a part of the PIK Notes at a redemption price of 102.625% of their principal amount, plus accrued and unpaid interest on the PIK Notes to the applicable date of redemption. At any time after December 1, 2017, the PIK

Issuer may on any one or more occasions redeem all or part of the PIK Notes at a redemption price of 100.00% of their principal amount, plus accrued and unpaid interest on the PIK Notes to the applicable date of redemption. In addition, the PIK Notes may be redeemed at any time at par in case of certain changes in tax laws.

14.2.3 Change of Control

If a 'Change of Control' (as defined in the PIK Indenture) occurs, each holder of PIK Notes has the right to require the PIK Issuer to repurchase all or part of that holder's notes at a price equal to 101% of the principal amount plus accrued, but unpaid, interest to the repurchase date. Under the terms of the PIK Indenture, a 'Change of Control' occurs, among other things, in case of a disposal of all, or substantially all, assets of the Parent Guarantor and its subsidiaries to a third party, if a plan for the dissolution or liquidation of the Parent Guarantor or the PIK Issuer is adopted or if a person, or a group of persons, other than Triton, directly or indirectly, beneficially owns more than 50% of the voting stock in the Parent Guarantor.

14.3 €167.5 million facilities agreement (non-zinc loan)

A €167.5 million facilities agreement (the "**Non-Zinc Loan**") was entered into between, inter alia, BMA as borrower, Banco Santander as original lender and agent, BBVA, Banco Popular, Bankia, Caixabank, Commerzbank, Banco Cooperativo Español and Caja Rural de Navarra, as original lenders on September 27, 2013 and was amended and restated on July 28, 2016. The effective interest rate as of June 30, 2017 was Euribor + 1.75%. The Non-Zinc Loan is guaranteed by various of our non-zinc subsidiaries, including Befesa Salzschlacke, Befesa Aluminio S.L.U., Befesa Aluminium Germany GmbH and Befesa Salt Slags Ltd.

The Non-Zinc Loan agreement contains, as a mandatory prepayment, a change of control mechanism by virtue of which, if the current shareholders of BMA cease to control it directly or indirectly, the company shall notify the agent. For this purpose, control means (i) the power to appoint or remove all or the majority of the directors or (ii) to hold more than 50% of the issued voting share capital of the parent. The facilities will be cancelled and all amounts will be immediately due and payable and shall be repaid in full on the date falling no later than 30 days after the earlier of (i) the date on which the agent is notified that such event has occurred or (ii) the date on which the lenders being aware of such event notify the company through the agent.

It also foresees as a mandatory prepayment that those amounts deriving from (i) a sale, lease, licence or transfer of assets (disposal proceeds) and (ii) insurance claims after deducting the reasonable costs and expenses in connection with that claim (insurance proceeds) will be applied to prepay loans or cancellation of the available commitments.

Voluntary prepayment is admitted but only of a minimum amount of € 500,000. The company has the obligation to prepay in the following situations: change of control, exit, listing, disposal, insurance proceeds and excess cash flow.

As of June 30, 2017, the outstanding amount under the Non-Zinc Loan was €68 million.

After consummation of the Offering, the Company intends to repay the Non-Zinc Loan with the proceeds from a new TLB Facility. See "*1. Risk Factors – Financial Risks – We are exposed to risks in connection with our post-IPO refinancing*" for certain risks in connection with such re-financing and "*14.4. Refinancing Facility*" for more detailed information on the TLB Facility and other post-IPO financing.

14.4 Refinancing Facility

On October 19, 2017, the Company as parent and certain of its subsidiaries as borrowers and guarantors entered into an English law governed €636,000,000 facilities agreement with Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander S.A., Citigroup Global Markets Limited, COMMERZBANK AG and Goldman Sachs International as mandated lead arrangers, certain financial institutions as lenders, Citibank Europe plc, UK Branch as facility agent and Citibank N.A. London Branch as Security agent (the "**New Senior Facilities Agreement**"). The New Senior Facilities Agreement comprises a term loan facility in an amount of €526 million (the "**TLB Facility**"), a revolving credit facility in an amount of €75 million (the "**RCF**") and a guarantee facility in an amount of €35 million (the "**Guarantee Facility**"). The terms of the New Senior Facilities Agreement permit the Company, subject to the satisfaction of certain conditions precedent, to establish incremental facilities in an aggregate amount of at least €80 million or such higher amount that would not cause the Group's pro forma net leverage to exceed a specified level.

Subject to the satisfaction of certain conditions precedent, the TLB Facility will be available for drawings in euro until December 30, 2017. The proceeds from any borrowings under the TLB Facility must be used to repay the Non-Zinc-Loan, the PIK Notes and the proceeds loan in respect of the Zinc Notes together with any related fees and expenses and breakage costs. For certain risks in connection with this post-IPO refinancing, also see "*1. Risk Factors – Financial Risks – We are exposed to risks in connection with our post-IPO refinancing*". Any amounts outstanding under the TLB Facility will be repayable on the fifth anniversary of the initial utilization of the TLB Facility (the "**Closing Date**").

The RCF and the Guarantee Facility are each available for drawings in euro, U.S. dollars and pound sterling from the Closing Date until the date falling one month before the fifth anniversary of the Closing Date. The final maturity date of each of the RCF and the Guarantee Facility is the date falling five years after the Closing Date. Borrowings under the RCF and the Guarantee Facility are available for general corporate purposes and, in the case of the Guarantee Facility, to refinance certain outstanding letters of credit.

Each borrower may cancel any available facility under the New Senior Facilities Agreement or prepay any borrowings under the TLB Facility or the RCF, in each case in whole or in part (subject to a minimum amount), by giving not less than five business days' prior notice. In case of a prepayment, refinancing or repricing of the TLB Facility within the first six months falling after the Closing Date, the lenders under the TLB Facility are entitled to a prepayment fee equal to 1% of the then outstanding amount under the TLB Facility, provided that the principal purpose of such transaction is to reduce the margin in respect of the TLB Facility.

Interest on the TLB Facility, the RCF and the Guarantee Facility is payable at a rate equal to EURIBOR (or, in the case of drawings in a currency other than euro, LIBOR) for the relevant interest period plus an agreed margin per annum, which may be adjusted upwards or downwards from time to time depending on the Group's leverage ratio. The initial margin for the TLB Facility is 3.25% and the initial margin for the RCF is 2.50%. The margin for utilizations of the Guarantee Facility will be agreed with each lender separately, subject to a cap. In addition, a commitment fee of 35% of the applicable margin per annum is payable on the undrawn and uncancelled amount of the RCF. The Company may agree a commitment fee with lenders making available bilateral facilities under the Guarantee Facility, subject to a cap of 35% of the applicable guarantee fee. In connection with the underwriting and syndication of the facilities under the New Senior Facilities Agreement, the Company also agreed to pay certain one-off fees to the mandated lead arrangers.

The New Senior Facilities Agreement provides for a net debt to EBITDA (each as defined in the New Senior Facilities Agreement) financial covenant, which only applies if the total amount of all drawings under the RCF exceeds 40% of the commitments under the RCF. In addition, the New Senior Facilities Agreement includes information undertakings as well as a number of customary affirmative and negative covenants and other restrictions, in particular, with regard to acquisitions, joint ventures, mergers, disposals, financial indebtedness and granting of security. These covenants and restrictions are subject to a number of exceptions and baskets.

The Company and certain of its subsidiaries provide a guarantee under the New Senior Facilities Agreement. The New Senior Facilities Agreement contains a guarantor coverage test requiring the aggregate of the unconsolidated EBITDA of the guarantors to exceed 80% of the consolidated EBITDA of the Group calculated by reference to the most recent audited consolidated financial statements of the Group. In addition, the New Senior Facilities Agreement are secured by pledges over the shares of all borrowers and guarantors other than the Company.

In case of a change of control or a sale of all or substantially all of the Group's assets, each lender will not be obliged to fund a utilization (except for a rollover loan) and each lender will be entitled to demand prepayment of its participation in any facility and cancellation of its commitment. A change of control occurs when a person, or a group of persons acting in concert, acquires the power to cast, or control the casting of, more than 30% of the maximum number of votes that might be cast at a general meeting of the Company or acquires the ownership of more than 30% of the issued share capital in the Company.

The New Senior Facilities Agreement provides for customary events of default, including non-payment, breach of the financial covenant, breach of other affirmative or negative covenants, misrepresentation, cross-default, insolvency or insolvency proceedings against material companies or material adverse effect.

We assume that the costs incurred by the Company in connection with the New Senior Facilities Agreement amount to €7.5 million.

The Company intends to use the proceeds from the TLB Facility to refinance the Group's current and non-current borrowings, including its payment obligations in connection with the proceeds loan in respect of the

€300.0 million nominal amount Zinc Notes which matures in May 2018, in connection with the €150.0 million original nominal amount PIK Notes which mature in December 2018 and in connection with the Non-Zinc Loan.

14.5 Intercreditor Agreement

To establish the relative rights of certain of our creditors under certain of our various financing arrangements, Zinc Capital, Befesa Zinc, the Guarantors, certain intragroup lenders and borrowers and certain direct and indirect shareholders of Befesa Zinc entered into an Intercreditor Agreement on May 11, 2011 (the "**Intercreditor Agreement**") with, among others, the Trustee, the original hedge counterparties under the Intercreditor Agreement or any agent on their behalf and the Security Agent.

The Intercreditor Agreement sets out, among other things, the relative ranking of certain of Befesa Zinc's debt, when payments can be made in respect of such debt, when enforcement action can be taken in respect of that debt and turnover provisions, as well as loss sharing arrangements and other customary intercreditor provisions governing similar debt instruments.

The Intercreditor Agreement provides that if Befesa Zinc or any of its subsidiaries gives written notice to the Security Agent, the creditor representatives and the hedge counterparties that it intends to enter into one or more loans and/or credit or debit facilities and/or issue any debt securities under which it will incur additional indebtedness ("**Additional Indebtedness**"), then the parties to the Intercreditor Agreement will (at the cost of Befesa Zinc) enter into such documentation as may be necessary to ensure that any obligations and liabilities incurred by Befesa Zinc or any of its subsidiaries in respect of such Additional Indebtedness will have the ranking permitted to be conferred upon it in accordance with the Intercreditor Agreement provided that such documentation does not adversely affect the interests of any of the parties to the Intercreditor Agreement.

14.6 Zinc Hedging Agreements

The price of Waelz oxide is linked to the price of zinc as quoted on the LME. In order to mitigate our exposure to fluctuations in the price of zinc, we have a policy of hedging certain of our expected sales of Waelz oxide. See "*12. Business—Business Segments—Steel Dust Recycling Services—Customers and Pricing*". Further, as our price of Waelz oxide is set in Euro we hedge our zinc prices also in Euros in order to mitigate our exposure to exchange rate risk, because the price of zinc on the LME is usually quoted in US dollars.

Our hedge transactions are governed by International Swaps and Derivatives Association ("**ISDA**") master agreements, under English law, which are entered into with each individual financial institution with which we hedge. Each master agreement contains a schedule, whereby we and the financial institutions with which we hedge agree to certain additional provisions governing our hedging agreement, including termination provisions. The ISDA master agreements contain customary events of default and termination events which are amended to a certain extent, including a termination right in favor of our counterparties in case of a change-of-control event. Two of the ISDA master agreements are linked to other finance documents and may be terminated in case of certain repayments, prepayments or cancellations of commitments and amounts outstanding or inter alia in case of certain defaults under these finance documents.

The current zinc price hedges are settled on a monthly basis and are based on the average euro-denominated zinc price of the prior month. They are cash settled, and we receive a payment to the extent that the euro-denominated zinc prices are below the hedge level, or pay the hedge counterparty to the extent the euro-denominated zinc prices are higher.

While the duration of these hedges often is for 18 – 24 months, we have in the past maintained hedges for up to five years, and have recently committed to hedges covering a period until mid-2020. We currently review options for further renewing of our existing hedges in light of the current zinc market environment and are committed to hedge about 60-75% of the expected volume of zinc to be extracted from our Waelz oxide for a period of 2-4 years going forward. We also assess options for further extending our hedges up to 2021.

The table below shows the price per ton of zinc at which we hedged and the volume of zinc we hedged in respect of sales in 2015 and 2016, and the current hedges in place for sales in 2017, 2018, 2019 and the first six months of 2020:

(unaudited)	Year ending December 31,					6 months ending June 30,
	2015	2016	2017	2018	2019	2020
Zinc hedged (*tons*)	73,200	73,200	73,200	92,400	92,400	46,200
Price per ton of zinc (*euro*)	€1,275*	€2,038 / €1,250*	€1,876	€2,050	€2,306	€2,235

(*) Floor price per ton of zinc

15. GENERAL INFORMATION ON THE COMPANY

15.1 Formation, Legal Name and Corporate History

The Company is a Luxembourg public limited company (*société anonyme*) organized and operating under Luxembourg law.

Befesa S.A. was originally incorporated as a Luxembourg limited liability company (*société à responsabilité limitée*) named Bilbao MidCo S.à r.l. on May 31, 2013 by Bilbao Luxco S.A., a Luxembourg public limited liability company, with registered office at 2C, rue Albert Borschette, L-1246, Luxembourg, Grand Duchy of Luxembourg, whose main activity is the acquisition and holding of interests in the Grand Duchy of Luxembourg and/or in foreign undertakings, as well as the administration, development and management of such holdings.

The Company was then converted to a public limited company (*société anonyme*) under Luxembourg law by decision of the general meeting of shareholders dated October 18, 2017 and changed its name to "Befesa S.A.".

The Company's legal name is "Befesa S.A." and it does business under the trade name "Befesa". The legal seat is in Luxembourg, Grand Duchy of Luxembourg and the Company is registered with the Luxembourg Trade and Companies' Register under number B177697. The Company has its business address at 2C, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg and its phone number is +49 2102 1001 0. Its financial year is the calendar year (January 1 through December 31). Befesa S.A.'s Articles of Association do not limit the period of time the Company may exist.

15.2 Business Purpose

The business purpose of the Company as set forth in article 3 of its Articles of Association is the acquisition, holding and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development and management of such interests.

The Company may provide loans and financing in any other kind or form, or grant guarantees or security in any other kind or form, for the benefit of the companies and undertakings forming part of the group of which the Company is a member.

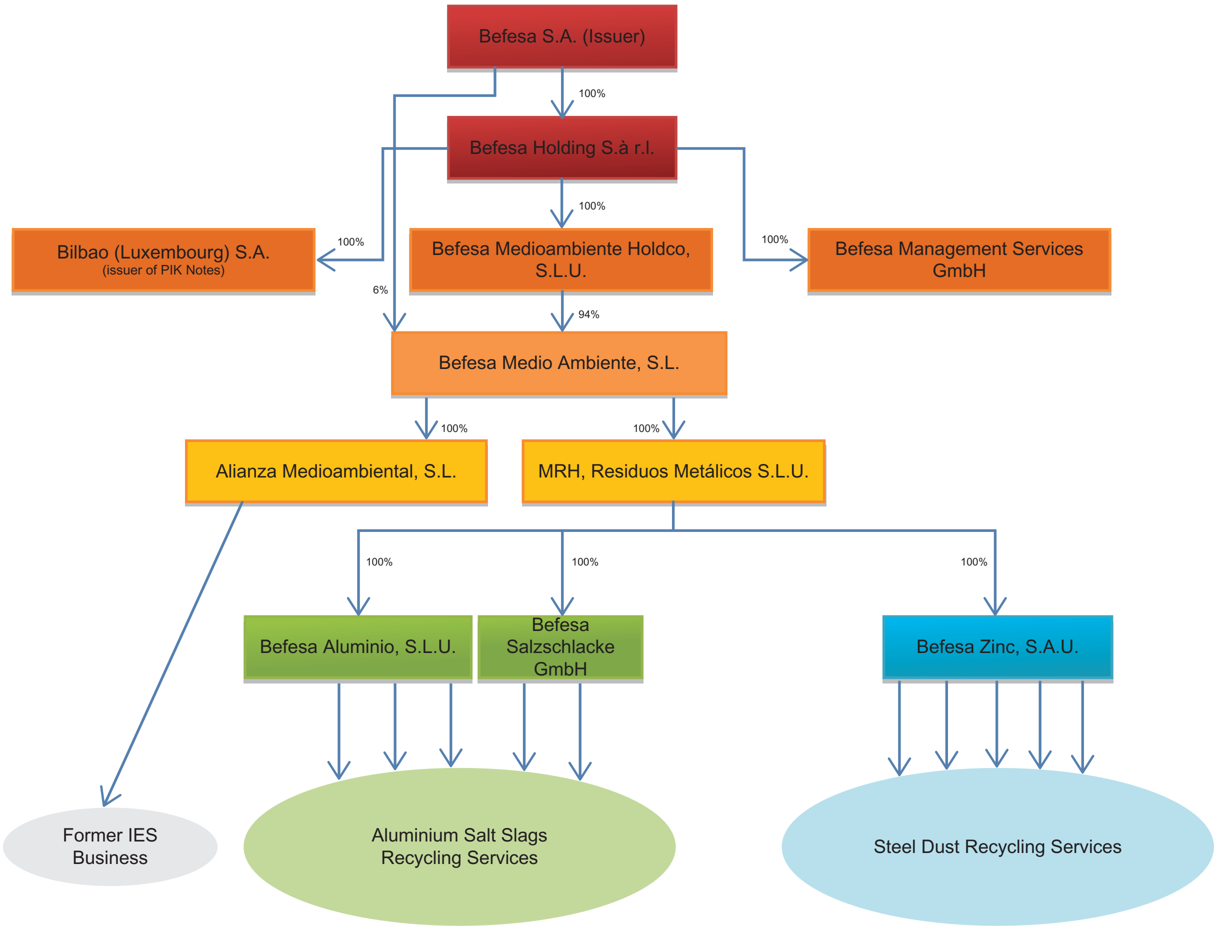
The Company may also invest in real estate, in intellectual property rights or any other movable or immovable assets in any kind or form.

The Company may borrow in any kind or form and issue bonds, notes or any other debt instruments as well as warrants or other share subscription rights.

In a general fashion, the Company may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its object.

15.3 Group Structure

The following diagram shows, in simplified form, the current structure of the Group:



15.4 Information on Holdings

The table below provides an overview of the Company's consolidated subsidiaries at the date of the Prospectus:

Legal name	Seat	Business Area	Interest
Befesa Holding S.à r.l.	Luxembourg, Luxembourg	Holding	100%
Bilbao (Luxembourg), S.A........	Luxembourg, Luxembourg	Holding	100%
Befesa Management Services GmbH	Ratingen, Germany	Holding	100%
Befesa Medioambiente HoldCo, S.L.U...........................	Asúa-Erandio (Vizcaya), Spain	Holding	100%
Befesa Medio Ambiente, S.L.	Asúa-Erandio (Vizcaya), Spain	Holding	100%
1. AMA Subgroup -			
Alianza Medioambiental, S.L.U...........................	Asúa-Erandio (Vizcaya), Spain	Holding	100%
2. MRH Residuos Metálicos, S.L.U.	Erandio (Vizcaya), Spain	Holding	100%
Aluminium Salt Slags Recycling Services segment/ subgroup			
Befesa Salzschlacke GmbH	Hannover, Germany	Salt slags recycling	100%
Befesa Aluminium Germany GmbH	Bernburg, Germany	Secondary aluminium production	100%

Legal name	Seat	Business Area	Interest
Steel Dust Recycling Services segment/ subgroup			
Befesa Zinc, S.A.	Asúa-Erandio (Vizcaya), Spain	Holding	100%
Befesa Zinc Comercial, S.A.U.	Asúa-Erandio (Vizcaya), Spain	Sale of Waelz oxide	100%
Befesa Zinc Aser, S.A.U.	Asúa-Erandio (Vizcaya), Spain	Crude steel dust recycling	100%
Befesa Zinc Sur, S.L.U.	Asúa-Erandio (Vizcaya), Spain	Non-operative	100%
Befesa Zinc Óxido, S.A.U.	Sondika (Vizcaya), Spain	Recovery of metals	100%
Befesa Steel R&D, S.L.U.	Asúa-Erandio, (Vizcaya), Spain	Development of projects and technology innovation	100%
Befesa Valera, S.A.S.	Gravelines, France	Stainless residue recycling	100%
Befesa Zinc Gravelines, S.A.S.	Gravelines, France	Leaching of Waelz oxide	100%
Befesa ScanDust AB	Landskrona, Sweden	Stainless residue recycling	100%
Befesa Silvermet Turkey, S.L.	Erandio, Spain	Crude steel dust recycling	55.9%
Befesa Silvermet Iskenderun Celik Tozu Geri Donusumu A.S.	Iskenderun, Turkey	Crude steel dust recycling	100%
Befesa Silvermet DisTicaret A.S.	Iskenderun, Turkey	Commercial activity	100%
Befesa Silvermet Izmir Celik Tozu Geri Donusum A.S.	Iskenderun, Turkey	Commercial activity	100%
Befesa Zinc Germany GmbH	Ratingen, Germany	Holding	100%
Befesa Steel Services GmbH	Ratingen, Germany	Sales and logistics	100%
Befesa Zinc Duisburg GmbH	Duisburg, Germany	Crude steel dust recycling	100%
Befesa Zinc Korea Co., Ltd.	South Korea	Crude steel dust recycling	
Befesa Zinc Freiberg GmbH	Freiberg, Germany	Crude steel dust recycling	100%
Befesa Aluminio, S.L.U.	Erandio (Vizcaya), Spain	Salt slags recycling and secondary aluminium production	100%
Befesa Aluminio Comercializadora S.L.U.	Erandio (Vizcaya), Spain	Marketing Company	100%
Befesa Salt Slags, Ltd.	Shropshire, United Kingdom	Salt slags recycling	100%

Domination and profit and loss transfer agreements exist between Befesa Zinc Duisburg GmbH and Befesa Zinc Freiberg GmbH on the one hand and its sole shareholder Befesa Steel Services GmbH on the other hand. A profit and loss transfer agreement exists between Befesa Steel Services GmbH and its sole shareholder Befesa Zinc Germany GmbH, as well as between Befesa Aluminium Germany GmbH and its sole shareholder Befesa Salzschlacke GmbH.

The table below provides an overview of the Company's joint ventures at the date of the Prospectus:

Legal name	Seat	Business Area	Interest
Recytech, S.A.	Fouquières-les-Lens, France	Crude steel dust recycling	50%

15.5 Notices, Settlement Agent

In accordance with the Company's Articles of Association, notices of the Company will be made in compliance with Luxembourg laws. Publications required by stock exchange laws will be made via electronic information systems and will be available for download from our website or published in a national journal designated for such purposes by the Frankfurt Stock Exchange.

Notices in connection with the approval of the Prospectus or regarding supplements to the Prospectus will be made in accordance with the provisions of the Luxembourg Prospectus Law and will be published in the form intended for prospectuses, i.e., on our website at www.befesa.com and will be available as a printed version at our offices and at the offices of the Joint Global Coordinators.

The settlement agent is Citigroup Global Markets Limited.

15.6 Luxembourg Paying Agent and LuxCSD Principal Agent

The Luxembourg paying agent and LuxCSD Principal Agent for the shares of the Company is BNP Paribas Securities Services, Luxembourg Branch. The mailing and registered address of the LuxCSD Principal Agent is 60 Avenue J.F. Kennedy, L-1855, Luxembourg, Grand Duchy of Luxembourg.

16. DESCRIPTION OF SHARE CAPITAL

16.1 Share Capital and Shares, Development of the Share Capital over the last three years

As at the date of this Prospectus, the Company's share capital is set at €64,093,192.67 divided into 20,633 class A preference shares and 23,066,112 ordinary shares with an accounting par value of €2.77619001743216, all of which are fully paid up. Over the last three years, the share capital of the Company has developed as follows:

On February 16, 2015, the extraordinary General Shareholders' Meeting of the Company increased the Company's share capital to €55,089,743.51 by issuing one new class A preference share with a nominal value of €0.01.

On July 22, 2016, the extraordinary General Shareholders' Meeting of the Company increased the Company's share capital to €64,093,192.67 by issuance of 900,344,916 new class B ordinary shares with a nominal value of €0.01.

On October 18, 2017, the extraordinary General Shareholders' Meeting of the Company converted the Company's corporate form from a private limited liability company (*société à responsabilité limitée*) to a public limited company (*société anonyme*). As a consequence, the shares (*parts sociales*) were also converted and became "actions". During the same extraordinary General Shareholders' Meeting of the Company, the shareholders of the Company resolved to set the authorized capital of the Company (including, for the avoidance of doubt, the Company's issued share capital) (i) at €111,047,595.14 divided into 39,999,998 shares of whatever class and (ii) in the context of a merger of the Company with another legal entity, at €138,809,495.32 divided into 49,999,998 shares of whatever class.

Pursuant to article 6 of the Company's Articles of Association, the Board of Directors will be authorized, during a period starting on the date of publication of the general meeting approving this authorization in the *Recueil Electronique des Sociétés et Associations*, and expiring on the fifth anniversary of such date, to (i) increase the issued share capital of the Company in one or several tranches with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner, (ii) issue subscription and/or conversion rights in relation to new shares or instruments within the limits of the authorized capital under the terms and conditions of warrants, convertible bonds, notes or similar instruments, (iii) determine the place and date of the issue or successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares and instruments and (iv) remove or limit the statutory preferential subscription right of the shareholders.

During the same meeting, the extraordinary General Shareholders' Meeting of the Company further resolved to cancel the nominal value of the existing shares of the Company and to reduce the number of issued shares by the Company so that the accounting par value of the class A preference shares and ordinary shares be set at €2.77619001743216 per share and the number of issued shares of the Company be as follows: 20,633 class A preference shares and 23,066,112 ordinary shares.

During the same meeting, the extraordinary General Shareholders' Meeting of the Company resolved to convert the 20,633 registered class A preference shares and 23,066,112 registered ordinary shares into 20,633 dematerialized class A preference shares and 23,066,112 dematerialized ordinary shares.

Prior to Closing, the board of directors of the Company will resolve to convert the 20,633 dematerialized class A preference shares into dematerialized ordinary shares (the "**Preference Share Conversion**"), applying the following ratio: (i) each class A preference share shall be converted into a number of ordinary shares equal to the value of each class A preference share (corresponding to the accounting par value plus the share premium plus any accrued interest on such share) divided by the Offer Price. In this context, the board of directors of the Company will resolve to increase the subscribed capital of the Company to up to €94,575,646.35, using the powers granted to such board of directors under the authorized capital of the Company. Investors participating in the Offering will receive dematerialized ordinary shares from the Preference Share Conversion.

The table below illustrates the evolution of the share capital of the Company depending on whether the Offer Prices will be at the low-, mid- and high-point of the Price Range, assuming execution of the Preference Share Conversion at the Offer Price:

	Low End	Mid Point	High End
Offer Price per share, in €	28.00	33.00	38.00
Number of new dematerialized ordinary shares to be issued to the Selling Shareholder as a result of the Preference Share Conversion	11,000,593	9,333,837	8,105,700
Total number of dematerialized ordinary shares directly and indirectly held by the Selling Shareholder as a result of the Preference Share Conversion	32,984,721	31,317,965	30,089,828
Share capital as a result of the Preference Share Conversion	94,575,646.35	89,948,414.98	86,538,873.30

All dematerialized shares will be registered with a single settlement organization in Luxembourg, LuxCSD.

The Shares shall be issued in dematerialized form only and shall be subject to the Luxembourg law of April 6, 2013 on dematerialized securities.

16.2 Authorized Capital

On October 18, 2017, the extraordinary General Shareholders' Meeting of the Company resolved to set the authorized capital of the Company (including, for the avoidance of doubt, the Company's issued share capital) (i) at €111,047,595.14 divided into 39,999,998 shares of whatever class and (ii) in the context of a merger of the Company with another legal entity, at €138,809,495.32 divided into 49,999,998 shares of whatever class.

The Board of Directors is authorized, up to the maximum amount of the authorized capital, to (i) increase the issued share capital in one or several tranches with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner (ii) issue subscription and/or conversion rights in relation to new shares or instruments within the limits of the authorized capital under the terms and conditions of warrants (which may be separate or linked to Shares, bonds, notes or similar instruments issued by the Company), convertible bonds, notes or similar instruments; (iii) determine the place and date of the issue or successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares and instruments and (iv) remove or limit the statutory preferential subscription right of the shareholders.

The Board of Directors may authorise any person to accept on behalf of the Company subscriptions and receive payment for shares or instruments issued under the authorized capital.

The above authorization is valid for a period ending five (5) years after the date of the General Shareholders' Meeting creating the authorized capital. The above authorization may be renewed, increased or reduced by a resolution of the general meeting of shareholders voting with the quorum and majority rules set for the amendment of the Articles of Association.

16.3 Repurchase of own Shares

According to article 49-2 of the 1915 Companies Act and subject to the provisions of the EU Market Abuse Regulation, the Company may acquire its own shares either itself or through a person acting in its own name but on the Company's behalf subject to the following statutory conditions:

(1) the authorization to acquire Shares is to be given by the General Meeting, which determines the terms and conditions of the proposed acquisition and in particular the maximum number of Shares to be acquired, the duration of the period for which the authorization is given and which may not exceed five years and, in the case of acquisition for value, the maximum and minimum consideration;

(2) the acquisitions must not have the effect of reducing the net assets below the aggregate of the subscribed capital and the reserves which may not be distributed under law or the Articles of Association;

(3) only fully paid-up Shares may be included in the transaction;

(4) the acquisition offer must be made on the same terms and conditions to all shareholders being in the same position, except for acquisitions which were unanimously decided by a General Meeting at which all shareholders were present or represented; in addition, the Company may repurchase its own shares on the stock exchange without an acquisition offer having to be made to the Shareholders.

At the time each authorized acquisition is carried out, the Board of Directors must ensure that the statutory conditions mentioned in the preceding paragraphs (2), (3) and (4) are complied with.

Where the acquisition of the Company's own Shares is necessary in order to prevent serious and imminent harm to the Company, the condition under paragraph (1) above does not apply. In such a case, the next General Meeting must be informed by the Board of Directors of the reasons for and the purpose of the acquisitions made, the number and nominal values, or in the absence thereof, the accounting par value, of the Shares acquired, the proportion of the subscribed capital which they represent and the consideration paid for them.

The condition under paragraph (1) likewise does not apply in the case of Shares acquired either by the Company itself or by a person acting in his own name but on behalf of the Company for the distribution thereof to the staff of the Company or to the staff of a company with which the Company is in a control relationship. Control relationship means the relationship existing between a parent company and a subsidiary in the cases referred to in article 309 of the 1915 Companies Act. The distribution of any such Shares must take place within one year from the date of their acquisition. None of the abovementioned conditions, except for the condition described under paragraph (3) above, apply to the acquisition of:

(a) Shares acquired pursuant to a decision to reduce the capital or in connection with the issue of redeemable Shares;

(b) Shares acquired as a result of a universal transfer of assets;

(c) fully paid-up Shares acquired free of charge or acquired by banks and other financial institutions pursuant to a purchase commission contract;

(d) Shares acquired by reason of a legal obligation or a court order for the protection of minority shareholders, in particular, in the event of a merger, the division of the Company, a change in the Company's object or form, the transfer abroad of its registered office or the introduction of restrictions on the transfer of Shares;

(e) Shares acquired from a shareholder in the event of failure to pay them up; and

(f) fully paid-up Shares acquired pursuant to an allotment by court order for the payment of a debt owed to the Company by the owner of the Shares;

(g) fully paid-up shares issued by an investment company with fixed capital acquired at the investor's request by that company or by a person acting in his own name but on behalf of the Company.

Shares acquired in the cases indicated under (b) to (f) must, however, be disposed of within a maximum period of three years after their acquisition, unless the nominal value, or, in the absence of nominal value, the accounting par value of the Shares acquired, including Shares which the Company may have acquired through a person acting in its own name, but on behalf of the Company, does not exceed 10% of the subscribed capital.

If the Shares so acquired are not disposed of within the period prescribed, they must be cancelled. The subscribed capital may be reduced by a corresponding amount. Such a reduction is compulsory where the acquisition of Shares and their subsequent cancellation results in the Company's net assets having fallen below the amount of the subscribed capital.

Any Shares acquired in contravention of the abovementioned conditions must be disposed of within a period of one year after the acquisition. Have they not be disposed of within that period, they must be cancelled.

Pursuant to the Articles of Association, the Company may acquire its own shares.

In those cases where the acquisition by the Company of its own Shares is permitted in accordance with the foregoing, the holding of such Shares is subject to the following conditions:

(i) among the rights attaching to the Shares, the voting rights in respect of the Company's own Shares are suspended; and (ii) if the said Shares are included among the assets shown in the balance sheet, a non-distributable reserve of the same amount is to be created among the liabilities.

Where the Company acquires or disposes of its own Shares, either itself or through a person acting in his own name but on the Company's behalf, it must make public the proportion of its own Shares as soon as possible but not later than four trading days following such acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5% or 10% of the voting rights. The proportion is calculated on the basis of the total number of Shares to which voting rights are attached.

Where the Company has acquired own Shares in accordance with the abovementioned, the annual report of the Board of Directors must indicate: (i) the reasons for acquisitions made during the financial year, (ii) the number and the nominal value, or in the absence of nominal value, the accounting par value, of the Shares acquired and disposed of during the financial year and the proportion of the subscribed capital which they represent, (iii) in the case of acquisition or disposal for value, the consideration for the Shares, and (iv) the number and nominal value or, in the absence of nominal value, the accounting par value, of all the Shares acquired and held in the Company's portfolio as well as the proportion of the subscribed capital which they represent.

On October 18, 2017, the extraordinary General Shareholders' Meeting of the Company resolved to to authorize the Board of Directors to effect on one or several occasions repurchases and disposals of Company shares on the regulated market on which the Company's shares are admitted for trading, or by such other means resolved by the Board of Directors during a period of five (5) years from the date of the General Shareholders' Meeting, for a maximum number of 7,000,000 ordinary shares of the Company, within a price range from

- a price per share not lower than 10% below the shares' official price reported in the trading session on the day before carrying out each individual transaction; to
- a price per share no higher than 10% above the shares' official price reported in the trading session on the day before carrying out each individual transaction.

16.4 General Provisions Governing Allocation of Profits and Dividend Payments

For provisions governing the allocation of profits and the requirements and procedures for the payment of dividends, see "*6. Dividend Policy and Earnings per Share*".

16.5 General Provisions relating to the Liquidation of the Company

The Company may only be voluntarily dissolved by a resolution passed at an extraordinary general shareholders' meeting subject to the quorum and majority requirements for an amendment to the Articles of Association. The quorum is at least one half (1/2) of all the Shares issued and outstanding. In the event the required quorum is not reached at the first extraordinary general shareholders' meeting, a second extraordinary general shareholders' meeting may be convened, through a new convening notice, at which shareholders can validly deliberate and decide regardless of the number of Shares present or represented. A two-thirds (2/3) majority of the votes cast by the shareholders present or represented is required at any such extraordinary general shareholders' meeting.

In the event of a loss pursuant to which the Company's net assets fall below half of the share capital, the Board of Directors must convene an extraordinary general shareholders' meeting within two months as of the date on which the Board of Directors discovered or should have ascertained this loss. The Board of Directors shall set out the causes of that situation and shall justify its proposals in a special report which must be made available to the shareholders at the Company's registered office 8 days before the General Shareholders' Meeting. If it proposes to continue to conduct business, it shall set out in its report the measures which it intends to take in order to remedy the financial situation of the Company. The report shall be announced in the agenda of the meeting. Any shareholder is entitled to obtain a copy of the report, free of charge, upon request and upon evidence of their title, 8 days before the meeting. A copy of the report shall be sent to the registered shareholders at the same time as the convening notice to the meeting. At this extraordinary general shareholders' meeting, shareholders will resolve on the possible dissolution of the Company. The quorum is at least one half (1/2) of all the Shares issued and outstanding. In the event the required quorum is not reached at the first extraordinary general shareholders' meeting, a second extraordinary general shareholders' meeting may be convened, through a new convening notice, at which shareholders can validly deliberate and decide regardless of the number of Shares present or represented. A two-thirds (2/3) majority of the votes cast by the shareholders present or represented is required at any such extraordinary general shareholders' meeting. Where following the loss the Company's net assets fall below one quarter (1/4) of the share capital, the same procedure must be followed, it being understood, however, that the dissolution only requires the approval of shareholders representing 25% of the votes cast at the meeting.

The Company, once dissolved, is deemed to exist for as long as necessary for its proper liquidation.

If the Company is dissolved for any reason, the general shareholders' meeting will have the most extensive powers to appoint the liquidator(s), determine their powers and fix their remuneration. The powers of the Board of Directors in office will end at the time when the liquidators are appointed. In case the general shareholders' meeting fails to appoint the liquidator(s), the members of the Board of Directors then in office will, vis-à-vis third parties, be deemed to be the liquidators of the Company.

The principal duty of the liquidators consists of winding up the Company by paying its debts, realizing its assets and distributing them to the shareholders. If the financial situation so warrants, pre-payments of liquidation dividends may be made by the liquidator in accordance with the 1915 Companies Act.

After payment of all debts and liabilities of the Company or deposit of any funds to that effect, the liquidation surplus will be used to reimburse in cash or securities the amount paid up on the Shares. If all the Shares are not equally paid up, the liquidator(s) shall restore equality either by a call for funds or a prior distribution. The balance of the liquidation surplus will be distributed equally between all Shares.

Pursuant to the 1915 Companies Act, upon the termination of the liquidation, the liquidators report to a general shareholders' meeting, at which one or several special auditor(s) are appointed to report on the liquidation. This auditor's report is submitted for approval to a general shareholders' meeting, at which a resolution to close the liquidation of the Company is taken.

Neither the 1915 Companies Act nor the Articles of Association will provide for special rights of shareholders on a winding up immediately prior to closing of the Offering.

16.6 General Provisions Governing Changes in the Share Capital

The subscribed share capital of the Company may be increased or decreased by a resolution passed at an extraordinary general shareholders' meeting subject to the quorum and majority requirements for an amendment to the Articles of Association. The extraordinary general shareholders' meeting may also amend the Articles of Association for the purpose of authorizing the Board of Directors to increase the subscribed share capital within the limits of the authorized capital. As at the date of this Prospectus, article 6 of the Articles of Association provides that the authorized capital of the Company is set (i) at €111,047,595.14 divided into 39,999,998 shares of whatever class and (ii) in the context of a merger of the Company with another legal entity, at €138,809,495.32 divided into 49,999,998 shares of whatever class. The Board of Directors is authorized for a period starting on the date of publication in the *Recueil Electronique des Sociétés et Associations*, of the minutes of the general meeting that has amended the Articles of Association to include the authorized capital and expiring on the fifth anniversary of such date, to increase the current issued capital up to the amount of the authorized capital, in whole or in part from time to time. In the event of decrease of the share capital with a repayment to the shareholders or a waiver of their obligation to pay up their Shares, creditors whose claims predate the publication of the minutes of the extraordinary general shareholders' meeting may, within 30 days from such publication, apply for the constitution of security to the judge presiding over the chamber of the *Tribunal d'Arrondissement* dealing with commercial matters and sitting in urgency. The judge may only reject such an application if the creditor already has adequate safeguards or if such security is unnecessary having regard to the assets of the Company. No payment may be made or waiver given to the shareholders until such time as the creditors have obtained satisfaction or until the judge presiding over the chamber of the Tribunal d'Arrondissement dealing with commercial matters has ordered that their application should not be granted. No creditor protection rules apply in the case of a reduction in the subscribed capital for the purpose of offsetting losses incurred which are not capable of being covered by means of other own funds or to include sums in a reserve provided that such reserve does not exceed 10% of the reduced subscribed capital.

In the event of a capital increase in cash with the issuance of new Shares, the existing shareholders have a preferential right to subscribe for the new Shares, pro rata to the part of the share capital represented by the Shares that they already have. The Board of Directors determines the period within which the preferential subscription rights can be exercised. The period during which those rights can be traded and exercised may not be less than 14 days from the publication of the offer in the Recueil Electronique des Sociétés et Associations and in a newspaper published in Luxembourg.

The preferential subscription rights are transferable throughout the exercise period, and no restrictions may be imposed on such transferability.

Pursuant to article 32-3 of the 1915 Companies Act, the preferential subscription rights of existing shareholders in case of a capital increase by means of a contribution in cash may not be restricted or withdrawn by the Articles of Association. Nevertheless, the Articles of Association may authorize the Board of Directors to withdraw or restrict these preferential subscription rights in relation to an increase of capital made within the limits of the authorized capital. Such authorization is only valid for a maximum of five years from publication in the *Recueil Electronique des Sociétés et Associations* of the relevant amendment of the Articles of Association.

The Board of Directors must draw up a report to the general meeting on the detailed reasons for the restriction or withdrawal of the preferential subscription rights which must include in particular the proposed issue price. It may be renewed on one or more occasions by the extraordinary general meeting, deliberating in accordance with the requirements for amendments to the Articles of Association, for a period which, for each renewal, may not exceed five years. As at the date of this Prospectus, the Articles of Association authorize the Board of Directors to increase the capital and to restrict or withdraw the preferential subscription rights of shareholders in relation to an increase of capital made within the limits of the authorized capital. (See "*16. Description of Share Capital—Authorized capital*").

In addition, an extraordinary general shareholders' meeting called upon to resolve, on the conditions prescribed for amendments to the Articles of Association, either upon an increase of capital or upon the authorization to increase the capital, may limit or withdraw preferential subscription rights or authorize the Board of Directors to do so. Any proposal to that effect must be specifically announced in the convening notice. Detailed reasons therefore must be set out in a report prepared by the Board of Directors and presented to the extraordinary general shareholders' meeting dealing, in particular, with the proposed issue price. This report must be made available to the public at the Company's registered office, and on its website. An issuance of Shares to banks or other financial institutions with a view to their being offered to the shareholders of the Company in accordance with the decision relating to the increase of the subscribed capital does not constitute an exclusion of the preferential subscription rights pursuant to the 1915 Companies Act.

16.7 Ownership and Transfer of Shares

The dematerialized shares will only be represented, and the ownership of such shares will only be established by a record in the name of the shareholder in a securities account. LuxCSD may issue or request the Company to issue certificates relating to dematerialized shares for the purpose of international circulation of securities.

The dematerialized shares issued by the Company shall be recorded at all times in the single securities issuance account of LuxCSD, which shall indicate the identification elements of these dematerialized shares, the quantity issued and any subsequent changes.

To allow the account keepers or, where applicable, the foreign account keepers to exercise their associational rights and their rights of action against the Company or third parties, they shall issue certificates to their account holders in exchange for written certification by the latter that they hold the securities concerned for own account or act pursuant to a right granted by the holder of the securities rights. Reference shall be made of it on the certificate.

The shares will be freely transferable in accordance with the legal requirements for dematerialized shares. The Board may, however, impose transfer restrictions for Shares that are registered, listed, quoted, dealt in or have been placed in certain jurisdictions in compliance with the requirements applicable therein.

The transfer of a dematerialized share occurs by book entry.

For the purposes of identifying the shareholders, the Company may, at its expense, request from LuxCSD the name, nationality, date of birth or date of incorporation and the address of the holders of the shares in its books which immediately confers or may confer in the future voting rights at the Company's general meetings of the shareholders, together with the number of shares held by each of them and, where 'applicable, the limits the shares may be subject to. LuxCSD shall provide the Company with the identification data in its books on the holders of the securities accounts in its books and the number of shares held by each of them.

The same information on the shareholders for own account shall be gathered by the Company through the account holders, whether from Luxembourg or abroad, who have a securities account with LuxCSD.

The Company may request the persons indicated on the lists given to it to confirm that they hold the shares for own account.

When a person who holds an account with LuxCSD or an account keeper or a foreign account keeper does not communicate the information requested by the Company in accordance with article 17 of the Luxembourg law of April 6, 2013, within two months as from the request or, if he communicated incomplete or erroneous information relating to his quality or the quantity of the shares held by him, the Company may suspend until settlement the voting rights up to the amount of the shares for which the information requested was not received.

The Company will recognize only one holder per share. If a share were to be held by more than one person, the persons claiming ownership of the share must name a single proxy to represent the share vis-à-vis the Company. The Company has the right to suspend the exercise of all rights attached to such share until one person has been appointed in this way. The same rule applies in case of a conflict between a pledgor and a pledgee.

16.8 Mandatory Takeover Bids and Exclusion of Minority Shareholders

Mandatory bids, squeeze-out and sell-out rights under the Luxembourg Takeover Law

The Luxembourg law of May 19, 2006 implementing Directive 2004/25/EC of the European Parliament and the Council of April 21, 2004 on takeover bids (the "**Luxembourg Takeover Law**") provides that if a person, acting alone or in concert, obtains voting securities of the Company which, when added to any existing holdings of the Company's voting securities, give such person voting rights representing 33 1/3% of all of the voting rights attached to the voting securities in the Company, this person is obliged to make an offer for the remaining voting securities in the Company at a fair price. In a mandatory bid situation the "fair price" is in principle considered to be the highest price paid by the offeror or by the person acting in concert with the offeror for the voting securities during the 12-month period preceding the mandatory bid.

Following the implementation of the Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, any voluntary bid falling within the scope of the Luxembourg Takeover Law for the takeover of our Company and any mandatory bid will be subject to shared regulation by the CSSF pursuant to the Luxembourg Takeover Law, which has implemented the Takeover Directive into Luxembourg law, and by the BaFin pursuant to the German Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Under the shared regulation regime, German takeover law applies to the matters relating to the consideration offered, the bid procedure, the contents of the offer document and the procedure of the bid. The German Regulation on the Applicability of the Takeover Code (*WpÜG- Anwendbarkeitsverordnung*) specifies the applicable provisions in more detail. Matters regarding company law (and related questions), such as, for instance, the question relating to the percentage of voting rights which give control over a company and any derogation from the obligation to launch a bid or regarding information to be provided to employees of the offeree company, will be governed by Luxembourg law.

The Luxembourg Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders for all the voting securities of the Company and if after such offer the offeror holds voting securities representing not less than 95% of the share capital that carry voting rights to which the offer relates and 95% of the voting rights in the Company, the offeror may require the holders of the remaining voting securities to sell those securities to the offeror at a "fair price". The price offered in a voluntary offer would in principle be considered a "fair price" in the squeeze-out proceedings if not less than 90% of the securities representing share capital that carry voting rights to which the offer relates were acquired in such voluntary offer by acceptance of the offer. The price paid in a mandatory offer is in principle deemed a "fair price." The consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the acceptance period of the offer.

The Luxembourg Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders for all the voting securities of the Company and if after such offer the offeror (and any person acting in concert with the offeror) holds voting securities carrying more than 90% of the voting rights in the Company, the remaining security holders may require that the offeror purchase the remaining voting securities at a "fair price". The price offered in a voluntary offer would in principle be considered "fair" in the sell-out proceedings if 90% of the securities representing share capital that carry voting rights of the Company to which the offer relates were acquired in such voluntary offer by acceptance of the offer. The price paid in a mandatory offer is in principle deemed a "fair price." The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate sell-out proceedings must be exercised within three months following the expiration of the acceptance period of the offer.

Where the Company has issued more than one class of voting securities, the rights of squeeze-out and sell-out described in the last two preceding paragraphs can be exercised only in the class in which the applicable thresholds have been reached.

Luxembourg Mandatory Squeeze-Out and Sell-Out Law

The Company may also be subject to the Luxembourg law of July 21, 2012 on mandatory squeeze-out and sell-out of securities of companies admitted or previously admitted to trading on a regulated market or having been offered to the public (the "**Luxembourg Mandatory Squeeze-Out and Sell-Out Law**"). These provide that if any individual or legal entity, acting alone or in concert with another, becomes the owner directly or indirectly of a number of Shares or other voting securities representing at least 95% of the voting share capital and 95% of the voting rights of the Company (a "**majority owner**"), such owner may require the holders of the remaining Shares or other voting securities to sell those remaining securities (the "**Mandatory Squeeze-Out**").

The Luxembourg Mandatory Squeeze-Out and Sell-Out Law also provides that where, through the acquisition of securities made alone or by persons acting in concert with her/him, a holder of shares or other voting securities of the Company becomes a majority owner, or, if s/he is already a majority owner, acquires additional shares or other voting securities of the Company, one or several holders of the remaining shares or other voting securities of the Company may require this majority owner to buy their shares or other voting securities subject to the timing conditions set out under the Luxembourg Mandatory Squeeze-Out and Sell-Out Law (the "**Mandatory Sell-Out**"). The Mandatory Squeeze-Out and the Mandatory Sell-Out must be exercised at a fair price according to objective and adequate methods applying to asset disposals. The procedures applicable to the Mandatory Squeeze-Out and the Mandatory Sell-Out must be carried out in accordance with the Luxembourg Mandatory Squeeze-Out and Sell-Out Law and under the supervision of the CSSF.

Pursuant to article 3 of the Luxembourg Mandatory Squeeze-Out and Sell-Out Law, any individual or legal entity, acting alone or in concert with another, who (i) becomes the owner directly or indirectly of a number of shares or other voting securities representing at least 95% of the Company's capital carrying voting rights and 95% of the voting rights of the Company, (ii) falls below one of the thresholds under (i) above or (iii) acquires additional shares or other voting securities while having already crossed the thresholds under (i) above, such person must notify the Company and the CSSF of the exact percentage of its holding, the transaction that triggered the notification requirement, the effective date of such transaction, its identity and the ways the shares or other voting securities are being held.

The notification to the Company and the CSSF must be effected as soon as possible, but not later than four working days, the first of which shall be the working day after that on which the holder of voting securities learns of the effective acquisition or disposal or of the possibility of exercising or not the voting rights, or on which the holders of the voting securities should have learnt of it, having regard to circumstances, regardless of the date on which the acquisition, disposal or possibility of exercising the voting rights takes effect. Upon receipt of the notification, but no later than three working days thereafter, the Company must make public all the information contained in the notification in a manner ensuring fast access to the information and on a nondiscriminatory basis.

16.9 Amendment to Rights of Shareholders

Any amendments to the rights of the shareholders set out in the Articles of Association require the amendment of the Articles of Association. An amendment to the Articles of Association must be approved by an extraordinary general shareholders' meeting of the Company held in front of a Luxembourg public notary in accordance with the quorum and majority requirements applicable to an amendment to the Articles of Association. A two-thirds (2/3) majority of the votes cast by the shareholders present or represented is required at any such general shareholders' meeting. However, in case the commitments of the shareholders are increased, decisions require the unanimous consent of the shareholders of the Company. The Articles of Association do not provide for any specific conditions that are stricter than required by Luxembourg law.

16.10 Shareholdings Disclosure Requirements

Luxembourg Transparency Law

With admission of the Shares to trading on the regulated market, Luxembourg will be the home Member State of the Company pursuant to article 1(9)(a) the Luxembourg law of January 11, 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market, as amended (the "Luxembourg Transparency Law"). Holders of the Shares and derivatives or other financial instruments linked to the Shares may be subject to notification obligations pursuant to the Luxembourg Transparency Law and the related Grand-ducal Regulation of January 11, 2008 on transparency requirements for issuers of securities (*Regiment grand-ducal du 11 janvier 2008 relatif aux obligations de transparence sur les emetteurs de valeurs mobilieres*). The following description summarizes these obligations. The Company's shareholders are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

The Luxembourg Transparency Law provides that, if a person acquires or disposes of a shareholding in the Company, and if following the acquisition or disposal the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% or 66 2/3% (each, a "**Relevant Threshold**") of the total voting rights existing when the situation giving rise to a declaration occurs, such person must simultaneously notify the Company and the CSSF of the proportion of voting rights held by it further to such event.

The voting rights shall be calculated on the basis of all the shares, including depositary receipts representing shares, to which voting rights are attached even if the exercise thereof is suspended. Moreover, this information shall also be given in respect of all the shares, including depositary receipts representing shares, which are in the same class and to which voting rights are attached.

A person must also notify the Company and the CSSF of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the abovementioned thresholds as a result of events changing the breakdown of voting rights and on the basis of the information disclosed by the Company.

The same notification requirements apply to a natural person or legal entity to the extent he/ she/it is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

(a) voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer;

(b) voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;

(c) voting rights attaching to Shares which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares his/her/its intention of exercising them;

(d) voting rights attaching to Shares in which that person or entity has the life interest;

(e) voting rights which are held, or may be exercised within the meaning of points (a) to (d), by an undertaking controlled by that person or entity;

(f) voting rights attaching to Shares deposited with that person or entity which the person or entity can exercise at his/her/its discretion in the absence of specific instructions from the shareholders;

(g) voting rights held by a third party in its own name on behalf of that person or entity;

(h) voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at his/her/its discretion in the absence of specific instructions from the shareholders.

The notification requirements also apply to a natural person or legal entity who/which holds, directly or indirectly:

(i) financial instruments that result in an entitlement to acquire, on such holder's own initiative alone, on maturity, give the holder, under a formal agreement, shares either the unconditional right to acquire or the discretion as to his right to acquire shares, to which voting rights are attached and , already issued. by the Company, or

(ii) financial instruments which are not included in point (i) but which are referenced to the shares referred to in that point and with an economic effect similar to that of the financial instruments referred to in that point, whether or not they confer a right to a physical settlement.

The notification required shall include the breakdown by type of financial instruments held in accordance with point (i) above and financial instruments held in accordance with point (ii) above, distinguishing between the financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.

The number of voting rights shall be calculated by reference to the full notional amount of shares underlying the financial instrument except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated on a 'delta-adjusted' basis, by multiplying the notional amount of underlying shares by the delta of the instrument. For this purpose, the holder shall aggregate and notify all financial instruments relating to the same underlying issuer. Only long positions shall be taken into account for the calculation of voting rights. Long positions shall not be netted with short positions relating to the same underlying issuer.

For the purposes of the above, the following shall be considered to be financial instruments, provided they satisfy any of the conditions set out in points (i) or (ii) above:

(a) transferable securities;

(b) options;

(c) futures;

(d) swaps;

(e) forward rate agreements;

(f) contracts for differences; and

(g) any other contracts or agreements with similar economic effects which may be settled physically or in cash.

The notification requirements described above shall also apply to a natural person or a legal entity when the number of voting rights held directly or indirectly by such person or entity aggregated with the number of voting rights relating to financial instruments held directly or indirectly reaches, exceeds or falls below a Relevant Threshold. Any such notification shall include a breakdown of the number of voting rights attached to Securities and voting rights relating to financial instruments.

Voting rights relating to financial instruments that have already been notified to that effect shall be notified again when the natural person or the legal entity has acquired the underlying shares and such acquisition results in the total number of voting rights attached to shares issued by the same issuer reaching or exceeding a Relevant Threshold.

The notification of voting rights to the Company and the CSSF must be effected as soon as possible, but not later than six trading days following a transaction or four trading days following receipt of information of an event changing the breakdown of voting rights by the issuer. Upon receipt of the notification, but no later than three trading days thereafter, the Company must make public all the information contained in the notification as regulated information within the meaning of the Luxembourg Transparency Law.

As long as the notifications have not been made to the Company in the manner prescribed, the exercise of voting rights relating to the Shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification.

Where within the 15 days preceding the date for which the general shareholders' meeting has been convened, the Company receives a notification or becomes aware of the fact that a notification has to be or should have been made in accordance with the Luxembourg Transparency Law, the Board of Directors may postpone the general shareholders' meeting for up to four weeks.

In accordance with article 8(4) of the Luxembourg Transparency Law, the disclosure requirements do not apply to the acquisition or disposal of a major holding by a market maker (*teneur de marché*) in securities insofar as the acquisition or disposal is effected in his capacity as a regulated market maker in securities and insofar as the acquisition is not used by the market maker to intervene in the management of the Company.

In accordance with article 8(6) of the Luxembourg Transparency Law, the disclosure requirements do not apply to voting rights attached to securities for stabilization purposes as defined in Commission Regulation (EC) 2273/2003 of the Commission of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilization of financial instruments, provided that the voting rights attaching to these shares are not exercised or otherwise used to intervene in the management of the issuer.

For further details, please refer to the Luxembourg Transparency Law and the related Grand ducal regulation.

Disclosure of transactions of persons holding management responsibilities

Pursuant to article 19 of the EU Market Abuse Regulation, persons discharging managerial responsibilities, as well as persons being closely associated with them (being "persons closely associated with a person discharging managerial responsibilities") must notify the CSSF and the Company of every transaction conducted on their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto. The disclosure must be made within three business days following the date of the transaction. Notification is not required if the total sum of all transactions involving a person holding managerial responsibilities and his or her related parties is less than €5,000 for the calendar year.

The Company shall ensure that the information that is notified in accordance with the above paragraph is made public promptly and no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis in accordance with the implementing technical standards referred to in point (a) of article 17(10) of the EU Market Abuse Regulation.

The Company shall use such media as may reasonably be relied upon for the effective dissemination of information to the public throughout the European Union, and, where applicable, it shall use the officially appointed mechanism referred to in article 21 of Directive 2004/109/EC of the European Parliament and of the Council on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

For the purpose of the EU Market Abuse Regulation, "persons discharging managerial responsibilities" means a person within the Issuer who is (i) a member of the administrative, management or supervisory body of the Company or (ii) a senior executive who is not a member of the latter bodies, who has regular access to inside information relating, directly or indirectly, to the Company, and power to take managerial decisions affecting the future developments and business prospects of the Company. Persons closely associated with a person discharging managerial responsibilities within the Company include the following persons:

- a spouse of the person discharging managerial responsibilities, or a partner of that person considered by national law as equivalent to a spouse,
- according to national law, a dependent child of the person discharging managerial responsibilities,
- a relative of the person discharging managerial responsibilities, who has shared the same household as that person for at least one year on the date of the transaction concerned, or
- a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person closely associated with such person as referred to under the above bullet points, which is directly or indirectly controlled by such a person, or which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such person.

As the Company intends to list its Shares on the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), section 15a of the German Securities Trading Act (*Wertpapierhandelsgesetz*) will apply. Under section 15a of the German Securities Trading Act, persons holding managerial responsibilities within listed stock corporations are required to notify the stock corporation and BaFin within five business days of their own transactions involving Shares of the Company or related financial instruments, including, in particular, derivatives. This obligation also applies for related parties of persons holding managerial responsibilities. Notification is not required if the total sum of all transactions involving a person holding managerial responsibilities and his or her related parties is less than €5,000 for the calendar year. Persons holding managerial responsibilities for these purposes refer to any managing partner or member of the company's management, administrative or supervisory bodies and any person who has regular access to insider information and is authorized to make important managerial decisions. Related parties include spouses, registered civil partners, dependent children and other relatives who have been living in the same household as the person holding managerial responsibilities for at least one year when the relevant transaction is made. Notice is also required for legal entities in which a person holding managerial responsibilities and/or any of the aforementioned parties holds supervisory responsibilities, which are controlled by a person holding managerial responsibilities or such parties, which were established for the benefit of a person holding managerial responsibilities or such a party or the economic interests of which are substantially equivalent to those of a person holding managerial responsibilities or such a party. Negligent or willful non-compliance with these notification requirements may result in the imposition of a statutory fine on the person holding managerial responsibilities or related party.

17. MANAGEMENT AND GOVERNING BODIES

17.1 Board of Directors

The business address of each member of the Board of Directors of the Company is 2C, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg.

The Company is managed by the Board of Directors. According to the Articles of Association, the Board of Directors must be composed of at least 5 members. The General Shareholders' Meeting of the Company shall determine the number of members of the Board of Directors, their remuneration and the terms of their office (which may not exceed six years). A member of the Board of Directors may be removed with or without cause and/or replaced, at any time, by a resolution adopted by the General Shareholders' Meeting of the Company. The Company's Articles of Association also provide that the Board of Directors may appoint an audit committee (the "Audit Committee"), a nomination and remuneration committee (the "Nomination and Remuneration Committee") and an operations committee (the "Operations Committee").

The Board of Directors is vested with the broadest powers to perform, or to cause to be performed, all acts of disposition and administration in the Company's interest. All powers not expressly reserved by the 1915 Companies Act or by the Company's Articles of Association to the general shareholders' meeting fall within the competence of the Board of Directors.

The Board of Directors meets as often as the business and interests of the Company require. The Board of Directors may validly deliberate and make decisions only if at least one half of its members is present or represented. Decisions are made by the majority of the votes of the members present or represented. If a member of the Board of Directors abstains from voting or does not participate to a vote in respect of a proposed resolution, this abstention or nonparticipation is taken into account in calculating the majority as a vote against the proposed resolution. Any member of the Board of Directors may participate in a meeting of the Board of Directors by conference call, video conference or by similar means of communication in accordance with the Articles of Association. A resolution of the Board of Directors may also be passed in writing, which must be signed by each member of the Board of Directors.

Members of the Board of Directors

The Company's Board of Directors currently comprises 9 members, with Romeo Kreinberg as chairman. The Company shall be bound by (i) the joint signatures of two members of the Board of Directors, and (ii) by the sole or joint signature(s) of any person or persons to whom such signatory power shall have been delegated by the Board of Directors.

The following table shows the members of the Board of Directors as of the date of this Prospectus, their date of birth, the date on which they were initially appointed, the date on which their current appointment is scheduled to end, their responsibilities, as well as their other positions in administrative, management, and supervisory bodies, and as partners in companies/partnerships other than the Company during the past five years:

Name	Age	Initial appointment (*)	Current and former membership of Board of Directors and Supervisory Boards and comparable governing bodies or partnerships in the previous five years
Javier Molina Montes	57	2017-2022	See "*17.2 Senior Management*" below
Wolf Lehmann	46	2017-2022	See "*17.2 Senior Management*" below
Frauke Heistermann	46	2017-2022	Hoffmann Group SE, Munich, Germany, member of the supervisory board (ongoing) Bundesvereinigung Logistik, member of the board (ongoing) Council for Technology, Ministry of Economics, Palatina, Germany (ongoing) Member of Logistics-Wises (ongoing) AXIT GmbH, Frankenthal, Germany, member of the management board (1999-2017) Siemens Postal, Parcel & Airport Logistics GmbH, Konstanz, Germany, Chief Digitalization Officer (2017)

Name	Age	Initial appointment (*)	Current and former membership of Board of Directors and Supervisory Boards and comparable governing bodies or partnerships in the previous five years
Romeo Kreinberg	66	2017-2022	Rain Carbons Inc., Stamfort, CT, USA, chairman of the board of directors (ongoing) Orion Engineered Carbons S.A., Luxembourg, member of the board of directors (ongoing) Rütgers N.V., Zelzate, Belgium (now part of the Rain Carbon Inc., Stamfort, CT, USA), chairman of the board of directors (2009-2013)
Johannes Maret..................	67	2017-2022	Gebr. Rhodius GmbH & Co. KG, Burgbrohl, Germany, chairman of the advisory board (ongoing) Triton Manager Limited, Jersey, Member of the non-executive investment committee (ongoing) Maret GmbH, Konz-Filzen, Germany, managing partner (ongoing) Weingut Reverchon KG, Konz-Filzen, Germany, owner (ongoing) Maret Vermögensverwaltung KG, Burgbrohl, Germany, managing partner (ongoing) EQOS Energie Holding S.à r.l., L-Foetz, Luxembourg, member of the advisory board (ongoing) Basler Fashion Holding GmbH, Goldbach, Germany, chairman of the board (2007-2013) Battenfeld Cincinnati Holding GmbH, Bad Oeynhausen/ Wien, Austria, chairman of the board (2007-2015) Benediktinerabtei Maria Laach, Maria Laach, Germany, member of the advisory board (2007-2014) MLP AG, Heidelberg, Germany, member of the supervisory board (2003-2015)
Roland Oelschläger	44	2017-2022	Triton Partners Holdco, director (ongoing) Triton Beratungsgesellschaft GmbH, managing director (ongoing) Kelvion Holding GmbH, Bochum, Germany, member of the board of directors (no longer ongoing) Talis Holding Europe GmbH and other group companies, Heidenheim an der Brenz, Germany, member of the board of directors (no longer ongoing)
Manuel Soto	77	2017-2022	Santander UK plc, London, UK, member of the board of directors (ongoing) Santander UK Group Holdings plc, London, UK, member of the board (ongoing) Barceló International Hotel and Travel Group, Palma de Mallorca, Spain, member of the advisory board (ongoing) Cartera Industrial Rea, S.A., Madrid, Spain, member of the board (ongoing) Banco Santander S.A., Madrid, Spain, member of the board of directors (1999-2013) Banco Santander USA, Boston, USA, member of the board of directors (2013-2015) N+1 Mercapital, Madrid, Spain, member of the advisory board (2006-2015)

Name	Age	Initial appointment (*)	Current and former membership of Board of Directors and Supervisory Boards and comparable governing bodies or partnerships in the previous five years
Georg Graf von Waldersee	62	2017-2022	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, chairman of the supervisory board (ongoing) Evercore, GmbH, Frankfurt am Main, Germany, member of the supervisory board (ongoing) Scope Management SE, Berlin, Germany, deputy chairman of the supervisory board (ongoing) Scope SE & Co. KGaA, Berlin, Germany, deputy chairman of the supervisory board (ongoing) Delivery Hero AG, Berlin, Germany, member of the supervisory board (ongoing) Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, member of the management board (2002-2016, chairman/CEO 2011-2016) Ernst & Young EMEIA Limited, London, UK, director (2008-2016) Ernst & Young Europe LLP, London, UK, director (2008-2016)
Santiago Zaldumbide	75	2017-2022	Barceló International Hotel and Travel Group, Palma de Mallorca, Spain, member of the board (ongoing) Deusto Business School, Madrid, Spain, member of the board (ongoing) Asturiana de Zinc, S.A., Asturias, Spain, CEO (1998-2013) Xstrata plc., Zug, Switzerland, Executive Director (1998-2013)

(*) Appointed as member of the Board of Directors in connection with the conversion from a limited liability company (S.à r.l.) into a stock corporation (S.A.) on October 18, 2017.

Javier Molina Montes, Chief Executive Officer of Befesa, and **Wolf Lehmann,** Chief Financial Officer of Befesa, are members of the Senior Management of the Company. A summary of their professional experience can be found under "*17.2 Senior Management*" below.

Frauke Heistermann in 1999 founded and since then is member of the management board of AXIT GmbH, a digital service platform managing global supply chains. AXIT GmbH was sold to Siemens in 2015, and Mrs. Heistermann served as Chief Digitalization Officer at Siemens Postal, Parcel & Airport Logistics GmbH in 2017. Prior to her management career, Mrs. Heistermann worked as consultant and product manager. She holds a diploma in logistics and business administration (*Diplom-Betriebswirtin*) from the Cooperative State University, Mannheim.

Romeo Kreinberg has over forty years of experience in executive management of public and private companies in the chemical industry, including various executive positions held in the course of his employment at Dow Chemical (1977-2007). He is also senior advisor at Triton Partners, Germany. Throughout the course of his career, Mr. Kreinberg has served as a Director of Companies in the United States, Europe, Latin America, and Asia and is fluent in six languages. Mr. Kreinberg holds a degree from the Faculty of Architecture and Urban Planning at the University of Buenos Aires.

Johannes Maret worked as auditor and tax consultant at Arthur Andersen for 20 years before he became partner of the private bank Sal. Oppenheim, Cologne, where he worked until 2002. Today, he advises the Triton funds as member of the investment committee at Triton Partners, and is a member of various supervisory and advisory boards. Mr. Maret holds a degree (*Diplom-Kaufmann*) in business administration from the University of Cologne.

Roland Oelschläger is investment advisory professional at Triton Partners. Prior to that, he worked at the Bank of America in New York, Baltimore, Roanoke and Charlotte, in positions related to investments and corporate banking, with a focus on financial acquisitions and markets of medium sized enterprises since 1996. Mr. Oelschläger holds a degree in Foreign Affairs and German from the University of Virginia, USA.

Manuel Soto started his professional career at Arthur Andersen, where he became partner in 1970, and was country managing partner for Spain (1970-1989), area managing partner for EMEA (1980-1998) and chairman of the worldwide board of partners (1968-1988). Mr. Soto retired from Arthur Andersen in 1998 and joined Banco Santander S.A. where he was a member of the board of directors (1999-2013). Mr. Soto holds degrees in accounting and business administration from the University of Madrid.

Georg Graf von Waldersee is a German certified public accountant (*Wirtschaftsprüfer*). His career began with Arthur Andersen in 1982 becoming a partner in 1991. In Arthur Andersen he was leading the German assurance and advisory practice (1998-2001) before he was appointed managing partner for the Nordic countries (2001-2002). From 2002 to 2016 Georg Graf von Waldersee was a member of the management board for Ernst & Young in Germany which he chaired from 2011 on. From 2008 until his retirement with EY in 2016 he was the regional managing partner of Ernst & Young in Germany, Switzerland and Austria (GSA) and a member of the area executive committee of Ernst & Young for Europe, Middle-East, India and Africa (EMEIA). Georg Graf von Waldersee studied economics at the University of Bonn, and received a degree in business administration from the University of Hamburg.

Santiago Zaldumbide was senior consultant to Glencore-Xstrata plc. from May 2013 to February 2015, after working as chairman and chief executive officer of Asturiana de Zinc, S.A. and executive director of Xstrata plc., a major zinc producer (1998-2013). Mr. Zaldumbide started his professional career at Unión Explosivos Rio Tinto, where he was chief executive officer in several divisions (1970-1984). He worked at Banco de Bilbao (1984-1986), as chief executive officer of Petróleos del Norte, S.A. (1986-1994), and as chief executive officer of Corporación Industrial y Financiera de Banesto, S.A. (1994-1998). He holds a degree in law from the University of Madrid, a degree in economics from the University of Deusto, and an MBA degree from the University of California, Berkeley, USA.

17.2 Senior Management

The senior management of the Group (the "**Senior Management**") is made up of four members, which hold their positions through service agreements with entities of the Group and are appointed (and may be removed) by the Board of Directors of the Company. The Board of Directors may delegate to one or more persons the daily management of the Company and the authority to represent the Company. It is intended that the Board of Directors will delegate the daily management of the Company to the CEO.

The business address of each member of the Senior Management of the Company is 2C, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg.

The day to day operations of the Company are managed by the Senior Management.

Members of Senior Management

The following table shows the members of the Senior Management as of the date of this Prospectus, their date of birth, the date on which they were initially appointed, the date on which their current appointment is scheduled to end, their responsibilities, as well as their other positions in administrative, management, and supervisory bodies, and as partners in companies/partnerships other than the Group during the past five years:

Name	Age	Initial appointment (*)	Responsibilities	Current and former membership of Board of Directors and Supervisory Boards and comparable governing bodies or partnerships in the previous five years
Javier Molina Montes	57	2017	Chief Executive Officer	Gestión Integral de RRHH, S.A., a subsidiary of Abengoa, director (until 2013) Simosa IT, S.A., a subsidiary of Abengoa, director (until 2013)
Wolf Lehmann	46	2017	Chief Financial Officer	Wilsonart International Holdings LLC, Austin, TX, USA, member of the board and chief financial officer (2013-2014) Momentive Performance Materials Inc., Albany, NY, USA, member of the board and chief financial officer (2005-2013)
Asier Zarraonandia Ayo	50	2017	Vice President Steel Dust Recycling Services	Silvermet Inc., Toronto, Ontario, member of the board of directors (ongoing)

Name	Age	Initial appointment (*)	Responsibilities	Current and former membership of Board of Directors and Supervisory Boards and comparable governing bodies or partnerships in the previous five years
Federico Barredo Ardanza ...	57	2017	Vice President Aluminium Salt Slags Recycling Services	None

(*) Appointed as member of the Senior Management in connection with the conversion from a limited liability company (S.à r.l.) into a stock corporation (S.A.) on October 18, 2017. The individuals also served in the senior management of the Group prior to such conversion.

Javier Molina Montes has managed the business of the Group since 2000, when he was appointed Chairman and Chief Executive Officer of BMA. Mr. Molina Montes joined Abengoa in 1994 and later became Chief Executive Officer of Abengoa Servicios Urbanos (Abensur). From 1989 to 1993, Mr. Molina Montes was general director of Tesca, and prior to that, from 1983 to 1985, he was an account executive at Banco de Progreso. Mr. Molina Montes holds a Masters degree in Law and Management and Business (ICADE, E3) from Universidad Pontificia Comillas, Madrid, Spain.

Wolf Lehmann was appointed Chief Financial Officer of Befesa upon joining the Group in 2014, including responsibilities for operational excellence/cost savings and information technologies. Prior to coming to Befesa, Mr. Lehmann was chief financial officer at Wilsonart International, Austin, TX, USA. Mr Lehmann started his professional carreer as finance trainee (FMP) and traveling corporate auditor (CAS) at General Electric (GE) in various international locations (1996-2002), was manager of finance at Propulsion and Specialty Services, at GE Transportation, Erie, PA, USA (2002-2005), and later became chief financial officer at Momentive Performance Materials, prior GE Silicones, in various locations and responsibilities, including USA/global, China/Asia Pacific, and Germany/EMEAI (2005-2013). Mr. Lehmann holds a double degree in Business and Engineering from the University of Hamburg, Germany (*Diplom-Wirtschaftsingenieur*).

Asier Zarraonandia Ayo was appointed Managing Director of our Steel Dust Recycling Services business in 2006. He has been with Befesa since 2001, where he served as chief financial officer of the Aluminium Salt Slags Recycling Services business before becoming Financial Controller of the Abengoa Group from 2004 to 2006. Before joining Befesa, Mr. Zarraonandia Ayo was a senior manager auditor and consultant for Arthur Andersen, where he worked for ten years and specialized in industrial mergers and acquisitions. Mr. Zarraonandia Ayo holds a Bachelor degree in Economics from the University of the Basque Country.

Federico Barredo Ardanza was chief financial officer at Remetal Group from 1990 until 2000. After BMA acquired Remetal Group in 1998, Mr. Barredo became responsible for our Aluminium Salt Slags Recycling Services business which he has now led for more than seventeen years. Mr. Barredo Ardanza holds a degree in Economics from the University of the Basque Country.

17.3 Compensation and Shareholdings of Board of Directors and Senior Management

Members of the Board of Directors

Beginning from the time of their appointment, the Company will pay members of the Board of Directors, other than Mr. Montes and Mr. Lehmann who will receive no salary under their Board of Directors member service agreement, each a yearly remuneration of €60,000. The chairman of the Board of Directors will receive additional compensation in the amount of €90,000 for his service in this capacity.

Members of Senior Management

The compensation of the members of the Senior Management of the Company is determined by their employment contracts and consists of a fixed and a variable compensation component and additional benefits, such as company cars. In addition, the Company provides for life and accident insurance for the members of Senior Management.

The fixed compensation component is represented by an annual base compensation that is determined in relation to the Senior Management members' respective position and responsibilities.

The variable compensation component consists of a performance-based compensation (the "***Short-Term Incentive Program",''STI''***) and a share-based compensation (the "***Long-Term Incentive Program***", "***LTI***"). The STI relates to the Company's annual performance. The payout amounts are determined by the achievement of several performance measures including earnings, improvement of the capital structure, as well as certain qualitative targets. The maximum amount that can be received under the STI is capped at 130% of certain pre-determined STI target values. The LTI consists of a performance stock share plan that entitles the plan participants to receive stock of the Company. The number of stocks transferred depends on the achievement of certain quantitative operational performance targets over a three-year period. The separately weighted targets relate to earnings and cash flow figures as well as the return on investments of specific projects. The achievement of each target is tested against an 80% to 160% performance window. The weighted overall target achievement determines the final number of transferred stocks. It is intended that the targets may be changed by the Nomination and Remuneration Committee for potential new grants. A 300% cap with regard to the stock price increase is applied. To provide full flexibility to the Company, the long-term variable compensation payment can be made either in stock or as an equivalent cash payout.

The total aggregate compensation paid to the four members of Senior Management - Javier Molina Montes, Wolf Lehmann, Asier Zarraonandia Ayo and Federico Barredo Ardanza - in the year ended December 31, 2016 amounted to €2.4 million. The total estimated value of all non-cash benefits received by the four members of Senior Management in the same year was €41,666. Once the (proposed) compensation scheme adjustment becomes effective, total compensation (including base compensation, STI and LTI) of the Senior Management will amount to €4.8 million, with variable components comprising approximately 70% of the compensation structure.

To support retention and to further strengthen the link between compensation and the Company's stock price development, a one-off stock grant will be made to the members of the Senior Management at the IPO. The grant value will amount to 150% of the respective base compensation, with three-year cliff vesting and a share price increase cap similar to the LTI. In addition, the members of the Senior Management have to meet certain share ownership requirements. They are requested to build up shareholdings of the Company's stock proportional to their base compensation. It is determined as 300% of base compensation for the CEO, 200% for the CFO, and 100% for the other Senior Management members and has to be accumulated over four years.

The Company does not have any pension arrangements in place for members of Senior Management, however, the members of Senior Management were provided an opportunity to participate in the Management Incentive Plan.

Management Incentive Plan

In July 2013, the Selling Shareholder agreed that certain members of the board of directors, key managers and certain other key employees of the Group, non-executive members of the supervisory boards of Group entities and certain other individuals who are, due to their function as consultant, adviser or otherwise related to the Group without being an employee (together the "**MIP Participants**" and each a "**MIP Participant**") shall be invited to co-invest in the Group alongside the Selling Shareholder and thereby have an opportunity to participate in the future economic success of the Group by means of an equity-related investment in the Group through participation in the MIP Vehicle against payment in cash (the "**Management Incentive Plan**" or "**MIP**"). While the MIP was set up for an initial period of 15 years, after which each MIP Participant may terminate its participation in the MIP Vehicle, the Selling Shareholder holds additional termination and exit rights, amongst others, the right to (i) redeem the participations of MIP Participants in the case of certain leaver events (e.g. if a MIP Participant ceases to be employed or otherwise engaged by a Group entity) and (ii) in case of a listing of shares of the Issuer, to restructure the MIP to be in line with a public company incentive scheme.

As at the date of this Prospectus, 29 MIP Participants hold a 77.823% interest in the MIP Vehicle through the MIP, amounting to a total indirect shareholding of all MIP Participants in the Company of 8.360%. The Selling Shareholder also holds a 22.174% interest in the MIP Vehicle. (See "*18.1 Evolution of Shareholder Structure*"). Among the 29 MIP Participants are the four members of Senior Management and four additional members of the Board of Directors, all of which participated in the MIP against payment in cash.

Directors' and officers' insurance

All members of the Board of Directors and Senior Management are covered against third-party liabilities under a Directors and Officers ("**D&O**") insurance policy at the Company's expense. All such insurance policies are in force.

Service contracts providing for benefits upon termination of employment and/or board membership

The service contracts with the members of the Board of Directors do not provide for benefits upon termination of such board membership. The service contracts or employment agreements with the members of

Senior Management do not provide for benefits upon termination of employment, except for a one-time exit payment payable to Javier Molina Montes under his employment agreement with Befesa Management Services GmbH in an amount of €1.25 million. This agreement also provides for a post-contractual non-compete clause, under which 50% the last annual salary will be paid to Mr. Molina Montes for a period of 12 months after termination of the employment agreement.

Loan structures between board members and the issuer

As of the date of this Prospectus, no loans are outstanding between the Issuer and any member of the Board of Directors or member of Senior Management.

17.4 Shareholdings of the members of the Board of Directors and Senior Management

Currently, no member of the Board of Directors or Senior Management directly holds any Shares in the Company or options on Shares in the Company.

As at the date of this Prospectus, through the MIP Vehicle, the four members of Senior Management, taken together, indirectly hold about 2.499% of the total outstanding share capital of the Company, and the members of the Board of Directors (excluding the CEO and CFO), taken together, hold about 1.822%, of the total outstanding share capital of the Company, but no single MIP Participant directly or indirectly holds more than 1% of the total outstanding share capital of the Company. See "*18.1 Evolution of Shareholder Structure*".

To become effective upon completion of the Offering, the Selling Shareholder offered to purchase from each MIP Participant up to 50% of such MIP Participants' current shareholding in the MIP Vehicle at the Offer Price (less pro rata costs and expenses). Various MIP Participants accepted this offer, and sold, in total, an equivalent of 34.2% of the total share capital in the MIP Vehicle to the Selling Shareholder, which corresponds to a total indirect shareholding in the Issuer of 3.67%, such sale becoming effective upon completion of the Offering. The proceeds from the sale shall primarily facilitate (i) payment by the MIP Participants of taxes that may become due upon listing or later during the lock-up period, and (ii) repayment of the MIP Participants' original investment in the MIP and any associated financing and other costs and expenses.

17.5 Conflicts of Interest

Members of management have employment agreements with an entity of the Group, as well as memberships on boards of other Group companies. Therefore, conflicts of interest could arise for members of the Board of Directors and of Senior Management between their duties towards the Group, the relevant individual Group company and their duties as members of the Board of Directors of the Company or as a member of Senior Management, respectively. Asier Zarraonandia Ayo is also member of the board of directors of Silvermet Inc., our joint venture partner. Conflicts of interest may arise between the duties of Mr. Zarraonandia Ayo to Silvermet, Inc. and those to the Company or the Group. Manuel Soto is a non-executive director of Santander UK plc and a member of the board of Santander UK Group Holdings plc, both of which are subsidiaries of one of the Underwriters, Banco Santander S.A. Conflicts of interest may arise between the duties of Mr. Soto to the Banco Santander group and those to the Company or the Group.

The investment funds managed by Triton engage in a broad spectrum of activities, including investment advisory activities, and have extensive investment and business activities that are independent of and may from time to time conflict with the Company's activities. Certain directors and/or employees of Triton serve or may serve as Board of Directors members or executive officers of the Company. Such directors and/or employees of Triton may also serve as board of directors members, directors or executive officers of one or more existing or future funds or companies managed by Triton, including funds that invest and companies that operate in the same sectors as those in which the Group operates. Such individuals may, in particular circumstances, act in ways that conflict with the Company's and the Group's interests or those of our investors. At the date of this Prospectus, the following members of the Board of Directors are partners, directors, representatives and/or employees of Triton or an affiliate of Triton: Romeo Kreinberg, Johannes Maret and Roland Oelschläger. Apart from these potential conflicts of interest and the transactions and legal relations described in "*Related Party Transactions*" there are no other actual or potential conflicts of interest between the obligations of the members of the Board of Directors or Senior Management toward the Company and their respective private interests or other obligations.

Pursuant to the 1915 Companies Act and the Articles of Association, in the event that a member of the Board of Directors has a conflicting interest to the interest of the Company in any transaction of the Company that is submitted to the approval of the Board of Directors, such member of the Board of Directors shall make known to the Board of Directors such conflicting interest at that meeting and shall cause a record of his statement to be included in the minutes of the meeting. The member of the Board of Directors may not take part in the deliberations relating to that transaction and may not vote on the resolutions relating to that transaction. At the next following general meeting of shareholders, before any other resolution is put to vote, a special report shall be made on any transactions in which any of the directors may have had an interest conflict with that of the Company.

17.6 Audit Committee

The Company has established the Audit Committee which is responsible for the consideration and evaluation of all material questions concerning the auditing and accounting policies of the Group and its financial controls and systems, as well as questions concerning compliance matters, together with related recommendations to be made to the Board of Directors. In accordance with the Luxembourg law of July 23, 2016 on the audit profession (the "**Audit Act**"), the Audit Committee shall in particular perform the following activities:

- inform the Board of Directors of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- monitor the financial reporting drawing-up process and submit recommendations or proposals to ensure its integrity;
- monitor the effectiveness of the Company's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the Company, without breaching its independence;
- monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the CSSF pursuant to Article 26(6) of Regulation (EU) No 537/2014;
- review and monitor the independence of the approved statutory auditor(s) (*réviseur(s) d'entreprises agréé(s)*), in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of Regulation (EU) No 537/2014;
- be responsible for the procedure for the selection of the approved statutory auditor(s) (*réviseur(s) d'entreprises agréé(s)*) and recommend the approved statutory auditor(s) (*réviseur(s) d'entreprises agréé(s)*) except when Article 16(8) of Regulation (EU) No 537/2014 is applied.

The Audit Committee shall be composed of non-executive members of the Board of Directors and/or members appointed by the general meeting of shareholders.

At least one member of the Audit Committee shall have competence in accounting and/or auditing.

The Audit Committee members as a whole shall have competence relevant to the sector in which the Company is operating.

A majority of the members of the Audit Committee shall be independent of the Company. The chairman of the Audit Committee shall be appointed by its members and shall be independent of the Company.

However, where all members of the Audit Committee are members of the Board of Directors, the audit committee shall be exempted from the independence conditions laid down in the previous paragraph.

The Audit Committee consists of four members, Georg Graf von Waldersee (Chairman), Manuel Soto, Roland Oelschlager and Frauke Heistermann, of which Georg Graf von Waldersee, Manuel Soto and Frauke Heistermann are considered to be independent. The Audit Committee intends to meet up to twice annually.

17.7 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for human resources related matters, including implementation of policies, appointments and releases of senior management of the Company and proposing to the General Shareholders' Meeting suitable candidates for recommendation for election as members of the Board of Directors. It also has responsibility for making recommendations to the Board of Directors on the terms of appointment and the benefits of the senior management of the Company for each financial year of the Company, as well as for making recommendations on bonus payments to be made to all employees based on recommendation from the Board of Directors.

The Nomination and Remuneration Committee is chaired by Romeo Kreinberg (Chairman), with Johannes Maret, Roland Oelschlager, Georg Graf von Waldersee and Santiago Zaldumbide completing the membership of the committee. The Nomination and Remuneration Committee meets at least twice annually.

17.8 Operations Committee

The Operations Committee is responsible for the implementation and oversight of operational efficiency measures, operational efficiency monitoring, capital expenditure planning and further operational measures, together with related recommendations to be made to the Board of Directors. The Operations Committee consists of five members, Romeo Kreinberg (Chairman), Santiago Zaldumbide, Frauke Heistermann, Manuel Soto and Johannes Maret.

17.9 Certain Information on the members of the Board of Directors and members of Senior Management

Within the past five years no member of the Board of Directors and no member of Senior Management was involved in any insolvency, insolvency administration, liquidation, or similar proceedings in their capacity as a member of any administrative, managing, or supervisory body or as senior executives. A balance sheet restructuring and reorganization under Chapter 11 of the United States Bankruptcy Code of Momentive Performance Materials Inc. occurred in 2014 when Wolf Lehmann no longer was a member of the board of such company. No member of the Board of Directors and no member of Senior Management has, within the past five years, been deemed by a court or any other statutory or regulatory authority to be unfit for membership of an administrative, management, or supervisory body of a company, nor has any such person been deemed to be unfit to exercise management duties or to manage the business of an issuer.

The Company considers four of the members of the Board of Directors to be independent. The Company defines an "independent board member" to be an individual who is duly appointed or elected as a member of the Board of Directors and who is not, and has never been for any part of the last three years, or in the case of item (3) below, for any part of the past two years, and will not, while serving as a member of the Board of Directors, be any of the following:

(1) a manager, senior manager or employee of the Company or of any of the Company's affiliates (other than as an independent member of the Board of Directors or as a director or Board of Directors member of any of the Company's affiliates);

(2) a person who has received any money, compensation or other payment from the Company or of any of the Company's affiliates (including, without limitation, any of the Company's or any of the Company's affiliates' creditors, suppliers or service providers), except for (a) any person who has received any fees or compensation by virtue of being an independent Board of Directors member or director, (b) any person who has received any dividends or other distributions as a registered holder of ordinary Shares, or (c) any person who has been appointed as an independent Board of Directors member or director prior to the date of consummation of this Offering and who has received fees or compensation from the Company;

(3) a member, partner, equity holder, manager, director, senior manager or employee of the current or former auditor of the Company;

(4) a person that (a) has a conflicting interest with the Company as determined by a nomination committee or the Nomination and Remuneration Committee in good faith, (b) is a manager, director, senior manager or employee of any of the Company's competitors or (c) is a controlling shareholder of any of the Company's competitors or a manager, director, senior manager or employee thereof;

(5) the spouse, sibling, child, stepchild, grandchild, niece, nephew or parent of any person described in (1) to (4) above or the spouse of any such person; or

(6) any partner, employee or representative of a major shareholder.

There are no family relationships among the members of the Board of Directors and/or Senior Management.

No current member of the Company's Board of Directors or of the Senior Management has been convicted in relation to any fraudulent offenses, nor have they been officially publicly incriminated, and/or sanctioned by statutory or regulatory authorities (including designated professional bodies) within the past five years.

17.10 General Shareholders' Meeting

Each Share entitles the holder thereof to attend all general meetings of the shareholders, either in person or by proxy, to address the general meeting of the shareholders and to exercise voting rights. Each Share entitles the holder to one vote at a general meeting of the shareholders. There is no minimum shareholding required to be able to attend or vote at a general meeting of the shareholders.

As long as the Shares are admitted to trading on a regulated market within a European Union Member State, general meetings of the shareholders will be convened in accordance with the provisions of the Luxembourg law of May 24, 2011 on the exercise of certain rights of shareholders in general meetings of the shareholders of listed companies and implementing Directive 2007/36/EC of the European Parliament and of the Council of July 11, 2007 on the exercise of certain rights of shareholders in listed companies, as amended (the "**Luxembourg Shareholder Rights Law**") and the Articles of Association.

To vote at meetings, shareholders entitled to vote must duly evidence their shareholdings as of the record date determined in accordance with the Luxembourg Shareholder Rights Law. A shareholder may act at any general meeting of the shareholders by appointing another person (who need not be a shareholder) as his/her/its proxy in accordance with the provisions of the Luxembourg Shareholder Rights Law.

In accordance with Luxembourg Shareholder Rights Law, the convening notice is to be published at least thirty days before the day of the meeting in the Luxembourg Official Gazette (*Recueil Electronique des Sociétés et Associations*), and a Luxembourg newspaper and in media which may reasonably be relied upon for the effective dissemination of information to the public throughout the European Economic Area, and which is accessible rapidly and on a non-discriminatory basis. If a general meeting of the shareholders is adjourned for lack of quorum, provided that the convening requirements of the Luxembourg Shareholder Rights Law have been complied with and no new item has been added to the agenda, the 30 day period is reduced to a 17 day period.

These convening notices must, inter alia, contain the precise date and location of the general meeting of the shareholders and the proposed agenda. It must also set out the conditions for attendance and representation at the meeting.

Luxembourg law distinguishes between ordinary resolutions and extraordinary resolutions. Extraordinary resolutions relate to proposed amendments to the articles of incorporation and certain other limited matters. All other resolutions are generally ordinary resolutions.

Extraordinary resolutions are generally required for any of the following matters, among others: (a) an increase or decrease of the authorized or issued capital, (b) a limitation or exclusion of pre-emptive rights, (c) approval of a statutory merger or de-merger (scission) or certain other restructurings, (d) dissolution of the Company and (e) an amendment to the Articles of Association.

For any extraordinary resolutions to be considered at a general meeting of the shareholders, the quorum must generally be at least one-half of our issued share capital to which voting rights are attached under our Articles of Association or Luxembourg law, unless otherwise provided by our Articles of Association or mandatorily required by law. If such quorum is not present, a second general meeting of the shareholders may be convened at a later date with no quorum according to the appropriate notification procedures. Extraordinary resolutions must generally be adopted at a general meeting of the shareholders (except as otherwise provided by mandatory law or our Articles of Association) by a two-thirds majority of the votes validly cast on such resolution. Abstentions are not considered "votes." Except in case of a merger, a demerger or proceedings assimilated thereto by Articles 284 and 308 of the 1915 Companies Act, an amendment of the corporate object and purpose of the Company or its legal form requires in addition the approval by a general meeting of holders of bonds issued by the Company at the majority and quorum provided for by law.

Any increases of the commitments of shareholders are subject to the unanimous approval of all shareholders.

No quorum is required for any ordinary resolutions to be considered at a general meeting of the shareholders. Ordinary resolutions are adopted by a simple majority of votes validly cast on such resolution by shareholders present or represented, subject in certain circumstances to a different majority as required under our Articles of Association or Luxembourg law. Abstentions are not considered "votes".

The Company's annual general meeting of the shareholders shall be held within six (6) months of the end of the preceding financial year in Luxembourg at the registered office of the Company, or at such other place as may be specified in the convening notice of the meeting. If such day is a legal holiday in Luxembourg the annual general meeting of the shareholders shall be held on the next following Luxembourg business day.

Other general meetings of the shareholders may be called as often as the interest of the Company demands and be held at such place and time as may be specified in the respective convening notice of the meeting.

If the entire issued share capital of the Company is represented at a general meeting of the shareholders, no convening notice is required for the meeting to be held and the proceedings at such general meeting of the shareholders will be deemed valid.

The Board is obliged to call a general shareholders' meeting when a group of shareholders representing at least one-tenth of the issued and outstanding shares requests the convening of a general meeting of the shareholders in writing indicating the agenda of the proposed meeting.

In accordance with the Luxembourg Shareholder Rights Law, shareholders holding individually or collectively at least 5% of the issued share capital of the Company (a) have the right to put items on the agenda of the general meeting of the shareholders and (b) have the right to table draft resolutions for items included or to be included on the agenda of the general meeting of the shareholders. Those rights shall be exercised by the request in writing of the relevant shareholders submitted to the Company by postal services or electronic means. The request must be accompanied by a justification or a draft resolution to be adopted in the general meeting of the shareholders and shall include the electronic or mailing address at which the Company can acknowledge receipt of the request. Any such request from shareholders must be received by the Company not later than on the twenty-second day prior to the date of the general meeting of the shareholders.

Information Rights

In accordance with the Luxembourg Shareholder Rights Law, the Company shall make available to its shareholders on its website for a continuous period beginning on the day of publication of the convening notice of the general meeting (which must be at least 30 days prior to the meeting) and including the day of the general meeting of the shareholders, inter alia, such documents which need to be submitted to the general meeting of the shareholders and the convening notice. Shareholders may upon request obtain a copy of the full, unabridged text of the documents to be submitted to the general meeting of the shareholders by electronic means or at the registered office of the Company.

In accordance with the Luxembourg Shareholder Rights Law, shareholders have the right to ask questions at the general meetings of the shareholders related to items on the agenda. The right to ask questions and the obligation of the Company to answer are subject to the measures to be taken by the Company to ensure the identification of shareholders, the good order of the general meeting of the shareholders and its preparation as well as the protection of confidentiality and business interests of the Company.

17.11 Corporate Governance

As a Luxembourg *société anonyme* that is traded on a regulated market in Germany, the Company is not required to adhere to the Luxembourg corporate governance regime applicable to companies that are traded in Luxembourg or to the German corporate governance regime applicable to stock corporations organized in Germany.

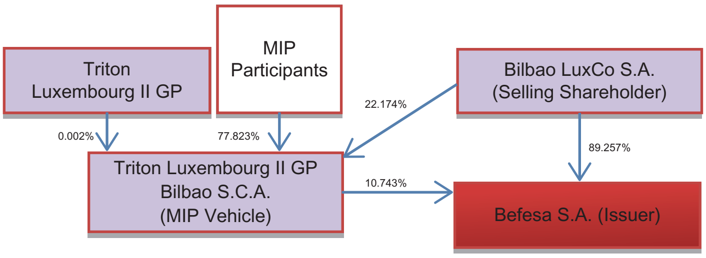
Nonetheless, the Company has decided to follow, on a voluntary basis, to a certain extent, the German corporate governance rules. However, certain rules will apply to the Company only to the extent allowed by Luxembourg corporate law and subject to certain reservations stemming from the Company's corporate structure.

18. SHAREHOLDER STRUCTURE

18.1 Evolution of Shareholder Structure

As of the date of this Prospectus, Bilbao LuxCo S.A. (the "**Selling Shareholder**"), registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under the number B 143889, having its registered address at 2C, rue Albert Borschette, L-1246 Luxembourg, Luxembourg, directly holds 89.257% of the share capital of the Company. The remaining 10.743% of the Shares of the Company are held by the MIP Vehicle. As of the date of this Prospectus, the Selling Shareholder holds 22.174% of the share capital of the MIP Vehicle, and thus in total, directly and indirectly, holds 91.639% of the Company.

The following chart provides an overview (in simplified form) of the Selling Shareholder's and the MIP Vehicle's shareholdings of the Company as of the date of this Prospectus:



The voting rights in the share capital of the Issuer which are directly held by the Selling Shareholder are attributable to the Fund (see: "*18.2 Information on the Selling Shareholder*" below). Through the Fund, Peder Prahl has an indirect notifiable interest in the shares of the Company directly held by the Selling Shareholder, i.e. 89.257%. For the avoidance of doubt, Peder Prahl is not the ultimate economic owner of the Fund. His indirect notifiable interest results from the specific structure of the Fund and the various Triton entities controlling the Fund.

To become effective upon completion of the Offering, the Selling Shareholder offered to purchase from each MIP Participant up to 50% of such MIP Participants' current shareholding in the MIP Vehicle at the Offer Price (less pro rata costs and expenses). Various MIP Participants accepted this offer, and sold, in total, an equivalent of 34.2% of the total share capital in the MIP Vehicle to the Selling Shareholder, which corresponds to a total indirect shareholding in the Issuer of 3.67% prior to the Preference Share Conversion, such sale becoming effective upon completion of the Offering. The proceeds from the sale shall primarily facilitate (i) payment by the MIP Participants of taxes that may become due upon listing or later during the lock-up period, and (ii) repayment of the MIP Participants' original investment in the MIP and any associated financing and other costs and expenses.

After the closing of the Offering, a restructuring of the direct and indirect shareholding of the Company (the "**Shareholder Restructuring**") will be implemented as follows:

1. The MIP Participants (with the exception of 2 MIP Participants who are residents in the United Kingdom) and the Selling Shareholder will contribute all the shares they hold in the MIP Vehicle to Vulcan Co-Invest S.à r.l. a Luxembourg company ("**New MIP Vehicle**") in exchange for newly issued shares in the New MIP Vehicle;

2. It is expected that the MIP Vehicle will then be put into liquidation and that the shares held by the MIP Vehicle will be distributed to New MIP Vehicle as advance on liquidation proceeds.

3. New MIP Vehicle will redeem all the shares held by the Selling Shareholder in the MIP Vehicle in exchange for the transfer of shares in the Company to the Selling Shareholder;

It is expected that the liquidation will be closed after 12 months following the closing of the Offering. It is expected that the MIP Participants' interest in the Company will be held indirectly through New MIP Vehicle throughout the management lock-up period. After expiry of the management lock-up period, the MIP may be restructured again in order to provide for direct shareholdings of the MIP Participants in the Company.

The table below shows our shareholder structure as of the date of this Prospectus, immediately after closing of the Offering (assuming no exercise of the Upsize Option and no exercise of the Greenshoe Option) and immediately after closing of the Offering (assuming full exercise of the Upsize Option and full exercise of the Greenshoe Option), in each case at the low and high end of the Price Range:

	Prior to the Offering (following the sale of MIP Vehicle interests to the Selling Shareholder)		Shareholder Structure following the Offering (without exercise of the Upsize Option and of the Greenshoe Option)				Following the Offering (with full exercise of the Upsize Option and of the Greenshoe Option)			
Shareholder	**Shares**	**In %**	**Shares**		**In %**		**Shares**		**In %**	
			Low-End	**High-End**	**Low-End**	**High-End**	**Low-End**	**High-End**	**Low-End**	**High-End**
Selling Shareholder*	31,317,965	96.7%	18,676,721	15,781,828	54.8%	50.6%	14,384,321	11,489,428	42.2%	36.9%
Senior Management(1)**	405,335	1.3%	405,335	405,335	1.2%	1.3%	405,335	405,335	1.2%	1.3%
Board of Directors(2)**	210,308	0.6%	210,308	210,308	0.6%	0.7%	210,308	210,308	0.6%	0.7%
Other MIP Participants(3)**	466,341	1.4%	466,341	466,341	1.4%	1.5%	466,341	466,341	1.4%	1.5%
Freefloat			14,308,000	14,308,000	42.0%	45.9%	18,600,400	18,600,400	54.6%	59.7%
Total	32,399,949	**100.0%**	34,066,705	31,171,812	**100.0%**	**100.0%**	34,066,705	31,171,812	**100.0%**	**100.0%**

* Direct and indirect holding through the MIP Vehicle and, upon implementation of the Shareholder Restructuring, through the New MIP Vehicle.

** Indirect holding through the MIP Vehicle and, upon implementation of the Shareholder Restructuring, through the New MIP Vehicle.

(1) Prior to the sale of MIP Vehicle interests to the Selling Shareholder, members of the Senior Management indirectly owned ordinary dematerialized shares equal to 2.499% in the Company.

(2) Prior to the sale of MIP Vehicle interests to the Selling Shareholder, members of the Board of Directors (excluding the CEO and CFO) indirectly owned ordinary dematerialized shares equal to 1.822% in the Company.

(3) Prior to the sale of MIP Vehicle interests to the Selling Shareholder, other MIP Participants indirectly owned ordinary dematerialized shares equal to 4.040% in the Company.

18.2 Information on the Selling Shareholder

50% of the shares in the Selling Shareholder are held by Triton Masterluxco 4 S.à r.l., registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under the number B 177.725, having its registered address at 2C, rue Albert Borschette, L-1246 Luxembourg, Luxembourg. Triton Masterluxco 4 S.à r.l. is an indirect subsidiary of Triton Fund IV (the "**Fund**"). The remaining 50% of the shares in the Selling Shareholder are held by Triton Fund IV F&F LP, registered in Jersey with Company Registration Number 1493 and registered office at Charter Place, 1st Floor, 23-27 Seaton Place, St Helier, JE2 3QL, Channel Islands, Jersey, a constituent part of the Fund.

Triton Investment Management Limited manages the Fund on behalf of the investors in the Fund.

19. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies which are, inter alia, members of the same group as the Company or which are in control of or controlled by the Company must be disclosed, unless they are already included as consolidated companies in our audited consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of our management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on our financial and operating policies, including close family members and intermediate entities.

Set forth below is a summary of such transactions with related parties for the fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014 as well as for the current fiscal year up to and including the date of this prospectus. Further information, including quantitative amounts, of related party transactions are contained in the notes to our audited consolidated financial statements for the fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014 and in the notes to our unaudited condensed interim financial statements, which are all included in the section "Financial Information" of this prospectus on page F-1 et seq. Business relationships between companies of the Group are not included.

In the course of our business we have entered transactions with related parties including Triton and entities wholly or partially owned or controlled by it, including the Selling Shareholder. Most of these transactions relate to services provided by us to these entities, or by these entities to us. However, none transactions resulted in material payment obligations during the fiscal years ended December 31, 2016, 2015 and 2014 and during the six-month period ended June 30, 2017.

On October 17, 2017, the following loan receivables which were initially between (i) the Fund and Triton Fund IV F&F LP, as lenders and Befesa Holding, as borrower, (ii) the Fund and Triton Fund IV F&F LP, as lenders and the Company, as borrower, (iii) the Selling Shareholder, as lender and the Company, as borrower and (iv) Befesa Holding, as lender and the Selling Shareholder, as borrower and have been fully repaid following several assignments and repayments by way of set-off or extinction (as a result of the Company becoming at the same time both creditor and debtor of the transferred receivables), (See "*12.15.2. Shareholder Loan Clean up*"):

1. a loan receivable of €1,197,410.20 held by the Fund against Befesa Holding;
2. a loan receivable of €339.80 held by Triton Fund IV F&F LP against Befesa Holding;
3. a loan receivable of €19,994.33 held by the Fund against the Company;
4. a loan receivable of €5.67 held by the Triton Fund IV F&F LP against the Company;
5. an upstream loan receivable of €18,441,153.23 held by Befesa Holding against the Selling Shareholder;
6. a loan receivable of €50,000 held by the Selling Shareholder against the Company; and
7. a loan receivable of €344,178.08 held by the Selling Shareholder against the Company.

During the fiscal years ended December 31, 2016, 2015 and 2014 and during the six-month period ended June 30, 2017, there have been no relevant related party transactions, except as described in this section. The Company believes that such transactions with related parties were substantially on the same terms as for transactions of similar nature with third counterparts, and were thus in line with the arms-length principle.

20. UNDERWRITING

20.1 Introduction

On November 2, 2017, the Company, the Selling Shareholder and the Underwriters expect to enter into an Underwriting Agreement relating to the offer and sale of the Offer Shares in connection with the Offering in connection with establishing the Offer Price for each Offer Share which is expected to be determined by the Selling Shareholder after consultation with the Joint Global Coordinators on or about November 2, 2017 on the basis of an order book prepared during the bookbuilding process.

20.2 Underwriters

Pursuant to the terms of the Underwriting Agreement and subject to certain conditions, each Underwriter will agree to purchase the percentage of Offer Shares set forth below opposite the Underwriter's name.

Name	Address	Percentage of Offer Shares
Citigroup Global Markets Limited	Citigroup Centre, 33 Canada Square Canary Wharf, London E14 5LB United Kingdom	26.8
Goldman Sachs International	Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom	22.32
J.P. Morgan Securities plc	25 Bank Street London E14 5JP United Kingdom	22.32
Joh. Berenberg, Gossler & Co. KG	Neuer Jungfernstieg 20 20354 Hamburg Germany	7.14
COMMERZBANK Aktiengesellschaft	Kaiserplatz 60311 Frankfurt am Main Germany	7.14
Banco Santander, S.A.	Santander Group City Av. de Cantabria s/n 28660 Boadilla del Monte, Madrid, Spain	7.14
Stifel Nicolaus Europe Limited	7th Floor One Broadgate London EC2M 2QS United Kingdom	7.14
Total		100%

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps with investors) in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares.

20.3 Underwriting Agreement

In the Underwriting Agreement, expected to be dated November 2, 2017, the Underwriters shall agree to underwrite or purchase the Offer Shares with a view to offer them to institutional investors and qualified investors in the Offering. The Underwriters shall agree to remit to the Selling Shareholder the offer price of the Offer Shares (less agreed commissions and expenses), at the time the shares are delivered, which is expected to be two bank working days after admission to trading. The obligations of the Underwriters are expected to be subject to customary closing conditions.

The Underwriters have provided and may in the future provide services to the Company and the Group in the ordinary course of business and may extend credit to and have regular business dealings with the Company and the Group in their capacity as financial institutions. (For a more detailed description of the interests of the Underwriters in the Offering, see "*4. The Offering—Interests of Parties Participating in the Offering*").

20.4 Commissions

The Underwriters will offer the Offer Shares at the offer price. The Underwriters will receive a basic commission of about 1.96% of the gross proceeds received by the Selling Shareholder from the Offering, to be equally shared between the Selling Shareholder and the Company. In addition to this base commission, the Underwriters may receive an additional discretionary fee of up to 1.12% of the aggregate gross proceeds from the Offering including any Greenshoe Shares in respect of which the Greenshoe option has been exercised, payable entirely at the sole discretion of the Selling Shareholder, and to be shared equally between the Company and the Selling Shareholder. The decision to pay any performance fee and its amount are within the sole discretion of the Selling Shareholder. The Company will also agree to reimburse the Underwriters for certain costs and expenses incurred by them in connection with the Offering.

20.5 Greenshoe Option and Share Loan

To cover a potential over-allotment, the Selling Shareholder will make available up to 2,146,200 additional shares to the Underwriters free of charge through a share loan. In addition, the Selling Shareholder will grant the Underwriters the option of acquiring up to 2,146,200 shares at the Offer Price less agreed commissions (the "**Greenshoe Option**"). This Greenshoe Option will terminate 30 calendar days after the commencement of the stock exchange trading of the Offer Shares. The maximum number of Greenshoe Shares will be equal to 15% of the total number of Base Sale Shares.

20.6 Termination and Indemnity

The Underwriting Agreement is expected to provide that the Underwriters may, under certain circumstances, terminate the Underwriting Agreement, including after the Offer Shares have been allotted and listed, up to the time of delivery and settlement.

If the Underwriting Agreement is not executed or is terminated following execution, the Offering will not take place, in which case any allocations of Shares to investors will be invalidated and investors will not have any claim to delivery of Shares. Any claims with respect to subscription fees paid and costs incurred in connection with subscriptions will be governed solely by the legal relationship between the respective investor and the institution with which the purchase order was placed. Investors who engage in short–selling bear the risk of being unable to satisfy their delivery obligations.

The Company and the Selling Shareholder will agree in the Underwriting Agreement to indemnify the Underwriters against certain liabilities that may arise in connection with the Offering, including liabilities under applicable securities laws.

20.7 Selling Restrictions

20.7.1 General

The distribution of this Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholder or the Underwriters to permit an offer to the public of the Offers Shares anywhere other than Germany or the possession or distribution of this document in any other jurisdiction, where action for that purpose may be required. The Offer Shares are not and will not be registered pursuant to the provisions of the Securities Act or with the securities regulators of the individual states of the United States.

Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction other than Germany except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

20.7.2 United States

The Offer Shares may not be offered, sold, or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from the registration and reporting requirements of the U.S. securities laws and in compliance with all other applicable U.S. legal regulations. In the Underwriting Agreement, the Underwriters will represent and warrant that they have not offered or sold and will refrain from offering or selling the Offer Shares in or into the United States except to persons they reasonably believe to be qualified institutional buyers within the meaning of Rule 144A under the Securities Act, and outside the United States except in accordance with Rule 903 of Regulation S under the Securities Act and in compliance with other U.S. legal regulations, and that neither they, nor their affiliates, nor any third party acting on their behalf, have engaged or will engage, (i) "direct selling efforts" as defined in Regulation S under the Securities Act or (ii) any form of "general advertising" or "general solicitation", each as defined in Regulation D under the Securities Act in relation to the Offer Shares. Each of the Underwriters will further represent and warrant that it has not entered and agrees that it will not enter into any contractual arrangements with any distributor (as that term is defined in Regulation S under the Securities Act) with respect to the distribution of the Offer Shares, except with its affiliates or with the prior written consent of the Company.

The Company does not intend to register either the Offering or any portion of the Offering in the United States or to conduct an offer to the public of shares in the United States. This Prospectus has been approved solely by the CSSF.

20.7.3 United Kingdom

Sales in the United Kingdom are also subject to restrictions. Each of the Underwriters will represent and warrant to the Company that it or any of its affiliates or any person acting on its or their behalf:

(i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the sale of any Offer Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(ii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from, or otherwise involving the United Kingdom.

20.7.4 European Economic Area

Each of the Underwriters will further represent and warrant in the Underwriting Agreement that neither it nor any of its affiliates nor any person acting on its or their behalf has publicly offered or will publicly offer the Offer Shares in any of the member states of the European Economic Area that have implemented the Prospectus Directive (each a "**Relevant Member State**") other than the offers contemplated in this Prospectus in Germany once the Prospectus has been approved by the CSSF and published in Luxembourg and notified to the BaFin in accordance with Art. 19(1) of the Luxembourg Prospectus Law, except that it or they may make an offer to the public in that Relevant Member State of any Offer Shares at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:(i) the offer is addressed solely to so-called qualified investors within the meaning of the Prospectus Directive; (ii) the offer is made to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or (iii) the offer takes place under any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer (as set forth in clauses (i) to (iii)) of Offer Shares shall result in a requirement for the publication by the Company or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

21. TRANSFER RESTRICTIONS

The Offer Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Offer Shares are only to be offered and sold outside the United States in offshore transactions in compliance with Regulation S under the Securities Act, and within the United States to persons reasonably believed to be QIBs in reliance upon Rule 144A under the Securities Act. Terms used in this section are used as defined in Regulation S and/or Rule 144A.

Each purchaser of shares outside the United States in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of this offer document and such other information as it deems necessary to make an informed investment decision and that:

(a) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(b) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;

(c) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;

(d) the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate;

(e) the Offer Shares have not been offered to it by means of any ”directed selling efforts” as defined in Regulation S;

(f) the purchaser acknowledges that the Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above–stated restrictions;

(g) the purchaser is not engaged in the business of distributing securities or, if it is in such business, it did not acquire the Offer Shares from the Company or an affiliate thereof in the initial distribution of the Offer Shares;

(h) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(i) the purchaser acknowledges that we, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from the registration requirements of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of this offer document and such other information as it deems necessary to make an informed investment decision and that:

(a) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(b) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(c) the purchaser: (i) is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act); (ii) is aware that the sale to it is being made pursuant to an exemption from the registration requirements of the U.S. Securities Act; and (iii) is acquiring such Offer Shares for its own account or for the account of a qualified institutional buyer;

(d) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any offer to the public in the United States within the meaning of the Securities Act;

(e) if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/ or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in compliance with Regulation S under the Securities Act, or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(f) the purchaser acknowledges that the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and as long as the Offer Shares remain "restricted securities" the purchaser will agree not to, and will cause its affiliates (as defined in Rule 144 under the Securities Act) not to, resell any Offer Shares acquired by it or them in the United States and will resell the Offer Shares only outside the United States in accordance with Rule 903 of Regulation S or in transactions registered or exempt from registration under the Securities Act;

(g) the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

(h) the purchaser acknowledges that we shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above–stated restrictions;

(i) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and

(j) the purchaser acknowledges that we, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

22. TAXATION

22.1 Taxation in the Grand Duchy of Luxembourg

The following summary of certain material Luxembourg tax consequences relating to the purchase, holding and disposal of the Offer Shares is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. It is subject to any amendments in law (or in interpretation) later introduced, whether or not on a retroactive basis.

Prospective investors in the Offer Shares should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi) as well as personal income tax (impôt sur le revenu) generally. Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge (together referred to as Luxembourg corporate taxes) invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

22.1.1 Taxation of shareholders

(a) Withholding tax

Under Luxembourg tax laws currently in force, dividends paid by the Company are in principle subject to a Luxembourg withholding tax at a rate of 15% of the gross dividend (17.65% of the net dividend if the Company bears the cost of the withholding tax, which is not mandatory under Luxembourg tax laws). Responsibility for the withholding of the tax is assumed by the Company. However, if a double tax treaty between Luxembourg and the respective country of residence of the shareholders of the Company (the "Shareholders") applies (a "Tax Treaty"), an exemption or a reduction of the Luxembourg withholding tax may be available pursuant to the relevant provisions of such double tax treaty. In addition, pursuant to current Luxembourg tax laws, an exemption from Luxembourg dividend withholding tax may apply to dividends distributed by a Luxembourg entity under the following conditions:

- the Shareholder receiving the dividends is either (i) a fully taxable Luxembourg resident collective entity, (ii) a collective entity resident in a European Union ("EU") Member State and falling under article 2 of the Council directive of November 30, 2011 (2011/96/EU) on the common system of taxation applicable in the case of parent companies and subsidiaries of different EU Member States, as amended (the "EU Parent / Subsidiary Directive"), (iii) a permanent establishment of an entity referred to at letters (i) and (ii) above, (iv) a Swiss resident joint-stock company subject to corporate income tax in Switzerland without benefiting from any exemption, (v) a joint-stock company or a cooperative company resident in an EEA country (other than a EU Member State) to the extent that such company is fully taxable and subject (in its country of residence) to a tax corresponding to Luxembourg corporate income tax, as well as a permanent establishment of such company, or (vi) a collective entity resident in a jurisdiction with which Luxembourg has concluded a tax treaty, to the extent that such entity is fully taxable and subject (in its country of residence) to a tax corresponding to Luxembourg corporate income tax, as well as a domestic permanent establishment of such entity; and
- at the date on which the income is made available, the Shareholder holds or commits to hold directly (or even indirectly under certain conditions) for an uninterrupted period of at least twelve months, a participation of at least 10% in the share capital of the Company (or with an acquisition price of at least €1,200,000).

22.1.2 Income taxation

(a) Taxation of dividend income

Shareholders who are either Luxembourg resident individuals or Luxembourg fully taxable resident companies (or foreign Shareholders having a permanent establishment in Luxembourg through which the Offer

Shares are held), will in principle be subject to tax at the ordinary rates on the dividends received from the Company. However, under Luxembourg tax laws currently in force, 50% of the amount of such dividend may be tax exempt at the level of these shareholders. An additional lump-sum amount may also be deductible from total dividends received during the tax year by a Luxembourg resident individual Shareholder.

The Luxembourg withholding tax levied at source on the dividends paid may, under certain conditions, be credited against the Luxembourg income tax due on these dividends.

Furthermore, certain corporate resident Shareholders may benefit from an exemption of Luxembourg corporate taxes on dividend income under the following conditions:

- the Shareholder receiving the dividends is either (i) a fully taxable company limited by shares (société de capitaux) resident in Luxembourg, (ii) a domestic permanent establishment of an EU resident collective entity falling under article 2 of the EU Parent / Subsidiary Directive, (iii) a domestic permanent establishment of a joint-stock company that is resident in a jurisdiction with which Luxembourg has concluded a tax treaty, or (iv) a domestic permanent establishment of a joint-stock company or of a cooperative company which is a resident of a EEA Member State (other than a EU Member State); and
- at the date on which the income is made available, the Shareholder holds or commits to hold directly (or even indirectly through certain entities) for an uninterrupted period of at least twelve months, a participation of at least 10% in the share capital of the Company (or with an acquisition price of at least €1,200,000).

The Shareholder which is a Luxembourg resident entity governed by the law of December 17, 2010 on undertakings for collective investment, by the law of February 13, 2007 on specialized investment funds, as amended, by the law of May 11, 2007 on the family estate management company, as amended, by the law of June 15, 2004 on venture capital vehicles, as amended, or by the law of July 23, 2016 on reserved alternative investment funds (not opting for the treatment as a venture capital vehicle) is not subject to any Luxembourg corporate taxes in respect of dividends received from the Company. No tax credit is then available for Luxembourg withholding tax on dividends received from the Company.

Non-resident shareholders (not having a permanent establishment in Luxembourg through which the Offer Shares are held) will in principle not be subject to Luxembourg income tax on the dividends received from the Company (except for the withholding tax mentioned above, if applicable).

(b) Taxation of capital gains

Under current Luxembourg tax laws, capital gains realized by a Luxembourg resident individual Shareholder (acting in the course of the management of his/her private wealth) upon the disposal of his/her Shares are not subject to Luxembourg income tax, provided this disposal takes place more than six months after the Offer Shares were acquired and he/she does not hold a substantial participation in the Company. The participation is considered as substantial if the Shareholder holds or has held (either solely or together with his spouse or partner and minor children) directly or indirectly more than 10% of the share capital of the Company at any time during a period of 5 years before the realization of the capital gain (a "**Substantial Participation**"). Such Shareholder is also deemed to alienate a Substantial Participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a Substantial Participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period).

Capital gains realized on a Substantial Participation more than six months after the acquisition thereof are subject to income tax according to the half-global rate method. A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the participation. Capital gains realized on the disposal of the Offer Shares by resident individual Shareholders who act in the course of their professional or business activity, are subject to income tax at the ordinary progressive rates.

Capital gains realized upon the disposal of shares by a Luxembourg resident corporate Shareholder (fully subject to Luxembourg corporation taxes) are in principle fully subject to tax at ordinary rates. However, an exemption from Luxembourg corporate taxes applies under the following conditions:

- the Shareholder realizing the capital gains is either (i) a fully taxable Luxembourg resident collective entity, (ii) a domestic permanent establishment of an EU resident collective entity falling under article 2 of the EU Parent / Subsidiary Directive, (iii) a domestic permanent establishment of a joint-stock company that is resident in a Tax treaty country, or (iv) a domestic permanent establishment of a joint-stock company or of a cooperative company which is a resident of a EEA Member State (other than a EU Member State); and

- at the date on which the disposal takes place, the Shareholder has held for an uninterrupted period of at least twelve months, a participation of at least 10% in the share capital of the Company (or with an acquisition price of at least €6,000,000).

The Shareholder which is a Luxembourg resident entity governed by the law of December 17, 2010 on undertakings for collective investment, by the law of February 13, 2007 on specialized investment funds, as amended, by the law of May 11, 2007 on the family estate management company, as amended, by the law of June 15, 2004 on venture capital vehicles, as amended, or by the Luxembourg law of July 23, 2016 on reserved alternative investment funds (not opting for the treatment as a venture capital vehicle) is not subject to any Luxembourg corporate taxes in respect of capital gains realized upon disposal of its shares.

Under Luxembourg tax laws currently in force (subject to the provisions of applicable Tax Treaties), capital gains realized by a Luxembourg non resident Shareholder (not acting via a permanent establishment or a permanent representative in Luxembourg through which/whom the Offer Shares are held) are not taxable in Luxembourg unless (a) the Shareholder holds a Substantial Participation in the Company and the disposal of the Offer Shares takes place within six months of their acquisition, or (b) in case of alienation after six months or more, the Shareholder has been a Luxembourg resident for more than fifteen years and has become a non-resident within the last five years preceding the realization of the capital gains. Capital gains realized on the Offer Shares and attributable to a Luxembourg permanent establishment are subject to Luxembourg income tax, unless the conditions of the participation exemption regime are satisfied (see above).

(c) Net wealth taxation

A corporate Shareholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg through which/whom such Offer Shares are held, is subject to Luxembourg net wealth tax on such shares, except if the Shareholder is governed by the law of May 11, 2007 on family estate management companies, by the law of December 17, 2010 on undertakings for collective investment, by the law of February 13, 2007 on specialized investment funds, as amended, or is a securitization company governed by the law of March 22, 2004 on securitization, as amended, is a capital company governed by the law of June 15, 2004 on venture capital vehicles, as amended or is a reserved alternative investment fund vehicle governed by the law of July 23, 2016.

The Shareholder which is a Luxembourg resident fully taxable collective entity (or which is (i) a domestic permanent establishment of an EU resident collective entity falling under article 2 of the EU Parent / Subsidiary Directive, (ii) a domestic permanent establishment of a joint-stock company that is resident in a State with which Luxembourg has concluded a double tax treaty, or (iii) a domestic permanent establishment of a joint-stock company or of a cooperative company which is a resident of a EEA Member State (other than a EU Member State)), may be exempt from Luxembourg net wealth tax on its shares if it holds a participation of at least 10% in the share capital of the Company (or with an acquisition price of at least €1,200,000).

Please note that even when the participation exemption is applicable (or would be applicable but for the holding period), as from January 1, 2016, a minimum net wealth tax ("**MNWT**") is levied on companies having their statutory seat or central administration in Luxembourg. For entities for which the sum of fixed financial assets, transferable securities and cash at bank exceeds 90% of their total gross assets and €350,000, the MNWT is set at €4,815. For all other companies having their statutory seat or central administration in Luxembourg which do not fall within the scope of the €4,815 MNWT, the MNWT ranges from €535 to €32,100, depending on the company's total gross assets.

A securitization company governed by the Luxembourg law of March 22, 2004 on securitization, as amended, a company governed by the Luxembourg law of June 15, 2004 on venture capital vehicles, as amended, a professional pension institution governed by the Luxembourg law of July 13, 2005 on institutions for occupational retirement provision in the form of pension savings companies with variable capital, as amended, and a reserved alternative investment fund vehicle (opting for the treatment as a venture capital vehicle) governed by the Luxembourg law of July 23, 2016 on reserved alternative investment funds, remain subject to the MNWT.

An individual shareholder, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such shares.

22.1.3 Other taxes

Under current Luxembourg tax laws, no registration tax or similar tax is in principle payable by the Shareholder upon the acquisition, holding or disposal of the Offer Shares, unless they are recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

When the Shareholder is a Luxembourg individual resident for inheritance tax assessment purposes at the time of his/her death, the Offer Shares are included in his/her taxable estate for Luxembourg inheritance tax assessment purposes.

Luxembourg gift tax may be due on a gift or donation of the Offer Shares if embodied in a notarial deed signed before a Luxembourg notary or recorded in Luxembourg.

22.2 Taxation in the Federal Republic of Germany

The following sections describe a number of key German taxation principles that may be relevant to purchasing, holding or transferring the Offer Shares. The information provided does not constitute a comprehensive or definitive explanation of all possible aspects of taxation in this area. This overview is based on applicable German tax law as of the date hereof, including the double taxation treaties that Germany has concluded with other countries. It should be noted that the legal situation may change, including, in certain cases, with retroactive effect.

Persons interested in purchasing Offer Shares should seek advice from their own tax counsel regarding the tax implications of purchasing, holding, disposing, donating and bequeathing Offer Shares, and the regulations on reclaiming previously withheld withholding tax (*Kapitalertragsteuer*). Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax consultation.

Shareholders of the Company are subject to taxation in connection with the holding of Offer Shares (see "*22. Taxation—Taxation in the Federal Republic of Germany—Taxation of Dividends*" below), the disposal of Offer Shares (see "*22. Taxation—Taxation in the Federal Republic of Germany —Taxation of Capital Gains*" below) and the gratuitous transfer of Offer Shares (see "*22. Taxation—Taxation in the Federal Republic of Germany —Inheritance and Gift Tax*" below).

22.2.1 Taxation of Dividends

Attribution of taxation rights

Pursuant to the applicable double tax treaty between Luxembourg and Germany ("**DTT**"), the right to tax income deriving from dividends is attributed to the state of residency of the shareholder. However, under the DTT, Luxembourg is attributed the right to impose at tax at source generally at a rate of 15% (with an exception subject to further prerequisites).

German withholding tax

In the case of dividends paid by a non-German corporation, German withholding tax is generally withheld regardless of whether and to what extent the dividend is exempt from tax at the level of a German tax resident shareholder if the shares are held in a custodial account which the investor maintains with a domestic branch of a domestic or foreign credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*), with a domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or with a domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps and administers the shares and disburses or credits the dividends (hereinafter referred to jointly or separately as "**German Disbursing Agent**"),

The withholding tax amounts to 25% on the amount of the distribution, but to the extent withholding tax is levied on the distributions in Luxembourg, the withholding tax should generally be credited against the German withholding tax on the dividend income. A solidarity surcharge of 5.5% is also levied on the withholding tax amount, resulting in a total withholding of 26.375%. Church tax, if applicable, will be collected by the German Disbursing Agent by way of withholding in addition to the withholding tax and the solidarity surcharge unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case, the investor must include the investment income in the tax return and will then be assessed to church tax.

The Company assumes no responsibility for the withholding of German taxes at the source.

No German withholding tax should be imposed on such dividends that are paid to German tax resident corporations, non-German shareholders or, subject to certain prerequisites, if the dividends are business income of a domestic business.

Further, no German withholding tax will be levied if an individual investor holding the shares as private assets is tax resident in Germany and has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the capital investment income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is €801 (€1,602 in the case of jointly assessed married couples and registered partners, *Sparer-Pauschbetrag*). Similarly, no withholding tax will be levied if the relevant investor has submitted a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office to the German Disbursing Agent.

If no German withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and the submission of a certificate of non-assessment, individual investors tax resident in Germany holding the shares as private assets are nevertheless obliged to file a tax return, and the income will then be taxed within the assessment procedure.

If and to the extent funds from the tax contribution account (*steuerliches Einlagekonto*) are declared to be used for the distribution, the dividend payment is generally not taxable and, therefore, not subject to withholding tax, however provided that the Company applies for a special assessment procedure with the German tax authorities and subject to further prerequisites. Such dividends from the tax contribution account accordingly reduce the acquisition costs of the Shares, which may result in a greater amount of taxable capital gain upon the respective shareholder's sale of the Shares. To the extent that dividends from the tax contribution account exceed the acquisition costs of the Shares, a capital gain is recognized by the shareholder, which may be subject to tax in accordance with the provisions outlined below.

Shareholders Tax Resident in Germany

Shares Held as Private Assets

In principle, the tax liability applicable to dividend payments to individual shareholders who are German tax residents and who hold shares as part of their private assets is generally satisfied by the imposition of the German withholding tax (flat rate tax, *Abgeltungsteuer*) as described above (see "*22. Taxation—Taxation in the Federal Republic of Germany—Taxation of Dividends—German withholding tax*") and, in principle, the shareholder is not required to include the dividend income in the annual tax return – safe for certain exceptions with regard to, among others, shareholders related to the Company.

Income-related expenses incurred in connection with private investment income are not tax deductible. The only deduction that may be made is an annual lump sum deduction amount of €801 (€1,602 for jointly assessed married couples and registered partners) on all private capital income (*Einkünfte aus Kapitalvermögen*). Furthermore, dividend income can generally only be offset by losses from investment income, except for losses generated by the disposal of shares.

Dividends not paid out or credited by a German Disbursing Agent and which have not been subject to German withholding tax must be included in the annual tax return. Furthermore, even if the dividends have been subject to German withholding tax, the shareholder may nonetheless apply in its annual tax return to include them in the formal tax assessment procedure in order to claim, e.g. the annual lump sum deduction amount for savings income (*Sparer-Pauschbetrag*), to utilize a loss-carry forward or to claim foreign tax credits (e.g. foreign withholding taxes as set out above under "*Taxation in the Grand Duchy of Luxembourg–Taxation of shareholders*") not accounted for by the German Disbursing Agent. Under these circumstances the dividends are taxed in the formal assessment procedure, however, still at the rate of the flat tax (including the 5.5% solidarity surcharge thereon and church tax, if any), but not at the individual progressive income tax rate of the shareholder. A deduction of the actual income-related expenses is in any case excluded where the flat tax applies.

Shareholders may apply for the whole amount of their capital income, including dividends, to be taxed at the individual progressive income tax rate of the shareholder instead of the flat rate withholding tax if this results in a lower tax liability (*Günstigerprüfung*). In such cases, it is also impossible to deduct any income-related expenses other than the annual lump sum deduction amount.

Furthermore, upon the shareholder's application, the flat tax does not apply to dividends distributed by the Company if the shareholder is either directly or indirectly (i) holding at least a 25% stake in the Company or (ii) holding a stake of at least 1% in the Company and is able to have, as a result of his or her employment (*berufliche Tätigkeit*) for the Company, a significant entrepreneurial influence on the business activities of the Company. Further details have to be taken into account with respect to the application. As a consequence of such application, the general taxation rules will apply and only 60% of such dividends are subject to tax (partial-income system, *Teileinkünfteverfahren*) at the shareholder's individual progressive income tax rate (tax rate of up to 45%) plus 5.5% solidarity surcharge thereon (resulting in a combined maximum income tax rate of up to 47.475%) plus church tax, if any. Accordingly, in case of such application, expenses economically relating to such dividend income may only be deducted by 60%. However, in such a scenario, the annual lump sum deduction amount (*Sparer-Pauschbetrag*) for savings income is not granted. If the income will be included in the individual progressive income tax rate, German withholding tax on the dividends will be credited against the income tax liability (and church tax liability, if any) of the shareholder or will be refunded in case of an overpayment; the same applies to the solidarity surcharge. Under certain limitations, foreign taxes paid by a German resident shareholder are, in principle, also credited against the German tax liability. Instead of a credit against German tax, the shareholder could also opt for a deduction as expense of the foreign taxes. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Shares Held as Business Assets of Corporations

In principle, dividends paid to corporations that are German tax residents are generally subject to corporate tax (and solidarity surcharge thereon) at a rate of 15.825% with a credit of the Luxembourg withholding tax. However, dividends received are effectively 95% exempt from corporate income tax (and solidarity surcharge thereon) if the corporation holds a direct participation of at least 10% in the share capital of the Company at the beginning of the calendar year in which the dividends are paid. The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Participations in the share capital of the Company which a corporate shareholder holds through a partnership, including co-entrepreneurships (*Mitunternehmerschaften*), are attributable to such corporate shareholder only on a pro rata basis at the ratio of the interest share of the corporate shareholder in the assets of relevant partnership, and Luxembourg withholding tax, if any, would not be creditable, if the tax exemption applies. However, 5% of the tax-exempt dividends are treated as non-deductible business expenses and are subject to corporate income tax. Business expenses actually incurred in connection with dividend income from a tax perspective are generally tax-deductible.

For trade tax purposes, dividends are only exempt as described above if the entity that is receiving the dividends held a stake of at least 10% in the share capital of the Company at the beginning of the assessment period. Otherwise, the dividends will be fully subject to trade tax which typically ranges between 7% (being the statutory minimum rate) and 19% (depending on the applicable local trade tax multiplier).

No withholding tax should be imposed by the German Disbursing Agent on dividends paid to corporations that are German tax residents, subject to certain prerequisites. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Pursuant to the DTT, Luxembourg withholding tax might be reduced provided that a certain shareholding threshold is met. Pursuant to the DTT applicable at the time this Prospectus has been published, the minimum shareholding threshold is 10%, in which case the withholding tax will be reduced to 5%. Apart from that, the Luxembourg withholding tax might be reduced because of the Parent Subsidiary Directive. For details, see "*22. Taxation—Taxation in the Grand Duchy of Luxembourg– Taxation of shareholders – Withholding tax*" above. Any remaining Luxembourg withholding tax can, in principle, be credited against German corporate income tax provided that the German participation exemption does not apply and subject to certain further requirements.

Shares Held as Business Assets of Sole Proprietors

If the shares are held as business assets of a sole proprietor, only 60% of the dividends are subject to income tax (partial-income method, *Teileinkünfteverfahren*). Accordingly, only 60% of business expenses economically relating to such dividends are tax-deductible. The taxable income is taxed at the shareholder's individual progressive income tax rate up to 45% plus 5.5% solidarity surcharge thereon (plus church tax, if any).

In addition, 60% of the dividends are subject to trade tax, unless the taxpayer has held 10% or more of the Company's registered share capital at the beginning of the relevant tax assessment period. In this case, the net amount of the dividends, i.e. after deduction of business expenses directly relating to the dividends, is exempt from trade tax. Trade tax is fully or partly credited against the shareholder's personal income tax liability on a lump-sum basis.

Subject to certain restrictions, foreign taxes paid by a German resident shareholder are credited against the German income tax liability of the shareholder. Instead of a credit against German tax, the shareholder could also opt for a deduction as expense of the foreign taxes.

As a general rule, German withholding tax should be levied as in the case of Shares held as private assets (see above), unless the shareholder notifies to the German Disbursing Agent by use of the officially required form that the dividends qualify as income of a domestic business. Tax withheld by a German Disbursing Agent and transferred to the tax authorities will be credited against the income tax liability of the shareholder (and the church tax liability, if applicable) under the formal tax assessment procedure or refunded to the extent an overpayment occurred; the same applies to the solidarity surcharge. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Shares Held as Business Assets of a Commercial Partnership

Income tax or corporate income tax (in each case including solidarity surcharge and church tax, if any) is not levied at the level of the partnership (*Mitunternehmerschaft*) but rather at the level of the respective partner. In this regard, the dividends contained in the relevant partner's profit share are attributable to that partner. Generally, the partner's profit share is determined only on a pro-rata basis corresponding to the interest share of the relevant partner in the assets of the relevant partnership. The level of taxation for each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in its profit share are taxed in accordance with the principles applicable to corporations (see "*—Shares Held as Business Assets of Corporations*" above). If the partner is an individual and the shares are held as business assets of the partnership, dividends contained in their profit share are taxed in accordance with the principles applicable to sole proprietors (see "*—Shares Held as Business Assets of Sole Proprietors*" above). Subject to certain conditions, an individual partner may request that its personal income tax may be lowered for earnings not withdrawn from the partnership.

If the partnership is subject to trade tax, in principle the total amount of dividends is taxable at the level of the partnership. If the partnership has held at least 10% of the registered share capital of the Company at the beginning of the relevant tax assessment period, effectively only 5% of the gross dividends are subject to trade tax to the extent the partners are corporations. If and to the extent individuals are partners of the partnership and the partnership has held at least 10% of the registered share capital of the Company at the beginning of the relevant tax assessment period, the amount of dividends reduced by business expenses directly relating to the dividends is fully exempt from trade tax. To the extent trade tax paid by the partnership is attributable to an individual partner, it is fully or partly credited on a lump-sum basis against the partner's personal income tax liability.

Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Shareholders Tax Resident Outside Germany

Dividends paid to shareholders who are not German tax residents (individuals and corporations) should, absent a German limited tax liability, in principle not be subject to German taxation. However, if the Offer Shares are held as part of business assets in Germany (that is, via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed), the provisions outlined above with respect to the taxation of shareholders that are German tax residents holding the Shares as business assets principally apply accordingly. No withholding tax should be imposed by a German Disbursing Agent on dividends paid to investors holding the Offer Shares as part of business assets in Germany. If the imposition of withholding tax was not refrained from by a German Disbursing Agent, the withholding tax amounts should be credited towards the shareholder's income tax or corporate income tax liability or refunded in the amount of any excess paid.

22.2.2 Taxation of Capital Gains

Attribution of taxation rights

Pursuant to the DTT, in general, gains from the disposal of the shares are taxable only in the state of residency of the shareholder.

Shareholders Tax Resident in Germany

Shares Held as Private Assets

Capital gains realized from a disposal of shares held as private assets are classified as income from capital investments and are subject to income tax (plus solidarity surcharge and church tax, if any) irrespective of any holding period or participation threshold. Also the repayment in the case of a capital decrease, the assignment or contributions of the shares are, in principle, deemed to be a disposal.

If the shares are held in custody or administered by a German Disbursing Agent, the tax on the capital gains will in general be discharged for the account of the seller by the German Disbursing Agent imposing the withholding tax on investment income at the rate of the flat tax (25% plus 5.5% solidarity surcharge, resulting in a total withholding of 26.375%, and church tax, if any). The taxable capital gain is calculated by deducting the acquisition costs of Offer Shares and the expenses directly related to the disposal from the proceeds of the disposal. Under certain conditions, prior payments from the tax contribution account (*steuerliches Einlagekonto*) may lead to reduced acquisition costs of the shares held as private assets and, as a consequence, increase the taxable capital gain.

A shareholder's income tax and solidarity surcharge liability is generally satisfied through the withholding of the withholding tax. Shareholders may, however, request that a tax assessment be carried out on their income from capital investments if this results in a lower tax liability. Investment income may be reduced only by an annual lump sum deduction amount of €801 (€1,602 for jointly assessed married couples and registered partners); it is not possible to further deduct income-related expenses actually incurred except for expenses incurred directly in connection with the disposal for the purposes of calculating a capital gain or loss from the disposal of shares. Capital gains generated by the disposal of shares can be offset against any type of losses from capital investment income while capital losses incurred from the disposal of shares can only be offset against capital gains from the disposal of shares. Unutilized losses may only be carried forward to subsequent assessment periods but not carried back to previous assessment periods.

If the shareholder making the disposal — or, in the event of a sale of shares acquired without consideration, its legal predecessor — held a direct or indirect stake of at least 1% in the Company's share capital at any time in the five years preceding the disposal, any capital gains realized are deemed to be trading income such that the flat tax is not applicable, i.e. any withholding tax levied on the capital gains does not satisfy the tax liability. The capital gains are 60% taxable (partial-income method, *Teileinkünfteverfahren*) at the individual income tax rate of the shareholder (tax rate up to 45% plus 5.5% solidarity surcharge thereon, and church tax, if any). Accordingly only 60% of any expenses economically relating to such capital gains may be deducted. Correspondingly, 60% of any capital loss is recognized for income tax purposes. The withholding tax and solidarity and church tax, if any, surcharge withheld are credited towards the shareholders' tax liability or refunded in the amount of any excess paid on their tax assessment.

Shares Held as Business Assets of Corporations

Gains from the disposal of shares held by incorporated entities that are German tax residents are generally not subject to withholding tax and are in principle exempt from corporate income tax and trade tax. However, 5% of the capital gains are deemed non-deductible business expenses and are thus subject to corporate income tax (plus solidarity surcharge thereon) and — if the shares are held as part of the commercial business assets in Germany — to trade tax. Consequently, capital gains are generally 95% exempt from tax. No minimum shareholding threshold or minimum holding period applies. Losses from the disposal of or otherwise relating to the shares may not be deducted at all for tax purposes. Dividend payments that are funded from the Company's tax contribution account (*steuerliches Einlagekonto*) reduce the original acquisition costs, which may result in a greater amount of taxable capital gain upon the respective shareholder's sale of the shares. If dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise. As a rule, losses on disposals and other profit reductions in connection with the shares sold may not be deducted as business expenses.

Shares Held as Business Assets of a Sole Proprietor

Gains from the disposal of shares held by individuals are not subject to withholding tax if the disposal proceeds are part of the business income of a business based in Germany and the shareholder declares this fact to the German Disbursing Agent on the designated official form. If withholding tax including solidarity surcharge was levied, this does not satisfy the tax liability. Instead, the amounts withheld are credited towards the seller's income tax (plus solidarity surcharge) liability or refunded in the amount of any excess paid. 60% (partial-income method, Teileinkünfteverfahren) of the gains from the disposal of the shares are subject to income tax (plus solidarity surcharge and church tax, if any) at the individual tax rate of the shareholder, and — if the shares are held as part of commercial business assets in Germany — to trade tax.

The trade tax is (partially) credited to the shareholder's personal income tax by means of a lump-sum method. Dividend payments that are funded from the Company's tax contribution account (*steuerliches Einlagekonto*) reduce the original acquisition costs, which may result in a greater amount of taxable capital gain upon the respective shareholder's sale of the shares. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise. Generally, only 60% of the losses on disposals and business expenses commercially linked to the shares sold may be deducted.

Shares Held as Business Assets of a Commercial Partnership

Income tax or corporate income tax is not levied at the level of the partnership (Mitunternehmerschaft) but at the level of the respective partner. If shares are held as business assets of the partnership, taxation is determined as if the partner held a direct interest in the Company, according to the rules outlined above depending on whether the partner is a corporation (see " *—Shares Held as Business Assets of Corporations*") or an individual (see " *—Shares Held as Business Assets of a Sole Proprietor*"). Upon request and subject to further conditions, a partner that is an individual may, subject to certain conditions, have its personal income tax lowered for earnings not withdrawn from the partnership.

Trade tax, however, is assessed and levied at the level of the partnership considering the trade tax rules applicable to the partners holding the interest in the relevant partnership. If and to the extent capital gains realized upon sale of shares are allocable to a corporation as partner, effectively, only 5% of capital gains realized upon sale of shares are subject to trade tax. Losses from the disposal of or otherwise relating to shares may not be deducted for tax purposes to the extent they are attributable to a corporation as partner. If and to the extent capital gains realized upon sale of shares are allocable to an individual as partner, only 60% of the capital gains are subject to trade tax. 40% of any losses from the disposal of or otherwise relating to shares may not be deducted for trade tax purposes to the extent they are allocable to an individual as partner. In case the partner is an individual, the trade tax paid by the partnership is generally credited on a pro-rata basis as a lump-sum against the individual partners' personal income tax liability.

22.2.3 Special rules for Companies in the Financial and Insurance Sector

If financial institutions (*Kreditinstitute*) or financial services providers (*Finanzdienstleistungsinstitute*) within the meaning of section 1a of the German Banking Act hold or sell shares which are allocable to their trading book (*Handelsbuch*) pursuant to Section 340e para. 3 of the German Commercial Code (*Handelsgesetzbuch*), neither dividends nor capital gains are subject to the partial-income method or the economical 95% exemption from corporate income tax and any applicable trade tax. Thus, dividend income and capital gains are fully taxable and business expenses relating thereto are generally fully deductible. The same applies to shares acquired by a financial enterprise (*Finanzunternehmen*) within the meaning of the German Banking Act if at least 50% of the shares in such financial enterprise are held (directly or indirectly) by financial institutions or financial services providers and the shares had to be capitalized as current assets (*Umlaufvermögen*) upon acquisition. This also applies to financial institutions, financial services providers, and financial enterprises that have their seat in a member state of the European Community or another country that is a signatory to the treaty on the EEA.

The 95% exemption from corporate income tax and any applicable trade tax does not apply to dividends from shares held as investments by life insurance and health insurance companies, and to capital gains from the sale of such shares or which are held by pension funds.

The 95% exemption from corporate income tax and any applicable trade tax does, however, apply to dividends distributed to aforementioned companies if such dividends qualify for the exemption under the EC Parent-Subsidiary Directive (EC Directive 90/435/EEC of the Council dated July 23, 1990, as amended).

22.2.4 Shareholders Tax Resident Outside Germany

Gains from the disposal of shares held by shareholders that are not German tax residents (individuals and corporations) should generally not be subject to German taxation.

Gains from the disposal of shares held as part of German business assets (that is, e.g., via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed) by non-resident shareholders are taxed in Germany principally according to the same provisions that apply to the taxation of shareholders that are German tax residents holding the shares as business assets (see "*22. Taxation—Taxation in the Federal Republic of Germany—Taxation of Capital Gains*" above).

22.2.5 If the Company Qualified as a Corporate Investment Company

The above mentioned income tax treatment assumes that the Company does not qualify as a corporate investment company (*Kapital-Investitionsgesellschaft*) within the meaning of the German Investment Tax Act (*Investmentsteuergesetz*). However, if the Company qualified as a corporate investment company, any distributions on the Offer Shares received by German resident shareholders would generally be taxed as income in the form of dividends (see "*22. Taxation—Taxation in the Federal Republic of German —Taxation of*

Dividends" above) provided that, in the case of Offer Shares held as business assets, potential benefits under the German dividend and capital gains exemption rules (see "*22. Taxation—Taxation in the Federal Republic of German —Taxation of Dividends—Shares Held as Business Assets of Corporations/Shares Held as Business Assets of Sole Proprietors/Shares Held as Business Assets of a Commercial Partnership*" and "*22. Taxation—Taxation in the Federal Republic of German —Taxation of Capital Gains—Shares Held as Business Assets of Corporations/Shares Held as Business Assets of Sole Proprietors/Shares Held as Business Assets of a Commercial Partnership*" above) would only be available if the relevant shareholder is able to evidence that the Company is tax resident in a member state of the European Economic Area where it is subject to the income taxation of corporations without benefitting from a personal tax exemption.

As from January 1, 2018 a new investment fund taxation regime applies which, however, should, in the opinion of the Company, not be relevant for the Offer Shares because the Company is not established with the sole object of collective investments in transferable securities or in other liquid financial assets of capital raised from the public and does not operate on the principle of risk-spreading, and hence should not qualify as an undertaking for collective investment in transferable securities (UCITS).

22.2.6 German CFC Rules

German resident investors (individuals or corporate shareholders) collectively holding more than 50% or more of the shares or voting rights in the Company may become subject to the German CFC rules (*Hinzurechungsbesteuerung*) pursuant to the German Foreign Tax Act (*Außensteuergesetz*) to the extent that the income of the Company qualifies as (low taxed) passive income (*Zwischeneinkünfte*) for German CFC rules purposes.

Irrespective of the 50% threshold each German resident shareholder that holds at least 1% of the shares or voting rights in the Company may become subject to the German CFC rules to the extent that the income of the Company qualifies as passive capital investment income (*Zwischeneinkünfte mit Kapitalanlagecharakter*) provided that gross earnings, on which the passive capital investment income are based on, make up more than 10% of the entire gross earnings of all passive income of the Company in the respective fiscal year or exceed €80,000.00.

However, in either of the above situations German CFC rules may not result in an income attribution for German tax purposes to the extent that the German resident investor is able to evidence to the German tax authorities that the Company carries out an actual business in Luxembourg.

The German CFC rules may also apply if subsidiaries of the Company realize passive income or passive capital investment income.

22.2.7 Inheritance and Gift Tax

The transfer of shares to another person upon death or as a gift is generally subject to German inheritance or gift tax in the following circumstances:

(i) the place of residence, customary place of abode, place of management or registered office of the testator, the donor, the heir, the done or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five consecutive years outside Germany without having a place of residence in Germany (this term is extended to ten years for German expatriates with U.S. residence); or

(ii) the testator's or donor's shares were part of business assets for which there was a place of business in Germany or for which a permanent representative was appointed.

The small number of double taxation treaties regarding inheritance and gift tax that Germany has concluded to date generally provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special arrangements apply to certain German nationals and former German nationals living outside Germany.

22.2.8 Other Taxes

No German capital transfer tax, value added tax, stamp duty or similar taxes are levied on the purchase or disposal of shares or other forms of share transfer. However, an entrepreneur can opt to pay VAT on the sale of shares, despite being generally exempt from value-added tax, if the shares are sold to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

22.2.9 The Proposed Financial Transaction Tax

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate. The Commission's Proposal is currently under review, and a revised proposal is expected to be published in the course of 2017.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the shares (including secondary market transactions) in certain circumstances. The issuance and subscription of shares should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the shares where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders are advised to seek their own professional advice in relation to the FTT.

22.3 Taxation in the United States of America

The following discussion is a summary of certain U.S. federal income tax considerations under present law of the acquisition, ownership and disposition of Offer Shares, in each case, by a U.S. Holder (as defined below). This summary deals only with U.S. Holders that receive Offer Shares in the Offering, use the U.S. dollar as their functional currency and that will hold Offer Shares as capital assets. This summary does not address tax considerations applicable to investors subject to special rules, such as persons that will directly, indirectly or constructively own 10% or more by vote or value of the Company's equity interests, certain financial institutions, dealers or traders, insurance companies, tax exempt entities, persons holding their Offer Shares as part of a hedge, straddle, conversion, constructive sale or other integrated transaction. It also does not address U.S. state and local or non-U.S. tax considerations.

As used here, "U.S. Holder" means, a beneficial owner of Offer Shares that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation that was created or organized under the laws of the United States, any State thereof, or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income tax without regard to its source.

The tax consequences to a partner in a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) acquiring, owning or disposing of Offer Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships holding Offer Shares should consult their own tax advisors about the U.S. federal income tax consequences to their partners of acquiring, owning and disposing of Offer Shares.

The Company believes that it will not be a passive foreign investment company ("**PFIC**") for the prior taxable year, the current taxable year or future taxable years, and this discussion assumes, other than the discussion below under the heading "Passive Foreign Investment Company," that the Company will not be a PFIC in the prior taxable current year or future years.

22.3.1 Passive Foreign Investment Company

The Company believes that it will not be considered a PFIC in its prior or current taxable year, and based on its present assets, income and activities, it does not believe it is likely to become a PFIC in the foreseeable future. A foreign corporation will be a PFIC in any taxable year when, taking into account the income and assets of 25%-owned subsidiaries, either (i) 75% or more of its gross income is passive income (generally including certain dividends, interest, royalties, rents and gains from commodities and securities transactions) or (ii) 50% or more of the average value of its assets is attributable to assets that produce or are held to produce passive income. The PFIC tests apply annually, and a company's status can change depending, among other things, on changes in the composition and relative value of its gross receipts and assets and the market value of its shares. The Company's transactions relating to its sales of metals and possibly certain metal products will be subject to special rules relating to the sale of commodities. The Company's income from commodities transactions generally will be passive income unless such income arise from active business sales and substantially all of such non-U.S. corporation's commodities are inventory, depreciable property used in its trade or business or supplies used or consumed in the ordinary course of business. The Company believes that its income from commodities transactions will qualify as active income for the current year, and based on current business plans, believes that such income will continue to be active income for the foreseeable future.

If the Company were a PFIC in any year during which a U.S. Holder owns Offer Shares, the U.S. Holder would be subject in that and subsequent years to additional taxes on any excess distributions exceeding 125% of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period) and on any gain from the disposition of the Offer Shares (regardless of whether the Company continued to be a PFIC). Dividends on the Offer Shares also would not be eligible for the preferential tax rate applicable to qualified dividend income. U.S. Holders should consult their tax advisors about the Company's PFIC classification and any U.S. tax consequences relevant to them if the Company were to be considered a PFIC.

22.3.2 Distributions on the Offer Shares

Distributions with respect to the Offer Shares, including taxes withheld therefrom, if any, generally will be included in a U.S. Holder's gross income as foreign source ordinary dividend income when received. Any dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations. The Company expects that dividends paid on the Offer Shares will be eligible for the preferential tax rates applicable to "qualified dividend income" received by certain non-corporate U.S. Holders. Dividends received will generally be included in net investment income for purposes of the Medicare tax applicable to certain non-corporate U.S. Holders.

Dividends paid in any currency other than U.S. dollars will be includable in income in the U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are actually or constructively received by the U.S. Holder, regardless of whether the currency is converted into U.S. dollars at that time. A U.S. Holder will have a basis in the currency received equal to the U.S. dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includable in the income of the U.S. Holder to the date such payment is converted into U.S. dollars (or the U.S. Holder otherwise disposes of the currency) will be exchange gain or loss and will be treated as U.S. source ordinary income or loss for foreign tax credit limitation purposes. If dividends received in a currency other than U.S. dollars are converted into U.S. dollars on the day the dividends are received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to applicable limitations, a U.S. Holder may claim a foreign tax credit for tax withheld from dividends at a rate not in excess of the maximum rate applicable to such U.S. Holder under any the tax treaty between the United States and Luxembourg. Each U.S. Holder should consult its own tax advisers regarding the creditability of foreign tax credits in their particular circumstances.

22.3.3 Sale or Other Disposition of the Offer Shares

A U.S. Holder generally will recognize capital gain or loss on the sale or other disposition of Offer Shares in an amount equal to the difference between the U.S. Holder's adjusted tax basis in the Offer Shares and the U.S. dollar value of the amount realized from the disposition. The gain or loss will be long-term capital gain or loss if the holder has held the Offer Shares for more than one year. Deductions for capital losses are subject to significant limitations. Gains will be included in net investment income for purposes of the Medicare tax on net investment income generally applicable to certain non-corporate U.S. holders.

A U.S. Holder that receives a currency other than U.S. dollars on the disposition of Offer Shares will realize an amount equal to the U.S. dollar value of the currency received at the spot rate on the date of sale (or, in the case of cash basis or electing accrual basis U.S. Holders, the settlement date) provided that the Offer Shares are treated as being "traded on an established securities market" for this purpose. An accrual basis U.S. Holder that does not elect to determine the amount realized using the spot rate on the settlement date will recognize foreign currency gain or loss equal to the difference between the U.S. dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date, and such gain or loss will be treated as U.S. source ordinary income or loss for U.S. federal income tax purposes. A U.S. Holder will have a tax basis in the currency received equal to the U.S. dollar value of the currency received on the settlement date. Any gain or loss on a subsequent disposition or conversion of the currency will be U.S. source ordinary income or loss.

22.3.4 Backup Withholding and Information Reporting

The payments of dividends and other proceeds with respect to the Offer Shares may be reported to the United States Internal Revenue Service ("**IRS**") unless the holder is a corporation and establishes its status as such if requested or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption. A U.S. Holder can claim a credit against its U.S. federal income tax liability for amounts withheld under the backup withholding rules, and can claim a refund of amounts in excess of its tax liability by timely providing the appropriate information to the IRS.

Certain U.S. Holders are required to furnish to the IRS information with respect to investments in the Offer Shares not held through an account with a financial institution. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their investment in the Offer Shares.

23. FINANCIAL SECTION

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Bilbao MidCo S.à r.l. and its Subsidiaries

Consolidated condensed interim Financial Statements corresponding to the six-month period ended 30 June 2017

Societé à responsabilité limitée
2C, rue Albert Borschette L-1246, Luxembourg
Share Capital – EUR 64,093,192.67

R.C.S. Luxembourg B177697

Bilbao MidCo S.à r.l. and its Subsidiaries

Consolidated condensed interim balance sheet as at 30 June 2017
(Euro thousand)

Assets	Note(s)	30 June 2017	31 December 2016
Non-current assets:			
Intangible assets			
Goodwill	**5**	339,034	339,034
Other intangible assets, net	**6**	89,087	91,152
		428,121	**430,186**
Property, plant and equipment, net	**7**		
Property, plant and equipment in use		225,480	237,983
Property, plant and equipment under construction		20,714	12,352
		246,194	**250,335**
Non-current financial assets	**8**		
Investments in subsidiaries and associates		1,311	1,309
Other non-current financial assets		22,036	20,523
		23,347	**21,832**
Deferred tax assets		**86,377**	**93,626**
Total non-current assets		**784,039**	**795,979**
Current assets:			
Assets classified as held for sale	**20**	**—**	**57,591**
Inventories	**9**	**30,483**	**30,410**
Trade and other receivables		**69,524**	**62,113**
Trade receivables from related companies	**18**	**816**	**916**
Accounts receivable from public authorities		**19,543**	**10,358**
Other receivables		**14,064**	**10,576**
Other current financial assets	**8**	**311**	**1,758**
Cash and cash equivalents		**84,647**	**59,054**
Total current assets		**219,388**	**232,776**
Total assets		**1,003,427**	**1,028,755**

The accompanying Notes 1 to 20 and the Appendix I are an integral part of these consolidated condensed interim financial statements.

Bilbao MidCo S.à r.l. and its Subsidiaries

Consolidated condensed interim balance sheet as at 30 June 2017
(Euro thousand)

Equity and liabilities	Note(s)	30 June 2017	31 December 2016
Equity:			
Parent Company			
Share capital	**10**	64,093	64,093
Share premium		233,087	233,087
Hedging and revaluation reserves		(34,618)	(47,163)
Other reserves		(100,134)	(45,449)
Translation differences		(4,845)	(2,400)
Net profit / (loss) for the period		32,830	(52,914)
		190,413	**149,254**
Non-controlling interests		**8,227**	**8,931**
Total equity		**198,640**	**158,185**
Non-current liabilities:			
Long-term provisions	**13**	**4,507**	**5,245**
Finance debt	**11**	**212,587**	**552,411**
Accounts payable for long-term finance leases	**11**	**134**	**166**
Deferred tax liabilities		**56,208**	**59,180**
Other non-current liabilities	**14**	**24,420**	**49,820**
Total non-current liabilities		**297,856**	**666,822**
Current liabilities:			
Liabilities related to assets held for sale	**20**	**—**	**7,209**
Finance debt	**11**	**325,681**	**29,137**
Accounts payable for short-term finance leases	**11**	**118**	**170**
Trade payables to related companies	**18**	**1,432**	**1,604**
Trade and other payables		**109,559**	**98,052**
Short-term provisions		**1,147**	**2,971**
Other payables	**14**		
Accounts payable to Public Administrations		19,833	14,720
Other current liabilities		49,161	49,885
		68,994	**64,605**
Total current liabilities		**506,931**	**203,748**
Total equity and liabilities		**1,003,427**	**1,028,755**

The accompanying Notes 1 to 20 and the Appendix I are an integral part of these consolidated condensed interim financial statements.

Bilbao MidCo S.à r.l. and its Subsidiaries

Consolidated condensed interim income statement
(Euro thousand)

	Note(s)	Three-month period ended 30 June 2017	Three-month period ended 30 June 2016	Six-month period ended 30 June 2017	Six-month period ended 30 June 2016
Continuing operations:					
Revenue	**4**	201,593	156,059	374,383	300,817
+/- Changes in stocks of finished products and work in progress		(29)	(807)	712	(3,022)
Cost of sales		(115,699)	(78,496)	(203,601)	(152,420)
Other operating income		4,020	2,238	5,799	3,598
Staff costs		(19,698)	(19,481)	(38,272)	(37,514)
Other operating expenses		(34,925)	(29,743)	(68,298)	(58,765)
Amortisation/depreciation, impairment and provisions	**4**	(7,571)	(8,295)	(15,111)	(16,537)
Operating profit		**27,691**	**21,475**	**55,612**	**36,157**
Financial income		686	1,930	1,722	3,711
Financial expenses		(12,363)	(12,334)	(24,658)	(23,608)
Net exchange differences		(925)	968	(236)	460
Finance income/(loss)		**(12,602)**	**(9,436)**	**(23,172)**	**(19,437)**
Profit/(loss) before tax		**15,089**	**12,039**	**32,440**	**16,720**
Corporate income tax		(4,453)	(4,093)	(10,053)	(6,088)
Profit/(loss) for the period from continuing operations		**10,636**	**7,946**	**22,387**	**10,632**
Profit/(loss) for the period from discontinued operations	**20**	**1,684**	**(383)**	**12,773**	**(1,825)**
Profit/(loss) for the period		**12,320**	**7,563**	**35,160**	**8,807**
Attributable to:					
Parent company owners		11,674	7,581	32,830	9,020
Non-controlling interests		646	(18)	2,330	(213)
Earnings/(losses) per share from continuing and discontinued operations attributable to owners of the parent (expressed in Euro per share)					
Basic earnings/(losses) per share					
– From continuing operations	**16**	(0.01)	(0.01)	(0.01)	(0.01)
– From discontinued operations	**16**	0.00	0.00	0.00	0.00
		(0.01)	(0.01)	(0.01)	(0.01)
Diluted earnings per share					
– From continuing operations	**16**	(0.01)	(0.01)	(0.01)	(0.01)
– From discontinued operations	**16**	0.00	0.00	0.00	0.00
		(0.01)	(0.01)	(0.01)	(0.01)

The accompanying Notes 1 to 20 and the Appendix I are an integral part of these consolidated condensed interim financial statements.

Bilbao MidCo S.à r.l. and its Subsidiaries

Consolidated condensed interim statement of other comprehensive income (Euro thousand)

	Three-month period ended 30 June		Six-month period ended 30 June	
	2017	2016	2017	2016
Consolidated profit/(loss) for the six-month period	**12,320**	**7,563**	**35,160**	**8,807**
Other comprehensive income from continuing operations:				
Items that may subsequently be reclassified to income statement:				
Income and expense recognised directly in equity	**9,554**	**(1,993)**	**(6,307)**	**(4,578)**
– Cash-flow hedges	22,947	(3,023)	(4,249)	(2,623)
– Translation differences	(6,509)	123	(3,333)	(2,742)
– Tax effect	(6,884)	907	1,275	787
Transfers to the income statement	**5,499**	**381**	**15,519**	**620**
– Cash-flow hedges	7,856	545	22,170	886
– Tax effect	(2,357)	(164)	(6,651)	(266)
Other comprehensive income/(loss) for the six-month period, net of tax from continuing operations	**15,053**	**(1,612)**	**9,212**	**(3,958)**
Other comprehensive income/(loss) from discontinued operations:				
Items that may subsequently be reclassified to results:				
Income and expense taken directly to equity	**—**	**1,065**	**—**	**944**
– Translation differences	—	1,065	—	944
Transfers to the income statement	**—**	**—**	**641**	**—**
– Translation differences	—	—	641	—
Other comprehensive income/(loss) for the six-month period, net of tax from discontinued operations	**—**	**1,065**	**641**	**944**
Other comprehensive income/(loss) for the six-month period, net of tax	**15,053**	**(547)**	**9,853**	**(3,014)**
Total comprehensive income/(loss) for the six-month period	**27,373**	**7,016**	**45,013**	**5,793**
Attributable to:				
Parent company owners	26,844	6,928	42,930	6,084
Non-controlling interests	529	88	2,083	(291)
Total comprehensive income attributable to the parent company's owners resulting from:				
– Continuing operations	25,160	6,276	29,516	6,971
– Discontinued operations	1,684	652	13,414	(887)

The accompanying Notes 1 to 20 and the Appendix I are an integral part of these consolidated condensed interim financial statements.

Bilbao MidCo S.à r.l. and Subsidiaries

Consolidated condensed interim statement of changes in equity (Euro thousand)

	Attributable to owners of the parent								
	Share capital	Share premium	Hedging and revaluation reserves	Other shareholder contributions	Consolidation reserves and other reserves	Translation differences	Net profit (loss) for the period	Non-controlling interests	Total equity
Balance at 31 December 2015	**55,090**	**222,090**	**(506)**	**9,027**	**(7,130)**	**(845)**	**(35,394)**	**16,929**	**259,261**
Net profit /(loss) for the six month period ended 30 June 2016	—	—	—	—	—	—	9,020	—	9,020
Profit for the year attributable to non-controlling interests	—	—	—	—	—	—	—	(213)	(213)
Transfer of hedges to profit or loss	—	—	620	—	—	—	—	—	620
Changes in valuation of hedges	—	—	(1,836)	—	—	—	—	—	(1,836)
Translation differences	—	—	—	—	—	(1,720)	—	(78)	(1,798)
Total comprehensive income for the six month period ended 30 June 2016	—	—	(1,216)	—	—	(1,720)	9,020	(291)	5,793
Distribution profit /(loss) of 2015	—	—	—	—	(35,394)	—	35,394	—	—
Other changes	—	—	—	—	(2,439)	—	—	—	(2,439)
Balance at 30 June 2016	**55,090**	**222,090**	**(1,722)**	**9,027**	**(44,963)**	**(2,565)**	**9,020**	**16,638**	**262,615**

The accompanying Notes 1 to 20 and the Appendix I are an integral part of these consolidated condensed interim financial statements.

Consolidated condensed interim statement of changes in equity (Euro thousand)

	Attributable to owners of the parent								
	Share capital	Share premium	Hedging and revaluation reserves	Other shareholder contributions	Consolidation reserves and other reserves	Translation differences	Net profit (loss) for the period	Non-controlling interests	Total equity
Balance at 31 December 2016	**64,093**	**233,087**	**(47,163)**	**200**	**(45,649)**	**(2,400)**	**(52,914)**	**8,931**	**158,185**
Net profit/(loss) for the six month period ended 30 June 2017	—	—	—	—	—	—	32,830	—	32,830
Profit for the year attributable to non-controlling interests	—	—	—	—	—	—	—	2,330	2,330
Transfer of hedges to profit or loss	—	—	15,519	—	—	—	—	—	15,519
Changes in valuation of hedges	—	—	(2,974)	—	—	—	—	—	(2,974)
Translation differences	—	—	—	—	—	(2,445)	—	(247)	(2,692)
Total comprehensive income for the six month period ended 30 June 2017	—	—	12,545	—	—	(2,445)	32,830	2,083	45,013
Distribution profit/(loss) of 2016	—	—	—	—	(52,914)	—	52,914	—	—
Dividends	—	—	—	—	—	—	—	(2,430)	(2,430)
Other changes	—	—	—	—	(1,771)	—	—	—	(1,771)
Changes in the scope of consolidation	—	—	—	—	—	—	—	(357)	(357)
Balance at 30 June 2017	**64,093**	**233,087**	**(34,618)**	**200**	**(100,334)**	**(4,845)**	**32,830**	**8,227**	**198,640**

The accompanying Notes 1 to 20 and the Appendix I are an integral part of these consolidated condensed interim financial statements.

Bilbao MidCo S.à r.l. and Subsidiaries

Consolidated condensed interim cash flow statement for the six-month period ended 30 June 2017 (Euro thousand)

	2017	2016
Cash flows from operating activities		
Profit (loss) for the period before tax	**44,723**	**15,422**
– From continuing operations	32,440	16,720
– From discontinuing operations	12,283	(1,298)
Adjustments due to:		
Depreciation and amortisation charge	15,111	20,885
Share of profit / (loss) of associates	—	(81)
Changes in provisions	—	21
Profit from disposals (Note 20)	(13,006)	—
Finance income	(1,722)	(1,525)
Finance cost	25,119	25,175
Other income/ expenses	(615)	(1,062)
Changes in work capital:		
Trade receivables and other current assets	(8,330)	(11,656)
Inventories	(73)	3,276
Trade payables	9,572	(2,458)
Other Cash flows from operating activities:		
Interest paid	(24,709)	(28,671)
Taxed paid	(11,812)	(9,801)
Other Payments	(1,824)	—
	32,434	**9,525**
Cash flows from investing activities		
Investments in intangible assets	—	(437)
Investments in property, plant and equipment	(8,923)	(16,469)
Proceeds from divestment of subsidiaries, net of cash	52,445	—
Investments in subsidiaries and other non-current financial assets	(1,868)	(2,950)
Investments in other current financial assets	(515)	—
Disbursement due to other current financial assets	—	712
Dividends	—	228
	41,139	**(18,916)**
Cash flows from financing activities		
Bank borrowings and other non-current borrowings	—	15,000
Repayment of bank borrowings and other long term debt	(47,699)	(18,562)
Dividends paid	(2,430)	—
Net cash flows from financing activities (III)	**(50,129)**	**(3,562)**
Effect of foreign exchange rate changes on cash and cash equivalents	(806)	(273)
Net increase in cash and cash equivalents	**22,638**	**(13,226)**
Cash and cash equivalents at beginning of period(*)	**62,009**	**57,443**
Cash and cash equivalents at end of period	**84,647**	**44,217**

(*) It included the cash and cash equivalents from the operations classified as held for sale as at 31 December 2016.

The accompanying Notes 1 to 20 and the Appendix I are an integral part of these consolidated condensed interim financial statements.

Notes to the consolidated condensed interim financial statements corresponding to the six-month period ended 30 June 2017

1. General information

Bilbao MidCo S.à r.l. (hereinafter the "Parent Company" or the "Company") was incorporated in Luxembourg on 31 May 2013 as a "société à responsabilité limitée" subject to Luxembourg law for an unlimited period of time. The Company's registered office is at 2c rue Albert Borschette, L-1246, Luxembourg.

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

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

On 15 July 2013, the Company closed the acquisition of 100% of Befesa Medio Ambiente, S.L. and its subsidiaries (hereinafter "Befesa Medio Ambiente"). The Company and its subsidiaries are hereinafter referred to as the "Group".

Befesa is an international industrial group (see Appendix I) which engages mainly in the management and treatment of industrial residues.

Most of the systems, equipment and facilities included in Group's property, plant and equipment should be deemed to be assigned to the management and treatment of industrial residues and, in general, to the protection and improvement of the environment, either because of the business activities carried on by the Group or because of their nature (industrial residues). Also, most of the expenses and revenues for the six-month period ended 30 June 2017 and for the six-month period ended 30 June 2016 should be understood to accrue in the normal course of the aforementioned activities. The information, if any, on possible provisions for contingencies and charges and on possible contingencies, liability and grants, if any, arising from the normal performance of the activities constituting the Group's company purpose, and other environmental measures are described, as and when appropriate, in the related notes to the consolidated financial statements.

These activities are carried on by the Group companies, which are divided into two subgroups headed by the following investees of the Parent: MRH Residuos Metálicos, S.L. and Alianza Medioambiental, S.L., both of which are sole-shareholder companies.

These Consolidated Condensed Interim Financial Statements were approved for issuance by the Company's Board of Managers on 1 August 2017.

2. Accounting policies and basis of presentation

2.1 Basis of presentation

These Consolidated Condensed Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". The accounting policies used in the preparation of these Consolidated Condensed Interim Financial Statements are consistent with those used in the Consolidated Financial Statements for the year ended 31 December 2016. These Consolidated Condensed Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and in conformity with IFRS as adopted by the European Union ("EU").

The preparation of the Consolidated Condensed Interim Financial Statements in conformity with IFRS-EU requires management to make certain accounting estimates and assumptions that might affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet dates, and the reported amounts of revenues and expenses for the reported periods. Actual results may differ from these estimates.

The criteria that have been considered in the consolidation process are not different to the ones utilized in the consolidation process of the financial statements for the year ended 31 December 2016.

The subsidiaries included in the consolidation perimeter are detailed in the Appendix I.

Material inter-company transactions, balances and unrealized gains (losses) on transactions between Bilbao MidCo's subsidiaries have been eliminated in consolidation.

There were no changes in valuation techniques during the period and there have been no changes in any risk management policies since the year ended 31 December 2016.

Whenever necessary, certain comparative amounts have been reclassified to conform to changes in presentation in the current period.

Following the sale of practically all companies that comprised the Industrial Waste Management Segment (except for the subsidiary Befesa Argentina, S.A.), the results of the mentioned companies are presented as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Consequently, all amounts related to discontinued operations within each line item of the Consolidated Income Statement are reclassified into discontinued operations. The Consolidated Statement of Cash Flows includes the cash flows for continuing and discontinued operations. Cash flows from discontinued operations and earnings per share are disclosed separately in Notes 20 and 16, respectively, as well as additional information detailing net assets of disposal group classified as held for sale and discontinued operations.

None of the accounting pronouncements issued after 31 December 2016 and as of the date of these Consolidated Condensed Interim Financial Statements have a material effect on the Company's financial condition or result of operations.

2.2 Changes in the scope of consolidation

Following is a description of the main changes in the scope of consolidation in June 2017 and 2016:

Additions to the scope of consolidation and other movements

In July 2016 the minority shareholder of Befesa Zinc Korea Ltd. exercised the put option it held over 20% of its stake in that company. The Group recognised a liability amounting to EUR 6.1 million in 2014 for this put option, charged to parent company reserves, on the understanding that the risks and rewards had not been transferred to the parent company. The liability measured at fair value at year-end 2015 amounted to EUR 9.1 million and the final price paid on exercising the option in 2016 was EUR 8.3 million. Income amounting to EUR 0.8 million was recognised in the income statement for the year 2016.

Exclusion from the scope of consolidation

Certain Group companies in the Industrial Waste Management segment were sold during 2016, being this activity classified as a discontinued operation. This affected the companies Befesa Gestión de Residuos Industriales, S.L., Befesa Plásticos, S.L., Befesa Gestión PCB, S.A., Gestión y Valorización Integral del Centro S.L., Residuos Industriales de la Madera de Córdoba, S.A., Betearte, S.A., Ecología Canaria, S.A. and other minor operations which were not consolidated. On 29 March 2017 the sale of the IES segment subsidiaries Befesa Perú, S.A., Soluciones Ambientales del Norte, S.A. and Solarca, S.L. and its subsidiaries were completed giving rise to a capital gain recognised in the Group amounting to approximately EUR 12.8 million (Note 20).

3. Financial risk management policies

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

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

The consolidated condensed interim financial statements don't include all the information and disclosures related to financial risk management required for the consolidated annual financial statements. For that reason, these

Consolidated Condensed Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2016.

There were no changes in the risk management policies since 31 December 2016.

Fair value estimation

On the basis of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports the estimation of fair value by level according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (eg. reference prices) or indirectly (eg. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

30 June 2017	Level 2	Level 3	Total
Assets			
- Derivatives (Note 12)	36	—	36
Total assets at fair value	**36**	**—**	**36**
Liabilities			
- Derivatives (Note 12)	49,323	—	49,323
- Other liabilities at fair value	—	—	—
Total liabilities at fair value	**49,323**	**—**	**49.323**

31 December 2016	Level 2	Level 3	Total
Assets			
- Derivatives (Note 12)	124	—	124
Total assets at fair value	**124**	**—**	**124**
Liabilities			
- Derivatives (Note 12)	67,276	—	67,276
- Other liabilities at fair value	—	9,217	9,217
Total liabilities at fair value	**67,276**	**9,217**	**76,493**

Financial instruments level 2

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

Specific techniques for measuring financial instruments include:

- The fair value of swap interest rates is calculated as the present value of future estimated cash flows.
- The fair value of derivative contract exchange rates is determined using forward exchange rates quoted in the market at the balance sheet date.
- It is assumed that the book value of receivables and trade payables approximates their fair value.
- The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount and fair value of financial liabilities do not differ significantly since a relevant part thereof has been arranged recently and, in all cases, accrue interest at market rates.

The instruments included in Level 2 relate to derivative financial instruments (Note 12).

Financial instruments level 3

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

The instruments included in Level 3 at 31 December 2016 corresponded to the outstanding debt for the acquisition of Solarca, S.L.

Key assumptions in the measurement of these liabilities were mainly based on the expected future return generated by the company in accordance with criteria established in Note 27 to the Consolidated Financial Statements at 31 December 2016.

4. Segment reporting

The Board of Managers is ultimately responsible for making the Group's operational decisions, being this board the Chief Operating Decision Maker (CODM). The Board reviews the Group's internal financial information in order to assess its performance and allocate resources to the segments.

In 2016 the Group changed its oversight, analysis and reporting structure. As a result, the composition of the segments to be reported on changed. The Aluminium segment on which the Group reported until 31 December 2015 was restated and the information is disclosed in the Salt slags and Aluminium segments.

As a result, the Board of Managers has analysed the business based on the three segments indicated below as the Industrial Waste Management Segment ceased to be a reporting segment in 2016 following the operations described in Notes 2.2 and 20. These segments practically relate in full to the following:

- Steel waste recycling
- Salt slags
- Aluminium

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

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

This measurement basis excludes the effects of non-recurring expenses and those incurred in atypical transactions (adjusted EBIT and EBITDA). The segmented information received by the Board of Managers also includes financial income and expenses and tax aspects.

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

Set out below is the distribution by segment of EBIT for the six-month period ended 30 June 2017 and for the six-month period ended 30 June 2016 (thousand euro) (excluding from the figures for the period ended 30 June 2017 and 30 June 2016 the part classified as discontinued operations in 2016 for the Industrial Waste Management Segment (Note 20)):

	30 June 2017				
	Steel	**Salt slags**	**Aluminium**	**Corporate, other minor and eliminations**	**Total**
Revenue	156,997	43,221	191,688	(17,523)	374,383
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(102,565)	(29,534)	(186,268)	14,707	(303,660)
Amortisation/Depreciation, impairment and provisions (a)	(7,894)	(3,616)	(2,822)	(779)	(15,111)
EBIT (Operating profit/(loss)) (b)	**46,538**	**10,071**	**2,598**	**(3,595)**	**55,612**
EBITDA (Operating profit/(loss) before amortisation) (a) + (b)	**54,432**	**13,687**	**5,420**	**(2,816)**	**70,723**
EBIT adjustments	—	—	—	1,106	1,106
EBITDA adjustments(*)	6,835	185	—	5,356	12,376
Adjusted EBIT	**53,373**	**10,256**	**2,598**	**2,867**	**69,094**
Adjusted EBITDA	**61,267**	**13,872**	**5,420**	**2,540**	**83,099**

(*) Related, mainly, to the temporary stoppage (Note 17) at the Scandust plant (Sweden).

	30 June 2016				
	Steel	**Salt slags**	**Aluminium**	**Corporate, other minor and eliminations**	**Total**
Revenue	126,154	40,786	149,433	(15,556)	300,817
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(88,872)	(28,079)	(147,561)	16,389	(248,123)
Amortisation/Depreciation, impairment and provisions(a)	(8,717)	(3,422)	(2,921)	(1,477)	(16,537)
EBIT (Operating profit/(loss)) (b)	**28,565**	**9,285**	**(1,049)**	**(644)**	**36,157**
EBITDA (Operating profit/(loss) before amortisation) (a) + (b)	**37,282**	**12,707**	**1,872**	**833**	**52,694**
EBIT adjustments	192	—	140	1,442	1,774
EBITDA adjustments	40	144	736	281	1,201
Adjusted EBIT	**28,797**	**9,429**	**(173)**	**1,079**	**39,132**
Adjusted EBITDA	**37,322**	**12,851**	**2,608**	**1,114**	**53,895**

The reconciliation of adjusted EBIT to results attributable to the parent company is as follows:

	30 June 2017	30 June 2016
Adjusted EBIT	69,094	39,132
– EBIT adjustments	(1,106)	(1,774)
– EBITDA adjustments	(12,376)	(1,201)
Operating profit/(loss)	55,612	36,157
Finance income (expense)	(23,172)	(19,437)
Corporate income tax	(10,053)	(6,088)
Profit/(loss) attributable to continuing operations	22,387	10,632
Profit/(loss) attributable to discontinued operations	12,773	(1,825)
Non-controlling interests	(2,330)	213
Profit/(loss) attributed to the parent company	**32,830**	**9,020**

The detail of sales by geographical segment for June 2017 and June 2016 is as follows:

Geographical area	30 June 2017(*)	%	30 June 2016(*)	%
Spain	95,253	26%	89,350	30%
Germany	49,731	13%	45,637	15%
France	23,384	6%	23,031	7%
United Kingdom	29,550	8%	12,423	4%
Rest of Europe	87,446	23%	83,285	28%
Turkey	—	—	2,619	1%
South Korea	12,402	3%	5,548	2%
Rest of the world	76,617	21%	38,924	13%
	374,383	**100%**	**300,817**	**100%**

(*) It does not include the part of the Industrial Waste Management segment classified as discontinued operations (Note 20).

The distribution of the property, plant and equipment and intangible assets (excluding goodwill and other intangible assets with indefinite live) is as follows:

	30 June 2017	31 December 2016
Spain	61,196	62,337
Germany	90,718	92,592
France	25,135	22,048
United Kingdom	9,663	10,192
Rest of Europe	11,104	11,762
Turkey	3,194	3,772
South Korea	51,965	56,323
Rest of the world	1,306	1,461
	254,281	**260,487**

Other segment items included in the consolidated income statement for the six-month period are as follows:

	30 June 2017(*)					30 June 2016(*)				
	Steel	Salt slags	Aluminium	Corporate, other minor and eliminations	Total	Steel	Salt slags	Aluminium	Corporate, other minor and eliminations	Total
Depreciation/ amortisation charge:										
- Property, plant and equipment	(7,193)	(3,431)	(2,286)	(90)	(13,000)	(7,942)	(3,276)	(2,516)	(369)	(14,103)
- Intangible assets	(641)	(185)	(536)	(673)	(2,035)	(700)	(146)	(455)	(989)	(2,290)
- Reversal/ (recognition) of impairment losses	(60)	—	—	(16)	(76)	(75)	—	50	(119)	(144)
Total	**(7,894)**	**(3,616)**	**(2,822)**	**(779)**	**(15,111)**	**(8,717)**	**(3,422)**	**(2,921)**	**(1,477)**	**(16,537)**

(*) It does not include the part of the Industrial Waste Management segment classified as a discontinued operation (Note 20).

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

	30 June 2017					31 December 2016				
	Steel	Salt slags	Aluminium	Corporate, other minor and eliminations	Total	Steel	Salt slags	Aluminium	Corporate, other minor and eliminations	Total
Assets										
Intangible assets	361,225	49,489	14,528	2,879	428,121	361,891	49,673	23,589	(4,967)	430,186
Property, plant and equipment	122,915	55,654	65,779	1,846	246,194	124,629	58,454	65,272	1,980	250,335
Non-current assets and deferred tax assets	50,496	1,460	28,769	28,999	109,724	55,832	1,500	33,011	25,115	115,458
Current assets	116,879	15,277	45,685	41,547	219,388	101,940	15,458	50,864	6,923	175,185
Assets held for sale	—	—	—	—	—	—	—	—	57,591	57,591
Total assets	**651,515**	**121,880**	**154,761**	**75,271**	**1,003,427**	**644,292**	**125,085**	**172,736**	**86,642**	**1,028,755**
Equity and liabilities										
Equity	173,624	70,988	29,395	(75,367)	198,640	151,778	64,946	39,037	(97,576)	158,185
Non-current liabilities	59,561	41,662	56,391	140,242	297,856	376,337	48,704	71,962	169,819	666,822
Current liabilities	418,330	9,230	68,975	10,396	506,931	116,177	11,435	61,737	7,190	196,539
Liabilities related to assets held for sale	—	—	—	—	—	—	—	—	7,209	7,209
Total equity and liabilities	**651,515**	**121,880**	**154,761**	**75,271**	**1,003,427**	**644,292**	**125,085**	**172,736**	**86,642**	**1,028,755**

Information on customers

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

	%	
	30 June 2017	30 June 2016
Steel	79.30%	70.76%
Salt slags	30.26%	31.70%
Aluminium	42.87%	31.87%

5. Goodwill

The detail of the "Goodwill" balance in the consolidated condensed interim balance sheets at 30 June 2017 and 31 December 2016 is as follows:

	Balance at 30.06.2017	Balance at 31.12.2016
Steel	293,768	293,768
Salt slags	36,213	36,213
Aluminium	9,053	9,053
	339,034	**339,034**

There is no movement in goodwill between 31 December 2016 and 30 June 2017.

	Balance at 30.06.2016	Balance at 31.12.2015
Steel	293,768	293,768
Salt slags	36,213	36,213
Aluminium	9,053	9,053
Industrial environmental solutions(*)	14,060	14,060
	353,094	**353,094**

(*) Classified as group of assets held for sale as at 31 December 2016.

There is no movement in goodwill between 31 December 2015 and 30 June 2016.

Impairment analysis

The Group has implemented a procedure whereby goodwill is tested for impairment annually, and at each reporting date when there are indicators of impairment.

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

No impairment has been registered during the six-month period ended 30 June 2017. The Group performed the impairment test for the year-end 2016. The information regarding the criteria and estimates performed by the Company at 31 December 2016 were disclosed in the consolidated financial statements for that year. Those conclusions remain valid at 30 June 2017 as the evolution of the segments have reasonably fulfilled the projections considered in the impairment tests.

6. Other intangible assets, net

During the six-month period ended 30 June 2017, there are no significant additions, nor disposals within "Other intangible assets, net".

Investment commitments

At 30 June 2017 the Group had no significant investment commitments.

7. Property, plant and equipment

The movement of the "Property, plant and equipment" balance in the six-month period ended 30 June 2017 includes additions amounting to EUR 11 million, approximately, mainly related to additions in constructions, machinery and technical installations.

There were no significant disposals in the period.

The amortisation for the period, excluding discontinued operations, amounted to EUR 13 million, approximately.

The movement of the "Property, plant and equipment" balance in the six-month period ended 30 June 2016, excluding the Industrial waste management segment additions, included additions amounting to EUR 10.3 million, approximately, mainly related to additions for health and safety equipment, environmental projects and maintenance.

There were no significant disposals in the period.

The amortisation for the period, excluding discontinued operations, amounted to EUR 14 million, approximately.

Impairment losses

During the six-month periods ended 30 June 2017 and 30 June 2016 no significant impairment was recognised in Property, plant and equipment.

As at 31 December 2016 the Group recognised PPE impairment in respect of Befesa Valera, S.A.S. and Befesa Salt Slags, Ltd. amounting to 5 million each, after estimating that future cash flows generated by these subsidiaries would not be sufficient to recover the carrying amount of the plant.

Insurance

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

Mortgaged property, plant and equipment

At 30 June 2017 and 31 December 2016 there are no significant fixed assets pledged to secure loans.

8. Financial assets

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

	30 June 2017	31 December 2016
Investments in subsidiaries and associates		
Investments in Group Companies	4,033	5,877
Value adjustments	(2,722)	(4,568)
	1,311	**1,309**
	30 June 2017	**31 December 2016**
Long-term-loans		
Other long-term loans	35,178	35,312
Value adjustments	(13,298)	(14,924)
Other non-current financial assets	156	135
	22,036	**20,523**
Total	**23,347**	**21,832**

The detail of "Other current Financial Assets" is as follows:

	30 June 2017	31 December 2016
Derivative financial instruments (Note 12)	36	124
Other short-term loans	215	1,574
Short-term guarantees and deposits	60	60
Total	**311**	**1,758**

9. Inventories

The detail of "Inventories" in the accompanying consolidated condensed interim balance sheet at 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017	31 December 2016
Finished goods	7,711	6,563
Goods in progress and semi-finished goods	665	294
Work in progress	84	84
Raw materials	9,832	11,601
Other	11,101	11,312
Advances to suppliers	1,090	556
Total	**30,483**	**30,410**

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

10. Share capital

At 30 June 2017 and at 31 December 2016, subscribed and fully paid-up capital was represented by 5,728,117 Class-A preference shares and 6,403,591,150 Class-B ordinary shares with a par value of EUR 0.01 each.

The Parent's shareholder structure was as follows:

	Percentage of ownership	
	30 June 2017	31 December 2016
Bilbao LuxCo, S.A.	88.91%	88.91%
Triton Luxembourg II GP Bilbao, S.A.	11.09%	11.09%
Total	**100%**	**100%**

The Class A preference shares and Class B ordinary shares differ as follows: in respect of each distribution of dividend, the amount allocated to this effect shall be distributed in the following order of priority:

- First, each Class A Preference share shall entitle to the Preference share return (preference share return means the cumulative dividend in an amount of 10% per annum of the nominal value of the preference shares and share premium attached to these preference shares).
- Second, any remaining dividend amount after allocation of the Preference share return shall be allocated pro rata among the Class B Ordinary shares.

11. Finance debt

The detail of the related line items in the accompanying consolidated condensed interim balance sheet is as follows:

	30 June 2017		31 December 2016	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans and credit facilities	320,865	212,587	24,289	552,411
Unmatured accrued interest	4,816	—	4,848	—
Accounts payable for finance leases	118	134	170	166
Total	**325,799**	**212,721**	**29,307**	**552,577**

The main terms and conditions of the borrowings are as follows:

			30 June 2017		31 December 2016	
Limit in nominal currency (thousand currency)	Effective interest rate	Maturity date	Current maturity	Non-Current maturity	Current maturity	Non-Current maturity
a) EUR 300,000	8.875%	May 2018	302,492	—	3,328	298,671
b) EUR 150,000	10.50%-11.25%	December 2018	1,359	160,666	1,359	160,666
c) EUR 167,500	Euribor + 1.75%(*)	March 2020	16,515	51,480	23,151	92,578
d) Other			5,433	575	1,469	662
			325,799	**212,721**	**29,307**	**552,577**

(*) Until July 2016 the effective interest rate was Euribor + 4.25%. From July 2016 to May 2017 the effective interest rate was Euribor + 2.25%.

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

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

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

The Notes bear interest at a rate of 10.50% per annum with respect to Cash Interest (as defined in the agreement) and 11.25% per annum with respect to PIK Interest (as defined in the agreement). Interest will be payable semi-annually in arrears on 1 June and 1 December of each year, commencing on 1 June 2014.

c) On 28 July 2016, Befesa Medio Ambiente, S.L. refinanced the syndicated financing contract amounting to EUR 190 million signed on 27 September 2013, which included two loans amounting to EUR 75 million and EUR 60 million, respectively, as well as a credit line and a guarantee line for EUR 30 million and EUR 25 million, respectively.

This refinancing, amounting to EUR 167.5 million, includes two loans amounting to EUR 46 million and EUR 56.5 million, respectively, as well as a credit line and a guarantee line for EUR 30 million and EUR 35 million respectively. The loan of EUR 46 million is repayable on a straight-line basis through six-monthly instalments (except for the first and the last two instalments) and the last instalment falls due on 31 March 2020. The loan of EUR 56 million, lines of credit and guarantees mature in full on the same date, 31 March 2020.

On March 2017, after the sale of the subsidiaries Solarca, S.L., Befesa Perú, S.A. and Soluciones Ambientales del Norte, S.A. (Note 2.2), an amount of EUR 40 million was early repaid regarding this financing.

The group companies Befesa Aluminio, S.L.U., Befesa Salt Slags, Ltd., Befesa Salzschlacke GmbH, Alianza Medioambiental, S.L.U., MRH Residuos Metálicos, S.L.U., Soluciones Ambientales del Norte Ltda, S.A., Befesa Perú, S.A. and Befesa Aluminium Germany GmbH acted as personal guarantors for the obligations assumed by the Company on this operation. With the disposal in 2017 of the subsidiaries Soluciones Ambientales del Norte Ltda, S.A. and Befesa Perú, S.A., those entities have been excluded as guarantees.

The interest rate established for the funding is determined based on a floating rate plus a market spread. There are also financial covenants to meet based on various ratios on a consolidated basis as well as a limit on fixed asset investment established for the duration of the loan. At June 2017 and December 2016 the covenants had been properly complied with.

d) At 31 December 2016 and 30 June 2017 "Other" mainly includes short-term payables with banks on the factoring of accounts receivable and amounts payable for leases.

Every loan and credit line with variable interest accrues interest at market rates, basically the Euribor rate plus a spread.

The repayment schedule for long-term loans as of 30 June 2017 is as follows:

July 2017 - June 2018	325,799
July 2018 - June 2019	168,213
July 2019 - June 2020	6,954
July 2020 - June 2021	37,418
July 2021 - June 2022	110
July 2022 - June 2023	26
Total	**538,520**

The Group, despite having a negative working capital as at 30 June 2017, as a result of the maturity in May 2018 of the bond described in note 11 a) above, has not yet reached any financing agreement. However, considering the current leverage of the Group, its cash generation capacity as well as the analyses and negotiations that have been carried out to date, no problems are expected regarding the debt refinancing.

At 30 June 2017 and 31 December 2016, the Group has unused credit facilities with no personal guarantee arranged, totalling EUR 13 million and EUR 13 million, respectively. In addition, an amount of EUR 21 million has not been drawn yet from the syndicated financing arrangement.

12. Financial derivatives

The Group uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed, which are mainly risks arising from changes in exchange rates, interest rates and the market price of certain metals, mainly aluminium and zinc. The detail of the balances that reflect the measurement of derivatives in the accompanying consolidated condensed interim balance sheet at 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017	31 December 2016
Cash flow hedges current assets:		
Foreign currency cap	36	124
Total assets (Note 8)	**36**	**124**
Cash flow hedges non-current liabilities:		
Swap contracts for zinc	14,019	30,987
	14,019	**30,987**
Cash flow hedges current liabilities:		
Swap contracts for zinc	35,237	36,217
Foreign currency cap	67	72
	35,304	**36,289**
Total liabilities (Note 14)	**49,323**	**67,276**

13. Long Term Provisions

	Provisions for litigation, pensions and similar obligations	Other Provisions for contingencies and expenses	Total long-term provisions
Balance at 31 December 2016	2,263	2,982	**5,245**
Balance at 30 June 2017	1,923	2,584	**4,507**

There are no significant movements in the "Long-Term Provisions" during the six-month period ended 30 June 2017.

It mainly includes provisions recognized by the Group companies Befesa Valera, S.A.S. and Befesa Zinc Gravelines, S.A.S. amounting to EUR 2.3 million at 30 June 2017 and EUR 2.3 million at 31 December 2016 for the present value of the estimated costs of dismantling the concession for the performance of their activities at the Port of Dunkirk (France) following its termination; and EUR 2.2 million at 30 June 2017 and EUR 2.9 million at 31 December 2016 as other provisions.

14. Other current and non-current payables

	30 June 2017		31 December 2016	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Payable to non-current asset suppliers	3,605	—	1,145	—
Other Group Liabilities	—	1,197	—	1,197
Derivative financial instruments (Note 12)	35,304	14,019	36,289	30,987
Accounts payable to public authorities	19,833	—	14,720	—
Remuneration payable	6,063	—	6,747	—
Other	4,189	9,204	5,704	17,636
Total other current and non-current payables	**68,994**	**24,420**	**64,605**	**49,820**

15. Taxation

Income tax is calculated as of the closing date on the basis of the applicable tax regulation. Nevertheless, any alteration on the applicable tax framework, would be accordingly considered on the financial statements prepared immediately after the date such regulation comes into effect.

At 30 June 2017 the account payable arising as a result of the Income Tax estimation for the six month period ended 30 June 2017, is recorded under "Trade and other accounts payables" on the consolidated condensed interim balance sheet included in these consolidated condensed interim financial statements.

16. Earnings per share

a) Basic earnings/(losses) per share (EUR per share)

	30 June 2017	30 June 2016
From continuing operations attributable to the ordinary equity holders of the company	(0.01)	(0.01)
From discontinued operations	0.00	0.00
Total basic earnings/(losses) per share attributable to the ordinary equity holders of the company	(0.01)	(0.01)

b) Diluted earnings/(losses) per share (EUR per share)

	30 June 2017	30 June 2016
From continuing operations attributable to the ordinary equity holders of the company	(0.01)	(0.01)
From discontinued operations	0.00	0.00
Total diluted earnings/(losses) per share attributable to the ordinary equity holders of the company	(0.01)	(0.01)

c) Reconciliation of earnings used in calculating earning per share

	30 June 2017	30 June 2016
Profit / (loss) for the period from continuing operations	22,387	10,632
Less Non-controlling interests from continuing operations	(2,330)	215
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	20,057	10,847
Less: cumulative preference share return	(81,992)	(59,467)
	(61,935)	**(48,620)**
Profit / (loss) for the period from discontinued operations	12,773	(1,825)
Less Non-controlling interests from discontinued operations	—	(2)
Profit/(loss) from discontinued operations attributable to the ordinary equity holders of the company	12,773	(1,827)
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**(49,162)**	**(50,447)**

d) Weighted average number of shares used as the denominator

	Number in thousand	
	30 June 2017	**30 June 2016**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	6,403,591	5,503,246
Adjustments for calculation of diluted earnings per share: Convertible bond	—	900,345
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	6,403,591	6,403,591

Convertible bond into potential ordinary shares has been included in the determination of diluted earnings per share from their date of issue until the date of its contribution to the parent company share capital. It has not been included in the determination of basic earnings per share. It has not impact as at 30 June 2017.

17. Guarantee commitments to third parties and contingencies

At 30 June 2017 a number of Group companies had provided guarantees for an overall amount of approximately EUR 35.7 million (31 December 2016: EUR 32.8 million) as required to guarantee their operations vis-à-vis customers, banks, government agencies and other third parties.

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

In December 2016 there was a temporary stoppage at the Scandust plant (Sweden) as a result of action related to the update of the activity licence initiated by the local County Council. The plant started again its activity in May 2017. Group management commissioned several advisors to assess the existing environmental risk and potential economic effect of the corrective measures. Those corrective measures have been performed during the period the plant has been stopped, including expenses and investments. Some of those corrective measures are still in progress, and on that behalf, a short-term provision amounting to 0.6 euro million is registered as at 30 June 2017. The Group estimates the administrative process is finalised and no additional risk nor costs to the registered provision will be incurred.

18. Balances and transactions with related parties

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

The detail of the transactions with shareholders and Group and related companies for the six-month periods ended 30 June 2017 and 30 June 2016 are as follows:

June 2017

	Sales and other income	Purchases and other expenses	Financial income	Financial cost
Bilbao LuxCo S.A.	—	—	892	(12)
Recytech, S.A.	942	(5,886)	—	—
Other	—	—	179	(5)
Total	**942**	**(5,886)**	**1,071**	**(17)**

June 2016

	Sales and other income	Purchases and other expenses	Financial income	Financial cost
Bilbao LuxCo S.A.	—	—	816	(12)
Recytech, S.A.	621	(3,322)	—	—
Other	2	(1)	100	—
Total	**623**	**(3,323)**	**916**	**(12)**

The detail of the balances with shareholders and Group and related companies at 30 June 2017 and 31 December 2016 are as follows:

30 June 2017

	Accounts receivable and other current financial assets	Non-current financial assets Other long-term loans	Accounts payable	Other non-current liabilities
Bilbao LuxCo S.A.	302	17,738	387	—
Triton IV Managers Limited	—	—	—	1,125
Recytech, S.A.	299	—	672	—
Other	215	100	373	72
Total	**816**	**17,838**	**1,432**	**1,197**

31 December 2016

	Accounts receivable and other current financial assets	Non-current financial assets Other long-term loans	Accounts payable	Other non-current liabilities
Bilbao LuxCo S.A.	293	16,853	374	—
Triton IV Managers Limited	—	—	—	1,125
Recytech, S.A.	333	—	998	—
Other	290	33	232	72
Total	**916**	**16,886**	**1,604**	**1,197**

The balances and transactions of Group companies relate mainly to sale and purchase transactions and other commercial operations on an arm's length basis.

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

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

19. Average number of employees

The average number of employees at the Group in continuing and discontinued operations for the six-month period ended 30 June 2017 and 30 June 2016 was as follows:

	Average number of employees	
	30 June 2017	30 June 2016
Women	152	279
Men	1,076	1,670
Total	**1,228**	**1,949**

The number of employees at 30 June 2017 and 30 June 2016, by gender, was as follows:

	30 June 2017		30 June 2016	
	Men	Women	Men	Women
Management	34	5	47	7
Experts	112	33	176	42
Professionals	150	54	281	111
Operators and assistants	780	60	1,166	119
Total	**1,076**	**152**	**1,670**	**279**

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

Total number of employees at June 2016 includes 569 men and 128 women related to discontinued operations.

20. Assets held for sale and discontinued operations

In 2016 the Parent company's Board of Managers took the decision to divest and sell off practically all companies that comprised the Industrial Waste Management Segment. As a result of that decision, in December 2016, Befesa Gestión de Residuos Industriales, S.L., Befesa Gestión PCB, S.A., Gestión y Valorización Integral del Centro S.L., Residuos Industriales de la Madera de Córdoba, S.A., Betearte, S.A., Ecología Canaria, S.A., Befesa Plásticos, S.L. and other minor not consolidated operations were sold. Additionally, the assets and liabilities of Solarca, S.L. (and its subsidiaries), Soluciones Ambientales del Norte, S.A. and Befesa Perú, S.A. were classified as held for sale at 31 December 2016. These companies were sold on 29 March 2017.

Information on cash flows and results for the companies sold in 2016 and 2017

	30 June 2017	30 June 2016
Revenue	3,408	47,889
Expenses	(3,906)	(45,055)
Financial results	(225)	(4,132)
Profit/(loss) before taxes	(723)	(1,298)
Corporate income tax	169	(527)
Profit/(loss) after tax from discontinued operations	(554)	(1,825)
Profit /(loss) on the sale of subsidiaries after income tax	13,327	—
Profit/(loss) from discontinued operations	**12,773**	**(1,825)**
Addition/ (disposal) cash from operating activities –net	1,272	(2,094)
Addition/ (disposal) cash from investing activities – net(*)	52,042	(2,709)
Addition/ (disposal) cash from financing activities –net	(50)	5,059
Net inflow of cash generated by the subsidiary	**53,264**	**256**

(*) It mainly includes the cash received from the sale of the subsidiaries and the collection of the centralized treasury account held by the sold companies with the Group.

Detail of the sale of subsidiaries classified as held for sale as at 31 December 2016

	30 June 2017
Consideration receivable	
• Cash received	33,632
• Amounts receivable	—
Carrying amount of net assets sold	20,626
Profit/(loss) on the sale before income tax	**13,006**
Income tax	321
Profit/(loss) on the sale after income tax	**13,327**

The carrying amounts of assets and liabilities at the date of sale were:

	Net assets sold
Goodwill	14,060
Intangible assets and PP&E	21,794
Long-term financial assets	371
Deferred tax assets	2,991
Inventories	1,144
Receivables	14,149
Other current assets	127
Cash and cash equivalents	2,955
Total assets	**57,591**
Deferred tax liabilities	724
Provisions	193
Financial liabilities	29,855
Accounts payable and other liabilities	6,193
Total liabilities	**36,965**
Net assets	**20,626**

The subsidiaries Solarca, S.L. (and its subsidiaries), Soluciones Ambientales del Norte, S.A. and Befesa Perú were sold on 29 March 2017 by an amount to EUR 33.6 million. In addition, the buyer has taken responsibility for the payment of the centralized treasury account held by the Company with the Group, the total payment for the purchase amounting to EUR 21.8 million.

The carrying amount of assets and liabilities sold in the year ended 31 December 2016, as well as the information of the disposal, is disclosed in Note 28 to the Consolidated Financial Statements at 31 December 2016.

Bilbao MidCo S.à r.l. and its Subsidiaries

Appendix I

Subsidiaries, joint operations and associates

30 June 2017

				30.06.2017 (Thousand euro)				
Entity	**Address**	**Activity**	**% Interest**	**Share capital**	**Reserves**	**Translation differences**	**Results**	**Interim dividend**
Subsidiaries								
Befesa Holding S.à r.l.	Luxembourg	Holding	100%	13	444,235	—	266	—
Bilbao (Luxembourg), S.A.	Luxembourg	Holding	100%	31	50	—	(79)	—
Befesa Medioambiente Holdco, S.L.	Biscay	Holding	100%	77,870	340,598	—	(2,353)	—
Befesa Management Services	Germany	Holding	100%	25	588	—	317	—
Befesa Medio Ambiente, S.L.	Biscay	Holding	100%	150,003	85,243	—	(648)	—
1. AMA Subgroup-								—
Alianza Medioambiental, S.L.	Biscay	Holding	100%	104,359	(28,148)	—	11,699	—
- Befesa Argentina, S.A.	Argentina	Industrial cleaning and waste treatment	100%	8,328	3,837	(10,421)	(111)	—
2. MRH Residuos Metálicos S.L.U.	Biscay	Holding	100%	15,600	83,206	—	7,525	—
- Befesa Salzschlacke Gmbh	Germany	Aluminium waste treatment	100%	25	5,676	—	4,087	—
- Befesa Aluminium Germany GmbH	Germany	Aluminium waste treatment	100%	25	(671)	—	420	—
- Subgroup Zinc Befesa Zinc, S.A.U.	Biscay	Holding	100%	25,010	45,827	—	6,336	—
• Befesa Zinc Comercial, S.A. (Sociedad Unipersonal)	Biscay	Sale of recycled waste	100%	60	9,657	—	1,974	—
• Befesa Zinc Aser, S.A. (Sociedad Unipersonal)	Biscay	Recovery of metal and mineral containing waste	100%	4,260	16,779	—	14,746	—
• Befesa Zinc Sur, S.L. (Sociedad Unipersonal)	Badajoz	Recovery of metal and material containers	100%	605	246	—	1	—
• Befesa Zinc Óxido, S.A. (Sociedad Unipersonal)	Biscay	Recovery of metals	100%	1,102	5,330	—	120	—
• Befesa Steel R&D, S.L. (Sociedad Unipersonal)	Biscay	Development of projects and technology innovation	100%	3	1,970	—	107	—
• Befesa Valera, S.A.S.	France	Recovery of metals	100%	4,000	(2,729)	—	(969)	—
• Befesa Zinc Gravelines, S.A.S.	France	Waelz oxide treatment	100%	8,000	1,613	—	296	—
• Befesa Scandust AB	Sweden	Recovery of metals	100%	5,310	2,902	(60)	(5,675)	—
• Befesa Silvermet Turkey, S.L.	Biscay	Holding	55.90%	10,301	244	—	3,600	(3,840)
• Befesa Silvermet Iskenderun	Turkey	Recovery of metals	100%	6,788	1,189	(3,016)	4,993	—
Befesa DisTicaret	Turkey	Recovery of metals	100%	1,198	273	(273)	458	—

Entity	Address	Activity	% Interest	30.06.2017 (Thousand euro) Share	Reserves	Translation differences	Results	Interim dividend
• Befesa Zinc Germany GmbH	Germany	Holding	100%	25	5,826	—	13,417	(13,000)
• Befesa Steel Services GmbH	Germany	Sales and logistics	100%	2,045	67,109	—	178	—
• Befesa Zinc Duisburg GmbH	Germany	Recovery of metals	100%	5,113	9,509	—	(240)	—
• Befesa Zinc Korea Ltd.	South Korea	Recovery of metal and mineral waste	100%	17,015	27,779	3,520	4.152	—
• Befesa Zinc Freiberg GmbH & Co. KG	Germany	Recovery of metals	100%	1,000	4,030	—	(307)	—
- Befesa Aluminio, S.L.U.	Biscay	Recovery of metals	100%	4,767	55,562	—	3,506	—
• Befesa Aluminio Comercializadora, S.L.	Biscay	Marketing company	100%	90	21	—	—	—
• Befesa Salt Slags, Ltd.	United Kingdom	Recovery of metals	100%	27,214	(21,089)	(2,085)	(864)	—
Joint arrangements								
- Recytech, S.A.	France	Recovery of metals	50%	6,240	1,097	—	8,115	—

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated Financial Statements and Consolidated Management's Report for the year ended 31 December 2016

Societé à responsabilité limitée
2C, rue Albert Borschette L-1246, Luxembourg
Share Capital – EUR 64,093,192.97

R.S.C. Luxembourg B177697

Audit report

To the Shareholders of
Bilbao Midco S.à r.l.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bilbao Midco S.à r.l. and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

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

Responsibility of the "Réviseur d'entreprises agréé"

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Bilbao Midco S.à r.l. and its subsidiaries as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information included in the management report but does not include the consolidated financial statements and our audit report thereon.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The management report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 28 April 2017

Markus Mees

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated balance sheet as at 31 December 2016
(Euro thousand)

Assets	Note(s)	2016	2015
Non-current assets:			
Intangible assets			
Goodwill	**6**	339,034	353,094
Other intangible assets, net	**7**	91,152	99,009
		430,186	**452,103**
Property, plant and equipment, net	**8**		
Property, plant and equipment in use		237,983	344,335
Property, plant and equipment under construction		12,352	16,188
		250,335	**360,523**
Investments carried under the equity method	**9**	**—**	**1,526**
Non-current financial assets	**10**		
Investments in subsidiaries and associates		1,309	2,702
Other non-current financial assets		20,523	24,346
		21,832	**27,048**
Deferred tax assets	**19**	**93,626**	**81,400**
Total non-current assets		**795,979**	**922,600**
Current assets:			
Assets classified as held for sale	**28**	**57,591**	**—**
Inventories	**11**	**30,410**	**48,489**
Trade and other receivables	**12**	**62,113**	**87,045**
Trade receivables from related companies	**12 – 25**	**916**	**1,507**
Accounts receivable from public authorities	**12 – 20**	**10,358**	**13,935**
Other receivables	**12**	**10,576**	**8,540**
Other current financial assets	**13**	**1,758**	**4,005**
Cash and cash equivalents	**4**	**59,054**	**57,443**
Total current assets		**232,776**	**220,964**
Total assets		**1,028,755**	**1,143,564**

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

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated balance sheet as at 31 December 2016
(Euro thousand)

Equity and liabilities	Note(s)	2016	2015
Equity:			
Parent Company	**14**		
Share capital		64,093	55,090
Share premium		233,087	222,090
Hedging and revaluation reserves		(47,163)	(506)
Other shareholder contributions		—	9,027
Reserves of consolidated companies		(45,449)	(7,130)
Translation differences		(2,400)	(845)
Net profit / (loss) for the period		(52,914)	(35,394)
		149,254	**242,332**
Non-controlling interests	**14**	**8,931**	**16,929**
Total equity		**158,185**	**259,261**
Non-current liabilities:			
Long-term provisions	**18**	**5,245**	**12,928**
Finance debt	**15**	**552,411**	**523,185**
Accounts payable for long-term finance leases	**15**	**166**	**7,535**
Deferred tax liabilities	**19**	**59,180**	**61,647**
Other non-current liabilities	**16**	**49,820**	**29,814**
Total non-current liabilities		**666,822**	**635,109**
Current liabilities:			
Liabilities related to assets held for sale	**28**	**7,209**	**—**
Finance debt	**15**	**29,137**	**74,951**
Accounts payable for short-term finance leases	**15**	**170**	**2,621**
Trade payables to related companies	**25**	**1,604**	**1,618**
Trade and other payables		**98,052**	**115,898**
Short-term provisions		**2,971**	**139**
Other payables			
Accounts payable to Public Administrations	**16-20**	14,720	19,441
Other current liabilities	**16**	49,885	34,526
		64,605	**53,967**
Total current liabilities		**203,748**	**249,194**
Total equity and liabilities		**1,028,755**	**1,143,564**

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

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated income statement for the year ended 31 December 2016
(Euro thousand)

	Note(s)	2016	2015
Continuing operations:			
Revenue	**5**	611,687	661,082
+/- Changes in stocks of finished products and work in progress		(3,595)	(1,047)
Procurements	**22**	(297,163)	(336,170)
Other operating income	**22**	9,344	10,085
Staff costs	**22**	(72,136)	(75,287)
Other operating expenses	**22**	(119,334)	(126,008)
Amortisation/depreciation, impairment and provisions	**22**	(44,496)	(92,685)
Operating profit		**84,307**	**39,970**
Financial income		6,335	6,757
Financial expenses	**23**	(58,123)	(62,896)
Net exchange differences		1,960	(920)
Finance income/(loss)		**(49,828)**	**(57,059)**
Share of net profit of associates accounted for using the equity method	**9**	—	—
Profit/(loss) before tax		**34,479**	**(17,089)**
Corporate income tax	**20**	(13,736)	(13,910)
Profit/(loss) for the year from continuing operations		**20,743**	**(30,999)**
Profit/(loss) for the year from discontinued operations		(71,795)	(5,053)
Profit/(loss) for the year		**(51,052)**	**(36,052)**
Attributable to:			
Parent company owners		(52,914)	(35,394)
Non-controlling interests		1,862	(658)
Earnings(losses) per share from continuing and discontinued operations attributable to owners of the parent (expressed in euro per share)			
Basic earnings per share			
-From continuing operations	**30**	(0.01)	(0.02)
-From discontinued operations	**30**	(0.01)	(0.00)
		(0.02)	(0.02)
Diluted earnings per share			
-From continuing operations	**30**	(0.01)	(0.01)
-From discontinued operations	**30**	(0.01)	(0.00)
		(0.02)	(0.01)

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

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated statement of comprehensive income for the year ended 31 December 2016
(Euro thousand)

	Notes	2016	2015
Consolidated profit/(loss) for the year		**(51,052)**	**(36,052)**
Other comprehensive income from continuing operations:			
Items that may subsequently be reclassified to income statement:			
Income and expense recognised directly in equity		**(56,915)**	**(22)**
- Cash-flow hedges	**15**	(75,413)	743
- Translation differences		(4,045)	(521)
- Tax effect	**15**	22,543	(244)
Transfers to the income statement	**15**	**6,213**	**(599)**
- Cash-flow hedges		8,855	(832)
- Tax effect		(2,642)	233
Other comprehensive income / (loss) for the year net of tax from continuing operations		**(50,702)**	**(621)**
Other comprehensive income / (loss) from discontinued operations:			
Items that may subsequently be reclassified to results:			
Income and expense taken directly to equity		**1,637**	**(1,229)**
- Translation differences		1,637	(1,229)
Other comprehensive income / (loss) for the year net of tax from discontinued operations		**1,637**	**(1,229)**
Other comprehensive income / (loss) for the year, net of tax		**(49,065)**	**(1,850)**
Total comprehensive income / (loss) for the year		**(100,117)**	**(37,902)**
Attributable to:			
Parent company owners		(101,126)	(36,902)
Non-controlling interests		1,009	(1,000)
Total comprehensive income attributable to the parent company's owners resulting from:			
Continuing operations		(31,536)	(34,176)
Discontinued operations		(69,590)	(2,726)

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

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2016 (Euro thousand)

	Attributable to owners of the parent								
	Share capital (Note 14)	**Share premium (Note 14)**	**Hedging and revaluation reserves (Note 14)**	**Other shareholder contributions (Note 14)**	**Other reserves (Note 14)**	**Translation differences (Note 14)**	**Net profit (loss) for the period (Note 14)**	**Non-controlling interests (Note 14)**	**Total equity**
Balances at 31 December 2014	**55,090**	**176,364**	**(406)**	**9,027**	**(28,763)**	**563**	**18,368**	**17,837**	**248,080**
Net profit / (loss) for 2015	—	—	—	—	—	—	(35,394)	—	(35,394)
Profit / (loss) for the year attributable to non-controlling interests	—	—	—	—	—	—	—	(658)	(658)
Transfer of hedges to profit or loss (Note 17)	—	—	(599)	—	—	—	—	—	(599)
Changes in valuation of hedges (Note 17)	—	—	499	—	—	—	—	—	499
Translation differences	—	—	—	—	—	(1,408)	—	(342)	(1,750)
Total comprehensive income / (loss) for 2015	—	—	(100)	—	—	(1,408)	(35,394)	(1,000)	(37,902)
Distribution profit / (loss) of 2014	—	—	—	—	18,368	—	(18,368)	—	—
Share premium increase	—	49,626	—	—	2,803	—			52,429
Other changes	—	—	—	—	462	—	—	—	462
Share premiun distribution (Note 14)	—	(3,900)	—	—	—	—	—	—	(3,900)
Changes in the scope of consolidation (Note 2.5)	—	—	—	—	—	—	—	92	92
Balances at 31 December 2015	**55,090**	**222,090**	**(506)**	**9,027**	**(7,130)**	**(845)**	**(35,394)**	**16,929**	**259,261**
Net profit / (loss) for 2016	—	—	—	—	—	—	(52,914)	—	(52,914)
Profit for the year attributable to non-controlling interests	—	—	—	—	—	—	—	1,862	1,862
Transfer of hedges to profit or loss (Note 17)	—	—	6,213	—	—	—	—	—	6,213
Changes in valuation of hedges (Note 17)	—	—	(52,870)	—	—	—	—	—	(52,870)
Translation differences	—	—	—	—	—	(1,555)	—	(853)	(2,408)
Total comprehensive income for 2016	—	—	(46,657)	—	—	(1,555)	(52,914)	1,009	(100,117)
Distribution profit / (loss) of 2015	—	—	—	—	(35,394)	—	35,394	—	—
Capital increase (Note 14)	9,003	10,997	—	(9,027)	(10,973)	—	—	—	—
Other operations with shareholders				200	—	—	—	—	200
Other changes	—	—	—	—	(222)	—	—	—	(222)
Changes in the scope of consolidation (Note 2.5)	—	—	—	—	8,070	—	—	(9,007)	(937)
Balances at 31 December 2016	**64,093**	**233,087**	**(47,163)**	**200**	**(45,649)**	**(2,400)**	**(52,914)**	**8,931**	**158,185**

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

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated cash flow statements for the year ended 31 December 2016
(Euro thousand)

	2016	2015
Cash flows from operating activities:		
Continuing operations	34,479	(17,089)
Discontinued operations	(67,082)	(3,828)
Loss for the year before tax including discontinued operations	**(32,603)**	**(20,917)**
Adjustments for:		
Depreciation and amortisation charge (Notes 7 and 8)	40,533	42,175
Impairment losses	19,248	59,503
(Profit)/loss from disposals (note 28)	54,986	—
Changes in provisions	2,896	(187)
(Profit)/loss from associates	(163)	(175)
Interest income	(2,090)	(2,660)
Finance costs	60,765	65,396
Other profit and loss	(1,133)	(1,563)
Exchange differences	(1,731)	563
Changes in working capital:		
Trade receivables and other current assets	(16,424)	(8,308)
Inventories	3,474	(6,967)
Trade payables	2,950	(1,182)
Other cash flows from operating activities:		
Interest paid	(55,722)	(58,579)
Other payments	(83)	(416)
Taxes paid	(18,833)	(12,109)
Net cash flows from operating activities	**56,070**	**54,574**
Cash flows from investing activities:		
Investments in Group and associated companies	(3,160)	(3,444)
Investments in intangible assets	(2,262)	(2,754)
Investments in property, plant and equipment (Note 8)	(30,208)	(47,435)
Other financial assets (Note 10)	1,118	—
Collections from disposals of Group and associated companies, net of cash	752	29,792
Collections from sale of property, plant and equipment	205	1,051
Dividends received	174	260
Interest received	209	293
Net cash flows from investing activities	**(33,172)**	**(22,237)**
Cash flows from financing activities:		
Cash bank inflows from bank borrowings and other liabilities	5,142	13,479
Cash bank outflows from bank borrowings and other liabilities	(15,852)	(65,801)
Transactions involving non-controlling interests	(6,756)	—
Dividends paid to holders of redeemable preferred shares	—	(3,900)
Net cash flows from financing activities	**(17,466)**	**(56,222)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(868)**	**(398)**
Net increase in cash and cash equivalents	**4,566**	**(24,283)**
Cash and cash equivalents at the beginning of year	57,443	81,726
Cash and cash equivalents at the year end from continuing operations	59,054	57,443
Cash and cash equivalents at the year-end classified as assets held for sale	2,955	—

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

1. General information

Bilbao MidCo, S.à.r.l. (hereinafter the "Parent Company" or the "Company") was incorporated in Luxembourg on 31 May 2013 as a "société à responsabilité limitée" subject to Luxembourg law for an unlimited period of time. The Company's registered office is at 2c rue Albert Borschette, L-1248, Luxembourg.

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

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

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

On 15 July 2013, the Company closed the acquisition of 100% of Befesa Medio Ambiente, S.L. and its subsidiaries (hereinafter "Befesa Medio Ambiente" or "Befesa"). The Company and its subsidiaries are hereinafter referred to as the "Group".

Befesa is an international industrial group (see Appendix) which engages mainly in the management and treatment of industrial residues (see Note 5).

Most of the systems, equipment and facilities included in Group's property, plant and equipment should be deemed to be assigned to the management and treatment of industrial residues and, in general, to the protection and improvement of the environment, either because of the business activities carried on by the Group or because of their nature (industrial residues). Also, most of the expenses and revenues for 2016 and 2015 should be understood to accrue in the normal course of the aforementioned activities. The information, if any, on possible provisions for contingencies and charges and on possible contingencies, liability and grants, if any, arising from the normal performance of the activities constituting the Group's companypurpose, and other environmental measures are described, as and when appropriate, in the related notes to the consolidated financial statements.

These activities are carried on by the Group companies, which are divided into two subgroups headed by the following investees of the Parent: MRH Residuos Metálicos, S.L. and Alianza Medioambiental, S.L., both of which are sole-shareholder companies.

Befesa Valorización de Azufre, S.L. (Sole-Shareholder Company), a company included in the scope of consolidation until the date of transfer during 2015 (Note 2.5), engaged in, among other operations, combined heat and power activities. This activity was regulated in 2015 by Law 24/2013, of 26 December, on the Electricity Sector, by Spanish Royal Decree-Law 9/2013, on urgent measures to guarantee the financial stability of the electricity system and Spanish Royal Decree 413/2014 defining the remuneration parameters of standard facilities applicable to certain electricity production facilities using renewable sources, cogeneration and waste. Pursuant to regulation in force, the power produced and not consumed by the companies is acquired by the electric utility operating in each area, with which the related supply agreements are reached.

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

2.1 Fair presentation

The Company's consolidated financial statements for 2016 were formally prepared:

- In accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS), in conformity with the Regulation (EC) of the European Parliament and of the Council, including International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the accompanying consolidated financial statements are summarised in Note 3.
- The consolidated financial statements have been prepared on a historical cost basis modified by the fair valuation of assets and liabilities (financial assets and liabilities including derivatives) at fair value.

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

- So that they present fairly Group's consolidated equity and financial position at 31 December 2016 and the results of its operations, changes in consolidated equity and consolidated cash flows in the year then ended.

- On the basis of the accounting records kept by the Parent and by the other Group companies, which include the joint ventures (UTEs) in which they had interests at 31 December 2016. However, since the accounting policies and measurement bases used in preparing Bilbao MidCo's consolidated financial statements (IFRS) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards as adopted by the European Union.

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

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

- Whenever necessary, certain comparative amounts have been reclassified to conform to changes in presentation in the current year.

In 2016 the Parent company's Board of Managers took the decision to divest and sell off practically all companies that comprised the Industrial Waste Management Segment (except for the subsidiary Befesa Argentina, S.A.). As a result of this decision, in December 2016 Befesa Gestión de Residuos Industriales, S.L., Befesa Gestión PCB, S.A., Gestión y Valorización Integral del Centro S.L., Residuos Industriales de la Madera de Córdoba, S.A., Betearte, S.A., Ecología Canaria, S.A. and Befesa Plásticos, S.L were sold. Additionally, the assets and liabilities of Solarca, S.L. (and its subsidiaries), Soluciones Ambientales del Norte, S.A. and Befesa Perú, S.A. were classified as held for sale at 31 December 2016. These companies were sold on 29 March 2017. As required under IFRS 5, in 2016 the operations of the aforementioned companies (to the date of sale for the first group of companies) are classified under profit / (loss) for the year from discontinued operations in the accompanying consolidated income statement. Also, in accordance with IFRS 5, the comparative balances for 2015 in the consolidated income statement for the companies in question, which were previously presented in the 2015 consolidated financial statements as profit/(loss) from continuing operations, have been reclassified to "Profit /(loss) from discontinued operations" (Note 28).

2.2 Adoption of new standards and interpretations issued

The Group consolidated financial statements for the year ended 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31 December 2016, taking into account all accounting principles and standards and compulsory measurement criteria with a significant effect, as well as the alternatives that legislation allows.

As a result of certain International Financial Reporting Standards coming into effect in January 2016, the Company has adapted its consolidated financial statements to those standards. These standards are set out below:

a) Standards, amendments and interpretations mandatory for all years beginning on or after 1 January 2016

Annual improvements to IFRS, 2010 to 2012 cycle: In December 2013 the IASB published Annual Improvements, Cycle 2010-2012. The amendments included in these Annual Improvements generally apply for the years starting on or after 1 January 2015 although early adoption is permitted. The main amendments included relate to:

- IFRS 2 "Share-based payments" Definition of condition relating to the irrevocable nature of the grant.

- IFRS 3 "Business combinations": Accounting for contingent consideration in a business combination.

- IFRS 8, "Operating segments" Disclosures concerning aggregation of operating segments and reconciliation of total assets assigned to reporting segments to the entity's assets.
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets": Proportionate restatement of accumulated depreciation and amortisation when the restatement model is used.
- IAS 24 "Related-party disclosures": Entities that provide key management personnel services as a related party.

The new interpretation has had no effect on the Group's consolidated financial statements.

IAS 19 (Amendment) "Defined benefit plans: Employee contributions": IAS 19 (revised in 2011) distinguishes between employee contributions related to and not related to service. The current amendment also differentiates between contributions linked to service only in the year in which they arise and those linked to service in more than one year. The amendment allows contributions linked to service and that do not vary over the length of service to be deducted from the cost of the benefits accrued in the year in which the service is rendered. Moreover, contributions linked to service which vary over the length of service should be extended over that time using the same allocation method as that applied to benefits. This amendment is applicable retrospectively in years beginning on or after 1 February 2015. Early adoption is permitted.

The new interpretation has had no effect on the Group's consolidated financial statements.

IFRS 11 (Amendment) "Accounting for acquisitions of interests in joint operations": This standard requires the principles on business combination accounting to be applied to an investor acquiring an interest in a joint operation which makes up a business. Specifically, identifiable assets and liabilities should be measured at fair value, the costs related to the acquisition should be recognised as an expense, the deferred tax should be recognised and the residual value should be recognised as goodwill. All other principles of business combination accounting apply, unless they conflict with IFRS 11. This amendment will be applicable prospectively to years starting on or after 1 January 2016 although early adoption is permitted.

The new interpretation has had no effect on the Group's consolidated financial statements.

IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable methods of depreciation and amortisation": This amendment clarifies that it is inappropriate to use revenue-based methods to calculate the depreciation of an asset because revenue generated by an activity which includes the use of an asset generally reflects factors other than the consumption of the economic benefits embedded in the asset. The IASB also clarifies that revenue is generally assumed to be an inappropriate basis for assessing consumption of the economic benefits in an intangible asset. This amendment is effective in the years starting on or after 1 January 2016 and will be applicable prospectively. Early application of the amendment is permitted.

The new interpretation has had no effect on the Group's consolidated financial statements.

IAS 16 (Amendment) and IAS 41 (Amendment) "Agriculture: Bearer plants". Under this amendment, bearer plants should be accounted for in the same way as property, plant and equipment, that differs from other biological assets.

The Group has no assets affected by these amendments.

IAS 27 (Amendment) "Equity method in separate financial statements": IAS 27 is amended to restore the option of using the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity. The definition of separate financial statements is also clarified. An entity choosing to change to the equity method will apply the amendments in the years starting on or after 1 January 2016.

The Company's separate financial statements are not prepared under IFRS - EU and therefore this amendment has no effect.

Annual improvements to IFRS. Cycle 2012 - 2014: The amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34 and will apply to the years starting on or after 1 January 2016, subject to adoption by the EU. The main amendments relate to:

- IFRS 5 "Non-current assets held for sale and discontinued operations". Changes in methods of disposal.
- IFRS 7, "Financial instruments: Disclosures". Continuing involvement in servicing contracts.

- IAS 19, "Employee Benefits": Determining the discount rate for post-employment benefits.
- IAS 34, "Interim Financial Reporting": Information presented elsewhere in the interim financial information.

These improvements do not have a significant effect for the Group.

IAS 1 (Amendment) "Disclosure Initiatives": The amendments to IAS 1 encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments made clarify that materiality applies to the whole of the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in financial disclosures.

The amendments to IAS 1 may be applied immediately and become mandatory for the years beginning on or after 1 January 2016.

The Group has assessed these new amendments and understands that the Group's disclosures in the financial statements are consistent with this initiative.

IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 28 (Amendment) "Investment entities" Applying the consolidation exception": The Group does not have the type of entities that may be affected by the amendments.

b) Standards, amendments and interpretations which have not yet come into effect but which may be adopted early in the years starting on or after 1 January 2016

At the date these consolidated financial statements, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations indicated below, although the Group has not adopted them early.

IFRS 9 "Financial instruments": This standard addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was published in July 2014 and replaces the guidance in IAS 39 on the classification and measurement of financial instruments. IFRS 9, maintains, although it simplifies, the mixed measurement model and establishes three main measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The classification basis depends on the entity's business model and the characteristics of the contractual cash flows of the financial assets. It requires that equity investments are measured at fair value through profit or loss with the irrevocable option at inception of presenting changes in fair value in non-recyclable other comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are recognised in the income statement. There have been no changes with respect to the classification and measurement of financial liabilities, except for the recognition of credit risk in other comprehensive income for liabilities at fair value through profit or loss.

Under IFRS 9, there is a new impairment model, the expected credit loss model, which replaces the impairment loss model under IAS 39, resulting in the earlier recognition of losses as was the case under IAS 39. IFRS 9 relaxes the requirements to consider the hedge effective. Under IAS 39, a hedge should be highly effective both prospectively and retrospectively. IFRS 9 replaces this line and requires that an economic relationship exists between the hedged item and hedging instrument and that the hedge ratio is the same as that actually used by the entity for risk management. Contemporaneous documentation is still required but is different to that prepared under IAS 39. Lastly, more detailed disclosure is required, including reconciliation of opening to closing expected loss provision, assumptions and data and reconciliation on the transition of original classification categories under IAS 39 to new classification categories under IFRS 9.

IFRS 9 is effective for years starting on or after 1 January 2018; early adoption is permitted. IFRS 9 will be applied retroactively but restatement of the comparative figures will not be required. If an entity elects to apply IFRS 9 early, it should apply all the requirements at the same time. Entities applying the standard before 1 February 2015 continue to have the option of applying it in phases.

Although the Group has not applied this standard early, it has analysed its potential effects on the most significant matters with respect to which it will be affected (hedge accounting and impairment losses). The Group considers that the changes related to hedge accounting will have no effect on the Group's practices and accounting records although it may facilitate the application and documentation of hedge accounting. The management does not expect these standards to have a significant impact on the classification and measurement of its assels and liabilities.

IFRS 15 "Revenue from contracts with customers": In May 2014, the IASB and FASB jointly issued a converging statement on the recognition of revenue from contracts with customers. Under this standard, revenue is recognised when a customer obtains control of an asset or service, i.e., when it has both the ability to direct the use and obtain the benefits of the asset or service. IFRS 15 includes new guidance in order to determine whether revenue should be recognised over time or at a point in time. It requires broad disclosure of both recognised revenues and revenues expected to be recognised in the future in relation to existing contracts. Similarly, quantitative and qualitative information should be provided on the significant judgements made by management in determining revenue recognised and any changes in such judgements.

Subsequently, in April 2016 the IASB published amendments to this standard. Although they do not amend the basic principles, they provide clarification on the most complex aspects.

IFRS 15 will be effective for the years beginning on or after 1 January 2018 although early adoption is permitted.

Group management is currently analysing the main contracts with customers in order to identify existing performance obligations and the expected allocation of the transaction price. The management does not expect these standards to have a significant impact on the classification and measurement of its asselts and liabilities.

c) Standards, amendments and interpretations applied to existing standards that cannot be adopted in advance or have not been adopted by the European Union

As of the date of signature of these consolidated financial statements, the IASB and IFRIC had published the standards, amendments and interpretations described below, which have not yet been endorsed by the European Union.

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint ventures": These amendments clarify the accounting treatment of the sale or contribution of assets between an investor and its associates and joint ventures. This will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. The investor will recognise the total gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition of a business, the investor should recognise the profit or loss to the extent of other investors' interests.

The policies applied by the Group are consistent with these amendments. No significant effects are therefore expected when they are adopted by the European Union.

IFRS 16 "Leases": In January 2016 the IASB published this new standard, as a result of a joint project with the FASB, which repeals IAS 17, "Leases". The IASB and FASB reached the same conclusions on several topics connected with accounting for leases, including the definition of a lease, the requirement, as a general rule, to recognise leases on the balance sheet and the measurement of lease liabilities. There are still differences between IASB and FASB as regards the recognition and presentation of lease expenses in the income statement and cash flow statement.

This standard will apply to annual reporting periods beginning on or after 1 January 2019 . It may be adopted early but only if the entity is at the same time applying IFRS 15 "Revenue from contracts with customers".

Management is currently analysing the main operating lease agreements in order to quantify the recognition on the balance sheet of the right to use the leased assets and the relevant liability for the instalments payable in accordance with contract terms. On the basis of the data currently under review, the accounting impacts of the application of the new standard (intangible assets and financial liabilities to be recognised) on the consolidated balance sheet and consolidated income statement (item presentation and temporary import) of lease costs will not be significant on the Group's consolidated financial situation and results.

IAS 7 (Amendment) "Disclosure Initiatives": An entity is required to disclose information which enables users to understand changes in liabilities arising from financing activities. This includes changes arising from:

- Cash flows, such as use and repayment of loans; and
- Non-monetary changes, such as acquisitions, disposals and unrealised exchange differences.

Liabilities deriving from financing activities are liabilities for which cash flows were or will be classified in the cash flow statement as cash flows from financing activities. Additionally, the new disclosure requirement includes disclosing the changes in financial assets (e.g. assets covering liabilities arising from financing activities) if cash flows from those financial assets were included or future cash flows will be included in cash flows from financing activities.

The amendment suggests that including a reconciliation of opening and closing balances in the balance sheet for liabilities from financing activities would fulfil this requirement although no specific format is defined.

This amendment will apply to years beginning on or after 1 January 2017.

The Group is analysing these information requirements although it considers that current information already takes into consideration the information requirements of this amendment not yet adopted by the European Union.

IAS 12 (Amendment) "Recognition of deferred tax assets for unrealised losses": The amendments to IAS 12 clarify the requirements for the recognition of deferred tax assets for unrealised losses. The amendment clarifies the accounting treatment of deferred tax when an asset is measured at fair value and that fair value is less than the asset's tax base. It also clarifies other aspects of accounting for deferred tax assets.

These amendments are applicable to all years starting on or after 1 January 2017.

Adoption of this amendment by the European Union is not expected to have a significant effect on the Group´s financial statements.

IFRS 15 (Amendment) "Clarifications to IFRS 15 "Revenues from contracts with customers": The IASB has amended IFRS 15 in order to:

- Clarify guidance on the identification of performance obligations, accounting for intellectual property licences and evaluation of principal versus agent (presentation of net v. gross revenues).
- Include new examples, amended for each area of guidance.
- Provide additional practical expedients for transitioning to the new standard.

These amendments do not change the core principles of IFRS 15, but just clarify some of the most complex aspects of this standard.

This amendment will be effective for annual reporting periods starting on or after 1 January 2018 subject to adoption by the EU.

The potential impacts of this amendment on the Group's businesses are being assessed in conjunction with the application of IFRS 15.

IFRS 2 (Amendment) "Classification and measurement of share-based payment transactions" :The amendment to IFRS 2 which was developed through the IFRS Interpretations Committee clarifies how to account for certain types of share-based payment transactions. In this respect, it provides the requirements for accounting for:

- The effects of the conditions for the irrevocability and non-determinant conditions for the irrevocability of the grant on the measurement of share-based payments settled in cash;
- Share-based payments, settled net of tax withholdings; and
- The amendment of the terms and conditions of a share-based payment which changes the classification of the transaction from cash settled to equity settled.

This amendment is effective for years starting on or after 1 January 2018; early adoption is permitted.

Application of this amendment is not expected to have a significant impact on the Group's financial statements.

IFRS 4 (Amendment) "Applying IFRS 9 Financial instruments" with IFRS 4 "Insurance contracts": Given that this amendment affects insurance companies, it will have no effect on the Group.

Annual improvements to IFRS. Cycle 2014 - 2016: The amendments affect IFRS 1, IFRS 12 and IAS 28 and will apply to the years starting on or after 1 January 2018 in the case of the amendments to IFRS 1 and IAS 28 and 1 January 2017 for IFRS 12, all contingent upon their endorsement by the EU. The main amendments relate to:

- IFRS 1, "First-time adoption of International Financial Reporting Standards".
- IFRS 12, "Disclosure of interests in other entities".
- IAS 28, "Investments in associates and joint ventures": Measurement of an investment in an associate or joint venture at fair value.

These improvements are not expected to have an effect on the Group once they are adopted by the European Union.

IAS 40 (Amendment), "Transfers of investment property": This amendment clarifies that in order to transfer to or from investment property, there must a change in use. By way of a conclusion, if there has been a change in use, an assessment must be made of whether the property meets the definition of an investment property.

This amendment will be effective for annual reporting periods starting on or after January 1, 2018 . Early application is permitted.

The Group has no and expects to have no assets classified as investment property for significant amounts.

IFRIC 22. "Foreign currency transactions and advance consideration": This IFRIC addresses how to determine the transaction date when the standard on foreign currency transactions (IAS 21) applies. The interpretation applies when an entity pays or receives advance consideration for contracts denominated in foreign currency.

The interpretation will be effective in the years beginning on or after 1 January 2018, although it may be applied early.

In its current situation, the Group does not expect this interpretation to have significant effects once it is adopted by the European Union.

2.3 Functional currency

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

2.4 Responsibility for the information and estimates made

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

In the Group´s consolidated financial statements for 2016, estimates are occasionally made by the senior management of the parent Company and of the consolidated companies, later ratified by the managers, in order to qualify certain of the assets, liabilities, income, expenses and obligations reported herein. Those estimates relate basically to the following:

Impairment losses on goodwill and certain assets (see Notes 3.1, 6, 7 and 8).

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

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

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

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

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

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

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

The Group only recognises assets up to the limit of estimated future taxable profits. These calculations require the use of estimates and a sensitivity analysis is performed of the most significant variables in such estimates.

Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group uses judgement to select a series of methods and makes assumptions that are mainly based on the market conditions existing at each balance sheet date.

The amount of certain provisions and/or contingent liabilities

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

Although these estimates were made on the basis of the best information available at 31 December 2016 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statement.

2.5 Consolidated Group and consolidation scope

Scope of consolidation

The accompanying consolidated financial statements for the year ended 31 December 2016 were prepared from the individual accounting records at that date of Bilbao MidCo, S.à.r.l. (the Parent Company -see Note 1-) and of the subsidiaries, associates and joint arrangements listed in Appendix.

Subsidiaries

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

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

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

The acquisition method is used to account for the acquisition of a subsidiary i.e. assets and liabilities and contingent liabilities are measured at fair value on the date of the acquisition (fair value of assets transferred, liabilities incurred with the former owners of the acquiree and the shares in equity issued by the Group). Any excess of the acquisition cost over the fair values of the identifiable net assets acquired is recognised as goodwill. Any shortfall in the acquisition cost with respect to the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is taken to profit or loss on the acquisition date. Acquisition-related costs are expensed in the year in which they are incurred. For each business combination, the Group may opt to recognise any non-controlling interest in the acquiree at fair value or at the proportional part of the non-controlling interest of the amounts recognised in respect of the net identifiable assets of the acquiree. The share of third parties of the equity of their investees is presented within Group's equity under "Non-Controlling Interests" in the consolidated balance sheet. The profit for the year is presented under "Profit/(loss) attributable to non-controlling interests" in the consolidated income statement and, where appropriate, in the consolidated statement of comprehensive income or consolidated statement of changes in equity.

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

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

Profit / loss generated by entities acquired during a year is consolidated taking into consideration only such profit /loss for the period between the date of acquisition and the end of that year. Consolidation of the profit / loss generated by entities disposed of during a year is carried out taking into consideration only those for the period between the beginning of the year concerned and the date of disposal.

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

None of the functional currencies of the subsidiaries, associates and joint operations located abroad relate to hyperinflationary economies as defined by IFRSs (IAS 29). Accordingly, at the 2016 accounting close it was not necessary to adjust the consolidated financial statements of any of the subsidiaries or associates to correct for the effect of inflation.

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

The main aggregates of the fully-consolidated companies at 31 December 2016 are shown in the Appendix.

Joint arrangements and temporary consortia ("UTEs")

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

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

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

(Thousand euro)

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

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

The consolidation of the "joint operations", including the UTEs, until their disposal in 2016, Gestión y Valorización Integral del Centro S.L. (industrial waste management companies also sold in 2016) and Recytech S.A.S (steel segment), in the consolidated financial statements means increasing assets, liabilities, income and expenses by approximately EUR 12,956 thousand, EUR 3,288 thousand, EUR 18.877 thousand and EUR 12.834 thousand, respectively (31 December 2015: EUR 24,094 thousand, EUR 16,246 thousand, EUR 22,521 thousand and EUR 17,940 thousand, respectively). At 31 December 2016 there are no assets and liabilities in UTEs (at 31 December 2015, current asset and liability balances deriving from UTEs were included amounting to EUR 8,247 thousand and EUR 8,238 thousand, respectively). The joint operations which have the legal form of a company and which are proportionately consolidated are listed in the Appendix.

Following the disposal of the companies identified in Note 28, the Group derecognised the interests held in UTEs at the year end 2015. A breakdown is as follows:

UTEs in 2015:

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

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

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

Associates

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

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

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

Changes in the scope of consolidation.

Following is a description of the main changes in the scope of consolidation in 2016 and 2015:

2016

Additions to the scope of consolidation and other movements:

In 2016 the minority shareholder of Befesa Zinc Korea Ltd. exercised the put option it held over 20% of its stake in that company. The Group recognised a liability amounting to EUR 6.1 million in 2014 for this put option, charged to parent company reserves, on the understanding that the risks and rewards had not been transferred to the parent company. The liability measured at fair value at year-end 2015 amounted to EUR 9.1 million and the final price paid on exercising the option in 2016 was EUR 8.3 million. Income amounting to EUR 0.8 million was recognised in the accompanying income statement for 2016.

Exclusion from the scope of consolidation

As mentioned in Note 28, certain Group companies in the Industrial Waste Management segment were sold during 2016, this activity being classified as a discontinued operation. This affected the companies Befesa Gestión de Residuos Industriales, S.L., Befesa Plásticos, S.L., Befesa Gestión PCB, S.A., Gestión y Valorización Integral del Centro S.L., Residuos Industriales de la Madera de Córdoba, S.A., Betearte, S.A., Ecología Canaria, S.A and other minor operations which were not consolidated.

2015

Additions to the scope of consolidation

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

In accordance with the above, in 2016 the Group re-estimated the present value of the contingent consideration and recognised a decrease in the liability of EUR 2.3 million. The effect of this re-estimation is recognised as a change in the fair value of assets and liabilities taken to results in financial income in the accompanying income statement.

Additionally, as indicated in Note 28 the Group sold the company in March 2017 as part of its divestment plan which was started up in 2016.

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

Exclusion from the scope of consolidation

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

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

3. Accounting principles and policies and measurement methods applied

3.1 Goodwill

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

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

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

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

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

3.2 Other intangible assets

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

Internally generated intangible assets - Research and development expenditure

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

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

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

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

The Group has recognised the work performed on its intangible assets in relation to the development of new technologies for which there is a high probability of technical and economic success as a decrease in the income statement headings which reflect the carrying amount of capitalised expenses for an amount of EUR 900 thousand (31 December 2015: EUR 1,159 thousand). The amounts capitalised during the year mainly relate to projects aimed at improving aluminium scrap treatment processes developed by the subsidiary Befesa Aluminio, S.L.

Computer applications

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

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

In 2015 the Group re-estimated the useful life of computer software, according to current technical reports, assigning a useful life of 5 years compared with the 10 years estimated in previous years. This re-estimation of the useful life increased the amortisation expense by approximately EUR 1,914 thousand.

Concessions, patents, licences and similar items

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

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

Licences acquired in a business combination are recognised at fair value at the acquisition date and have an indefinite useful life (Note 3.4).

(Thousand euro)

3.3 Property, plant and equipment

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

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

In-house work on non-current assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house warehouse materials consumption and manufacturing costs allocated using hourly absorption rates similar to those used for inventory valuation). In 2016 EUR 790 thousand were recognised in this connection (2015: EUR 2,796 thousand) (Note 23.2). At 31 December 2016, the work performed by the Group on its property, plant and equipment is recognised under “Other Operating Income” in the consolidated income statement. This amount mainly relates to work carried out in the subsidiary Befesa Aluminio S.L in connection with production process improvements and product development and renovation work at the landfill (2015: work carried out in the subsidiaries Befesa Aluminio S.L., Befesa Zinc Korea Ltd. and Befesa Aluminium Germany, GmbH) (Note 8).

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

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

Since the Group has to meet certain costs in relation to the closure of its facilities, the accompanying consolidated balance sheet includes the provisions raised for such costs (Note 18).

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

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

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

3.4 Asset impairment

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

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

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

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

3.5 Financial instruments

Financial investments

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

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

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

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

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

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

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

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

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

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

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

Factoring

The Group derecognises trade receivables for the amount of the receivables sold to banks provided that the factor assumes in full the bad and past-due debt risk relating to non-recourse factoring agreements. At 31 December 2016 and 2015, the unmatured balances receivable derecognised as a result of the aforementioned non-recourse factoring transactions amounted to EUR 33,108 thousand and EUR 36,799 thousand, respectively. However, the Group does not derecognise collection rights factored when substantially all the risks associated with them are retained.

Cash and cash equivalents

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

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

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

Debentures, bonds and bank borrowings

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

Trade and other payables

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

Derivative financial instruments and hedge accounting

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

Financial derivatives are initially measured at fair value on the date the derivative contract is entered into and are subsequently re-measured to reflect their fair value at all times. Gains and losses arising from these changes are recognised in the consolidated income statement, unless the derivative has been designated as a hedge which is highly effective, in which case it is recognised as follows:

- In the case of fair value hedges, if any, changes in the fair value of derivative financial instruments designated as hedges and changes in the fair value of a hedged item due to the hedged risk are recognised with a charge or credit, as appropriate, to the consolidated income statement.
- In the case of cash flow hedges and hedges of a net investment in a foreign operation, changes in the fair value of the hedging derivatives are recognised, in respect of the ineffective portion of the hedges, in the

consolidated income statement, and the effective portion is recognised under “Hedging and revaluation reserves” and “Translation Differences” in the consolidated balance sheet. The accumulated loss or gain under these headings is recognised in the consolidated income statement in the same period as that in which the hedged item affects net profit or loss or in the year of disposal.

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

At the time of the discontinuance of the hedge, the accumulated gain or loss at that time in the “Hedging and revaluation reserves” continues to be reflected under that heading until the transaction hedged is realised, at which time the profit or loss on that transaction will be adjusted. If a hedged transaction is no longer expected to occur, the gain or loss recognised under the aforementioned heading is transferred to the consolidated income statement.

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

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

The fair value of financial instruments is calculated as follows:

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

Financial assets and liabilities recognised as a result of the measurement at fair value of the aforementioned hedging instruments affected “Current Financial Assets - Other Financial Assets”, “Other Current Financial Assets”, “Other Non-Current Liabilities” and “Other Payables - Other Current Liabilities”, as described in Note 16.

3.6 Inventories

“Inventories” in the consolidated balance sheet includes the assets that the Group:

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

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

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

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

3.7 Classification between current and non-current

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

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

3.8 Share capital

Ordinary shares are classified as equity.

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

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

3.9 Grants, donations and bequests received

The Group companies recognise grants received as follows:

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

3.10 Provisions, contingent liabilities and contingent assets

In the preparation of the consolidated financial statements, the Parent's Managers drew a distinction between:

- Provisions: credit balances covering present obligations at the balance sheet date arising from past events that could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing.
- Contingent liabilities: possible obligations arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies and which do not meet the requirements for recognition as provisions.
- Contingent assets: possible assets that arise from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the companies. Contingent assets, if they are significant, are detailed in the notes of the financial statements, but they are not accounted until their contingency has been solved.

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

Provisions for pensions and similar obligations

Several Group companies have certain defined benefit obligations to their employees to supplement social security retirement pensions. These obligations had been externalised at 31 December 2016 and 2015. Subsidiaries' obligations as pension plan promoters are established in the contribution of a percentage of employees' pensionable salaries. These commitments are not significant on a Group scale.

Other provisions

In addition to the above, "Long-term provisions" in the accompanying consolidated balance sheet also includes, where applicable, the estimated amounts required to close certain facilities (note 3.3), and the estimated amounts required to settle any liability that might arise from ongoing litigations and other significant obligations, when it is considered more probable than not that these obligations will have to be met, while any contingent liabilities (possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group) are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37 (see Note 18).

3.11 Revenue recognition

a) Revenue

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

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

b) Interest income

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

c) Income from dividends

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

3.12 Recognition of contract revenue and costs

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

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

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

3.13 Leases

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

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

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

3.14 Interest cost

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

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

3.15 Foreign currency

Items included in the financial statements of each of the Group entities are measured using a currency of the primary economic environment in which the entity operates ("functional currency").

Transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the date of the transaction. During the year, the impact of differences between the exchange rate at the date of the transaction and the rate prevailing at the date of settlement are recognised with a charge or credit to income.

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

3.16 Income tax, deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

3.17 Severance indemnities

Under current labour legislation, the consolidated companies are required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken and a valid expectation is created vis-á-vis third parties in this respect.

At 31 December 2016, managers do not expect any significant dismissals or terminations to arise in the future and, accordingly, no provision was recognised in this connection in the accompanying consolidated balance sheet.

3.18 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered mainly through a sale transaction instead of through continued use and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets relating to employee remuneration, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent decrease in the value of an asset (or disposal group) to its fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group) but not for an amount in excess of the accumulated impairment loss recognised previously. The gain or loss not recognised previously on the date of sale of a non-current asset (or disposal group) is recognised on the date on which it is written off.

Non-current assets (including those that are part of a disposal group) are not amortised/depreciated while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets on the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities on the balance sheet.

A discontinued operation is a component of an entity that has been sold or classified as held for sale and which represents a line of business or a significant geographical area of operation, separate from the rest, forms part of an individual and coordinated plan to dispose of that line or area of operation or is a subsidiary acquired solely for resale. The profit / (loss) on discontinued operations is presented separately in the income statement.

3.19 Environmental matters

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

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

3.20 Related-party transactions

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

3.21 Dividend distribution

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

3.22 Segment information

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

3.23 Consolidated statement of cash flow

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

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The principal revenue-producing activities of the Group companies and other activities that are not investing or financing activities.
- Investing activities. Acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

4. Financial risk management policy

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

Risk management is carried out by the Corporate Financial Department in accordance with internal management rules. This Department identifies, assesses and hedges financial risks in close cooperation with the different operating units. The internal management rules provide written policies for global risk management, as well as for specific areas such as foreign currency risk, interest rate risk, and liquidity risk, use of derivative and non-derivative instruments and investment of cash surpluses. There were no changes in risk management policies between 2016 and 2015.

4.1 Financial risk factors

a) Market risk

i) Foreign currency risk

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

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

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

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

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

	2016	2015
Sales	94,255	112,535
Purchases	36,498	41,148

The most significant foreign currency transactions impacting the results of discontinued operations are detailed below (figures in thousand euro):

	2016	2015
Sales	9,203	17,698
Purchases	3,820	4,010

Since most transactions (expenses and revenues) shown above are carried out locally by the subsidiaries, a significant part of these transactions denominated in a currency other than the euro are actually denominated in the functional currency of the subsidiary, and therefore do not give rise to a significant exposure to foreing currency risk.

There are no significant trade balances nor loans denominated in a currency other than the functional currency of each subsidiary at the end of 2016.

Part of the transactions in foreign currency have been hedged, pursuant to the Group's policy.

The Group owns several foreign operations, whose net assets are exposed to the risk of foreign currency translation. Below are presented, in thousand euro, major net assets by currency (including non-controlling interests):

Currency	2016	2015
Swedish Krona	34,143	36,119
Korean Won	70,173	63,442
Turkish Lira	11,039	8,070
Argentinian Peso	2,587	3,750

For the subsidiaries whose assets and liabilities are carried as held for sale, at 31 December 2016 the main net assets by currency (including non-controlling interests) are:

	Thousand Euro:	
Currency	2016	2015
Peruvian sol	13,496	13,106
Chilean pesos	1,343	2,602

If the average exchange rate of the euro in 2016 and 2015 had depreciated / appreciated by 10% on all functional currencies other than the euro, with other variables remaining constant, equity and results for the year would not have changed significantly.

ii) Cash flow and fair value interest rate risk

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

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

In 2016 and 2015, had the average interest rates on the finance debt denominated in euros increased/decreased by 10 basic points, with all other variables remaining constant, the profit after tax for the year would not have been significantly affected as a result of the hedging policies in place.

The exposure of the Group´s finance debt to variations in interest rates is set out below:

	2016	2015
Total external finance debt (Note 15)	581,884	608,292
Finance debt included as liabilities related to assets held for sale	1,353	—
Fixed-rate finance debt (Note 15)	(464,024)	(478,752)
Effect of interest rate swaps	—	(81,750)
Finance debt subject to interest rate	**119,213**	**47,790**

iii) Price risk

Earnings in the Steel, Salt slags and Aluminium segments are exposed to the movement of recycled metal prices (zinc and aluminium). The Group manages price risk through the acquisition of options in exchange for a premium through which it assures a minimum sale price or through commodity swaps. Bilbao MidCo's policy in the steel waste recycling segment is to hedge between 60% and 70% of the sale transactions, which are subject to the risk of changes in selling prices.

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

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

b) Credit risk

Credit risk arises from cash and cash equivalents, financial instruments, derivatives and bank deposits, as well as ”Trade and other receivables” including receivables outstanding and committed transactions.

Regarding cash and cash equivalents, the Group’s credit policy is to use only entities that have been given high independent credit ratings. Most of the balances are held in credit institutions located in the eurozone, mainly in Spain and Germany, being their credit risk rated at least BBB or above.

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

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

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

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

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

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

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

c) Liquidity risk

A 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.

(Thousand euro)

Management monitors the Group's liquidity reserve projections and changes in net borrowings, calculated as follows at 31 December 2016 and 2015:

	2016	2015
Cash and cash equivalents	59,054	57,443
Other current financial assets (Note 13)	1,758	4,005
Undrawn credit facilities and unused financing (Note 15)	30,000	6,868
Liquidity reserve	**90,812**	**68,316**
PIK Toggle notes (Note 15)	162,025	162,025
Finance debt (Note 15)	419,523	436,111
Accounts payable for finance leases (Note 15)	336	10,156
Cash and cash equivalents	(59,054)	(57,443)
Other current financial assets (Note 13)	(1,758)	(4,005)
Net finance debt	**521,072**	**546,844**
Less non-current borrowings (Note 15)	(552,577)	(530,720)
Current net finance debt	**(31,505)**	**16,124**

Cash and cash equivalents comprise:

	2016	2015
Cash on hand and at banks	59,054	57,443
Total	**59,054**	**57,443**

For companies included as assets held for sale and liabilities related to assets held for sale, the liquidity reserve and net borrowings are as follows:

	2016
Cash and cash equivalents	2,955
Other current financial assets	127
Liquidity reserve	**3,082**
Borrowings	491
Finance lease creditors	862
Cash and cash equivalents	(2,955)
Other current financial assets	(127)
Net finance debt	**(1,729)**
Less long-term borrowings	(890)
Short term-net finance debt	**(2,619)**

One of Group's strategic objectives is the optimisation and most efficient possible use of its assets and resources assigned to the business. Therefore, the Group pays special attention to the net operating working capital invested in it. In this respect, as in previous years, during 2016 and 2015 the Group made significant efforts to control and reduce collection periods with customers and other debtors and to optimise payment terms, unifying policies and conditions across the Group.

(Thousand euro)

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

	Within one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2016				
Bank borrowings (Note 15)	29,307	483,845	68,732	—
Trade and other payables(*)	164,261	4,099	35,940	1,415
Unaccrued interest payable	45,456	26,905	1,837	—
At 31 December 2015				
Bank borrowings (Note 15)	77,752	61,287	467,216	2,217
Trade and other payables(*)	171,483	4,159	10,701	3,156
Unaccrued interest payable	47,832	45,698	25,771	—

(*) It does not include capital grants amounting to EUR 8.4 and EUR 11.8 million in 2016 and 2015, respectively.

There follows an analysis of financial liabilities recognised under Liabilities related to assets held for sale at year-end 2016 (Note 28):

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2016				
Borrowings	463	846	44	—
Trade and other payables*	4,804	—	—	135

d) Capital risk

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

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

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

The detail of the debt/equity ratios (excluding balances with Group companies) at 31 December 2016 and 2015 is as follows:

Excluding Preferred Equity

	2016	2015
Total bank borrowings (Notes 15)	581,884	608,292
Less: Cash and cash equivalents	(59,054)	(57,443)
Other current financial assets (Note 13)	(1,758)	(4,005)
Net debt	**521,072**	**546,844**
Total non-Preferred equity	(63,905)	37,171
Total capital invested	**457,167**	**584,015**
Borrowing ratio	**114%**	**93.6%**

(Thousand euro)

Including Preferred Equity

	2016	2015
Total bank borrowings (Notes 15)	581,884	608,292
Less: Cash and cash equivalents	(59,054)	(57,443)
Other current financial assets (Note 13)	(1,758)	(4,005)
Net debt	**521,072**	**546,844**
Total non-preferred equity	(63,905)	37,171
Total Preferred equity	222,090	222,090
Total equity	**158,185**	**259,261**
Total capital invested	**679,257**	**806,105**
Borrowing ratio	**76,7%**	**67.8%**

4.2 Fair value estimation

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. reference prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable market data) (Level 3).

The table below shows the Group's assets and liabilities that were measured at fair value at 31 December 2016 and 2015:

2016	Level 2	Level 3	2016
Assets			
- Derivatives (Note 17)	124	—	124
Total assets at fair value	**124**	**—**	**124**
Liabilities			
- Derivatives (Note 17)	67,276	—	67,276
- Other liabilities at fair value (Note 2.5)	—	9,217	9,217
Total liabilities at fair value	**67,276**	**9,217**	**76,493**

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

a) Financial instruments level 2

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

Specific techniques for measuring financial instruments include:

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

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

b) Financial instruments level 3

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

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

Key assumptions in the measurement of these liabilities are mainly based on the expected future return generated by the company in accordance with criteria established in Note 27. As a result of the assessment carried out at the year end 2016, an adjustment was made to the liability recognised, generating income in the income statement amounting to EUR 2.3 million.

The Group has no compensation agreements for financial assets and liabilities at 31 December 2016 and 2015.

5. Segment reporting

The Board of Managers is ultimately responsible for making the Group’s operational decisions, being this board the Chief operating decision maker (CODM). The Board reviews the Group’s internal financial information in order to assess its performance and allocate resources to the segments.

In 2016 the Group changed its oversight, analysis and reporting structure. As a result, the composition of the segments to be reported on changed. The aluminium segment on which the Group reported until 31 December 2015 was restated and the information is disclosed in the Salt slags and Aluminium segments.

As a result, the Board of Managers has analysed the business based on the three segments indicated below as the Industrial Waste Management Segment ceased to be a reporting segment in 2016 following the operations described in Notes 2 and 28. These segments practically relate in full to the following:

- Steel waste recycling
- Salt Slags
- Aluminium

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

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

This measurement basis excludes the effects of non-recurring expenses and those incurred in atypical transactions (adjusted EBIT and EBITDA). The segmented information received by the Board of Managers also includes financial income and expenses and tax aspects.

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

a) Segment reporting

Set out below is the distribution by segment of EBIT for the years ended 31 December 2016 and 2015 (excluding from the figures for 2015 the part classified as discontinued operations in 2016 for the Industrial Waste Management Segment (Note 28)) (thousand euro):

	2016(*)				
	Steel	**Salt slags**	**Aluminium**	**Corporate, other minor and eliminations**	**Total**
Revenue	281,081	78,896	285,475	(33,765)	611,687
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(184,459)	(54,856)	(277,811)	34,242	(482,884)
Amortisation/Depreciation, impairment and provisions	(23,204)	(12,176)	(6,908)	(2,208)	(44,496)
EBIT (Operating profit/(loss))	**73,418**	**11,864**	**756**	**(1,731)**	**84,307**
Extraordinary impairments / provisions(**)	5,563	5,793	865	2,882	15,103
EBITDA adjustements (c+d)	2,328	312	1,351	(38)	3,953
Adjusted EBIT	**81,309**	**17,969**	**2,972**	**1,113**	**103,363**

(*) It does not include the part of the Industrial Waste Management Segment classified as a discontinued operation (Note 28).

(**) It does include, mainly, the impairment of property, plant and equipment at 31 December 2016 in the steel segment amounting to EUR 5 million (Note 8), and in the salt slags segment amounting to EUR 5 million (Note 8).

	2015(*)				
	Steel	**Salt slags**	**Aluminium**	**Corporate, other minor and eliminations**	**Total**
Revenue	253,865	84,006	320,738	2,473	661,082
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(173,785)	(55,425)	(307,002)	7,785	(528,427)
Amortisation/Depreciation, impairment and provisions (a)	(28,228)	(6,503)	(4,915)	(53,039)	(92,685)
EBIT (Operating profit/(loss)) (b)	**51,852**	**22,078**	**8,821**	**(42,781)**	**39,970**
Extraordinary impairments / provisions(**)	11,051	—	93	53,645	64,789
EBITDA adjustements (c+d)	(1,755)	953	512	(9,497)	(9,787)
Adjusted EBIT	**61,148**	**23,031**	**9,426**	**1,367**	**94,972**

(*) It does not include the part of the Industrial Waste Management Segment classified as a discontinued operation (Note 28).

(**) This line reflects, mainly, the impairment of goodwill and intangible assets at 31 December 2015 in the steel segment, amounting to to EUR 7.9 million (Note 6) and EUR 1.6 million, respectively (Notes 7 and 22), and impairment of Property, plan and equipment in the subsidiary Befesa Valorización de Azufre, S.L., subsidiary sold in 2015 (Note 2.5), included in "Corporate, other minor and eliminations", figures amounting to EUR 44 million (Notes 8 and 22).

The reconciliation of adjusted EBIT to results attributable to the parent company is as follows:

	2016	**2015**
Adjusted EBIT	103,363	94,972
– Extraordinary impairments / provisions	(15,103)	(64,789)
– EBITDA adjustments	(3,953)	9,787
Operating profit/(loss)	84,307	39,970
Financial income (expense)	(49,828)	(57,059)
– Share in profits of companies carried under the equity method	—	—
Corporate income tax	(13,736)	(13,910)
Profit/(loss) attributable to continuing operations	20,743	(30,999)
Profit/(loss) attributable to discontinued operations	(71,795)	(5,053)
Non-controlling interests	(1,862)	658
Profit/(loss) attributed to the parent company	**(52,914)**	**(35,394)**

Set out below is the distribution by segment of EBITDA for the years ended 31 December 2016 and 2015 (excluding from the figures for 2015 the part classified as discontinued operations in 2016 for the Industrial Waste Management Segment (Note 28)) (thousand euro):

	2016(*)				
	Steel	**Salt slags**	**Aluminium**	**Corporate, other minor and eliminations**	**Total**
Revenue	281,081	78,896	285,475	(33,765)	611,687
Income/Expenses from operations (except revenue, depreciation and amortisation/ depreciation charge and provisions)	(184,459)	(54,856)	(277,811)	34,242	(482,884)
Amortisation/Depreciation, impairment and provisions (a)	(23,204)	(12,176)	(6,908)	(2,208)	(44,496)
EBIT (Operating profit/(loss)) (b)	**73,418**	**11,864**	**756**	**(1,731)**	**84,307**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions) (a+b)	**96,622**	**24,040**	**7,664**	**477**	**128,803**
One-time projects (c)	1,854	312	117	859	3,142
Non-recurrent costs / incomes (d)	474	—	1,234	(897)	811
Adjusted EBITDA	**98,950**	**24,352**	**9,015**	**439**	**132,756**

(**) It does not include the part of the Industrial Waste Management Segment classified as a discontinued operation (Note 28).

(Thousand euro)

	2015(*)				
	Steel	Salt slags	Aluminium	Corporate, other minor and eliminations	Total
Revenue	253,865	84,006	320,738	2,473	661,082
Income/Expenses from operations (except revenue, depreciation and amortisation/depreciation charge and provisions)	(173,785)	(55,425)	(307,002)	7,785	(528,427)
Amortisation/Depreciation, impairment and provisions (a)	(28,228)	(6,503)	(4,915)	(53,039)	(92,685)
EBIT (Operating profit/(loss)) (b)	**51,852**	**22,078**	**8,821**	**(42,781)**	**39,970**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions) (a+b)	**80,080**	**28,581**	**13,736**	**10,258**	**132,655**
One-time projects (c)	93	92	18	1,052	1,255
Non-recurrent costs / incomes (d)	(1,848)	861	494	(10,549)	(11,042)
Adjusted EBITDA	**78,325**	**29,534**	**14,248**	**761**	**122,868**

(*) It does not include the part of the Industrial Waste Management Segment classified as a discontinued operation (Note 28).

The reconciliation of operating results to results attributable to the parent company is as follows:

	2016	2015
Adjusted EBITDA	132,756	122,868
– One-time projects	(3,142)	(1,255)
– Non-recurrent costs / incomes	(811)	11,042
Amortisation/Depreciation, impairment and provisions	(44,496)	(92,685)
Operating profit / (loss)	84,307	39,970
Financial income (expense)	(49,828)	(57,059)
- Share in profits of companies carried under the equity method	—	—
Corporate income tax	(13,736)	(13,910)
Profit / (loss) attributable to continuing operations	20,743	(30,999)
Profit / (loss) attributable to discontinued operations	(71,795)	(5,053)
Non-controlling interests	(1,862)	658
Profit / (loss) attributed to the parent company	**(52,914)**	**(35,394)**

The detail of sales by geographical segment for the years ended 31 December 2016 and 2015 is as follows:

Geographical area	2016(*)	%	2015(*)	%
Spain	160,830	26%	201,878	31%
Germany	90,022	15%	80,024	12%
France	49,005	8%	58,942	9%
United Kingdom	29,070	5%	20,888	3%
Rest of Europe	171,406	28%	184,235	28%
Turkey	7,217	1%	4,776	1%
South Korea	13,517	2%	16,237	2%
Rest of the world	90,620	15%	94,102	14%
	611,687	**100%**	**661,082**	**100%**

(*) It does not include the part of the Industrial Waste Management Segment classified as a discontinued operation (Note 28).

(Thousand euro)

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

	2016	2015(*)
Spain	62,337	138,446
Germany	92,592	94,162
France	22,048	28,446
United Kingdom	10,192	18,449
Rest of Europe	11,762	13,108
Turkey	3,772	4,117
South Korea	56,323	61,142
Rest of the world	1,461	20,662
	260,487	**378,532**

(*) The information for 2015 includes assets associated with discontinued operations (Note 28).

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

	2016(*)					2015(*)				
	Steel	Salt slags	Aluminium	Corporate, other minor and eliminations	Total	Steel	Salt slags	Aluminium	Corporate, other minor and eliminations	Total
Depreciation/ amortisation charge:										
- Property, plant and equipment (Notes 8 and 22)	(16,273)	(6,538)	(5,228)	(194)	(28,233)	(15,478)	(6,372)	(4,063)	(2,855)	(28,768)
- Intangible assets (Note 7 and 22)	(1,405)	(270)	(850)	(1,981)	(4,506)	(1,252)	(131)	(763)	(2,558)	(4,704)
- Reversal/ (recognition) of impairment losses (Note 22)	(5,526)	(5,368)	(830)	(33)	(11,757)	(11,498)	—	(89)	(47,626)	(59,213)
Total	**(23,204)**	**(12,176)**	**(6,908)**	**(2,208)**	**(44,496)**	**(28,228)**	**(6,503)**	**(4,915)**	**(53,039)**	**(92,685)**

(*) It does not include the part of the Industrial waste management segments classified as a discontinued operation (Note 28).

(Thousand euro)

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

	2016					2015					
	Steel	Salt slags	Aluminium	Corporate, other minor and eliminations	Total	Steel	Salt slags	Aluminium	Industrial environmental solutions(*)	Corporate, other minor and eliminations	Total
Assets											
Intangible assets	361,891	49,673	23,589	(4,967)	430,186	363,245	49,593	23,586	19,039	(3,360)	452,103
Property, plant and equipment	124,629	58,454	65,272	1,980	250,335	138,934	63,188	67,372	90,146	883	360,523
Investments in associates and other non-current assets	55,832	1,500	33,011	25,115	115,458	36,051	1,738	29,642	49,683	(7,140)	109,974
Current assets	101,940	15,458	50,864	6,923	175,185	89,055	15,614	56,090	63,008	(2,803)	220,964
Assets held for sale	—	—	—	57,591	57,591	—	—	—	—	—	—
Total assets	**644,292**	**125,085**	**172,736**	**86,642**	**1,028,755**	**627,285**	**130,133**	**176,690**	**221,876**	**(12,420)**	**1,143,564**
Equity and liabilities											
Equity	151,778	64,946	39,037	(97,576)	158,185	193,765	72,506	35,217	54,487	(96,714)	259,261
Non-current liabilities	376,337	48,704	71,962	169,819	666,822	345,397	45,387	62,488	115,696	66,141	635,109
Current liabilities	116,177	11,435	61,737	7,190	196,539	88,123	12,240	78,985	51,693	18,153	249,194
Liabilities related to assets held for sale	—	—	—	7,209	7,209	—	—	—	—	—	—
Total equity and liabilities	**644,292**	**125,085**	**172,736**	**86,642**	**1,028,755**	**627,285**	**130,133**	**176,690**	**221,876**	**(12,420)**	**1,143,564**

(*) It includes the companies detailed in Note 2, which the Group has decided to divest and sell off and Befesa Argentina, S.A.

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

	2016					2015				
	Steel	Salt slags	Aluminium	Corporate and eliminations(*)	Total	Steel	Salt slags	Aluminium	Corporate and eliminations(*)	Total
Additions to non-current assets (Notes 7 and 8)	7,596	9,579	4,559	7,739	29,473	26,897	8,206	6,573	17,180	58,856
Disposals of non-current assets (Notes 7 and 8)	(2,262)	(37)	—	(13,249)	(15,548)	(3,756)	—	(2,179)	(2,272)	(8,207)
Changes in the scope of consolidation (Notes 7 and 8)	—	—	—	(157,967)	(157,967)	86	—	—	(68,781)	(68,695)
Net investments in the period (Notes 7 and 8)	**5,334**	**9,542**	**4,559**	**(163,477)**	**(144,042)**	**23,227**	**8,206**	**4,394**	**(53,873)**	**(18,046)**

(*) It includes additons, disposals and variation in the scope of consolidation relating the the part of the Industrial waste management segments discontinued in 2016

(Thousand euro)

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

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

b) Information on customers

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

	%	
	2016	2015
Steel	76.8%	71.6%
Salt slags	31.5%	30.8%
Aluminium	29.2%	25.0%

6. Goodwill

The detail of the "Goodwill" balance in the consolidated balance sheets at 31 December 2016 and 2015 and of movements in 2016 and 2015 is as follows:

	Thousand euro
Balance at 31 December 2014	**346,964**
Additions (Note 2.5)	14,060
Impairment	(7,930)
Balance at 31 December 2015	**353,094**
Transfers to assets classified as held for sale	(14,060)
Balance at 31 December 2016	**339,034**

	Balance at 01/01/15	Additions	Impairment	Balance at 31/12/15	Transfers to assets classified as held for sale	Balance at 31/12/16
Steel	301,698	—	(7,930)	293,768	—	293,768
Salt slags	36,213	—	—	36,213	—	36,213
Aluminium	9,053	—	—	9,053	—	9,053
Industrial environmental solutions	—	14,060	—	14,060	(14,060)	—
	346,964	**14,060**	**(7,930)**	**353,094**	**(14,060)**	**339,034**

Additions in 2015 amounting to EUR 14.1 million derive from the acquisition of Solarca, S.L. (Notes 2.5 and 27).

Impairment analysis

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

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

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

- Projections of the cash flows of the cash generating unit / group of cash generating units in question are made for periods of between five and ten years (when based on past experience it is possible to predict cash flows accurately over a period longer thatn five years), calculating a residual value based on flow for the last year projected, provided that this flow is representative of a normalised flow to reflect margin and cash flow experience in those businesses, as well as future expectations. Perpetuity growth is not envisaged (g=0).
- The gross margins used in the calculation of the value for 2016 and 2015 are in line with the profit expected to be obtained based on past experience of profits of each of the segments and on new contracts existing in each case.

(Thousand euro)

- To discount the flows, a discount rate is used based on the weighted average cost of capital for assets of this type, adjusted, where necessary, on the basis of the additional risk that could be contributed by certain types of activity.
- In any case, further sensitivity analyses are conducted, particularly with regard to the discount rate used and the residual growth rate, to ensure that the effect of possible changes in estimates of these rates does not have an impact on the recoverability of the recognised goodwill.

The measurement methods indicated above led to discount rates used to perform the impairment test in a range of between 5.02% and 8.47% in 2016 and 2015. The discount rates used are net of taxes and reflect the risks specific to the significant CGU segments. The managers consider that changes in the discount rate used (approximately 50 basic points) would not have a significant impact on these consolidated financial statements.

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

At the end of 2016 and 2015, estimates were made of the recoverable amounts of the cash-generating units to which goodwill had been allocated in accordance with Note 3.1 and the methods described above. No impairment has been recognised in 2016 (7.9 million in 2015 relating to the Steel segment).

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

7. Other intangible assets

Movements in "Other Intangible Assets" in the consolidated balance sheet for 2016 and 2015 are as follows:

	Development expenditure	Licenses and other	Computer software	Administrative concessions and others	Intangible assets in progress	Total
Cost:						
Balance at 01/01/16	**10,905**	**81,000**	**24,113**	**2,099**	**—**	**118,117**
Changes in scope of consolidation	(4,831)	—	(5,357)	(39)	—	(10,227)
Additions	2,570	—	183	—	—	2,753
Disposals	(95)	—	(109)	—	—	(204)
Transfers	95	—	(52)	309	—	352
Translation differences (net)	(12)	—	(111)	8	—	(115)
Transfer to assets classified as held for sale	(1,627)	—	(1,003)	(417)	—	(3,047)
Balance at 31/12/16	**7,005**	**81,000**	**17,664**	**1,960**	**—**	**107,629**
Accumulated amortisation-						
Balance at 01/01/16	**(5,944)**	**—**	**(11,546)**	**(1,618)**	**—**	**(19,108)**
Changes in scope of consolidation	3,254	—	3,295	39	—	6,588
Additions	(1,401)	—	(3,837)	(271)	—	(5,509)
Disposals	95	—	130	—	—	225
Translation differences (net)	2	—	47	(9)	—	40
Transfer to assets classified as held for sale	606	—	462	219	—	1,287
Balance at 31/12/16	**(3,388)**	**—**	**(11,449)**	**(1,640)**	**—**	**(16,477)**
Other intangible assets, net at 01/01/16	**4,961**	**81,000**	**12,567**	**481**	**—**	**99,009**
Other intangible assets, net at 31/12/16	**3,617**	**81,000**	**6,215**	**320**	**—**	**91,152**

(Thousand euro)

Movements in "Other Intangible Assets" in the consolidated balance sheet in 2015 were as follows:

	Development expenditure	Licenses and other	Computer software	Administrative concessions and others	Intangible assets in progress	Total
Cost:						
Balance at 01/01/15	**8,230**	**81,000**	**24,713**	**3,572**	**2**	**117,517**
Changes in scope of consolidation	516	—	(580)	17	—	(47)
Additions	2,177	—	501	76	—	2,754
Disposals	(18)	—	(346)	(1,566)	—	(1,930)
Translation differences (net)	—	—	(175)	—	(2)	(177)
Balance at 31/12/15	**10,905**	**81,000**	**24,113**	**2,099**	**—**	**118,117**
Accumulated amortisation-						
Balance at 01/01/15	**(4,698)**	**—**	**(8,002)**	**(1,641)**	**—**	**(14,341)**
Changes in scope of consolidation	(139)	—	392	(7)	—	246
Additions	(1,120)	—	(4,150)	(73)	—	(5,343)
Disposals	18	—	178	103	—	299
Translation differences (net)	(5)	—	36	—	—	31
Balance at 31/12/15	**(5,944)**	**—**	**(11,546)**	**(1,618)**	**—**	**(19,108)**
Other intangible assets, net at 01/01/15	**3,532**	**81,000**	**16,711**	**1,931**	**2**	**103,176**
Other intangible assets, net at 31/12/15	**4,961**	**81,000**	**12,567**	**481**	**—**	**99,009**

2016

The most significant additions for the year relate to development expenses capitalised in subsidiaries amounting to EUR 1,775 thousand, of which EUR 900 thousand relates to continuing operations.

Changes in the scope of consolidation mainly relate to the sale of the subsidiaries indicated in Note 2.5 in the Industrial Waste Management segment.

Additionally, the intangible assets of the companies indicated in 2.1 of the Industrial Waste Management Segment which had not been sold at 31 December 2016 were transferred to the assets held for sale group, except for those assets related to the subsidiary Befesa Argentina, S.A.

2015

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

The most significant disposals relate to EUR 1.6 million in capitalised industrial property in Befesa Silvermet Turkey, S.L, which has been derecognised as its recoverability is not considered probable (Note 22.5).

Investment commitments

At 31 December 2016 and 2015 the Group had no significant investment commitments.

(Thousand euro)

8. Property, plant and equipment

Movements in this consolidated balance sheet caption in 2016 and 2015 are as follows:

2016

	Land and buildings	Plant and machinery	Other property, plant and equipment	Fixed assets in progress	Total
Cost:					
Balance at 01/01/16	**204,997**	**504,996**	**54,269**	**16,188**	**780,450**
Changes in the scope of consolidation	(28,015)	(97,061)	(22,459)	(206)	(147,740)
Additions	1,028	13,080	2,108	10,504	26,720
Disposals	(5,912)	(7,253)	(1,928)	(251)	(15,344)
Transfers	(40)	11,952	550	(12,505)	(43)
Translation differences (net)	597	(4,989)	(132)	(820)	(5,344)
Transfer to assets classified as held for sale	(16,267)	(14,674)	(6,256)	(558)	(37,755)
Balance at 31/12/16	**156,388**	**406,051**	**26,152**	**12,352**	**600,944**
Accumulated depreciation and provisions:					
Balance at 01/01/16	**(63,566)**	**(308,359)**	**(40,386)**	**—**	**(412,311)**
Changes in the scope of consolidation	7,399	57,674	17,932	—	83,004
Additions	(5,467)	(27,159)	(2,398)	—	(35,024)
Disposals	2,731	5,859	1,513	—	10,103
Translation differences (net)	(37)	3,455	96	—	3,514
Transfer to assets classified as held for sale	6,019	7,412	4,290	—	17,721
Balance at 31/12/16	**(52,921)**	**(261,118)**	**(18,953)**	**—**	**(332,993)**
Impairment losses at 01/01/16	**—**	**(7,616)**	**—**	**—**	**(7,616)**
Additions	—	(10,000)	—	—	(10,000)
Impairment losses at 31/12/16	**—**	**(17,616)**	**—**	**—**	**(17,616)**
Carrying amount at 01/01/16	**141,431**	**189,021**	**13,883**	**16,188**	**360,523**
Carrying amount at 31/12/16	**103,467**	**127,317**	**7,199**	**12,352**	**250,335**

(Thousand euro)

2015

	Land and buildings	Plant and machinery	Other property, plant and equipment	Fixed assets in progress	Total
Cost:					
Balance at 01/01/15	**250,265**	**442,369**	**58,515**	**47,185**	**798,334**
Changes in the scope of consolidation	(63,365)	1,294	(5,525)	(1,052)	(68,648)
Additions	3,279	27,408	4,087	21,328	56,102
Disposals	(203)	(3,298)	(2,524)	(252)	(6,277)
Transfers	15,223	35,749	52	(51,024)	—
Translation differences (net)	(202)	1,474	(336)	3	939
Balance at 31/12/15	**204,997**	**504,996**	**54,269**	**16,188**	**780,450**
Accumulated depreciation and provisions:					
Balance at 01/01/15	**(62,352)**	**(280,479)**	**(38,455)**	**—**	**(381,286)**
Changes in the scope of consolidation	6,555	(3,529)	(388)	—	2,638
Additions	(7,995)	(25,293)	(3,544)	—	(36,832)
Disposals	129	1,930	1,700	—	3,759
Translation differences (net)	97	(988)	301	—	(590)
Balance at 31/12/15	**(63,566)**	**(308,359)**	**(40,386)**	**—**	**(412,311)**
Impairment losses at 01/01/15	**—**	**(7,616)**	**—**	**—**	**(7,616)**
Additions	(33,766)	(5,900)	(4,500)	—	(44,166)
Changes in the scope of consolidation (Note 2.5)	33,766	5,900	4,500	—	44,166
Impairment losses at 31/12/15	**—**	**(7,616)**	**—**	**—**	**(7,616)**
Carrying amount at 01/01/15	**187,913**	**154,274**	**20,060**	**47,185**	**409,432**
Carrying amount at 31/12/15	**141,431**	**189,021**	**13,883**	**16,188**	**360,523**

2016

The main additions for the year basically relate to investments in health and safety and environmental projects and maintenance investments made at each plant.

Changes in the scope of consolidation mainly relate to the sale of the subsidiaries indicated in Note 2.5 in the Industrial Waste Management segment.

Additionally, the tangible assets of the companies indicated in 2.1 of the Industrial Waste Management Segment which had not been sold at 31 December 2016 were transferred to assets held for sale, except for those assets related to the subsidiary Befesa Argentina, S.A.

2015

The main movements in 2015 are as follows:

The following were deconsolidated owing to the sale of Befesa Valorización de Azufre, S.L. (Note 2.5):

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

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

(Thousand euro)

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

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

Impairment losses

In 2016 the Group recognised PPE impairment in respect of Befesa Valera, SAS and Befesa Salt Slags, Ltd. amounting to EUR 5 million each, after estimating that future cash flows generated by these subsidiaries would not be sufficient to recover the carrying amount of the plant.

In 2015 the Group recognised impairment in respect of Befesa Valorización de Azufre, S.L. amounting to EUR 44.2 million, after estimating that future cash flows generated by this subsidiary would not be sufficient to recover the carrying amount of this plant, as confirmed by the selling price obtained at the time of sale (29 December 2015) (Note 2.5).

Insurance

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

Capitalisation of borrowing costs

There are no borrowing costs capitalised in 2016 (EUR 0.6 million in 2015 related mainly to the plants of Befesa Zinc Korea, Ltd. in 2015 and Befesa Aluminium Germany GmbH until their start-up).

Mortgaged property, plant and equipment

At 31 December 2016 and 2015 there are no significant fixed assets pledged to secure loans.

9. Investments accounted for using the equity method

There are not investments in associates at 31 December 2016. The detail of the investments in associates at 31 December 2015 is as follows:

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

The Company was deconsolidated as a result of the sale of the subsidiaries indicated in note 2.5. Its results for 2015 and 2016 until its disposal are considered as results on discontinued operations.

Gross changes in “Investments accounted for using the equity method” in the consolidated balance sheet in 2016 and 2015 were as follows:

	2016	2015
Opening balance	1,526	1,650
Results of investments accounted for using the equity method	163	175
Dividends paid	(174)	(299)
Variation in consolidation scope (Note 2.5)	(1,515)	
Closing balance	**—**	**1,526**

At 31 December 2015, the total assets and liabilities of associates accounted for using the equity method amounted to approximately EUR 4,590 thousand and EUR 1,200 thousand, approximately respectively.

In 2016 revenues of the associate accounted for using the equity method, until its sale, and results for the year amounted to approximately EUR 6,130 thousand (2015: EUR 5,603 thousand) and EUR 363 thousand (2015: EUR 389 thousand), respectively.

(Thousand euro)

10. Non-current financial assets

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

2016

	Balance at 31/12/2015	Changes in scope of consolidation, net	Additions/ (Charge for the year)	Disposals	Transfers to assets classified as held for sale (Note 28)	Balance at 31/12/2016
Investments in subsidiaires and associates						
Investments in Group companies	4,175	1,200	591	(58)	(31)	5,877
Investments in associates and other companies	2,101	—	—	(1,121)	—	980
Value adjustments	(3,574)	(1,725)	(318)	59	10	(5,548)
	2,702	**(525)**	**273**	**(1,120)**	**(21)**	**1,309**
Long-term loans						
Other long-term loans	37,566	(3,559)	6,653	(5,178)	(170)	35,312
Value adjustments	(14,643)	(706)	(4,417)	4,842	—	(14,924)
Other non-current financial assets	1,423	(862)	165	(411)	(180)	135
	24,346	**(5,127)**	**2,401**	**(747)**	**(350)**	**20,523**
Total	**27,048**	**(5,652)**	**2,674**	**(1,867)**	**(371)**	**21,832**

2015

	Balance at 01/01/2015	Changes in scope of consolidation, net	Additions/ (Charge for the year)	Disposals	Transfers	Balance at 31/12/2015
Investments in Group companies and associates						
Investments in Group companies	10,484	(1,724)	—	(4,585)	—	4,175
Investments in associates and other companies	2,101	—	—	—	—	2,101
Value adjustments	(8,146)	(10)	(3)	4,585	—	(3,574)
	4,439	**(1,734)**	**(3)**	**—**	**—**	**2,702**
Long-term loans						
Other long-term loans	29,031	2,822	1,808	(376)	4,281	37,566
Value adjustments	(8,975)	—	(2,773)	—	(2,895)	(14,643)
Financial derivatives (Note 17)	464	—	—	(464)	—	—
Other non-current financial assets	933	453	128	(91)	—	1,423
	21,453	**3,275**	**(837)**	**(931)**	**1,386**	**24,346**
Total	**25,892**	**1,541**	**(840)**	**(931)**	**1,386**	**27,048**

(Thousand euro)

a) *Investments in Group companies and associates*

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

2016	% Direct and indirect ownership interest	Book Cost	Value adjustments	Share capital	Reserves and translation differences	Profit/ (loss) for the year
Group companies						
Befesa Silvermet Izmir A.S.	55.9%	1,148	—	580	9	(181)
Other		4,729	(4,568)			
		5,877	**(4,568)**			
Associates and other companies						
Other		980	(980)			
		980	**(980)**			

The net variation in consolidation in 2016 for equity investment relates mainly to the sale of the companies indicated in note 2.5.

2015	% Direct and indirect ownership interest	Book Cost	Value adjustments	Share capital	Reserves and translation differences	Profit/ (loss) for the year
Group companies						
Befesa Projects LLC	70%	281	—	359	—	(55)
Befesa Silvermet Izmir A.S.	55.9%	1,122	—	651	(21)	33
Other		2,772	(2,594)			
		4,175	**(2,594)**			
Associates and other companies						
Betearte, S.A.	33%	1,121	—	2,750	(1,623)	(586)
Other		980	(980)			
		2,101	**(980)**			

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

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

2016

	Registered address	Activity
Group companies		
Befesa Silvermet Izmir A.S.	Turkey	Recovery of metals

2015

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

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

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

b) Other long-term loans

At 31 December 2016 and 2015, this heading included an account receivable from a non-fully consolidated group company relating to prior years´ input VAT vis-à- vis the Portuguese tax authorities on the purchase of aluminium scrap. In 2014, this balance was totally impaired (EUR 7.4 million), considering the time elapsed and the development of the ongoing litigation.

In addition, this heading includes loans with Betearte (EUR 1.4 million).

Other loans are included with group companies that are not fully consolidated, namely Befesa Industrial Services USA, Inc. (EUR 4.1 million), Aluminio en Discos, S.A.U. (EUR 1.6 million) and Befesa Colombia, S.A.S. (EUR 1.5 million). Such balances with group companies are fully accrued at 31 December 2016.

At 31 December 2015, this heading also included other loans to group companies that were not fully consolidated, which corresponded to Befesa Mexico S.A. de C.V. (EUR 2.8 million which was fully accrued) and other companies investees of Befesa Gestión de Residuos Industriales, S.L (EUR 4.3 million of which EUR 2.9 million was accrued). This heading also included long-term collection rights amounting to EUR 2.8 million in 2015 relating to the accounts receivable from various UTEs in which the Group had a stake (see changes in the scope of consolidation (Note 2.5)).

It also includes EUR 16.9 million related to an upstream loan to Bilbao LuxCo, S.A. (Note 25) granted by the Company, with a maturity date ending the 1 December 2018 and an interest rate of 11%, approximately. This loan has accrued interest amountin to EUR 1.7 million during the year (EUR 1.3 million in 2015).

11. Inventories

The detail of "Inventories" in the accompanying consolidated balance sheet at 31 December 2016 and 2015 is as follows:

	2016	2015
Finished goods	6,563	13,952
Goods in progress and semi-finished goods	294	89
Work in progress	84	2,956
Raw materials	11,601	17,789
Other	11,312	13,211
Advances to suppliers	556	492
Total	**30,410**	**48,489**

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

12. Accounts receivable

The breakdown of the accounts receivable in the accompanying consolidated balance sheet at 31 December 2016 and 2015 is as follows:

	2016	2015
Work completed not invoiced	1,889	2,173
Trade and other receivables	62,278	87,687
Trade receivables from related companies (Note 25)	916	1,507
Other receivables	10,576	8,540
Public authorities (Note 20)	10,358	13,935
Less- Allowance for doubtful debts	(2,054)	(2,815)
Total	**83,963**	**111,027**

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

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

The recoverability of trade and other receivables is assessed of individual balance basis. Balances that are matured but which have not exceeded the period of collection agreed with customers (ranging between 30 and 60 days) are not considered as bad debt. At 31 December 2016 and 2015, there were no balances that had exceeded the agreed-upon collection terms or the habitual payment periods for which impairment losses had not been recognised. The trade receivables for which impairment losses were not recognised relate to independent customers which have no recent history of default. All trade balances mature in less than twelve months.

At 31 December 2016 and 2015, impairment losses had been recognised for all receivables, past due or otherwise, the recoverability of which was considered to be doubtful at those dates. Impairment losses were recognised on the basis of an estimate of the reasonable loss corresponding to each trade receivable.

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

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

Changes in the allowances for doubtful debts relating to the Group’s trade and other receivables for 2016 and 2015 are as follows:

	2016	2015
Opening balance	**(2,815)**	**(2,809)**
Provision for impairment	(285)	(341)
Write-off uncollectible accounts receivable and other transfers	—	(24)
Reversal of provisions and other	—	359
Changes in the scope of consolidation (Note 2.5)	1,046	—
Closing balance	**(2,054)**	**(2,815)**

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

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

The detail of the accounts receivable denominated in foreign currency and recognised at the end of 2016 and 2015 in the accompanying consolidated balance sheet is as follows (in thousand euro):

	2016	2015
US dollars	8,912	4,676
Peruvian nuevo sol	—	5,668
Swedish krona	31	3,902
Argentinian peso	3,902	4,447
Chilean peso	—	831
Pound sterling	733	1,504
Korean won	2,413	1,511
Other	51	3,082
	15,232	**25,621**

(Thousand euro)

13. Other current financial assets

The detail of "Other Current Financial Assets" in the accompanying consolidated balance sheet at 31 December 2016 and 2015 is as follows:

	2016	2015
Short-term deposits in financial institutions	—	712
Derivative financial instruments (Note 17)	124	423
Other short-term loans	1,574	2,378
Short-term guarantees and deposits	60	492
Total	**1,758**	**4,005**

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

14. Equity

a) Share capital

As at 31 December 2015, subscribed and fully paid-up capital was represented by 5,728,116 Class-A preference shares and 5,503,246,234 Class-B ordinary shares with a par value of EUR 0.01 each, totalling EUR 55,089,743.50.

During 2016, there has been a capital increase, consisting in the issuing of 900,344,916 new Class-B shares with a par value of EUR 0.01 each. The capital increase has been performed with a share premium amounting to EUR 10,997 thousand. This capital increase was subscribed by Bilbao LuxCo, S.A., which contributed with the convertible bond, acquired to Abengoa for an amount of EUR 20 million.

Consequently, as at 31 December 2016, subscribed and fully paid-up capital was represented by 5,728,116 Class-A preference shares and 6,403,591,150 Class-B ordinary shares with a par value of EUR0.01 each.

Afterwards, there was transfer of Bilbao MidCo's shares between Bilbao LuxCo, S.A. and Triton Luxwmbourg II GP Bilbao, S.A.

Consequently, at 31 December 2016 and 2015, the Parent's shareholder structure was as follows:

	Percentage of ownership	
	2016	2015
Bilbao LuxCo, S.A.	88.91%	88.75%
Triton Luxembourg II GP Bilbao, S.A.	11.09%	11.25%
Total	**100%**	**100%**

The Class A preference shares and Class B ordinay shares differ as follows: in respect of each distribution of dividend, the amount allocated to this effect shall be distributed in the following order of priority:

- First, each Class A Preference share shall entitle to the Preference share return (preference share return means the cumulative dividend in an amount of 10% per annum of the nominal value of the preference shares and share premium attached to these preference shares).
- Second, any remaining dividend amount after allocation of the Preference share return shall be allocated pro rata among the Class B Ordinay shares.

(Thousand euro)

b) Share premium and other reserves

The detail in the consolidated balance sheet is as follows:

	2016	2015
Share premium	233,087	222,090
Hedging reserves and revaluation reserves	(47,163)	(506)
Other shareholder contributions	—	9,027
Reserves of consolidated companies	(45,449)	(7,130)
Total	**140,475**	**223,481**

Share premium

The share premium may be used to provide for the payment of any shares which the Parent Company may repurchase from its shareholders, to offset any net realised losses, to make distributions to its shareholders, in the form of a dividend, or to allocate funds to the Legal reserve, provide that any such repurchases or distributions out of the share premium paid on the Class-A Shares may only benefit such Class-A Shares. The share premium paid on the Class-A Shares amounts to EUR 222 million as at 31 December 2016 and 2015.

On February 2015, the Vendor note held with Abengoa was acquired by its Parent Company, and was consequently capitalised for an amount of EUR 49.6 million, including a principal amount of EUR 47.5 million and accrued interest amounting to EUR 2.1 million. Later in 2015, EUR 3.9 million premium share was distributed to Class-A Shareholders.

Other shareholder contributions

This amount referred to the fair value measurement of the convertible bond at the acquisition date in 2013 of the Befesa Medio Ambiente Group. The measurement was made considering the Befesa Medio Ambiente Group’s value based on the value-in-use method.

This convertible bond matured in 2028 (15 years as from the acquisition of Befesa Medio Ambiente Group from Abengoa) and was subject to two extension options of five years each at the discretion of Bilbao MidCo, S.à.r.l. The loan’s principal may be settled with a single repayment at maturity and accrues interest at the 6-month Euribor rate plus a 6% spread, with an option for the Company to capitalise or pay interest at the end of each accrual period. Certain triggering events, which include the Group´s insolvency, a maximum net debt/EBITDA ratio of 8.0 throughout the life of the convertible loan, and the failure to meet certain financial objectives in the last three years of the 15-year loan term (minimum expected operating cash flow, minimum cash coverage ratio of 1.3) would result in the automatic conversion of the loan into 14.06% of Bilbao MidCo’s shares. Furthermore, under certain scenarios involving the sale of the Group by the Company, and conversion of the convertible bond into 14.06% of Bilbao MidCo’s shares, the Company can force Abengoa to sell its 14.06% stake together with the sale of the Company’s stake, on the same terms applicable to the Company. In any event, if Abengoa did not receive such a request from the Company, Abengoa could sell its 14.06% stake resulting from the conversion together with the remaining stake sold by the Company and, in this case, the sale would be valid only if the acquirer also buys the 14.06% stake.

The convertible loan was an equity instrument considering that:

- The instrument included no contractual obligation for the issuer to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.
- The instrument meets the “fixed-for-fixed” requirement.
- There were clauses that guarantee equality in economic rights of bondholders and shareholders in the case of corporate actions (reorganizations, dividend distributions …).

In 2016, Bilbao LuxCo, S.A. acquired from Abengoa the convertible bond for an amount of EUR 20 million. After that, Bilbao LuxCo, S.A. has signed a contribution agreement with Bilbao MidCo, S.à r.l. for which Bilbao LuxCo, S.A. has agreed to subscribe for 900,344,916 new Class-B shares with a nominal value of EUR 0.01 per share. The shares have been issued for a total amount of EUR 20,000,000, including a share premium in a total amount of EUR 10,996,550.84. Bilbao LuxCo, S.A. has agreed to pay for these shares by way of a contribution in kind which consists of the aforementioned convertible bond held by the subscriber in the Company, representing a total amount of EUR 20,000,000.

c) Translation differences

The breakdown, by company, of "Translation Differences" at 31 December 2016 and 2015 is as follows:

Company or group of companies	2016	2015
Befesa Argentina, S.A.	(3,284)	(2,850)
Befesa Perú, S.A.	(164)	(551)
Befesa Zinc Korea, Ltd.	5,201	3,758
Befesa Salt Slags, Ltd.	(910)	1,709
Soluciones Ambientales del Norte, S.A.	(401)	(1,706)
Befesa Scandust AB	(787)	(392)
Befesa Silvermet Iskenderum, A.S.	(1,280)	(627)
Other	(775)	(186)
Total	**(2,400)**	**(845)**

d) Profit/(Loss) for the period

The detail, by business segment, of the contribution to consolidated profit/(loss) attributable to the Parent for the years ended 31 December 2016 and 31 December 2015 is as follows:

	2016	2015
Steel	21,263	4,103
Salt slags	6,075	10,047
Aluminium	(1,164)	3,715
Corporate, other minor and consolidation adjustments	(7,293)	(48,206)
Profit/(loss) for the year from discontinued operations	(71,795)	(5,053)
Total	**(52,914)**	**(35,394)**

(*) Consolidation adjustments are mainly related to the elimination of dividends and changes in impairment losses on investments attributable to the Parent. In addition, the consolidation adjustments attributable to the other companies are included in their respective income statements.

e) Non-controlling interests

The detail of "Equity - Non-Controlling Interests" on the liabilities side of the accompanying consolidated balance is as follows:

	2016	2015
Industrial Environmental Solutions:		
Befesa Plásticos, S.L.	—	15
Residuos Industriales de la Madera de Córdoba, S.A.	—	691
Solarca Qatar, W.L.L.	357	335
Steel:		
Befesa Silvermet Turkey, S.L.	8,574	7,196
Befesa Zinc Korea, Ltd.	—	8,692
	8,931	**16,929**

Summary information on subsidiaries with non-controlling material shareholdings

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

(Thousand euro)

2016

Subgroup/ Company	Befesa Silvermet Turkey S.L. and its subsidiaries
Assets	22,024
Liabilities	2,582
Equity	19,442
Sales	14,221
Profit before taxes	6,470
Profit after taxes	5,151

2015

Subgroup/Company	Befesa Silvermet Turkey S.L. and subsidiaries	Befesa Zinc Korea Ltd.
Assets	22,663	68,529
Liabilities	6,349	25,067
Equity	16,314	43,462
Sales	9,003	13,858
Profit /(loss) before taxes	(367)	(2,346)
Profit/(loss) after taxes	(548)	(2,424)

The percentages of non-controlling interests for Befesa Silvermet Turkey, S.L. and its subsidiaries and Befesa Zinc Korea Ltd. amounted to 44.1% (2016 and 2015) and 20% (in 2015), respectively.

f) Capital management

The Group's capital management focuses on achieving a financial structure that optimises cost of capital while maintaining a solid financial position. This policy reconciles the creation of value for the shareholder with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business (Note 4.1.d.).

Group management consider that the minimal leverage ratio is a good indicator of the degree to which the objectives set are being achieved. At 31 December 2016 and 2015, most of the debts are related to business acquisitions made in prior years.

15. Finance debt

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

	2016		2015	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans and credit facilities	24,289	552,411	69,297	523,185
Unmatured accrued interest	4,848	—	5,654	—
Accounts payable for finance leases	170	166	2,621	7,535
Total	**29,307**	**552,577**	**77,572**	**530,720**

The main terms and conditions of the borrowings are as follows:

			2016		2015	
Limit in nominal currency (thousand currency)	**Effective interest rate**	**Maturity date**	**Current maturity**	**Non-Current maturity**	**Current maturity**	**Non-Current maturity**
a) EUR 300,000	8.875%	2018	3,328	298,671	3,328	297,704
b) EUR 150,000	10.50%-11.25%	2018	1,359	160,666	1,359	160,666
c) EUR 167,500 (2015: EUR 190,000)	Euribor + 2.25% (Euribor + 4.25% until July 2016)	2020	23,151	92,578	37,790	58,386
d) EUR 15,000	10%	2016	—	—	15,695	—
e) Other			1,469	662	19,400	13,964
			29,307	**552,577**	**77,572**	**530,720**

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

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

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

The Notes bear interest at a rate of 10.50% per annum with respect to Cash Interest (as defined in the agreement) and 11.25% per annum with respect to PIK Interest (as defined in the agreement). Interest will be payable semi-annually in arrears on 1 June and 1 December of each year, commencing on 1 June 2014. As at 31 December 2016, unpaid interest have been capitalised for a total amount of EUR 12.6 million (2015: EUR 12.6 million).

c) On 28 July 2016, in order to standardize the financial structure of the Group, Befesa Medio Ambiente, S.L. refinanced the syndicated financing contract amounting to EUR 190 million signed on 27 September 2013, which included two loans amounting to EUR 75 million and EUR 60 million, respectively, as well as a credit line and a guarantee line for EUR 30 million and EUR 25 million, respectively.

This refinancing, amounting to EUR 167.5 million includes two loans amounting to EUR 46 million and EUR 56.5 million, respectively, as well as a credit line and a guarantee line for EUR 30 million and EUR 35 million respectively. The loan of EUR 46 million is repayable on a straight-line basis through six-monthly instalments (except for the first and the last two instalments) and the last instalment falls due on 31 March 2020. The loan of EUR 56 million, lines of credit and guarantees mature in full on the same date, 31 March 2020.

The group companies Befesa Aluminio, S.L.U., Befesa Salt Slags, Ltd., Befesa Salzschlacke GmbH, Alianza Medioambiental, S.L.U., MRH Residuos Metálicos, S.L.U., Soluciones Ambientales del Norte Ltda, S.A., Befesa Perú S.A. and Befesa Aluminium Germany GmbH act as personal guarantors for the obligations assumed by the Company on this operation.

The interest rate established for the funding is determined based on a floating rate plus a market spread. There are also financial covenants to meet based on various ratios on a consolidated basis as well as a limit on fixed asset investment established for the duration of the loan. At the 2016 and 2015 year ends the covenants had been properly complied with.

(Thousand euro)

d) At 31 December 2015 the debt recognised by Befesa Aluminium Germany, GmbH with Abengoa, S.A. related to the financing received for the plant recently built in Bernburg, amounting to EUR 15.7 million (including capitalised interest). This loan was repaid early in 2016 by the Group.

e) At 31 December 2016 Other mainly includes short-term payables with banks on the factoring of accounts receivable and amounts payable for leases (at 31 December 2015 it included amounts payable to banks under factoring contracts amounting to EUR 11.7 million and leases amounting to EUR 10.1 million. In addition, following the consolidation of the Solarca Group, financial debt increased in 2015 by EUR 2.9 million because of the loans arranged with credit institutions and by EUR 3.2 million because of credit lines).

Every loan and credit line with variable interest accrues interest at market rates, basically the Euribor rate plus a spread.

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

	2016	2015
2017	—	61,287
2018	469,495	462,759
2019	14,349	2,891
2020	68,529	1,566
Subsequent years	204	2,217
Total	**552,577**	**530,720**

At 31 December 2016 and 2015, the Group has unused credit facilities with no personal guarantee arranged, totalling EUR 13 million and EUR 868 thousand, respectively. In addition, an amount of EUR 17 million has not been drawn yet from the syndicated financing arrangement (EUR 6 million in 2015), (Note 4 c).

15.1 Financing currencies

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

	2016	2015
Euro	581,283	603,886
Swedish krona	601	736
Others	—	3,670
	581,884	**608,292**

16. Other current and non-current payables

	2016		2015	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Other Group Liabilities	—	1,197	—	1,198
Payable to non-current asset suppliers	1,145	—	4,231	—
Derivative financial instruments (Note 17)	36,289	30,987	19	671
Accounts payable to public authorities (Note 20)	14,720	—	19,441	—
Remuneration payable	6,747	—	6,345	—
Other	5,704	17,636	23,931	27,945
Total	**64,605**	**49,820**	**53,967**	**29,814**

"Other" mainly include the capital grants not yet released to income and debts with official bodies amounting to approximately EUR 8.4 million (2015: EUR 15.8 million) and EUR 9.2 million recognised in respect of future payments to be made for the acquisition of the subsidiary Solarca, SL and its subsidiaries. (2015: EUR 14 million).

(Thousand euro)

Additionally, at year-end 2015 it recorded the amount owed to the minority shareholders of the subsidiary Befesa Zinc Korea Ltd. (EUR 6.6 million). This amount was cancelled in 2016 together with the restated amount recognised for the valuation of the put option of such minority shareholders amounting to EUR 9.1 million (Note 2.5).

17. Financial derivatives

The Group uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed, which are mainly risks arising from changes in exchange rates, interest rates and the market price of certain metals, mainly aluminium and zinc. The detail of the balances that reflect the measurement of derivatives in the accompanying consolidated balance sheets at 31 December 2016 and 2015 is as follows:

	2016	2015
Cash flow hedges current assets (Note 13):		
Swap contracts for zinc	—	423
Foreign currency cap	124	—
	124	**423**
Total assets	**124**	**423**
Cash flow hedges non-current liabilities (Note 16):		
Swap contracts for zinc	30,987	—
Interest rate swap	—	671
	30,987	**671**
Cash flow hedges current liabilities (Note 16):		
Swap contracts for zinc	36,217	—
Foreign currency cap	72	19
	36,289	**19**
Total liabilities	**67,276**	**690**

- Zinc and aluminium derivative contracts

The detail of the tonnes sold, the selling price of which was hedged and of the maturity of the related contracts at 31 December 2016 and 2015 is as follows:

	Tons			
	31 December 2016		31 December 2015	
	2017	2018 and subsequent years	2016	2017 and subsequent years
Hedge (in tonnes)				
Zinc Contract Floors	—	—	73,200	—
Swap contract for zinc	73,200	67,100	—	—
	73,200	**67,100**	**73,200**	**—**

Derivatives are designated to hedge highly probable forecast transactions (sales) and the full effect of the hedge is recognised in equity, net of tax effect, considering its assessment as highly effective hedging instruments. The portion transferred to profit / (loss) each year is recognised under “Revenue” in the income statement at each settlement date.

- Interest rate swaps (floating to fixed)

At 31 December 2016 the Group has arranged no interest rate swaps.

The notional amounts of the IRSs outstanding at 31 December 2015 totalled EUR 81,750 thousand (Note 4.1), which were classified as highly effective hedging instruments.

(Thousand euro)

At 31 December 2015, the fixed interest rate was 1% and the main benchmark floating rate was Euribor. This derivative matured in 2016.

- Foreign currency cash flow hedges

At 31 December 2016, currency purchase contracts (swaps or forwards) amounted to:

- US dollar sales: USD 19,490 thousand.
- EUR sales: EUR 9,316 thousand.

At 31 December 2015, currency purchase contracts (swaps or forwards) amounted to:

- US dollar sales: USD 2,467 thousand.

Highly probable future hedged transactions denominated in foreign currency are expected to take place on various dates within the next twelve months. The gains and losses recognised in the hedging reserve in equity in connection with forward foreign currency contracts at 31 December 2016 and 2015 are recognised in profit or loss in the year in which the hedged transactions affect the income statement. Gains and losses in equity in respect of currency forwards at 31 December 2016 will be transferred to the income statement over the next 12 months.

18. Long-term provisions

The detail of "Long-Term Provisions" on the liability side of the accompanying consolidated balance sheets and of movements in 2016 and 2015 is as follows:

	Provisions for litigation, pensions and similar obligations	Other provisions for contingencies and charges	Total long-term provisions
Balance at 01 January 2015	**1,789**	**13,044**	**14,833**
Period provisions charged to income	381	272	653
Provisions used	(89)	(2,464)	(2,553)
Transfers	(48)	43	(5)
Balance at 31 December 2015	**2,033**	**10,895**	**12,928**
Period provisions charged to income	230	166	396
Provisions used	—	(83)	(83)
Transfers	—	115	115
Changes in the scope of consolidation (Note 2.5)	—	(7,918)	(7,918)
Transfers to liabilities related to assets held for sale (Note 28)	—	(193)	(193)
Balance at 31 December 2016	**2,263**	**2,982**	**5,245**

"Other Provisions for contingencies and charges" includes, until its disposal, the provisions recognised by the subsidiary Befesa Gestión de Residuos Industriales, S.L. for the expenses arising from the sealing and closure of its septic tanks amounting to approximately EU 7.9 million at the time of disposal (year end 2015: EUR 7.8 million). In addition, the Group companies Befesa Valera, S.A.S. and Befesa Zinc Gravelines, S.A.S. recognised a provision of approximately EUR 2.2 million at 31 December 2016 and 2015 for the present value of the estimated costs of dismantling the concession for the performance of their activities at the Port of Dunkirk (France) following its termination (Note 8).

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

19. Deferred taxes

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the income taxes levied by the same tax authority. At 31 December 2016 and 2015 there was no material offset of deferred tax assets and liabilities.

(Thousand euro)

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

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet for 2016 and 2015 is as follows:

	2016	2015
Deferred tax assets arising from:		
Tax loss carry-forwards and tax credits and tax relief	65,822	76,175
Revaluation of derivative financial instruments	20,019	415
Other deferred tax assets	7,785	4,810
Total deferred tax assets	**93,626**	**81,400**
Deferred tax liabilities arising from:		
Asset revaluation	33,656	34,290
Deferred tax liability arising from the tax deductibility of goodwill	19,646	19,373
Other deferred tax liabilities	5,878	7,984
Total deferred tax liabilities	**59,180**	**61,647**

Amounts corresponding to deferred tax assets are as follows:

	2016	2015
Deferred tax assets		
Deferred tax assets recoverable in more than 12 months	93,626	81,400
Deferred tax assets recoverable within 12 months	—	—
Total deferred tax assets	**93,626**	**81,400**

Movements in deferred tax assets and liabilities in 2016 and 2015 relate to:

2016

		Recognised in				
	Balance at 31/12/15	Income statement	Equity	Consolidation change (Note 2.5)	Transfer to assets and liabilities held for sale (Note 28)	Balance at 31/12/16
Deferred tax assets						
Tax losses carry-forwards and deductions	76,175	(5,912)	(33)	(1,300)	(3,108)	65,822
Derivatives	415	(2,869)	22,473	—	—	20,019
Others	4,810	3,220	(49)	(313)	117	7,785
Total deferred tax assets	**81,400**	**(5,561)**	**22,391**	**(1,613)**	**(2,991)**	**93,626**
Deferred tax liabilities						
Revaluations	34,290	(634)	—	—	—	33,656
Goodwill	19,373	1,098	—	(825)	—	19,646
Other (temporary differences)	7,984	(1,333)	(193)	144	(724)	5,878
Total deferred tax liabilities	**61,647**	**(869)**	**(193)**	**(681)**	**(724)**	**59,180**

(Thousand euro)

2015

	Balance at 01/01/15	Recognised in: Income statement	Recognised in: Equity	Consolidation change (Note 2.5)	Balance at 31/12/15
Deferred tax assets					
Tax losses carry-forwards and deductions	75,644	1,483	(347)	(605)	76,175
Derivatives	675	(531)	271	—	415
Others	1,809	2,928	(19)	92	4,810
Total deferred tax assets	**78,128**	**3,880**	**(95)**	**(513)**	**81,400**
Deferred tax liabilities					
Revaluations	34,843	(553)	—	—	34,290
Goodwill	19,467	(94)	—	—	19,373
Other (temporary differences)	8,224	(554)	(31)	345	7,984
Total deferred tax liabilities	**62,534**	**(1,201)**	**(31)**	**345**	**61,647**

The main amounts and changes in deferred tax assets and liabilities in 2016 and 2015, in addition to those arising from the revaluation of derivatives disclosed in Note 17, were as follows:

2016

- The Group has recognised EUR 2.9 million in tax credits and deductions on tax loss carry-forwards, most originating in the Basque Tax Group, as the Managers of the parent company understand that they may be recovered within a reasonable timeline.
- In 2016 a write-off has been recognised in respect of tax credits amounting to EUR 10 million, as they are considered not recoverable within a reasonable timeline and they relate to Befesa Gestión de Residuos Industriales, S.L. which was sold.
- Movements recognised in equity relate mainly to the tax effect of the measurement of derivatives hedging zinc prices (Note 17).
- Deconsolidation relates basically to the tax credits recognised mainly by Befesa Plásticos, S.A. (Note 2.5).

2015

- The Group recognised EUR 6.9 million in tax credits and deductions on tax loss carry-forwards, mostly originating in the Basque Tax Group, as the Managers of the parent company understand that they may be recovered within a reasonable timeline.
- In 2015 impairment was recognised in respect of tax assets in Befesa Valera, S.A.S., as they are considered not recoverable within a reasonable timeline. This impairment had a negative impact on corporate income tax expense for the year of EUR 2.5 million.
- Exclusions from the consolidation scope relate to tax credits recognised by Befesa Valorización de Azufre S.L.

20. Public administrations

The detail of "Tax Receivables" and "Tax Payables" on the asset and liability sides, respectively, of the accompanying consolidated balance sheet at 31 December 2016 and 2015 is as follows:

	2016		2015	
	Receivable (Note 12)	Payable (Note 16)	Receivable (Note 12)	Payable (Note 16)
VAT	5,884	3,307	9,787	5,563
Withholdings and interim payments	470	988	1,200	2,332
Corporate income tax	3,442	8,127	2,399	8,272
Social Security bodies	64	2,018	50	2,699
Other	498	280	499	575
Total	**10,358**	**14,720**	**13,935**	**19,441**

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

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

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

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

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

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

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

The Group companies subject to Biscay tax legislation and to the tax legislation applicable to the rest of Spain (excluding Navarre and the Basque Country), including those which form part of the tax group, generally have the years that have not become statute-barred, 2012 onwards, open for review by the tax authorities for income tax and the last four years for the other main taxes and tax obligations applicable to them, in accordance with current legislation.

The difference between the tax charge allocated to each year and the tax payable for that year, recognised in "Deferred Tax Assets" and "Deferred Tax Liabilities" on the asset and liability sides, respectively, of the consolidated balance sheets at 31 December 2016 and 2015, arose as a result of the following noteworthy circumstances:

- Temporary differences arising from the differences between the carrying amounts of certain assets and liabilities and their tax bases. The main differences arose from the measurement of assets and liabilities arising from the valuation of derivatives in relation to which the difference between the tax base and the carrying amount is not tax deductible and the deductibility of the amortisation of certain items of goodwill taken in accordance the regulations applicable to each company.

- Different accounting and tax methods for recognising certain provisions.

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

Also, in calculating income tax expense for 2016 of the companies located in Spain, on the basis of the various applicable regulations, the different income tax rates in force (28% under the Biscayne tax regime and 25% for the tax regime for the rest of Spain), applied to the profit or loss before tax, adjusted by the amount of permanent differences and reduced by the application of the tax losses of companies not included in the consolidated Tax Group that were not recognised, were also taken into account.

(Thousand euro)

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

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

	2016	2015
Profit/(Loss) before tax from continuing operations	34,479	(17,089)
Profit / (Loss) before tax from discontinued operations	(67,082)	(3,828)
Total accounting profit/(loss) before tax	**(32,603)**	**(20,917)**
Non-deductible expenses and non-computable income:		
- Other permanent differences	(272)	(367)
Adjusted accounting profit/(loss)	**(32,875)**	**(21,284)**
Tax charge in the Parent Company’s territory	17,355	6,219
Tax credits generated in the year and not capitalised	(28,764)	(16,989)
Recognition of unused tax credits, tax relief and tax loss carry-forwards, net of provisions	(8,856)	(2,527)
Others	1,816	(1,838)
Income tax expense	**(18,449)**	**(15,135)**
- From continuing operations	(13,736)	(13,910)
- Form discontinuing operations	(4,713)	(1,225)

The unused tax credit recognised by the Group amount to EUR 24 million at 31 December 2016 (2015: EUR 25.4 million) corresponding mainly to credits on double tax deductions, export activities and contributions to company promotion undertakings. The tax credits not recognised on deductions amounted to EUR 23.3 million at 31 December 2016 (EUR 23.7 million in 2015).

Tax credits on tax loss carry-forwards available for offset recognised in the Group at 31 December 2016 amounted to EUR 41.8 million (31 December 2015: EUR 50.7 million). Unrecognised tax credits on tax loss carry-forwards amounted to EUR 68.5 million at 31 December 2016 (31 December 2015: EUR 29.5 million).

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

21. Guarantee commitments to third parties and contingencies

At 31 December 2016 and 2015, a number of Group companies had provided guarantees for an overall amount of approximately EUR 32.8 million (31 December 2015: EUR 35.4 million) as required to guarantee their operations vis-à-vis customers, banks, government agencies and other third parties.

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

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

In December 2016 there was a temporary stoppage at the Scandust plant (Sweden) as a result of action related to the update of the activity licence initiated by the local Country Council. At the date of these consolidated annual accounts, this investigation is on going. Group management has commissioned several advisors to assess the existing environmental risk and potential economic effect of the corrective measures. The Group has no doubts that operations will continue at the plan in the next few months and has entered into a commitment with the authorities to reopen it during the first half of 2017, once the related administrative process is finalised. Management has recognised a provision amouting to EUR 2.5 million, as their best estimate of the liability deriving from this incident. Nonetheless, the Group has an insurance policy that will mitigate the relevant liabilities.

(Thousand euro)

22. Income and expenses

22.1 Raw materials and consumables

The detail of "Procurements" in the consolidated income statement for the years 2016 and 2015 is as follows:

	2016	2015
Cost of raw materials and other supplies used	294,118	333,769
Changes in goods held for resale, raw materials and other inventories	1,110	414
Subcontracted work	1,935	1,987
Total	**297,163**	**336,170**

22.2 Other operating income

The detail of "Other Operating Income" in the consolidated income statement for the years 2016 and 2015 is as follows:

	2016	2015
In-house work on non-current assets (Note 3.3)	790	2,796
Income from income-related grants	1,463	1,295
Services and other operating income	7,091	5,994
Total	**9,344**	**10,085**

22.3 Staff costs

The detail of "Staff Costs" in the consolidated income statement for the years 2016 and 2015 is as follows:

	2016	2015
Wages and salaries	58,172	60,118
Employer's social security contributions	11,803	12,842
Other welfare costs	2,161	2,327
Total	**72,136**	**75,287**

The average number of employees at the Group in 2016 and 2015 in continuing and discontinued operations, by professional category, was as follows:

	Average number of employees	
	2016	2015
Management	54	63
Experts	217	175
Professionals	386	336
Operators and assistants	1,276	1,395
Total	**1,933**	**1,969**

Of the Group's average headcount in 2016, 517 had temporary employment contracts (2015: 481 employees).

The average number of employees at the Group in 2016 in continuing and discontinued operations for discontinued operations is 697 employees (2015: 723 employees).

(Thousand euro)

The average number of employees in 2016 and 2015, in continuing and discontinued operations, by country, was as follows:

	Average number of employees	
	2016	2015
Spain	888	947
Germany	373	344
France	108	102
United Kingdom	53	52
Rest of Europe	85	84
Turkey	104	110
South Korea	53	51
Rest of the world	269	279
Total	**1,933**	**1,969**

The number of employees at 2016 and 2015 year-end, by gender, was as follows:

	2016		2015	
	Men	Women	Men	Women
Management	43	6	54	8
Experts	140	33	136	35
Professionals	186	76	233	99
Operators and assistants	891	82	1,243	127
Total	**1,260**	**197**	**1,666**	**269**

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

The number of employees at year-end for discontinued operations was 237 (2015: 746 employees).

22.4 Other operating expenses

	2016	2015
Research and development expenditure	347	358
External services	108,604	113,796
Taxes other than income tax	2,014	2,799
Losses on, impairment of and changes in allowances	141	36
Other current operating expenses	8,228	9,019
Total	**119,334**	**126,008**

22.5 Amortisation/depreciation, impairment and provisions

	2016	2015
Amortisation of intangible assets (Note 7)	4,506	4,704
Depreciation of property, plant and equipment (Note 8)	28,233	28,768
Impairment of fixed assets (Notes 7 and 8)	10,000	45,732
Impairment of receivables from related parties	—	2,873
Impairment of goodwill (Note 6)	—	7,930
Other	1,757	2,678
Total	**44,496**	**92,685**

(Thousand euro)

23. Financial expenses

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	2016	2015
Interest expense	48,611	53,673
Other finance costs	4,773	9,220
Impairment losses	4,739	3
Total	**58,123**	**62,896**

24. Remuneration of the Board of Managers

a) Managers' remuneration and other benefits

In 2016 the members of the Parent's Board of Managers earned approximately EUR 10 thousand for salaries and attendance fees for discharging their duties in the Group companies (2015: EUR 13 thousand).

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

In addition, the Parent Company did not have any pension or guarantee obligations to its former or current members of the Board of Managers.

b) Remuneration of senior executives

The annual remuneration (mainly wages and social security) of the managing managers of Bilbao MidCo S.à r.l. industrial groups (see Note 1), and of people discharging similar duties In 2016 amounted to EUR 3,573 thousand (2015: EUR 4,241 thousand).

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

Incentives to executives and other matters

In 2016 and 2015 there were no other transactions with senior executives outside the normal course of business.

In 2016 there are no management incentive plans.

25. Balances and transactions with related parties

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

The detail of the balances with shareholders and Group and related companies at 31 December 2016 and the transactions effected with them in 2016 and 2015 are as follows:

2016

	Accounts receivable and other current financial assets (Note 12)	Long-term loans	Accounts payable	Other non-current liabilities (Note 16)	Sales and other income	Purchases and other expenses	Financial income	Financial cost
Bilbao Lux.Co S.A.	293	16,853	374	—	—	—	1,702	25
Triton IV Managers Limited	—	—	—	1,125	—	—	—	—
Recytech, S.A.	333	—	998	—	1,426	8,233	—	—
Other	290	33	232	72	64	—	337	—
Total	**916**	**16,886**	**1,604**	**1,197**	**1,490**	**8,233**	**2,039**	**25**

(Thousand euro)

2015

	Accounts receivable and other current financial assets (Note 12)	Long-term loans	Accounts payable	Other non-current liabilities (Note 16)	Sales and other income	Purchases and other expenses	Financial income	Financial cost
Bilbao Lux.Co S.A.	278	15,165	299	—	—	—	1,498	63
Triton IV Managers Limited	—	—	—	1,125	—	—	—	—
Ecología Canaria, S.A.	116	—	123	—	227	783	—	—
Recytech, S.A.	268	—	839	—	1,404	7,142	—	—
Betearte, S.A.	206	1,432	121	—	120	83	24	—
Gestión y Valorización Integral del Centro, S.L.	99	1,241	52	—	123	106	69	—
Other	540	210	184	73	—	211	375	—
Total	**1,507**	**18,048**	**1,618**	**1,198**	**1,874**	**8,325**	**1,966**	**63**

The balances and transactions of Group companies relate to sale and purchase transactions and other commercial operations on an arm's length basis.

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

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

26. Information on the environment

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

Property, plant and equipment include investments made in assets intended to minimise environmental impact and protect and improve the environment. In 2016 no significant environmental investments were made.

In 2016 and 2015 the Group did not incur any significant expenses relating to environmental activities.

27. Business combinations

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

During 2015, Solarca, S.L. and its subsidiaries were acquired for an amount of EUR 18.6 million. On 14 May 2015 the Group, through its subsidiary Alianza Medioambiental, S.L., signed a purchase agreement for Solarca, S.L., paying EUR 5 million in cash and the remainder under deferred terms, on 31 March over the following four years. In view of the contractual conditions, the Group has recognized the purchase of 100% of the Solarca group together with a liability of EUR 13.6 million, relating to the best estimate of the contingent price the Group will pay on each payment date until 2019. This price will depend on the formula established in the contract which takes into account estimated future EBITDA, among other items.

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

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

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

(Thousand euro)

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

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

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

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

Movements of cash funds in the operation were as follows:

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

28. Assets held for sale and discontinued operations

In 2016 the Parent company's Board of Directors took the decision to divest and sell off practically all companies that comprised the Industrial Waste Management Segment. As a result of that decision, in December 2016 Befesa Gestión de Residuos Industriales, S.L., Befesa Gestión PCB, S.A., Gestión y Valorización Integral del Centro S.L., Residuos Industriales de la Madera de Córdoba, S.A., Betearte, S.A., Ecología Canaria, S.A., Befesa Plásticos, S.L. and other minor not consolidated operations were sold. Additionally, the assets and liabilities of Solarca, S.L (and its subsidiaries), Soluciones Ambientales del Norte, S.A. and Befesa Perú, S.A were classified as held for sale at 31 December 2016. These companies were sold on 29 March 2017.

As required under IFRS 5, the operations of these companies in 2016 (to the date of sale for the first group of companies) are classified under profit /(loss) for the year from discontinued operations in the accompanying consolidated income statement.

Also, in accordance with IFRS 5, the comparative balances for 2015 in the consolidated income statement for the companies in question which were previously presented in the 2015 consolidated financial statements as profit/(loss) from continuing operations, have been reclassified to "Profit /(loss) from discontinued operations".

(Thousand euro)

28.1 Discontinued operations - companies sold in the year

Information on cash flows and results

The information on cash flows and results is for the years ended 31 December 2016 and 2015.

	2016	2015
Revenue	50,504	61,926
Expenses	(58,685)	(65,276)
Financial results	(5,411)	(5,359)
Profit/(loss) before taxes	(13,592)	(8,709)
Corporate income tax	(11,000)	4
Profit/(loss) after tax from discontinued operations	(24,592)	(8,705)
Profit /(loss) on the sale of subsidiaries after income tax	(47,765)	—
Profit/(loss) from discontinued operations	**(72,357)**	**(8,705)**
Addition/ (disposal) cash from operating activities -net	(5,151)	(678)
Addition/ (disposal) cash from investing activities - net	(1,764)	(2,834)
Addition/ (disposal) cash from financing activities -net	7,798	2,523
Net inflow of cash generated by the subsidiary	**883**	**(989)**

Detail of sale of subsidiaries

	2016
Consideration receivable	
• Cash received	2,000
• Amounts receivable	700
Carrying amount of net assets sold	57,686
Profit/(loss) on the sale before income tax	**(54,986)**
Income tax expense	7,221
Profit/(loss) on the sale after income tax	**(47,765)**

The carrying amounts of assets and liabilities at the date of sale were:

	Net assets sold
Intangible assets and PP&E	63,054
Long-term financial assets	1,843
Deferred tax assets	1,255
Investments carried under the equity method	1,607
Long-term receivables	6,134
Inventories	10,572
Receivables	22,847
Other current assets	926
Cash and cash equivalents	1,248
Total assets	**109,486**
Provisions	7,871
Financial liabilities	16,423
Accounts payable and other liabilities	27,506
Total liabilities	**51,800**
Net assets	**57,686**

(Thousand euro)

28.2 Discontinued operations companies classified in 2016 as held for sale

The analysis of assets and liabilities held for sale is as follows:

	31/12/2016
Goodwill (Note 6)	14,060
Intangible assets and property, plant and equipment (Notes 7 and 8)	21,794
Long-term financial assets (Note 10)	371
Deferred tax assets (Note 19)	2,991
Inventories	1,144
Receivables	14,149
Other current assets	127
Cash and cash equivalents	2,955
Assets held for sale	57,591
Deferred tax liabilities (Note 19)	724
Provisions (Note 18)	193
Financial liabilities	1,353
Accounts payable and other liabilities	4,939
Liabilities related to assets held for sale	7,209
Net assets held for sale	50,382

Analysis of the results of discontinued operations relating to companies not sold at 31 December 2016:

	2016	2015
Revenue	28,727	26,322
Expenses	(25,608)	(20,735)
Financial results	(1,623)	(706)
Profit /(loss) before tax	1,496	4,881
Corporate income tax	(934)	(1,229)
Profit/(loss) after tax	**562**	**3,652**
Net cash flows from operating activities	2,643	3,309
Net cash flows from investing activities	(3,923)	(2,085)
Net cash flows from financing activities	1,235	(360)
Net inflow of cash generated by the subsidiary	**(45)**	**864**

(Thousand euro)

29. Auditors' fees

In 2016 and 2015 the fees relating to audit services and other services rendered by the auditor of Group's consolidated financial statements (PwC), and the fees for services invoiced by auditors of the separate financial statements of the companies included in the consolidation scope and by related entities as a result of a relationship of control, common ownership or common management, were as follows:

	Thousand Euro:	
2016	Services rendered by PwC	Services rendered by other audit firms
Audit services	601	19
Other verification services	22	—
Tax advisory services	41	85
Other services	837	—
	1,501	**104**

	Thousand euro	
2015	Services rendered by PwC	Services rendered by other audit firms
Audit services	601	83
Other verification services	10	50
Tax advisory services	—	24
Other services	90	—
	701	**157**

30. Earnings per share

a) *Basic earning/(losses) per share (EUR per share)*

	2016	2015
From continuing operations attributable to the ordinary equity holders of the company	(0.01)	(0.02)
From discontinued operations	(0.01)	(0.00)
Total basic earnings/(losses) per share attributable to the ordinary equity holders of the company	(0.02)	(0.02)

b) *Diluted earning/(losses) per share (EUR per share)*

	2016	2015
From continuing operations attributable to the ordinary equity holders of the company	(0.01)	(0.01)
From discontinued operations	(0.01)	(0.00)
Total diluted earnings/(losses) per share attributable to the ordinary equity holders of the company	(0.02)	(0.01)

c) Reconciliation of earnings used in calculating earning per share

	Thousand Euros	
	2016	**2015**
Profit / (loss) for the year from continuing operations	20,743	(30,999)
Less Non-controlling interests from continuing operations	(1,880)	727
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	18,863	(30,272)
Less: cumulative preference share return	(70,821)	(48,237)
	(51,958)	(78,509)
Profit / (loss) for the year from discontinued operations	(71,795)	(5,053)
Less Non-controlling interests from discontinued operations	18	(69)
Profit/(loss) from discontinued operations attributable to the ordinary equity holders of the company	(71,777)	(5,122)
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	(123,735)	(83,631)

d) Weighted average number of shares used as the denominator

	Number in thousand	
	2016	**2015**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	5,902,851	5,503,246
Adjustments for calculation of diluted earnings per share:		
Convertible bond	500,740	900,345
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	6,403,591	6,403,591

Convertible bond into potential ordinary shares has been included in the determination of diluted earnings per share from their date of issue until the date of its contribution to the parent company share capital. It has not been included in the determination of basic earnings per share.

31. Subsequent events

On 29 March 2017 the sale of the subsidiaries Befesa Perú, S.A., Soluciones Ambientales del Norte, S.A. and Solarca, S.L and subsidiaries had been completed giving rise to a capital gain recognised in the Group amounting to approximately EUR 11.1 million.

Subsidiaries, joint operations and associates

2016

Entity	Address	Activity	% Interest	Auditor	Thousand euro (31/12/2016) Share	Reserves	Translation differences	Results	Interim dividend
Subsidiaries									
Befesa Holding S.à r.l.	Luxembourg	Holding	100%	PwC	13	444,251	—	(15)	—
Bilbao (Luxembourg), S.A.	Luxembourg	Holding	100%	PwC	31	246	—	(195)	—
Befesa Medioambiente Holdco, S.L.	Biscay	Holding	100%	(2)	77,870	346,319	—	(5,721)	—
Befesa Management Services	Germany	Holding	100%	(2)	25	371	—	218	—
Befesa Medio Ambiente, S.L.	Biscay	Holding	100%	PwC	150,003	209,296	—	(177,562)	—
1. AMA Subgroup-									
Alianza Medioambiental, S.L.	Biscay	Holding	100%	PwC	104,359	12,267	—	(43,324)	—
- Befesa Argentina, S.A.	Argentina	Industrial cleaning and waste treatment	100%	PwC	8,328	3,814	(10,192)	123	—
- Befesa Perú, S.A.(1)	Perú	Waste treatment	100%	PwC	639	3,574	370	706	
- Soluciones Ambientales del Norte Ltda., S.A.(1)	Chile	Waste treatment	100%	PwC	6,581	(4,560)	(964)	287	—
- Solarca S.L.(1)	Tarragona	Chemical cleaning and steam and air blowing	100%	PwC	343	7,523		948	
Solarca CLM, S.L.(1)	Castilla La Mancha	Chemical cleaning and steam and air blowing	100%	(2)	186	348		29	
Sabsco UK, Ltd.(1)	United Kingdom	Chemical cleaning and steam and air blowing	100%	Wilkins Kennedy	407	186	(71)	404	
Solarca France, Sarl(1)	France	Chemical cleaning and steam and air blowing	100%	PwC	43	490		162	
Sabsco Asia(1)	Singapore	Chemical cleaning and steam and air blowing	100%	NACN International	130	(11)	(1)	(185)	
Solarca USA, Corp(1)	USA	Chemical cleaning and steam and air blowing	100%	(2)	1	458	(21)	(365)	
Sabsco Malasia(1)	Malaysia	Chemical cleaning and steam and air blowing	100%	Mustapharaj	21	14	2	(131)	
Solarca Qatar, WLL(1)	Qatar	Chemical cleaning and steam and air blowing	49%	Morison Menon	51	655	29	(34)	
Solarca Portugal(1)	Portugal	Chemical cleaning and steam and air blowing	100%	(2)	100	9		72	
2. MRH Residuos Metálicos S.L.U.	Biscay	Holding	100%	(2)	15,600	68,646	—	21,800	—
- Befesa Salzschlacke Gmbh	Germany	Aluminium waste treatment	100%	PwC	25		—	7,440	(1,764)

Appendix I

Entity	Address	Activity	% Interest	Auditor	Thousand euro (31/12/2016) Share	Reserves	Translation differences	Results	Interim dividend
- Befesa Aluminium Germany GmbH	Germany	Aluminium waste treatment	100%	(2)	25	304	—	(975)	—
- Subgroup Zinc Befesa Zinc, S.A.U.	Biscay	Holding	100%	PwC	25,010	38,955	—	19,112	—
• Befesa Zinc Comercial, S.A. (Sociedad Unipersonal)	Biscay	Sale of recycled waste	100%	PwC	60	8,647	—	1,011	—
• Befesa Zinc Aser, S.A. (Sociedad Unipersonal)	Biscay	Recovery of metal and mineral containing waste	100%	PwC	4,260	8,315	—	25,874	(22,500)
• Befesa Zinc Sur, S.L. (Sociedad Unipersonal)	Badajoz	Recovery of metal and material containers	100%	(2)	605	(56)	—	301	—
• Befesa Zinc Óxido, S.A. (Sociedad Unipersonal)	Biscay	Recovery of metals	100%	PwC	1,102	5,248	—	83	—
• Befesa Steel R&D, S.L. (Sociedad Unipersonal)	Biscay	Development of projects and technology innovation	100%	(2)	3	1,956	—	14	—
• Befesa Valera, S.A.S.	France	Recovery of metals	100%	PwC	4,000	8,039	—	(11,769)	—
• Befesa Zinc Gravelines, S.A.S.	France	Waelz oxide treatment	100%	PwC	8,000	944	—	670	—
• Befesa ScanDust AB	Sweden	Recovery of metals	100%	PwC	5,310	2,484	(36)	628	—
• Befesa Silvermet Turkey, S.L.	Biscay	Holding	55.90%	(2)	10,301	1,205	—	499	(340)
•• Befesa Silvermet Iskenderun	Turkey	Recovery of metals	100%	PwC	6,788	1,436	(2,876)	3,696	—
•• Befesa DisTicaret	Turkey	Recovery of metals	100%	PwC	1,198	(551)	(233)	1,580	
• Befesa Zinc Germany GmbH	Germany	Holding	100%	PwC	25	355	—	25,972	(20,500)
•• Befesa Steel Services GmbH	Germany	Sales and logistics	100%	PwC	2,045	66,777	—	332	—
•• Befesa Zinc Duisburg GmbH	Germany	Recovery of metals	100%	PwC	5,113	7,699	—	(732)	—
•• Befesa Zinc Korea Ltd.	South Korea	Recovery of metal and mineral waste	80%	PwC	17,015	28,258	5,201	(280)	—
•• Befesa Zinc Freiberg GmbH & Co. KG	Germany	Recovery of metals	100%	PwC	1,000	(561)	—	(372)	—
- Befesa Aluminio, S.L.U.	Biscay	Recovery of metals	100%	PwC	4,767	60,717	—	3,066	—
• Befesa Aluminio Comercializadora, S.L.	Biscay	Marketing company	100%	PwC	90	21	—	—	—
• Befesa Salt Slags, Ltd.	United Kingdom	Recovery of metals	100%	PwC	21,399	(13,450)	(1,995)	(7,688)	—
Joint arrangements									
- Recytech, S.A.	France	Recovery of metals	50%	Deloitte	6,240	1,012	—	12,086	—

(1) Companies which at 31 December 2016 are classified as held for sale.
(2) Companies not subject to statutory audit.

Bilbao MidCo, S.à r.l. and Subsidiaries

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

Societé à responsabilité limitée
2C, rue Albert Borschette L-1246, Luxembourg
Share Capital – EUR 55,089,743.81

R.S.C. Luxembourg B177697

Audit report

To the Shareholders of
Bilbao MidCo S.à r.l.

Report on the consolidated financial statements

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

Board of Managers' responsibility for the consolidated financial statements

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

Responsibility of the "Réviseur d'entreprises agréé"

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

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

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

Opinion

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

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Report on other legal and regulatory requirements

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

PricewaterhouseCoopers, Société coopérative   Luxembourg, 26 April 2016

Represented by

Markus Mees

Bilbao MidCo, S.à r.l. and Subsidiaries

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

Assets	Note(s)	2015	2014
Non-current assets:			
Intangible assets			
Goodwill	6	353,094	346,964
Other intangible assets, net	7	99,009	103,176
		452,103	**450,140**
Property, plant and equipment, net	8		
Property, plant and equipment in use		344,335	362,247
Property, plant and equipment under construction		16,188	47,185
		360,523	**409,432**
Investments carried under the equity method	9	**1,526**	**1,650**
Non-current financial assets	10		
Investments in subsidiaries and associates		2,702	4,439
Other non-current financial assets		24,346	21,453
		27,048	**25,892**
Deferred tax assets	19	**81,400**	**78,128**
Total non-current assets		**922,600**	**965,242**
Current assets:			
Inventories	11	**48,489**	**41,900**
Trade and other receivables	12	**87,045**	**77,432**
Trade receivables from related companies	12 - 25	**1,507**	**1,811**
Accounts receivable from public authorities	12 - 20	**13,935**	**17,510**
Other receivables	12	**8,540**	**4,587**
Other current financial assets	13	**4,005**	**3,546**
Cash and cash equivalents	4	**57,443**	**81,726**
Total current assets		**220,964**	**228,512**
Total assets		**1.143,564**	**1,193,754**

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

Bilbao MidCo, S.à r.l. and Subsidiaries

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

Equity and liabilities	Note(s)	2015	2014
Equity:			
Parent Company	**14**		
Share capital		55,090	55,090
Share premium		222,090	176,364
Reserves for restatement of unrealised assets and liabilities		(506)	(406)
Other shareholder contributions		9,027	9,027
Reserves of consolidated companies		(7,130)	(28,763)
Translation differences		(845)	563
Net profit / (loss) for the period		(35,394)	18,368
		242,332	**230,243**
Non-controlling interests	**14**	**16,929**	**17,837**
Total equity		**259,261**	**248,080**
Non-current liabilities:			
Long-term provisions	**18**	**12,928**	**14,833**
Borrowings	**15**	**523,185**	**585,751**
Accounts payable for long-term finance leases	**15**	**7,535**	**2,151**
Deferred tax liabilities	**19**	**61,647**	**62,534**
Other non-current liabilities	**16**	**29,814**	**103,535**
Total non-current liabilities		**635,109**	**768,804**
Current liabilities:			
Short-term borrowings	**15**	**74,951**	**33,300**
Accounts payable for short-term finance leases	**15**	**2,621**	**1,329**
Trade payables to related companies	**25**	**1,618**	**1,891**
Trade and other payables		**115,898**	**106,628**
Short-term provisions		**139**	**152**
Other payables			
Accounts payable to Public Administrations	**16-20**	19,441	16,633
Other current liabilities	**16**	34,526	16,937
		53,967	**33,570**
Total current liabilities		**249,194**	**176,870**
Total equity and liabilities		**1,143,564**	**1,193,754**

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

Bilbao MidCo, S.à r.l. and Subsidiaries

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

	Note(s)	2015	2014
Continuing operations:			
Revenue	**5**	743,504	651,193
+/- Changes in stocks of finished products and work in progress		2,591	(6,625)
Procurements	**22**	(365,380)	(295,446)
Other operating income	**22**	12,273	19,476
Staff costs	**22**	(104,038)	(92,060)
Other operating expenses	**22**	(145,065)	(136,400)
Amortisation/depreciation, impairment and provisions	**22**	(101,678)	(46,283)
Operating profit		**42,207**	**93,855**
Financial income		2,660	3,970
Financial expenses	**23**	(65,396)	(66,796)
Net exchange differences		(563)	925
Finance income/(loss)		**(63,299)**	**(61,901)**
Share in results of investments carried under the equity method	**9**	175	299
Profit/(loss) before tax		**(20,917)**	**32,253**
Corporate income tax	**20**	(15,135)	(11,580)
Profit/(loss) for the year from continuing operations		**(36,052)**	**20,673**
Profit/(loss) for the year		**(36,052)**	**20,673**
Attributable to:			
Parent company owners		(35,394)	18,368
Non-controlling interests		(658)	2,305

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

Bilbao MidCo, S.à r.l. and Subsidiaries

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

	Notes	2015	2014
Consolidated profit/(loss) for the year		**(36,052)**	**20,673**
Items that may be subsequently reclassified to income statement			
Income and expense recognised directly in equity		**(1,251)**	**2,449**
- Cash flow hedges	**17**	743	(1,232)
- Translation differences	**14**	(1,750)	3,299
- Tax effect	**19**	(244)	382
Transfers to the income statement		**(599)**	**555**
- Cash flow hedges	**17**	(832)	786
- Tax effect	**19**	233	(231)
Other comprehensive income for the year		**(1,850)**	**3,004**
Total comprehensive income for the year		**(37,902)**	**23,677**
Attributable to:		**(37,902)**	**23,677**
Parent company owners		(36,902)	20,615
Non-controlling interests		(1,000)	3,062

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

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2015 (Euro thousand)

	Attributable to owners of the parent								
			Other reserves						
	Share capital (Note 14)	Share premium (Note 14)	Reserves for restatement of unrealised assets and liabilities (Note 14)	Other shareholder contributions (Note 14)	Reserves of consolidated companies (Note 14)	Translation differences (Note 14)	Net profit (loss) for the period (Note 14)	Non-controlling interests (Note 14)	Total equity
Balances at 31 December 2013	**55,090**	**176,364**	**(111)**	**9,027**	**(7,227)**	**(2,051)**	**(9,153)**	**19,358**	**241,297**
Net profit for 2014	—	—	—	—	—	—	18,368	—	18,368
Profit for the year attributable to non-controlling interests	—	—	—	—	—	—	—	2,305	2,305
Transfer of hedges to profit or loss (Note 17)	—	—	555	—	—	—	—	—	555
Changes in valuation of hedges (Note 17)	—	—	(850)	—	—	—	—	—	(850)
Translation differences	—	—	—	—	—	2,542	—	757	3,299
Total comprehensive income for 2014	—	—	(295)	—	—	2,542	18,368	3,062	23,677
Distribution profit/(loss) of 2013	—	—	—	—	(9,153)	—	9,153	—	—
Other changes (Notes 2.5, 7 and 8)	—	—	—	—	(6,419)	—	—	—	(6,419)
Changes in the scope of consolidation (Note 2.5)	—	—	—	—	(5,964)	72	—	(4,583)	(10,475)
Balances at 31 December 2014	**55,090**	**176,364**	**(406)**	**9,027**	**(28,763)**	**563**	**18,368**	**17,837**	**248,080**
Net losses for 2015	—	—	—	—	—	—	(35,394)	—	(35,394)
Profit for the year attributable to non-controlling interests	—	—	—	—	—	—	—	(658)	(658)
Transfer of hedges to profit or loss (Note 17)	—	—	(599)	—	—	—	—	—	(599)
Changes in valuation of hedges (Note 17)	—	—	499	—	—	—	—	—	499
Translation differences	—	—	—	—	—	(1,408)	—	(342)	(1,750)
Total comprehensive income for 2015	—	—	(100)	—	—	(1,408)	(35,394)	(1,000)	(37,902)
Distribution profit/(loss) of 2014	—	—	—	—	18,368	—	(18,368)	—	—
Share premium increase (Note 14)	—	49,626	—	—	2,803	—			52,429
Other changes (Notes 2.5, 7 and 8)	—	—	—	—	462	—	—	—	462
Dividends paid (Note 14)	—	(3,900)	—	—	—	—	—	—	(3,900)
Changes in the scope of consolidation (Note 2.5)	—	—	—	—	—	—	—	92	92
Balances at 31 December 2015	**55,090**	**222,090**	**(506)**	**9,027**	**(7,130)**	**(845)**	**(35.394)**	**16,929**	**259,261**

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

Bilbao MidCo, S.à r.l. and Subsidiaries

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

	2015	2014
Cash flows from operating activities:		
Profit (loss) for the year before tax	**(20,917)**	**32,253**
Adjustments for:		
Depreciation and amortisation charge (Notes 7 and 8)	42,175	35,886
Impairment losses	59,503	7,953
(Profit)/loss from assets disposals	—	2,622
Changes in provisions	(187)	(285)
(Profit)/loss from associates	(175)	(299)
Interest income	(2,660)	(3,970)
Finance costs	65,396	66,796
Other profit and loss	(1,563)	(1,503)
Exchange differences	563	(925)
Changes in working capital:		
Trade receivables and other current assets	(8,308)	(766)
Inventories	(6,967)	2,752
Trade payables	(1,182)	(14,587)
Other cash flows from operating activities:		
Interest paid	(58,579)	(49,543)
Other payments	(416)	(3,160)
Taxes paid	(12,109)	(13,738)
Net cash flows from operating activities	**54,574**	**59,486**
Cash flows from investing activities:		
Investments in Group and associated companies	(3,444)	—
Investments in intangible assets	(2,754)	(5,216)
Investments in property, plant and equipment (Note 8)	(47,435)	(44,927)
Other financial assets (Note 10)	—	(1,270)
Collections from disposals of Group and associated companies	29,792	—
Collections from sale of property, plant and equipment	1,051	1,324
Collections from sale of other financial assets	—	7,576
Dividends	260	458
Interest received	293	2,117
Net cash flows from investing activities	**(22,237)**	**(39,938)**
Cash flows from financing activities:		
Cash bank inflows from bank borrowings and other liabilities	13,479	21,470
Cash bank outflows from bank borrowings and other liabilities	(65,801)	(30,135)
Dividends paid to holders of redeemable preferred shares	(3,900)	—
Net cash flows from financing activities	**(56,222)**	**(8,665)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(398)**	**273**
Net increase in cash and cash equivalents	**(24,283)**	**11,156**
Cash and cash equivalents at the beginning of year	81,726	70,570
Cash and cash equivalents at the end of the year	57,443	81,726

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

1. General information

Bilbao MidCo, S.à.r.l. (hereinafter the "Parent Company" or the "Company") was incorporated in Luxembourg on 31 May 2013 as a "société à responsabilité limitée" subject to Luxembourg law for an unlimited period of time. The Company's registered office is at 2c rue Albert Borschette, L-1246, Luxembourg.

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

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

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

On 15 July 2013, the Company closed the acquisition of 100% of Befesa Medio Ambiente, S.L. and its subsidiaries (hereinafter "Befesa Medio Ambiente" or "Befesa"). The Company and its subsidiaries are hereinafter referred to as the "Group".

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

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

These activities are carried on by the Group companies, which are divided into two subgroups headed by the following investees of the Parent: MRH Residuos Metálicos, S.L. and Alianza Medioambiental, S.L., both of which are sole-shareholder companies.

Befesa Valorización de Azufre, S.L. (Sole-Shareholder Company), a company included in the scope of consolidation until the date of transfer during 2015 (Note 2.5), engages in, among other operations, combined heat and power activities. This activity is regulated by Law 24/2013 on the Electricity Sector, by Royal Decree-Law 9/2013 on urgent measures to guarantee the financial stability of the electricity system and Royal Decree 413/2014 on the remuneration parameters of standard facilities applicable to certain electricity production facilities using renewable sources, cogeneration and waste. Pursuant to regulation in force, the power produced and not consumed by the companies is acquired by the electric utility operating in each area, with which the related supply agreements are reached.

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

2.1 Fair presentation

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

- In accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS), in conformity with the Regulation (EC) of the European Parliament and of the Council, including International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the accompanying consolidated financial statements are summarised in Note 3.
- The consolidated financial statements have been prepared on a historical cost basis modified by the fair valuation of assets and liabilities (financial assets and liabilities including derivatives) at fair value.

- Considering all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 3.
- So that they present fairly Group's consolidated equity and financial position at 31 December 2015 and the results of its operations, changes in consolidated equity and consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Parent and by the other Group companies, which include the joint ventures (UTEs) in which they had interests at 31 December 2015. However, since the accounting policies and measurement bases used in preparing Bilbao MidCo's consolidated financial statements (IFRS) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards as adopted by the European Union.
- The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.4.
- The consolidated financial statements have been prepared in accordance with Luxemburg's legal and regulatory framework.

2.2 Adoption of new standards and interpretations issued

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

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

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

IFRIC 21 "Levies"

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

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

Annual improvements, cycle 2011-2013

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

- IFRS 3 "Business Combinations": Exceptions to the scope for joint ventures.
- IFRS 13 "Fair Value Measurement": Scope of the "exception portfolio" available in IFRS 13.
- IAS 40 "Investment Property": Interaction of IAS 40 and IFRS 3 when a property is classified as an investment property or owner-occupied property.

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

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

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

Annual improvements, cycle 2010-2012

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

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

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

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

IAS 19 (revised in 2011) distinguishes between employee service-related contributions and those not related to service. Moreover, the current amendment distinguishes between contributions linked to service only in the year in which they arise and those linked to service in more than one year. The amendment allows the contributions linked to service that do not vary based on the duration of the service to be deducted from the cost of benefits accrued in the year in which the related service is provided. Service-related contributions that vary depending on length of service should be extended over the service term using the same method of allocation applied to the provision of the service. This amendment applies to years beginning on or after 1 February 2015 and will be applied retrospectively. Early adoption is permitted.

The Group is analysing the possible impacts of this amendment on its Consolidated Financial Statements in the future, although it does not expect the effects to be significant.

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

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

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

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

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

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

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

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

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

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

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

IAS 1 (Amendment) "Presentation of Financial Statements"

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

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

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

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

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

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

IFRS 15 "Revenue from contracts with customers"

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

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

IFRS 9 "Financial Instruments"

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

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

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

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

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

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

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

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

These amendments are not expected to have an effect on the Group's consolidated financial statements in the future.

IFRS 16 "Leases"

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

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

2.3 Functional currency

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

2.4 Responsibility for the information and estimates made

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

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

Impairment losses on goodwill and certain assets (see Notes 3.1, 6 and 7).

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

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

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

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

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

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

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

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

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

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

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

Amount of certain provisions and/or contingent liabilities

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

Revenue relating to the percentage-of-completion of contracts

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

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

2.5 Consolidated Group and consolidation scope

Scope of consolidation

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

Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

Joint arrangements and joint ventures

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

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

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

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

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

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

(Thousand euro)

The Group has interests in the following UTEs:

UTEs in 2015:

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

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

UTEs in 2014:

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

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

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

Associates

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

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

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

Changes in the scope of consolidation (business combinations).

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

2015

Additions to the scope of consolidation

During 2015, the acquisition of Solarca, S.L. and its subsidiaries was completed for EUR 18.6 million. At 14 May 2015, the Group, through its subsidiary Alianza Medioambiental, S.L., signed a purchase agreement for Solarca, S.L., paying EUR 5 million in cash and the remainder on a deferred basis, every 31 March over the four years following the year of the sale. In view of the contractual conditions, the Group has recognised the purchase at 100% of the Solarca group, recognizing a liability of EUR 13.6 million, corresponding to the best estimate of the contingent price payable on each payment date until 2019. This price will depend on the formula established in the contract and will take into account estimated future EBITDA. The addition of the Solarca Group contributed assets of EUR 18 million and liabilities of EUR 13 million, respectively. The Group has recognized goodwill amounting to EUR 14 million for the difference between the cost of the business combination, amounting to EUR 19 million, and the fair value of the assets and liabilities added to the consolidation scope (EUR 5 million) (Note 27).

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

De-consolidation

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

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

2014

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

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

The Group took control of the above subsidiary in 2013. Therefore, this operation is a transaction with minority shareholders which caused an increase in the interests the Group holds in this subsidiary from 55% at 31 December 2013 to 80% at 31 December 2014. The impact of this transaction on the consolidated accounts is a reduction in the heading "Non-controlling interests" of approximately EUR 4 million, charged to reserves.

Following this operation, there is a put option which may be exercised by the minority shareholders during the following 2 years as from 17 July 2014 and for a three-year period through which the Group would be obligated to purchase the remaining 20% if the minority shareholder so decided, at a fixed rate of USD 15 million, net of working capital and certain pre-existing debts. The Group recognised a liability amounting to EUR 6.1 million for this put option (Note 18), charged to reserves of the parent company, on the understanding that the risks and rewards had not been transferred to the parent company. This liability is measured at fair value and its value at 31 December 2015 amounts to EUR 9.1 million.

3. Accounting principles and policies and measurement methods applied

3.1 Goodwill

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

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

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

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

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

3.2 Other intangible assets

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

Internally generated intangible assets - Research and development expenditure

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

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

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

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

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

(Thousand euro)

Computer applications

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

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

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

Concessions, patents, licences and similar items

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

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

Licences acquired in a business combination are recognised at fair value at the acquisition date and have an indefinite useful life (Note 3.4).

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

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

3.4 Asset impairment

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

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

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

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

3.5 Financial instruments

Financial investments

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

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

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

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

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

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

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

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

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

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

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

Reverse factoring receivables

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

Cash and cash equivalents

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

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

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

Debentures, bonds and bank borrowings

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

Trade and other payables

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

The fair value of financial instruments is calculated as follows:

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

Financial assets and liabilities recognised as a result of the measurement at fair value of the aforementioned hedging instruments affected “Current Financial Assets - Other Financial Assets”, “Other Current Financial Assets”, “Other Non-Current Liabilities” and “Other Payables - Other Current Liabilities”, as described in Note 16.

3.6 Inventories

“Inventories” in the consolidated balance sheet includes the assets that the Group:

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

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

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

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

3.7 Classification between current and non-current

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

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

3.8 Share capital

Ordinary shares are classified as equity.

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

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

3.9 Grants, donations and bequests received

The Group companies recognise grants received as follows:

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

3.10 Provisions, contingent liabilities and contingent assets

In the preparation of the consolidated financial statements, the Parent's Managers drew a distinction between:

- Provisions: credit balances covering present obligations at the balance sheet date arising from past events that could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing.
- Contingent liabilities: possible obligations arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies and which do not meet the requirements for recognition as provisions.
- Contingent assets: possible assets that arise from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the companies.

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

Provisions for pensions and similar obligations

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

Other provisions

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

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

3.11 Revenue recognition

a) Revenue

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

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

b) Interest income

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

c) Income from dividends

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

3.12 Recognition of contract revenue and costs

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

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

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

3.13 Leases

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

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

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

3.14 Interest cost

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

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

3.15 Foreign currency

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

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

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

3.16 Income tax, deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

3.17 Severance indemnities

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

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

3.18 Environmental matters

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

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

3.19 Related-party transactions

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

3.20 Dividend distribution

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

3.21 Segment reporting

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

(Thousand euro)

3.22 Consolidated statement of cash flow

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

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The principal revenue-producing activities of the Group companies and other activities that are not investing or financing activities.
- Investing activities. Acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

4. Financial risk management policy

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

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

4.1 Financial risk factors

a) Market risk

i) Foreign currency risk

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

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

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

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

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

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

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

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

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

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

ii) Cash flow and fair value interest rate risk

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

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

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

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

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

iii) Price risk

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

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

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

b) Credit risk

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

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

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

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

(Thousand euro)

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

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

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

c) Liquidity risk

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

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

	2015	**2014**
Cash and cash equivalents	57,443	81,726
Other current financial assets (Note 13)	4,005	3,546
Undrawn credit facilities and unused financing (Note 15)	6,868	15,056
Liquidity reserve	**68,316**	**100,328**
PIK Toggle notes (Note 15)	162,025	159,801
Borrowings (Note 15)	436,111	459,250
Obligations under finance leases (Note 15)	10,156	3,480
Vendor note (Note 16)	—	52,175
Cash and cash equivalents	(57,443)	(81,726)
Other current financial assets (Note 13)	(4,005)	(3,546)
Net borrowings	**546,844**	**589,434**
Less non-current borrowings	(530,720)	(640,077)
Current net borrowings	**16,124**	**(50,643)**

Cash and cash equivalents comprise:

	2015	**2014**
Cash on hand and at banks	57,443	81,726
Total	**57,443**	**81,726**

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

(Thousand euro)

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

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

	Within one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2015				
Borrowings (Note 15)	77,752	61,287	467,216	2,217
Trade and other payables(*)	171,483	4,159	10,701	3,156
At 31 December 2014				
Borrowings (Note 15)	34,629	33,492	553,851	559
Trade and other payables(*)	142,089	30,186	56,206	4,846

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

d) Capital risk

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

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

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

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

Excluding Preferred Equity

	2015	2014
Total bank borrowings (Notes 15)	608,292	622,531
Vendor note (Note 16)	—	52,175
Less: Cash and cash equivalents	(57,443)	(81,726)
Other current financial assets (Note 13)	(4,005)	(3,546)
Net debt	**546,844**	**589,434**
Total non-Preferred equity	37,171	71,716
Total capital invested	**584,015**	**661,150**
Borrowing ratio	**93.6%**	**89.2%**

(Thousand euro)

Including Preferred Equity

	2015	2014
Total bank borrowings (Notes 15)	608,292	622,531
Vendor note (Note 16)	—	52,175
Less: Cash and cash equivalents	(57,443)	(81,726)
Other current financial assets (Note 13)	(4,005)	(3,546)
Net debt	**546,844**	**589,434**
Total Non-preferred equity	37,171	71,716
Total Preferred equity	222,090	176,364
Total equity	**259,261**	**248,080**
Total capital invested	**806,105**	**837,514**
Borrowing ratio	**67.8%**	**70.4%**

4.2 Estimating fair value

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. reference prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable market data) (Level 3).

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

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

(Thousand euro)

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

a) Financial instruments level 2

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

Specific techniques for measuring financial instruments include:

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

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

b) Financial instruments level 3

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

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

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

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

5. Segment reporting

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

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

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

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

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

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

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

a) Segment reporting

The breakdown, by segment, of profit or loss for 2015 and the period May 2014 to December 2014 is as follows (in thousands of euros):

	2015				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Revenue	253,865	357,442	131,856	341	743,504
Income/Expenses from operations (except revenue, depreciation and amortisation/ depreciation charge and provisions)	(173,785)	(315,125)	(111,175)	466	(599,619)
Amortisation/Depreciation, impairment and provisions(*)	(28,228)	(11,419)	(57,200)	(4,831)	(101,678)
EBIT (Operating profit/(loss))	**51,852**	**30,898**	**(36,519)**	**(4,024)**	**42,207**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions)	**80,080**	**42,317**	**20,681**	**807**	**143,885**

	2014				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Revenue	262,252	281,245	109,720	(2,024)	651,193
Income/Expenses from operations (except revenue, depreciation and amortization/ depreciation charge and provisions)	(169,607)	(250,849)	(93,182)	2,583	(511,055)
Amortisation/Depreciation, impairment and provisions	(19,553)	(9,276)	(9,403)	(8,051)	(46,283)
EBIT (Operating profit/(loss))	**73,092**	**21,120**	**7,135**	**(7,492)**	**93,855**
EBITDA (Operating profit/(loss) before amortisation/depreciation and provisions)	**92,645**	**30,396**	**16,538**	**559**	**140,138**

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

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

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

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

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

(Thousand euro)

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

	2015	2014
European Union	**292,610**	**364,839**
-Spain	138,446	212,505
-Germany	94,162	90,593
-Rest of EU	60,002	61,741
Rest of the world	**85,922**	**66,769**
Total	**378,532**	**431,608**

(*) Rest of EU: mainly includes France, the United Kingdom and Sweden.
(**) Rest of the world: mainly includes South Korea, Turkey, Argentina, Chile and Peru.

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

	2015					2014				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Depreciation/ amortisation charge:										
- Property, plant and equipment (Notes 8 and 22)	(15,478)	(10,435)	(10,910)	(9)	(36,832)	(15,885)	(8,411)	(8,789)	(110)	(33,195)
- Intangible assets (Note 7 and 22)	(1,252)	(894)	(1,249)	(1,948)	(5,343)	(911)	(759)	(566)	(503)	(2,739)
- Reversal/(recognition) of impairment losses (Note 22)	(11,498)	(90)	(45,041)	(2,874)	(59,503)	(2,757)	(106)	(48)	(7,438)	(10,349)
Total	**(28,228)**	**(11,419)**	**(57,200)**	**(4,831)**	**(101,678)**	**(19,553)**	**(9,276)**	**(9,403)**	**(8,051)**	**(46,283)**

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

	2015					2014				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Assets										
Intangible assets	363,245	73,179	19,039	(3,360)	452,103	374,171	72,822	4,839	(1,692)	450,140
Property, plant and equipment	138,934	130,560	90,146	883	360,523	127,124	126,683	154,684	941	409,432
Investments in associates and other non-current assets	36,051	15,352	49,683	8,888	109,974	48,750	15,789	29,118	12,013	105,670
Current assets	89,055	69,168	63,008	(267)	220,964	115,446	67,558	43,049	2,459	228,512
Total assets	**627,285**	**288,259**	**221,876**	**6,144**	**1,143,564**	**665,491**	**282,852**	**231,690**	**13,721**	**1,193,754**
Equity and liabilities										
Equity	193,765	107,723	54,487	(96,714)	259,261	205,949	103,506	36,404	(97,779)	248,080
Non-current liabilities	345,397	91,847	115,696	82,169	635,109	389,522	120,647	25,685	232,950	768,804
Current liabilities	88,123	88,689	51,693	20,689	249,194	70,020	58,699	169,601	(121,450)	176,870
Total equity and liabilities	**627,285**	**288,259**	**221,876**	**6,144**	**1,143,564**	**665,491**	**282,852**	**231,690**	**13,721**	**1,193,754**

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

	2015					2014				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Additions to non-current assets (Notes 7 and 8)	26,897	14,779	16,941	239	58,856	14,417	29,464	5,876	1,899	51,656
Disposals of non-current assets (Notes 7 and 8)	(3,756)	(2,179)	(1,735)	(537)	(8,207)	(4,711)	(118)	(1,237)	—	(6,066)
Changes in the scope of consolidation (Notes 7 and 8)	86	—	(68,781)	—	(68,695)	75	5,593	5,255	44	10,967
Net investments in the period (Notes 7 and 8)	**23,227**	**12,600**	**(53,575)**	**(298)**	**(18,046)**	**9,781**	**34,939**	**9,894**	**1,943**	**56,557**

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

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

b) Information on customers

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

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

6. Goodwill

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

	Thousands of euros
Balance at 31 December 2013	**337,223**
Regularization	9,741
Impairment	—
Balance at 31 December 2014	**346,964**
Additions (Note 2.5)	14,060
Impairment	(7,930)
Balance at 31 December 2015	**353,094**

	Balance at 01/01/14	Regularization	Balance at 31/12/14	Additions	Impairment	Balance at 31/12/15
Steel	292,182	9,516	301,698	—	(7,930)	293,768
Aluminium	43,794	1,472	45,266			45,266
Industrial environmental solutions	1,247	(1,247)	—	14,060	—	14,060
	337,223	**9,741**	**346,964**	**14,060**	**(7,930)**	**353,094**

Additions in 2015 amounting to EUR 14.1 million derive from the acquisition of Solarca, S.L. (Notes 2.5 and 27).

In 2014, the Parent Company recognised the amount of EUR 9.7 million to regularise the goodwill initially recorded at the acquisition date, once the initial estimations considered in the PPA were finally reviewed and concluded.

Impairment analysis

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

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

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

- Projections of the cash flows of the company in question are made for periods of between five and ten years, calculating a residual value based on flow for the last year projected, provided that this flow is representative of a normalised flow to reflect margin and cash flow experience in those businesses, as well as future expectations. Perpetuity growth is not envisaged (g=0).
- The gross margins used in the calculation of the value for 2015 and 2014 are in line with the profit expected to be obtained based on past experience of profits of each of the segments and on new contracts existing in each case.
- To discount the flows, a discount rate is used based on the weighted average cost of capital for assets of this type, adjusted, where necessary, on the basis of the additional risk that could be contributed by certain types of activity.
- In any case, further sensitivity analyses are conducted, particularly with regard to the discount rate used and the residual growth rate, to ensure that the effect of possible changes in estimates of these rates does not have an impact on the recoverability of the recognised goodwill.

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

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

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

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

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

(Thousand euro)

7. Other intangible assets

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

	Development expenditure	Licenses and other	Computer software	Administrative concessions and others	Intangible assets in progress	Total
Cost:						
Balance at 01/01/15	**8,230**	**81,000**	**24,713**	**3,572**	**2**	**117,517**
Changes in scope of consolidation	516	—	(580)	17	—	(47)
Additions	2,177	—	501	76	—	2,754
Disposals	(18)	—	(346)	(1,566)	—	(1,930)
Translation differences (net)	—	—	(175)	—	(2)	(177)
Balance at 31/12/15	**10,905**	**81,000**	**24,113**	**2,099**	**—**	**118,117**
Accumulated amortisation- Balance at 01/01/15	**(4,698)**	**—**	**(8,002)**	**(1,641)**	**—**	**(14,341)**
Changes in scope of consolidation	(139)	—	392	(7)	—	246
Additions	(1,120)	—	(4,150)	(73)	—	(5,343)
Transfers	18	—	178	103	—	299
Translation differences (net)	(5)	—	36	—	—	31
Balance at 31/12/15	**(5,944)**	**—**	**(11,546)**	**(1,618)**	**—**	**(19,108)**
Other intangible assets, net at 01/01/15	**3,532**	**81,000**	**16,711**	**1,931**	**2**	**103,176**
Other intangible assets, net at 31/12/15	**4,961**	**81,000**	**12,567**	**481**	**—**	**99,009**

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

	Development expenditure	Licenses and other	Computer software	Administrative concessions and others	Intangible assets in progress	Total
Cost:						
Balance at 01/01/14	**7,106**	**81,000**	**21,862**	**2,001**	**3,061**	**115,030**
Changes in scope of consolidation	2	—	15	—	—	17
Additions	1,126	—	2,517	1,571	2	5,216
Disposals	(2)	—	(2,670)	—	—	(2,672)
Transfers	—	—	3,061	—	(3,061)	—
Translation differences (net)	(2)	—	(72)	—	—	(74)
Balance at 31/12/14	**8,230**	**81,000**	**24,713**	**3,572**	**2**	**117,517**
Accumulated amortisation- Balance at 01/01/14	**(3,991)**	**—**	**(6,147)**	**(1,466)**	**—**	**(11,604)**
Changes in scope of consolidation	—	—	(2)	—	—	(2)
Additions	(709)	—	(1,855)	(175)	—	(2,739)
Translation differences (net)	2	—	2	—	—	4
Balance at 31/12/14	**(4,698)**	**—**	**(8,002)**	**(1,641)**	**—**	**(14,341)**
Other intangible assets, net at 01/01/14	**3,115**	**81,000**	**15,715**	**535**	**3,061**	**103,426**
Other intangible assets, net at 31/12/14	**3,532**	**81,000**	**16,711**	**1,931**	**2**	**103,176**

(Thousand euro)

2015

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

The most significant disposals relate to EUR 1.6 million in capitalised industrial property in Befesa Silvermet Turkey, S.L, which has been derecognised as its recoverability is not considered probable (Note 22.5).

2014

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

In 2014 the Group recognised an impairment loss of EUR 2.6 million for computer software related to the German plant of the Steel subgroup, which would not be implemented.

Investment commitments

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

8. Property, plant and equipment

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

2015

	Land and buildings	Plant and machinery	Other property, plant and equipment	Financial assets in progress	Total
Cost:					
Balance at 01/01/15	**250,265**	**442,369**	**58,515**	**47,185**	**798,334**
Changes in the scope of consolidation	(63,365)	1,294	(5,525)	(1,052)	(68,648)
Additions	3,279	27,408	4,087	21,328	56,102
Disposals	(203)	(3,298)	(2,524)	(252)	(6,277)
Transfers	15,223	35,749	52	(51,024)	—
Translation differences (net)	(202)	1,474	(336)	3	939
Balance at 31/12/15	**204,997**	**504,996**	**54,269**	**16,188**	**780,450**
Accumulated depreciation and provisions:					
Balance at 01/01/15	**(62,352)**	**(280,479)**	**(38,455)**	**—**	**(381,286)**
Changes in the scope of consolidation	6,555	(3,529)	(388)	—	2,638
Additions	(7,995)	(25,293)	(3,544)	—	(36,832)
Disposals	129	1,930	1,700	—	3,759
Translation differences (net)	97	(988)	301	—	(590)
Balance at 31/12/15	**(63,566)**	**(308,359)**	**(40,386)**	**—**	**(412,311)**
Impairment losses at 01/01/15	**—**	**(7,616)**	**—**	**—**	**(7,616)**
Additions	(33,766)	(5,900)	(4,500)	—	(44,166)
Changes in the scope of consolidation (Note 2.5)	33,766	5,900	4,500	—	44,166
Impairment losses at 31/12/15	**—**	**(7,616)**	**—**	**—**	**(7,616)**
Carrying amount at 01/01/15	**187,913**	**154,274**	**20,060**	**47,185**	**409,432**
Carrying amount at 31/12/15	**141,431**	**189,021**	**13,883**	**16,188**	**360,523**

(Thousand euro)

2014

	Land and buildings	Plant and machinery	Other property, plant and equipment	Fixed assets in progress	Total
Cost:					
Balance at 01/01/14	**247,023**	**421,649**	**54,802**	**17,699**	**741,173**
Changes in the scope of consolidation	—	1,863	106	8,981	10,950
Additions	1,491	4,764	2,145	38,040	46,440
Disposals	(331)	(2,334)	(682)	(47)	(3,394)
Transfers	1,197	14,739	1,982	(17,918)	—
Translation differences (net)	885	1,688	162	430	3,165
Balance at 31/12/14	**250,265**	**442,369**	**58,515**	**47,185**	**798,334**
Accumulated depreciation and provisions:					
Balance at 01/01/14	**(55,220)**	**(259,731)**	**(35,932)**	**—**	**(350,883)**
Changes in the scope of consolidation	—	(87)	(32)	—	(119)
Additions	(7,228)	(23,011)	(2,956)	—	(33,195)
Disposals	2	1,600	513	—	2,115
Translation differences (net)	94	750	(48)	—	796
Balance at 31/12/14	**(62,352)**	**(280,479)**	**(38,455)**	**—**	**(381,286)**
Impairment losses at 01/01/14	—	(7,616)	—	—	(7,616)
Impairment losses at 31/12/14	—	(7,616)	—	—	(7,616)
Carrying amount at 01/01/14	**191,803**	**154,302**	**18,870**	**17,699**	**382,674**
Carrying amount at 31/12/14	**187,913**	**154,274**	**20,060**	**47,185**	**409,432**

2015

The main movements in 2015 are as follows:

The following were deconsolidated owing to the sale of Befesa Valorización de Azufre, S.L. (Notes 2.5 and 27):

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

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

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

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

2014

During 2014, the main additions related to the construction of the plant of Befesa Aluminium Germany GmbH (a company consolidated in 2014). These additions were recognised under Property, Plant and Equipment in Course of Construction at 31 December 2014. Additionally, other significant additions for the year related to the construction of a new furnace in Befesa Zinc Korea Ltd.

(Thousand euro)

The main transfers in 2014 related to the launch of Befesa Plásticos' new plant.

Impairment losses

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

Insurance

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

Capitalisation of borrowing costs

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

Property, plant and equipment subject to guarantees

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

9. Investments accounted for using the equity method

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

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

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

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

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

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

(Thousand euro)

10. Non-current financial assets

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

2015

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

2014

	Balance at 01/01/2014	Changes in scope of consolidation, net	Additions/ (Charge for the year)	Disposals	Transfers	Balance at 31/12/2014
Investments in Group companies and associates						
Investments in Group companies	12,989	(2,327)	1,743	(1,921)	—	10,484
Investments in associates and other companies	2,101	—	—	—	—	2,101
Provisions	(10,299)	1,485	(167)	835	—	(8,146)
	4,791	**(842)**	**1,576**	**(1,086)**	**—**	**4,439**
Long-term loans						
Other long-term loans	34,342	(2,199)	1,365	(3,440)	(1,037)	29,031
Provisions	(2,303)	—	(7,438)	766	—	(8,975)
Financial derivatives (Note 17)	—	—	464	—	—	464
Other non-current financial assets	956	10	49	(82)	—	933
	32,995	**(2,189)**	**(5,560)**	**(2,756)**	**(1,037)**	**21,453**
Total	**37,786**	**(3,031)**	**(3,984)**	**(3,842)**	**(1,037)**	**25,892**

(Thousand euro)

a) Investments in Group companies and associates

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

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

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

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

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

2015

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

(Thousand euro)

2014

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

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

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

a) Other long-term loans

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

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

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

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

11. Inventories

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

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

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

(Thousand euro)

12. Accounts receivable

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

	2015	2014
Work completed not invoiced	2,173	3,493
Trade and other receivables	87,687	76,748
Trade receivables from related companies (Note 25)	1,507	1,811
Other receivables	8,540	4,587
Public authorities (Note 20)	13,935	17,510
Less- Allowance for doubtful debts	(2,815)	(2,809)
Total	**111,027**	**101,340**

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

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

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

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

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

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

Changes in the allowances for doubtful debts relating to the Group's trade and other receivables for 2015 and 2014 are as follows:

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

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

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

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

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

13. Other current financial assets

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

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

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

14. Equity

a) Share capital

As at 31 December 2015 and 2014, subscribed and fully paid-up capital is represented by 5,728,116 Class-A preference shares and 5,503,246,234 Class-B ordinary shares with a par value of EUR 0.01 each, totalling EUR 55,089,743.50.

The Parent Company will issue Class-B Ordinary Shares to the Bondholder (Abengoa) upon conversion of the Bond, then representing 14.06% of the Company's issued Class-B Ordinary Shares on a fully-diluted basis. Such Class-B Ordinary Shares will be issued and allocated to the Bondholder.

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

	Percentage of ownership
Bilbao LuxCo, S.A.	88.75%
Triton Luxembourg II GP Bilbao, S.A.	11.25%
Total	**100%**

b) Share premium and other reserves

The detail in the consolidated balance sheet is as follows:

	2015	2014
Share premium	222,090	176,364
Reserves for the restatement of unrealised assets and liabilities	(506)	(406)
Other shareholder contributions	9,027	9,027
Reserves of consolidated companies	(7,130)	(28,763)
Total	**223,481**	**156,222**

(Thousand euro)

Share premium

The share premium may be used to provide for the payment of any shares which the Parent Company may repurchase from its shareholders, to offset any net realised losses, to make distributions to its shareholders, in the form of a dividend, or to allocate funds to the Legal reserve, provide that any such repurchases or distributions out of the share premium paid on the Class-A Shares may only benefit such Class-A Shares. The share premium paid on the Class-A Shares amounts to EUR 222 million as at 31 December 2015 and EUR 176.4 million as at 31 December 2014.

On February 2015, the Vendor note held with Abengoa was acquired by its Parent Company, and has consequently been capitalised for an amount of EUR 49.6 million, including a principal amount of EUR 47.5 million and accrued interest amounting to EUR 2.1 million (Note 16). Later in 2015, EUR 3.9 million premium share was distributed to Class-A Shareholders.

Other shareholder contributions

This amount refers to the fair value measurement of the convertible bond mentioned in Note 2.5 at the acquisition date of the Group. This financial instrument is a level-3 instrument in accordance with the definition included in Note 4. The measurement was made considering the Group's value based on the value-in-use method.

This convertible bond matures in 2028 (15 years as from the acquisition of Befesa Medio Ambiente Group) and is subject to two extension options of five years each at the discretion of Bilbao MidCo, S.à.r.l. The loan's principal may be settled with a single repayment at maturity and accrues interest at the 6-month Euribor rate plus a 6% spread, with an option for the Company to capitalise or pay interest at the end of each accrual period. Certain triggering events, which include the Group´s insolvency, a maximum net debt/EBITDA ratio of 8.0 throughout the life of the convertible loan, and the failure to meet certain financial objectives in the last three years of the 15-year loan term (minimum expected operating cash flow, minimum cash coverage ratio of 1.3) would result in the automatic conversion of the loan into 14.06% of Bilbao MidCo's shares. Furthermore, under certain scenarios involving the sale of the Group by the Company, and conversion of the convertible bond into 14.06% of Bilbao MidCo's shares, the Company can force Abengoa to sell its 14.06% stake together with the sale of the Company's stake, on the same terms applicable to the Company. In any event, if Abengoa does not receive such a request from the Company, Abengoa can sell its 14.06% stake resulting from the conversion together with the remaining stake sold by the Company and, in this case, the sale will be valid only if the acquirer also buys the 14.06% stake.

The convertible loan is an equity instrument considering that:

- The instrument includes no contractual obligation for the issuer to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.
- The instrument meets the "fixed-for-fixed" requirement.
- There are clauses that guarantee equality in economic rights of bondholders and shareholders in the case of corporate actions (reorganizations, dividend distributions, …).

c) Translation differences

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

Company or group of companies	2015	2014
Befesa Argentina, S.A.	(2,850)	(754)
Befesa Perú, S.A.	(551)	49
Befesa Zinc Korea, Ltd.	3,758	2,547
Befesa Salt Slags, Ltd.	1,709	691
Soluciones Ambientales del Norte, S.A.	(1,706)	(1,059)
Befesa Scandust AB	(392)	(688)
Befesa Silvermet Iskenderum, A.S.	(627)	(136)
Other	(186)	(87)
Total	**(845)**	**563**

d) Profit/(Loss) for the period

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

	2015	2014
Steel	4,103	25,494
Aluminium	13,762	11,762
Industrial environmental solutions	(45,194)	(2,874)
Corporate and consolidation adjustments(*)	(8,065)	(16,014)
Total	**(35,394)**	**18,368**

(*) Consolidation adjustments are mainly related to the elimination of dividends and changes in impairment losses on investments attributable to the Parent. In addition, the consolidation adjustments attributable to the other companies are included in their respective income statements.

e) Non-controlling interests

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

	2015	2014
Industrial Environmental Solutions:		
Befesa Plásticos, S.L.	15	320
Residuos Industriales de la Madera de Córdoba, S.A.	691	652
Solarca Qatar, W.L.L.	335	—
Steel:		
Befesa Silvermet Turkey, S.L.	7,196	7,977
Befesa Zinc Korea, Ltd.	8,692	8,888
	16,929	**17,837**

Summary information on subsidiaries with non-controlling material shareholdings

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

2015

Subgroup/ Company	Befesa Silvermet Turkey S.L. and its subsidiaries	Befesa Zinc Korea, Ltd.
Assets	22,663	68,529
Liabilities	6,349	25,067
Equity	16,314	43,462
Sales	9,003	13,858
Profit before taxes	(367)	(2,346)
Profit after taxes	(548)	(2,424)

2014

Subgroup/ Company	Befesa Silvermet Turkey S.L. and its subsidiaries	Befesa Zinc Korea, Ltd.
Assets	25,242	58,053
Liabilities	7,153	13,613
Equity	18,089	44,440
Sales	12,015	21,412
Profit before taxes	4,551	4,412
Profit after taxes	3,628	3,441

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

f) Capital management

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

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

15. Borrowings

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

	2015		2014	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans and credit facilities	69,297	523,185	28,151	585,751
Unmatured accrued interest	5,654	—	5,149	—
Obligations under finance leases	2,621	7,535	1,329	2,151
Total	**77,572**	**530,720**	**34,629**	**587,902**

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

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

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

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

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

(Thousand euro)

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

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

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

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

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

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

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

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

Every loan and credit line with variable interest accrues interest at market rates, basically the Euribor rate plus a spread.

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

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

At 31 December 2015 and 2014, the Group has unused credit facilities with no personal guarantee arranged, totalling EUR 868 thousand and EUR 56 thousand, respectively and approximately (Note 4 c). In addition, an amount of EUR 6 million has not been drawn yet from the syndicated financing arrangement (EUR 15 million in 2014).

(Thousand euro)

15.1 Financing currencies

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

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

16. Other current and non-current payables

	2015		2014	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Group liabilities - Vendor note (Note 14 b)	—	—	—	52,175
Other Group Liabilities		1,198	—	1,198
Payable to non-current asset suppliers	4,231	—	2,430	—
Derivative financial instruments (Note 17)	19	671	66	1,308
Accounts payable to public authorities (Note 20)	19,441	—	16,633	—
Remuneration payable	6,345	—	6,254	—
Other	23,931	27,945	8,187	48,854
Total	**53,967**	**29,814**	**33,570**	**103,535**

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

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

(Thousand euro)

17. Financial derivatives

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

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

• Zinc and aluminium futures contracts

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

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

• Interest rate swaps (floating to fixed)

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

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

• Foreign currency cash flow hedges

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

- US dollar sales: USD 2,467 thousand.

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

- US dollar sales: USD 10,347 thousand.

(Thousand euro)

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

18. Long-term provisions

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

	Provisions for litigation, pensions and similar obligations	Other provisions for contingencies and charges	Total long-term provisions
Balance at 01 January 2014	**4,885**	**38,608**	**43,493**
Period provisions charged to income	(374)	216	(158)
Provisions used	(2,722)	(438)	(3,160)
Transfers (Note 19)	—	(25,342)	(25,342)
Balance at 31 December 2014	**1,789**	**13,044**	**14,833**
Period provisions charged to income	381	272	653
Provisions used	(89)	(2,464)	(2,553)
Transfers	(48)	43	(5)
Balance at 31 December 2015	**2,033**	**10,895**	**12,928**

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

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

19. Deferred taxes

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

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

(Thousand euro)

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

	2015	2014
Deferred tax assets arising from:		
Tax loss carryforwards and tax credits and tax relief	76,175	75,644
Revaluation of derivative financial instruments	415	675
Other deferred tax assets	4,810	1,809
Total deferred tax assets	**81,400**	**78,128**
Deferred tax liabilities arising from:		
Asset revaluation	34,290	34,843
Deferred tax liability arising from the tax deductibility of goodwill	19,373	19,467
Other deferred tax liabilities	7,984	8,224
Total deferred tax liabilities	**61,647**	**62,534**

Amounts corresponding to deferred tax assets are as follows:

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

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

2015

		Recognised in			
	Balance at 31/12/14	Income statement	Equity	Consolidation change (Note 2.5)	Balance at 31/12/15
Deferred tax assets					
Tax losses carryforwards and deductions	75,644	1,483	(347)	(605)	76,175
Derivatives	675	(531)	271	—	415
Others	1,809	2,928	(19)	92	4,810
Total deferred tax assets	**78,128**	**3,880**	**(95)**	**(513)**	**81,400**
Deferred tax liabilities					
Revaluations	34,843	(553)	—	—	34,290
Goodwill	19,467	(94)	—	—	19,373
Other (temporary differences)	8,224	(554)	(31)	345	7,984
Total deferred tax liabilities	**62,534**	**(1,201)**	**(31)**	**345**	**61,647**

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

2014

	Balance at 01/01/14	Recognised in: Profit or loss	Recognised in: Equity	Consolidation change (Note 2.5)	Transfers	Balance at 31/12/14
Deferred tax assets						
Credits	96,863	2,706	(1,667)	3,084	(25,342)	75,644
Derivatives	340	283	52	—	—	675
Others	10,687	526	(9,404)	—	—	1,809
Total deferred tax assets	**107,890**	**3,515**	**(11,019)**	**3,084**	**(25,342)**	**78,128**
Deferred tax liabilities						
Revaluations	35,410	(567)	—	—	—	34,843
Derivatives	99	—	(99)	—	—	—
Goodwill	23,084	(189)	(1,284)	—	(2,144)	19,467
Others	6,903	(860)	2,181	—	—	8,224
Total deferred tax liabilities	**65,496**	**(1,616)**	**798**	**—**	**(2,144)**	**62,534**

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

2015

- The Group has recognised EUR 6.9 million in tax credits and deductions on tax losscarryforwards, mostly originating in the Basque Tax Group, as the Managers of the parent company understand that they may be recovered within a reasonable timeline.
- In 2015 impairment has been recognised in respect of tax assets in Befesa Valera, S.A.S., as they are considered not recoverable within a reasonable timeline. This impairment has had a negative impact on corporate income tax expense for the year of EUR 2.5 million.
- Exclusions from the consolidation scope relate to tax credits recognised by Befesa Valorización de Azufre S.L.

2014

- As a result of the inclusion of Befesa Steel R&D, S.L. in the consolidation scope, tax credits increased by EUR 3.1 million.
- Additionally, tax credits were regularised against reserves in the amount of approximately EUR 11.8 million.

20. Public authorities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Thousand euro)

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

	2015	2014
Profit/(Loss) before tax from continuing operations	(20,917)	32,253
Total accounting profit/(loss) before tax	**(20,917)**	**32,253**
Non-deductible expenses and non-computable income:		
- Other permanent differences	(367)	1,140
Adjusted accounting profit/(loss)	**(21,284)**	**33,393**
Tax charge in the Parent Company's territory	6,219	(9,835)
Income tax rate regularisations	—	(1,669)
Tax credits generated in the year and not capitalised	(16,989)	—
Recognition of unused tax credits, tax relief and tax loss carryforwards, net of provisions	(2,527)	(76)
Others	(1,838)	—
Income tax expense	**(15,135)**	**(11,580)**

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

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

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

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

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

21. Guarantee commitments to third parties and contingencies

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

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

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

22. Income and expenses

22.1 Raw materials and consumables

The detail of "Procurements" in the consolidated income statement for the years 2015 and 2014 is as follows:

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

(Thousand euro)

22.2 Other operating income

The detail of "Other Operating Income" in the consolidated income statement for the years 2015 and 2014 is as follows:

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

22.3 Staff costs

The detail of "Staff Costs" in the consolidated income statement for the years 2015 and 2014 is as follows:

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

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

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

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

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

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

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

(Thousand euro)

22.4 Other operating expenses

	2015	2014
Research and development expenditure(*)	358	430
External services	133,249	125,968
Taxes other than income tax	3,878	3,633
Losses on, impairment of and changes in allowances (Note 12)	(18)	9
Other current operating expenses	7,598	6,360
Total	**145,065**	**136,400**

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

22.5 Amortisation/depreciation, impairment and provisions

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

23. Financial expenses

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

	2015	2014
Interest expense (Notes 15)	55,680	57,524
Other finance costs (Note 15)	9,608	7,567
Impairment losses	108	1,705
Total	**65,396**	**66,796**

24. Remuneration of the Board of Managers

a) Managers' remuneration and other benefits

In 2015 the members of the Parent's Board of Managers earned approximately EUR 13 thousand for salaries and attendance fees for discharging their duties in the Group companies (2014: EUR 12 thousand).

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

In addition, the Parent Company did not have any pension or guarantee obligations to its former or current members of the Board of Managers.

b) Remuneration of senior executives

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

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

Incentives to executives and other matters

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

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

(Thousand euro)

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

25. Balances and transactions with related parties

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

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

2015

	Accounts receivable and other current financial assets (Note 12)	Long-term loans	Accounts payable	Other non-current liabilities (Note 16)	Sales and other income	Purchases and other expenses	Financial income	Financial cost
Bilbao Lux.Co S.A.	278	15,165	299	—	—	—	1,498	63
Triton IV Managers Limited	—	—	—	1,125	—	—	—	—
Ecología Canaria, S.A.	116	—	123	—	227	783	—	—
Recytech, S.A.	268	—	839	—	1,404	7,142	—	—
Betearte, S.A.	206	1,432	121	—	120	83	24	—
Gestión y Valorización Integral del Centro, S.L.	99	1,241	52	—	123	106	69	—
Other	540	210	184	73	—	211	375	—
Total	**1,507**	**18,048**	**1,618**	**1,198**	**1,874**	**8,325**	**1,966**	**63**

2014

	Accounts receivable and other current financial assets (Note 12)	Long-term loans (Note 10)	Accounts payable	Other non-current liabilities (Note 16)	Sales and other income	Purchases and other expenses	Financial cost	Financial income
Triton IV Managers Limited	—	—	—	1,125	—	—	—	—
Bilbao LuxCo S.A.	—	13,796	250	—	—	—	—	1,343
Ecología Canaria, S.A.	108	—	267	—	68	970	—	—
Recytech, S.A.	193	—	1,053	—	1,286	6,704	—	—
Betearte, S.A.	169	1,432	228	—	90	177	—	27
Gestión y Valorización Integral del Centro, S.L.	1,048	—	—	—	162	10	—	51
Other	293	14	93	73	—	216		324
Total	**1,811**	**15,242**	**1,891**	**1,198**	**1,606**	**8,077**	**—**	**1,745**

The balances and transactions of Group companies relate to sale and purchase transactions and other commercial operations on an arm's length basis.

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

(Thousand euro)

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

26. Information on the environment

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

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

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

27. Business combinations

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

During 2015, Solarca, S.L. and its subsidiaries were acquired for an amount of EUR 18.6 million. On 14 May 2015 the Group, through its subsidiary Alianza Medioambiental, S.L., signed a purchase agreement for Solarca, S.L., paying EUR 5 million in cash and the remainder under deferred terms, on 31 March over the following four years. In view of the contractual conditions, the Group has recognized the purchase of 100% of the Solarca group together with a liability of EUR 13.6 million, relating to the best estimate of the contingent price the Group will pay on each payment date until 2019. This price will depend on the formula established in the contract which takes into account estimated future EBITDA, among other items.

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

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

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

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

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

(Thousand euro)

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

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

Movements of cash funds in the operation were as follows:

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

28. Auditors' fees

In 2015 and 2014, the fees for financial audit services and other professional services provided to the companies forming the Bilbao MidCo, S.à r.l. Group by the principal auditor in Luxembourg and abroad, and by other entities related to the principal auditor, were as follows:

	2015	2014
Audit services	601	475
Other services	98	128
Tax counselling and other services	—	—
Total	**699**	**603**

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

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

Appendix I

Entity	Address	Activity	% Interest	Auditor	Thousand Euros (31/12/15) Capital	Reserves	Translation difference	Prior	Interim dividend
Befesa Holding, S.à r.l.	Luxemburg	Holding	100%	PwC	13	444,390	—	(188)	—
Bilbao (Luxemburg), S.A.	Luxemburg	Holding	100%	PwC	31	215	—	(235)	—
Befesa Medioambiente HoldCo, S.L.	Biscay	Holding	100%	(1)	77.870	351,779	—	(5,461)	—
Befesa Management Services	Germany	Holding	100%	PwC	25	86	—	285	—
Befesa Medio Ambiente, S.L.U.	Biscay	Holding	100%	PwC	150,003	255,915	—	(6,629)	—
1. AMA subgroup-									
Alianza Medioambiental, S.L.	Biscay	Holding	100%	PwC	104,359	50,023	—	(37,756)	—
- Befesa Gestión de PCB, S.A.	Murcia	Decontamination of transformers	100%	PwC	211	512	—	74	—
- Befesa Plásticos, S.L.	Murcia	Plastic recycling	99.89%	PwC	15,297	(2,974)	—	(1,420)	
- Befesa Argentina, S.A.	Argentina	Industrial cleaning and waste treatment	100%	PwC	8,328	2,501	(10,167)	2,547	—
- Befesa Gestión de Residuos Industriales, S.L.	Seville	Industrial cleaning and waste treatment	100%	PwC	4,804	30,728	—	(7,296)	
• Residuos Industriales de la Madera de Córdoba, S.A.	Córdoba	Waste treatment	70.09%	(1)	869	1,386	—	136	
Befesa Industrial Services USA, Inc	USA	Industrial cleaning	100%		1		(45)	(175)	
- Befesa Perú, S.A.	Peru	Waste treatment	100%	PwC	639	3,703	111	446	
- Soluciones Ambientales del Norte Lmtda, S.A.	Chile	Waste treatment	100%	PwC	6,587	(2,390)	(1,065)	(530)	—
- Befesa Colombia S.A.S.	Colombia	Industrial cleaning	100%	(1)	627	(68)	4	(510)	—
- Solarca S.L.	Tarragona	Chemical cleaning and steam and air blowing	100%	PwC	343	5,178		2,151	
Solarca CLM, S.L.	Castilla la Mancha	Chemical cleaning and steam and air blowing	100%	(1)	186	9		245	
Sabsco UK, Ltd	Great Britain	Chemical cleaning and steam and air blowing	100%	DSH	407	210		19	
Solarca France, Sarl	France	Chemical cleaning and steam and air blowing	100%	PwC y Aldo Franceschi	43	130		361	
Sabsco Asia	Singapore	Chemical cleaning and steam and air blowing	100%		130	(119)		73	
Solarca USA, Corp	USA	Chemical cleaning and steam and air blowing	100%	(1)	1	705	(10)	128	

Entity	Address	Activity	% Interest	Auditor	Thousand Euros (31/12/15) Capital	Reserves	Translation difference	Prior	Interim dividend
Sabsco Malasia	Malasia	Chemical cleaning and steam and air blowing	100%		21		(1)	18	
Solarca Qatar, WLL	Qatar	Chemical cleaning and steam and air blowing	49%	Morison Menon	51	316	6	285	
Solarca Portugal, S.L.	Portugal	Chemical cleaning and steam and air blowing	100%	(1)	100	(31)		(3)	
2. MRH Residuos Metálicos S.L.U.	Biscay	Holding	100%	(1)	15,600	60,863	—	23,834	—
- Befesa Salzschlacke Gmbh	Germany	Aluminium waste treatment	100%	PwC	25	72	—	7,664	(4,000)
- Befesa Aluminium Germany GmbH	Germany	Aluminium waste treatment	100%	(1)	25	210	—	415	—
- Subgrupo Zinc Befesa Zinc, S.A.U.	Biscay	Holding	100%	PwC	25,010	43,276	—	11,729	—
• Befesa Zinc Comercial, S.A. (Sociedad Unipersonal)	Biscay	Sale of recycled waste	100%	PwC	60	8,665	—	(18)	—
• Befesa Zinc Aser, S.A. (Sociedad Unipersonal)	Biscay	Recovery of metal and mineral containing waste	100%	PwC	4,260	25,442	—	19,910	(18,000)
• Befesa Zinc Sur, S.L. (Sociedad Unipersonal)	Badajoz	Recovery of metal and mineral containing waste	100%	(1)	605	(28)	—	(26)	—
• Befesa Zinc Óxido, S.A. (Sociedad Unipersonal)	Biscay	Recovery of metal and mineral containing waste	100%	PwC	1,102	5,620	—	(372)	—
• Befesa Steel R&D, S.L. (Sociedad Unipersonal)	Biscay	Development of projects and technology innovation	100%	(1)	3	2,061	—	(105)	—

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

(1) Companies not required to have their financial statements audited

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated Financial Statements as at 31 December 2014

Audit report

To the Shareholders of
Bilbao MidCo S.à r.l.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bilbao MidCo S.à r.l., which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

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

Responsibility of the "Réviseur d'entreprises agréé"

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

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

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

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Bilbao MidCo S.à r.l. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 21 April 2015

Markus Mees

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated balance sheet as at 31 December 2014 and 2013
(Euro thousand)

Assets	Note(s)	2014	2013
Non-current assets:			
Intangible assets			
Goodwill	**6**	346,964	337,223
Other intangible assets, net	**7**	103,176	103,426
		450,140	**440,649**
Property, plant and equipment net-	**8**		
Property, plant and equipment in use		362,247	364,975
Property, plant and equipment under construction		47,185	17,699
		409,432	**382,674**
Investments accounted for using the equity method	**9**	**1,650**	**1,809**
Non-current financial assets	**10**		
Investment in subsidiaries and associates		4,439	4,791
Other non-current financial assets		21,453	32,995
		25,892	**37,786**
Deferred tax assets	**20**	**78,128**	**107,890**
Total non-current assets		**965,242**	**970,808**
Current assets:			
Inventories	**11**	**41,900**	**41,206**
Trade and other receivables	**12**	**77,432**	**66,769**
Trade receivables from related companies	**12 – 26**	**1,811**	**20,301**
Accounts receivables from public authorities	**12 – 21**	**17,510**	**15,341**
Other receivables	**12**	**4,587**	**8,477**
Other current financial assets	**13**	**3,546**	**8,298**
Cash and cash equivalents	**4**	**81,726**	**70,570**
Total current assets		**228,512**	**230,962**
Total assets		**1,193,754**	**1,201,770**

The accompanying Notes 1 to 29 and the Appendix are an integral part of the consolidated financial statements.

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated balance sheet as at 31 December 2014 and 2013
(Euro thousand)

Equity and liabilities	Note(s)	2014	2013
Equity:			
Parent Company	**14**		
Share capital		55,090	55,090
Share premium		176,364	176,364
Unrealised asset and liability revaluation reserve and valuation adjustments		(406)	(111)
Other shareholder contributions		9,027	9,027
Reserves of consolidated companies		(28,763)	(7,227)
Translation differences		563	(2,051)
Net profit / (loss) for the period		18,368	(9,153)
		230,243	**221,939**
Non-controlling interests	**14**	**17,837**	**19,358**
Total equity		**248,080**	**241,297**
Non-current liabilities:			
Long-term provisions	**19**	**14,833**	**43,493**
Long-term non-recourse financing	**15**	**475,306**	**464,833**
Long-term financial debt	**16**	**110,737**	**121,629**
Accounts payable for long term finance leases	**16**	**1,859**	**2,248**
Deferred tax liabilities	**20**	**62,534**	**65,496**
Other non-current liabilities	**17**	**103,535**	**66,655**
Total non-current liabilities		**768,804**	**764,354**
Current liabilities:			
Short-term non-recourse borrowings	**15**	**7,965**	**10,165**
Short-term financial debt	**16**	**25,502**	**21,222**
Accounts payable for short-term finance leases	**16**	**1,162**	**1,068**
Trade payables to related parties	**26**	**1,891**	**4,551**
Trade and other payable		**106,628**	**116,564**
Short-term provisions		**152**	**278**
Other payables -			
Accounts payable to public authorities	**17-21**	16,633	13,887
Other current liabilities	**17**	16,937	28,384
		33,570	**42,271**
Total current liabilities		**176,870**	**196,119**
Total equity and liabilities		**1,193,754**	**1,201,770**

The accompanying Notes 1 to 29 and the Appendix are an integral part of the consolidated financial statements.

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated income statements for the year ended 31 December 2014 and for the period from 31 May 2013 (date of incorporation) and 31 December 2013
(Euro thousand)

	Note(s)	2014	Period from 31 May 2013 to 31 December 2013
From continuing operations:			
Revenue	**5**	651,193	311,138
+/- Changes in inventories of finished goods and work in progress		(6,625)	(3,175)
Procurements	**23**	(295,446)	(138,846)
Other operating income	**23**	19,476	8,468
Staff costs	**23**	(92,060)	(46,359)
Other operating expenses	**23**	(136,400)	(85,525)
Depreciation, amortization and impairment provisions	**23**	(46,283)	(18,569)
Operating profit		**93,855**	**27,132**
Finance income		3,970	743
Financial expenses	**24**	(66,796)	(32,805)
Net exchange differences (gains and losses)		925	(215)
Finance income/(loss)		**(61,901)**	**(32,277)**
Share in income statement of investments recognised under the equity method	**9**	299	58
Profit/(loss) before tax		**32,253**	**(5,087)**
Corporate income tax expense	**21**	(11,580)	(3,229)
Profit/(loss) for the year from continuing operations		**20,673**	**(8,316)**
Profit/(loss) for the year		**20,673**	**(8,316)**
Attributable to:			
Parent company's shareholders		18,368	(9,153)
Non-controlling interests		2,305	837

The accompanying Notes 1 to 29 and the Appendix are an integral part of the consolidated financial statements.

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated statement of comprehensive income for the year ended 31 December 2014 and for the period from 31 May 2013 (date of incorporation) and 31 December 2013
(Euro thousand)

	Notes	2014	Period from 31 May 2013 to 31 December 2013
Profit/(loss) for the year		**20,673**	**(8,316)**
Items that may be subsequently reclassified to profit or loss			
Income and expense recognised directly in equity		**2,449**	**(3,060)**
- Arising from cash flow hedges	**18**	(1,232)	(2,124)
- Translation differences	**14**	3,299	(2,349)
- Tax effect	**18**	382	1,413
Transfers to consolidated profit or loss	**18**	**555**	**(5,465)**
- Arising from cash flow hedges		786	(7,008)
- Tax effect		(231)	1,543
Other comprehensive income for the year		**3,004**	**(8,525)**
Total comprehensive income for the year		**23,677**	**(16.841)**
Attributable to:		**23,677**	**(16.841)**
Owners of the parent		20,615	(17,054)
Non-controlling interests		3,062	213

The accompanying Notes 1 to 29 and the Appendix are an integral part of the consolidated financial statements.

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2014 and for the period from 31 May (date of incorporation) to 31 December 2013
(Euro thousand)

	Attributable to owners of the parent								
			Other reserves						
	Share capital (Note 14)	Share premium (Note 14)	Unrealised asset and liability revaluation reserve (Note 14)	Other shareholder contributions (Note 14)	Reserves of consolidated companies (Note 14)	Translation differences (Note 14)	Net profit (loss) for the period (Note 14)	Non-controlling interests (Note 14)	Total equity
Balances at 31 May 2013	**12**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**12**
Capital increase	55,078	176,364	—	—	—	—	—	—	231,442
Business combinations (Note 2.6)	—	—	—	9,027	(27)	—	—	7,676	16,676
Translation differences	—	—	—	—	—	(1,725)	—	(624)	(2,349)
Transfer of hedges to profit or loss (Note 18)	—	—	(5,465)	—	—	—	—	—	(5,465)
Changes in valuation of hedges (Note 18)	—	—	(711)	—	—	—	—	—	(711)
Net loss for 2013	—	—	—	—	—	—	(9,153)	—	(9,153)
Profit for the period attributable to non-controlling interests	—	—	—	—	—	—	—	837	837
Changes in the scope of consolidation (Note 2.6)	—	—	—	—	—	(326)	—	11,469	11,143
Other changes	—	—	—	—	(1,135)	—	—	—	(1,135)
Other movements	—	—	6,065	—	(6,065)	—	—	—	—
Balances at 31 December 2013	**55,090**	**176,364**	**(111)**	**9,027**	**(7,227)**	**(2,051)**	**(9,153)**	**19,358**	**241,297**
Distribution of profit/(loss) of 2013	—	—	—	—	(9,153)	—	9,153	—	—
Translation differences	—	—	—	—	—	2,542	—	757	3,299
Transfer of hedges to profit or loss (Note 18)	—	—	555	—	—	—	—	—	555
Changes in valuation of hedges (Note 18)	—	—	(850)	—	—	—	—	—	(850)
Net loss for 2014	—	—	—	—	—	—	18,368	—	18,368
Profit for the period attributable to non-controlling interests	—	—	—	—	—	—	—	2,305	2,305
Other changes (Notes 2.6, 7 and 8)	—	—	—	—	(6,419)	—	—	—	(6,419)
Changes in the scope of consolidation (Note 2.6)	—	—	—	—	(5,964)	72	—	(4,583)	(10,475)
Balances at 31 December 2014	**55,090**	**176,364**	**(406)**	**9,027**	**(28,763)**	**563**	**18,368**	**17,837**	**248,080**

The accompanying Notes 1 to 29 and the Appendix are an integral part of the consolidated financial statements.

Bilbao MidCo, S.à r.l. and Subsidiaries

Consolidated statements of cash flow for the year ended 31 December 2014 and for the period from 31 May 2015 (date of incorporation) to 31 December 2013
(Euro thousand)

	2014	**Period from 31 May 2013 to 31 December 2013**
Cash flows from operating activities:		
Profit (loss) for the year before tax	**32,253**	**(5,087)**
Adjustments for-		
Depreciation and amortisation charge (Notes 7 and 8)	35,886	18,569
Impairment losses	7,953	457
(Profit)/Loss form assets disposals	2,622	—
Changes in provisions	(285)	2,451
(Profit)/Loss form associates	(299)	—
Interest income	(3,970)	(743)
Finance costs	66,796	32,805
Other profit and losses	(1,503)	—
Exchange differences	(925)	—
Changes in working capital:		
Trade receivables and other current assets	(766)	34,252
Inventories	2,752	(4,911)
Trade payables	(14,587)	(43,193)
Other cash flows from operating activities:		
Interest paid	(49,543)	(21,458)
Other payments	(3,160)	(1,317)
Taxes paid	(13,738)	(14,518)
Net cash flows from operating activities	**59,486**	**(2,693)**
Cash flows from investing activities:		
Investments in Group and associated companies	—	(343,616)
Investments in intangible assets	(5,216)	(3,260)
Investments in property, plant and equipment (Note 8)	(44,927)	(16,510)
Other financial assets (Note 10)	(1,270)	(26,800)
Collections from sale of intangible assets	—	609
Collections from sale of property, plant and equipment assets	1,324	3,661
Collections from sale of other financial assets	7,576	9,106
Dividends	458	631
Interest received	2,117	743
Net cash flows from investing activities	**(39,938)**	**(375,436)**
Cash flows from financing activities:		
Cash bank inflows from bank borrowings and other liabilities	21,470	279,930
Cash bank inflows from group loans and group liabilities	—	366,704
Cash bank outflows from bank borrowings and other liabilities	(30,135)	(197,935)
Net cash flows from financing activities	**(8,665)**	**448,699**
Effect of foreign exchange rate changes on cash and cash equivalents	**273**	**—**
Net increase in cash and cash equivalents	**11,156**	**70,570**
Cash and cash equivalents at the beginning of year	70,570	—
Cash and cash equivalents at the end of the year	81,726	70,570

The accompanying Notes 1 to 29 and the Appendix are an integral part of the consolidated financial statements.

Bilbao MidCo , S.à r.l. and Subsidiaries

Management's report as at 31 December 2014
(Thousand euro)

1. General information

Bilbao MidCo, S.à r.l. (the "Parent Company" or the "Company") was incorporated in Luxembourg on 31 May 2013 as a "société à responsabilité limitée" subject to the Luxembourg law for an unlimited period of time. The registered office of the Company is established in 2c rue Albert Borschette, L-1248, Luxembourg.

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

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

The Company's financial year starts on 1 January and end on 31 December. Exceptionally, 2013 consolidated financial statements, which are the first since the Company's incorporation, are for the period from 31 May 2013 (date of incorporation) to 31 December 2013.

On 15 July 2013, the Company closed the acquisition of 100% of Befesa Medio Ambiente, S.L. and its subsidiaries (hereinafter "Befesa Medio Ambiente" or "Befesa"). The Company and its subsidiaries are hereinafter referred to as the "Group".

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

Most of the systems, equipment and facilities included in Befesa's property, plant and equipment should be deemed to be assigned to the management and treatment of industrial environmental solutions and, in general, to the protection and improvement of the environment, either because of the business activities carried on by Befesa or because of their nature (Industrial environmental solutions). Also, most of the expenses and revenues for 2014 and 2013 should be understood as accruing 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 related notes to the consolidated financial statements.

These activities are carried on by the various Befesa Group companies, which are divided into two subgroups headed by the following investees of the Parent: MRH Residuos Metálicos, S.L. and Alianza Medioambiental, S.L., both of which are sole-shareholder companies.

Befesa Valorización de Azufre, S.L. (Sole-Shareholder Company), company included in the scope of consolidation, engages in, among other operations, combined heat and power activities. This activity is regulated by Spanish Royal Decree-Law 24/2013 on the Electricity Sector, by Royal Decree-Law 9/2013, on urgent measures to guarantee the financial stability of the electricity system and Royal Decree 413/2014 defining the remuneration parameters of standard facilities applicable to certain electricity production facilities using renewable sources, by cogeneration and residues. Pursuant to regulation in force, the power produced and not consumed by the companies is acquired by the electric utility operating in each area, with which the related supply agreements are reached.

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

2.1 Fair presentation

The consolidated financial statements for 2014 of the Company were formally prepared by the Managers of the Company, considering the following:

- Bilbao MidCo, S.à r.l. was incorporated on 31 May 2013 (Note 1). Therefore, the comparative information related to 2013 corresponds to the consolidated financial statements for the period between 31 May 2013 and 31 December 2013 which were the first consolidated financial statements of Bilbao MidCo Group.

- In accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, including the International Accounting Standards (IASs) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the accompanying consolidated financial statements are summarised in Note 3.
- The consolidated financial statements have been prepared under the historical cost approach modified by the revaluation of assets and liabilities (Including derivatives at fair value).
- On the basis of the accounting records kept by the Parent and by the other Befesa Group companies, which include the unincorporated temporary joint ventures (UTEs) in which they had interests at 31 December 2014. However, since the accounting policies and measurement bases used in preparing Bilbao MidCo's consolidated financial statements (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards as adopted by the European Union.
- The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.4.
- The consolidated financial statements have been prepared in accordance with Luxemburg legal and regulatory framework.

2.2 Adoption of new standards and interpretations issued

The consolidated financial statements for the year ended 31 December 2014 were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, taking into account all the mandatory accounting principles and rules and measurement bases with a material effect, as well as the alternative treatments permitted by the relevant standards in this connection.

As a result of certain International Financial Reporting Standards (IFRS-EU) coming into effect in January 2014, the Company has proceeded to adapt its consolidated financial statements to those standards. These standards are set out below:

a) Mandatory standards, amendments and interpretations for all years starting 1 January 2014

IFRS 10 "Consolidated financial statements": IFRS 10 replaces the control and consolidation guidelines contained in IAS 27 "Consolidated and individual financial statements", issued in May 2011 and eliminates IAS 12 "Consolidation – special purpose entities". IFRS 10 establishes the principles for the presentation and preparation of consolidated financial statements. This IFRS introduces changes in the concept of control, which continues to be defined as the factor determining whether or not an entity should be included in the consolidated financial statements. The concept of the parent company and its subsidiaries forming a unit for the purposes of the consolidated financial statements and the consolidation procedures have remained unchanged compared with former IAS 27. This standard has not had a significant impact on the consolidated financial statements.

IFRS 11, "Joint Arrangements": IFRS 11 supersedes IAS 31 "Interests in joint ventures" and SIC 13 "Jointly controlled entities – Non-monetary contributions by Venturers. IFRS 11 establishes the accounting treatment of joint arrangements based on the rights and obligations arising from the agreement rather than the legal status. The types of joint arrangements are reduced to two: joint operations and joint ventures. Under a joint operation a member has rights over the assets and liabilities arising from the arrangement and therefore reflects its proportional interest in the assets, liabilities, income and expenses of the entity in which it participates. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the profit or loss or to the net assets of the arrangement and, therefore, account for their interests in the arrangement using the equity method. The proportionate consolidation of joint arrangements is no longer permitted. After analysing the Group's joint arrangements, it was concluded that this standard does not have a significant impact on these consolidated financial statements.

IFRS 12 "Disclosure of interests in other entities": IFRS 12 contains the requirements on the information to be disclosed for interests in subsidiaries, associates, joint arrangements and unconsolidated entities. The Group has disclosed the required information in these consolidated financial statements.

IAS 27 (Amendment), "Separate Financial Statements": The requirements formerly contained in lAS 27 regarding the preparation of consolidated financial statements are now contained in IFRS 10. The standard requires companies which prepare separate financial statements to state these interests at cost or according to IFRS 9. This standard has not had a significant impact on the consolidated financial statements.

IAS 28 (Amendment) "Investments in associates and joint ventures": lAS 28 has been revised to include references to joint ventures, which under the new IFRS 11; Joint Arrangements must be accounted for using the equity method. Also information has been added on the accounting treatment of these types of investments. This standard has not had a significant impact on the consolidated financial statements.

IAS 32 (Amendment) "Offsetting Financial Assets and Financial Liabilities": The amendment clarifies that the right to offset financial assets and liabilities should be available at the present time -i.e. it does not depend on a future event. Additionally, the right has to be legally enforceable in the ordinary course of business of the counterparties involved in the transaction, even in cases of default, insolvency and bankruptcy. This standard has not had a significant impact on the consolidated financial statements.

IFRS 10 (Amendment), IFRS 11 (Amendment) and IFRS 12 (Amendment) "Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition Guide (amendments for IFRS 10, IFRS 11 and IFRS 12)": Its aim is to provide clarification on the IFRS 10 transition guide, indicating that the date of first application is the first day of the first year in which IFRS is applied for the first time. Additionally, transition requirements are made more flexible with regards to IFRS 10, 11 and 12, restricting the adjusted corporate information requirement to the previous comparative year only. This standard has not had a significant impact on the consolidated financial statements.

IFRS 10 (Amendment), IFRS 12 (Amendment) and lAS 27 (Amendment) "Investment entities". IFRS 10 is amended to include the definition of an "investment entity" and introduces an exception to the obligation to consolidate subsidiaries for entities which meet this definition that, instead of this, are to be measured at fair value through profit or loss. The only exception is for subsidiaries which provide services related to the investment entity's investment activities, which are consolidated. Amendments to IFRS 12 require specific information on these subsidiaries of investment entities to be disclosed. Amendments to lAS 27 eliminate the option that investment entities had to measure investments in determined subsidiaries at cost or fair value in their separate financial statements. This standard has not had a significant impact on the consolidated financial statements.

IAS 36 (Amendment) "Recoverable Amount Disclosures for Non-Financial Assets": Includes a narrow scope amendment to lAS 36, "Impairment of assets". This amendment requires detailed information on the measurement of fair value less disclosure costs when an impairment loss has been recognised or reversed. This standard has not had a significant impact on the consolidated financial statements.

IAS 39 (Amendment) "Novation of derivatives and continuation of hedge accounting" Introduces a narrow scope exception to the requirement to discontinue hedge accounting in situations of novation of a derivative designated as a hedging instrument and the substitution of a counterparty with a central counterparty as a result of legal or regulatory provisions. This standard has not had a significant impact on the consolidated financial statements.

b) Standards, amendments and interpretations which have not yet come into effect but which may be adopted early in the years starting on or after 1 January 2014, but which have not been adopted early by the Group

As of the date of signature of these consolidated financial statements, the IASB and IFRIC had published the standards, amendments and interpretations described below and mandatory as from years beginning 2015:

IFRIC 21 "Levies": This interpretation covers the accounting treatment of levies imposed by the public administrations.

Annual improvements to IFRS, 2011 to 2013: cycle In December 2013 the IASB published Annual Improvements for the 2011-2013 Cycle. The amendments included in these Annual Improvements generally apply for the years starting on and after 1 January 2015 although their early adoption is permitted. The main amendments incorporated refer to:

- IFRS 3, "Business combinations" Scope exceptions for joint ventures.
- IFRS 13 "Fair Value Measurement" The scope of the "portfolio exception" available in IFRS 13.
- IAS 40 "Investment properties". Interrelationship between lAS 40 and NIIF 3 when classifying property as investment property or owner occupied property.

Annual improvements to IFRS, 2010 to 2012: cycle In December 2013 the IASB published Annual Improvements for the 2010-2012 Cycle. The amendments included in these Annual Improvements generally apply for the years starting on and after 1 February 2015 although their early adoption is permitted. The main amendments incorporated refer to:

- IFRS 2 "Share-based payments" Definition of "condition relating to the irrevocable nature of the grant".
- IFRS 3, "Business combinations" Accounting for contingent consideration in a business combination.
- IFRS 8, "Operating segments" Information to disclose about the aggregation of operating segments and reconciliation of total assets assigned to segments reported with the entity's assets.
- IFRS 13 "Fair Value Measurement" References to the capacity to assess short-term accounts receivable and payable at nominal value when the effect of discount is not significant.
- IAS 16 "Property, plant and equipment" and lAS 38 "Intangible assets": Proportional restatement of accumulated amortisation when the revaluation model is used.
- IAS 24 "Related-Party Disclosures". Entities which provide services related to key management personnel as related parties.

IAS 19 (Amendment), "Defined benefit plans": Employee Contributions": IAS 19 (revised in 2011) differentiates between employee contributions linked to the service rendered and those not linked to the service. The current amendment also differentiates between contributions linked to the service only in the year in which they arise and those linked to the service in more than one year. The amendment allows contributions linked to the service that do not vary over the length of the same to be deducted from the cost of the benefits earned in the year that the service is rendered. Contributions linked to the service which vary over the length of the same, should be spread over the period that the service is rendered using the same allocation method as that applied to the benefits. This amendment applies to the years starting on or after 1 February 2015 and is applied retrospectively. Early application is permitted.

The Group is assessing the potential impact of these new standards on the consolidated financial statements.

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

As of the date of signature of these consolidated financial statements, the IASB and IFRIC had published the standards, amendments and interpretations described below, which are pending adoption by the European Union.

IFRS 14 "Regulatory deferral Accounts": This is an interim standard on the accounting treatment of certain balances arising on rate regulated activities. It only applies to first-time adopters, permitting them to continue recognising the rate regulated amounts in accordance with the accounting standards used prior to the adoption of IFRS.

IFRS 11 (Amendment) "Accounting for Acquisitions of Interests in Joint Operations": This requires the principles on business combinations to be applied to an investor which acquires interests in a joint operation constituting a business.

IAS 16 (Amendment) and lAS 38 (Amendment) "Clarification of Acceptable Methods of Depreciation and Amortisation": This amendment clarifies that methods based on revenues should not be used to calculate the depreciation/amortisation of an asset.

IFRS 15 "Revenue from contracts with customers": In May 2014, the IASB and the FASB issued a convergent standard in respect of the recognition of revenue from contracts with customers. Under this standard, revenue recognised when a customer gains control of an assets or service sold, i.e. when it has both the capacity to manage the use and obtain the profits of a good or service. This IFRS includes a new guide to determine whether revenue should be recognised over time or at a certain point in time. IFRS 15 requires extensive information both on revenue recognised and revenues which are expected to be recognised in the future related to existing contracts. Additionally, it requires quantitative and qualitative information on significant judgements made by management when determining revenue recognised, as well as the changes to these judgements. IFRS 15 is effective for years starting on or after 1 January 2017; early application is permitted.

IAS 16 (Amendment) and IAS 41 (Amendment) "Agriculture: Bearer plants": The Group currently has not assets with these characteristics.

IFRS 9 "Financial Instruments": It addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was published in July 2014 and substitutes the lAS 39 guide on the classification and measurement of financial instruments. IFRS 9 continues to include but simplifies the mixed measurement model and establishes three main measurement categories for financial assets: amortised cost, fair value through profit or loss and at fair value through other comprehensive income. The classification base depends on the entity's business model and characteristics of the contractual cash flows from the financial asset. This requires investments in equity instruments to be measured at fair value through profit or loss with the irrevocable option in the beginning of presenting changes in fair value through other on-recyclable comprehensive income, as long as the instrument is not held for trading. Under IFRS 9 there is a new model for impairment losses, the expected credit loss model, which substitutes the impairment loss model of lAS 39 which gives rise to recognising losses at an earlier time than with lAS 39.

IAS 27 (Amendment), 'Equity method in separate Financial Statements': lAS 27 is amended to re-establish the option of using the equity method to account for investments in subsidiaries, jointly controlled entities and associates in an entity's separate financial statements.

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sales or contributions of assets between an investor and its associate/joint venture": These amendments clarify the accounting treatment for sales and contribution of assets between an investor and its associates and joint ventures which depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor recognises the comprehensive profit or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition of a business, the investor recognises the profit or loss as the interests of other investors.

Cycle 2012-2014 improvement project: The amendments affect IFRS 5, IFRS 7, lAS 19 and lAS 34 and will apply to the years starting from 1 July 2016, subject to it being adopted by the EU. The main amendments refer to:

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

IAS 1 (Modification), "Presentation of financial statements". Amendments to lAS encourage companies to apply professional judgements when determining which information should be disclosed in financial statements.

IFRS 10 (Amendment), IFRS 12 (Amendment) and lAS 28 (Amendment) "Investment entities". Applying the consolidation exception": These amendments clarify three aspects on the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them.

The Group is assessing the potential impact of these new standards on the consolidated financial statements.

2.3 Functional currency

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

2.4 Responsibility for the information and estimates made

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

The preparation of the consolidated financial statements and related explanations notes in accordance with IFRS requires Manager to make estimates which have an impact on the measurement of certain assets, liabilities, income, expenses and obligations. Set out below is a list of the principal items in the consolidated financial statements which reflect the use of estimates and judgmental measurements:

Impairment losses on goodwill and certain assets (see Notes 3.1, 6, 7 and 8).

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

If the revised estimated discount rate which is applied to discounted cash flows was 10% higher than management's estimates, the Group would continue not to need to reduce the carrying value of goodwill.

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

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

Management determines the estimated useful lives and related depreciation charges for its fixed assets. This estimate is based on the depreciation/amortization actually affecting the assets due to their use, operation and enjoyment. Management will increase depreciation/ amortisation charges when useful life is lower than the lifetime estimated previously or will depreciate or eliminate technically obsolete or non-strategic assets which have been abandoned or sold.

Estimated impairment loss on property, plant and equipment

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

Corporate income tax and deferred tax assets (Note 3.16, 20 and 21)

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

The Group only recognises assets up to the limit of estimated future tax profits. These calculations require the use of estimates and a sensitivity analysis is performed of the most significant variables in such estimates.

Fair value of derivatives or other financial instruments.

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

(Thousand euro)

The amount of certain provisions and/or contingent liabilities

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

Revenue relating to the stage of completion of contracts

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

Although these estimates were made on the basis of the best information available at 31 December 2014 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statement.

2.5 Comparative information

As required by IAS 1, the information contained in these notes to the consolidated financial statements for 2014 is presented, for comparison purposes, with information relating to 2013.

As mentioned in the Note 2.1 the consolidated financial statements for 2013 were the first consolidated financial statements authorized for issue by the Parent Company as the Group was formed in 2013 with the acquisition of Befesa Medio Ambiente. See Note 2.6.

If the acquisition of Befesa Medio Ambiente had taken place on 1 January 2013, Group revenue would have increased in 2013 by Euro 317.5 million, and the net profit for 2013 would have been Euro 2.4 million higher. These amounts were calculated using the Group's accounting policies/IFRS.

Some of the 2013 period amounts have been reclassified in the present financial statements to make them comparable with the current year this reclassification is caused by the standard of registration of projects whose revenue recognition occurs by percentage of completion method.

	Debit	Credit
Inventories		19,309
Trade and other receivables – Work completed not invoiced	5,905	
Trade and other payables – Advance payment from customers	13,404	

2.6 Consolidated Group and basis of Consolidation scope

Scope of consolidation

The accompanying consolidated financial statements for the year ended 31 December 2014 were prepared from the individual accounting records at that date of Bilbao MidCo, S.à r.l. (the Parent Company -see Note 1-) and of the subsidiaries, associates and joint operations listed in Appendix I.

Subsidiaries

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

The subsidiaries were fully consolidated. Full consolidation requires the inclusion in the consolidated balance sheet of the Parent of all the assets, rights and obligations of the subsidiaries and the inclusion in the consolidated income statement of all the income and expenses taken into account in determining the subsidiaries' profit or loss, after making the corresponding uniformity adjustments and eliminations.

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

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

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

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

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

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

None of the functional currencies of the subsidiaries, associates and joint operations located abroad relate to hyperinflationary economies as defined by IFRSs (lAS 29). Accordingly, at the 2014 accounting close it was not necessary to adjust the consolidated financial statements of any of the subsidiaries or associates to correct for the effect of inflation.

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

The main aggregates of the fully consolidated companies at 31 December 2014 are shown in the Appendix.

Combined arrangements and joint ventures

The Group has applied IFRS 11 to all joint arrangements since May 2013. Investments in joint arrangements under IFRS 11 are classified as joint ventures or arrangements, depending on the contractual rights and obligations or each investor.

(Thousand euro)

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

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

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

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

The consolidation of the "joint operations", Gestión y Valorización Integral del Centro S.L. (industrial environmental solutions segment) and Recytech S.A.S (Zinc segment), in the consolidated financial statements increased assets, liabilities, income and expenses by approximately EUR 24,423 thousand, EUR 16,895 thousand, EUR 21,645 thousand and EUR 15,897 thousand, respectively (31 December 2013: approximately EUR 17,239 thousand, EUR 11,289 thousand, EUR 17,211 thousand and EUR 13,448 thousand, respectively). Of these amounts, EUR 8,279 thousand and EUR 8,273 thousand relate to assets and liabilities of UTEs (temporary consortia, UTEs for their acronym in Spanish) which, because of the nature of their business activities (construction or operation of facilities) are generally current assets and liabilities (31 December 2013: EUR 8,812 thousand and EUR 8,806 thousand, respectively). The joint operations which have the legal form of a company and which are proportionately consolidated are listed in the Appendix.

The Group has interests in the following UTEs:

UTEs in 2014:

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

Name	Activity	Address	% interest
Selectiva Poniente	Sorting of containers	Spain	50%
Poniente Almeriense	Urban residues	Spain	50%

UTEs in 2013:

The detail of the UTEs in which the Group had interests at the end of 2013 is as follows

Name	Activity	Address	% interest
Selectiva Poniente	Sorting of containers	Spain	50%
Poniente Almeriense	Urban residues	Spain	50%

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

Associates

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

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

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

Changes in the scope of consolidation (business combinations).

Following is a description of the main changes in the scope of consolidation in 2014 and 2013:

2014

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

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

  The Group took control of above subsidiary in 2013. Therefore this operation is a transaction with minority shareholders which caused an increase in the interests the Group holds in this subsidiary of 55% at 31 December 2013 to 80% at 31 December 2014. The impact in the consolidated accounts of this transaction relates to a reduction in the heading "Non-controlling interests" amounting to approximately EUR 4 million credited to reserves. Following this operation, there is a put option which may be exercised by the minority shareholders during the following years as from 17 July 2014, through which Befesa would be commited to purchase the remaining 20% share of the Korean company if the minority shareholder so decides, at a fixed rate of USD 15 million, net of working capital and certain pre-existing debts debited to the Parent company's reserves, as it is considered that risks and rewards referred to the 20% minority shareholder investment have not been transferred to the Parent company. The Group has recorded a liability amounting to EUR 6.1 million for this put option (Note 17), charged to reserves of the parent company, considering that the risk and benefits have not been transferred to dominant company.

2013

- On 15 July 2013, Bilbao MidCo executed a sale and a purchase agreement with Sociedad lnversora en Energfa y Medio Ambiente, S.A. (SIEMA) over all the shares of Befesa Medio Ambiente, S.L. Subsequently, Bilbao MidCo transferred to Befesa Holding S.à r.l. the 94% of the shares. Bilbao MidCo, S.à r.l. and SIEMA are non-related companies. The total payment out amounted to EUR308 million which was comprised of EUR251,5 million cash payment, a vendor note of EUR47.5 million with a five year maturity and deferred consideration for EUR9 million in the form of a convertible instrument exchangeable into 14.06% of Bilbao MidCo, S.à r.l., at the moment of the exit of the Company from Befesa Medio Ambiente.

  This convertible instrument, with a nominal value amounting to EUR225 million, was valued in EUR9 million and registered in equity (Note 14 b)). In addition Bilbao MidCo paid to Abengoa an amount of EUR79.4 million to cancel a net credit owed by Befesa to Abengoa.

  The summary terms of the business combination are as follows:

Purchase price, net	EUR 308.1 million
Fair value of the net assets acquired	EUR (9.1) million
Goodwill	EUR 317.2 million

Net assets acquired (EUR million)

Assets

	Fair value	Book value
Non –current assets		
Intangible assets	101.9	20.9
Property, plant and equipment	349.0	351.2
Deferred tax assets	85.9	85.9
Investment accounted for using the equity method	2.4	2.4
Other non-current assets	39.2	39.2
	578.4	**499.6**
Current – assets		
Cash and cash equivalents	35.0	35.0
Other current assets	219.1	219.1
	254.1	**254.1**
	832.5	**753.7**
Net assets at fair value	**(9.1)**	

Liabilities

	Fair value	Book value
Minority interests	7.7	7.7
Non –current liabilities		
Deferred tax liabilities	70.3	47.3
Long term provisions	41.5	41.5
Other long-term liabilities	462.9	462.9
	574.7	**551.7**
Current liabilities	**259.2**	**259.2**
	841.6	**818.6**

- On 31 May 2013, the Company acquired all the shares in Befesa Holding S.à r.l. On 26 July 2013, Bilbao MidCo contributed to Befesa Holding S.à r.l. 76.2% of the shares held in Befesa Medio Ambiente, S.L. and the same day transferred 17,8% of the shares held in Befesa Medio Ambiente, S.L. to this company.
- On 7 August 2013, Befesa Holding S.a r.l. transferred to Befesa Medio Ambiente Holdco, S.L.U. the 94% of the shares held in Befesa Medio Ambiente, S.L.
- On July 2013, Befesa Holding S.à.r.l. acquired to Bilbao MidCo S.à.r.l. all the shares in Bilbao Luxembourg, S.A.
- In the second half of the year 2013 the Group, acquired an additional 30% of the share capital of the Korean company Hankook R&M Co. Ltd. (which in 2013 changed its name to Befesa Zinc Korea Ltd.), which, added to the 25% ownership interest previously held, meant that Befesa fully consolidated the financial statements of this subsidiary. The main accounting impact of the consolidation of this business combination was the recognition of goodwill amounting to approximately EUR 20 million (see Note 6).

The net assets incorporated following the Korea acquisition were the following:

Net assets acquired (EUR million)

Assets	**Fair value**	**Book value**	**Liabilities**	**Fair value**	**Book value**
Non –current assets			**Non –current liabilities**		
Intangible assets	—	—			
Property, plant and equipment	36.8	36.8	Deferred tax liabilities	—	—
Deferred tax assets	3.6	3.6	Other long-term liabilities	1.4	1.4
Other non-current assets	—	—		**1.4**	**1.4**
	40.4	**40.4**	**Current liabilities**	**22.0**	**22.0**
Current – assets					
Cash and cash equivalents	6.0	6.0			
Other current assets	2.2	2.2			
	8.2	**8.2**			
	48.6	**48.6**		**23.4**	**23.4**

3. Accounting principles and policies and measurement methods applied

3.1 Goodwill

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

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

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

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

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

3.2 Other intangible assets

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

Internally generated intangible assets - Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

In conformity with IFRSs, the Group classifies as internally generated intangible assets the expenses incurred in the development of projects that meet the following conditions:

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

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

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

The Group has recognized the work performed on its intangible assets in relation to the development of new technologies for which there is a high probability of technical and economic success as a reduction of "Other Operating Expenses" in the consolidated income statement for the year ended 31 December 2014 for an amount of EUR 731 thousand (31 December 2013: EUR 530 thousand) (see Note 23). The amounts capitalised during the year mainly relate to projects aimed at improving aluminium scrap treatment processes by the subsidiary Befesa Aluminio, S.L.

Computer applications

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

The computer software is generally amortised on a straight-line basis over ten years, since Bilbao MidCo's managers consider that this is the best estimate of the actual useful life of assets of this nature.

Concessions, patents, licences and similar items

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

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

Licences acquired in a business combination are recognised at fair value at the acquisition date and have an indefinite useful life.

3.3 Property, plant and equipment

Property, plant and equipment, which are all for own use, are recognised at acquisition cost less any accumulated depreciation and any recognised impairment losses.

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

In-house work on non-current assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house warehouse materials consumption and manufacturing costs allocated using hourly absorption rates similar to those used for inventory valuation). In 2014 EUR 13,412 thousand were recognised in this connection (2013: EUR 1,570 thousand) (Note 23). At 31 December 2014, the work performed by the Group on its property, plant and equipment was recognized under "Other Operating Income" in the consolidated income statement. This amount mainly related to work performed by Befesa Silvermet Turkey, S.L., Befesa Zinc Korea Ltd. and Befesa Aluminium Germany, GmbH (2013: work performed mainly by Befesa Gestión de Residuos Industriales, S.L. and Befesa Plásticos, S.L.) (Note 8).

(Thousand euro)

Land is not depreciated. The Group generally depreciates property, plant and equipment using the straight-line method, distributing the cost of the assets over the following years of estimated useful life:

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

Based on their nature, the Group depreciates certain assets (residues safety tanks) on the basis of the volume of residues entering the facilities. Since the Group has to meet certain costs in relation to the closure of its facilities, the accompanying consolidated balance sheet at 31 December 2014 and 2013 includes provisions of EUR 11.0 and 11.4 million, respectively, in this connection (Note 19).

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

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

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

3.4 Asset impairment

At each reporting date, the Group reviews the non-current assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, Befesa estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, at each balance sheet date, the possible impairment of goodwill and of any intangible assets which have not yet come into operation or which have an indefinite useful life is analysed.

Recoverable amount is the higher of fair value less costs to sell and value in use, which is taken to be the present value of the estimated future cash flows. In order to calculate the value in use, the assumptions used include the discount rates, growth rates and forecast changes in selling prices and costs. The managers estimate pre-tax discount rates which reflect the time value of money and the risks specific to the cash-generating unit. The growth rates and the changes in selling prices and costs are based on in-house and industry forecasts and experience and future expectations, respectively.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference with a charge to "Depreciation and Amortisation Charge and Impairment Losses" in the consolidated income statement. Impairment losses recognised for an asset in prior years are reversed with a credit to the aforementioned heading when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised, except in the case of the impairment of goodwill, which is not reversible.

3.5 Financial instruments

Financial investments

In accordance with the classification criteria established by IAS 39, the Group classifies its current and non-current financial assets in the following categories:

- Loans and receivables. These are financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor. Assets included in this category are initially recognised at fair value plus the transaction costs, and are subsequently reflected at amortised cost in accordance with the effective interest rate method. However, the required valuation adjustments were made and the related losses were recognised on the basis of the risk of possible doubtful debts in respect of collection of the various balances. Interest calculated using the effective interest rate method is recognised in the consolidated income statement.

- Financial assets at fair value through profit or loss. Assets acquired with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices, and financial derivatives that qualify for fair value hedge accounting. The assets included in this category are stated in the consolidated balance sheet at fair value, and the gains and losses from changes in fair value are recognised in the net profit or loss for the year.

  The fair value of a financial asset on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price"). If this market price cannot be determined objectively and reliably for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or of the discounted present value of all the future cash flows (collections or payments), applying a market interest rate for similar financial instruments (same term, currency, interest rate and same equivalent risk rating).

- Held-to-maturity investments. These are financial assets with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold from the date of purchase to the date of maturity. Assets included in this category are initially recognised at fair value plus the transaction costs, and are subsequently reflected at amortised cost in accordance with the effective interest rate method.

  Interest calculated using the effective interest rate method is recognised in the consolidated income statement.

  The amortised cost is understood to be the initial cost minus principal repayments, plus or minus, as appropriate, the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the total repayment amount upon maturity, and minus any reduction for impairment or uncollectibility.

  The effective interest rate is taken to be the discount rate that, at the acquisition date of the asset, exactly matches the initial carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life.

- Available-for-sale financial assets. These are financial assets not classified in any of the aforementioned three categories, nearly all of which relate to equity investments. These assets are also presented in the consolidated balance sheet at market value which, in the case of unlisted companies, is obtained using alternative methods, such as comparison with similar transactions or, if sufficient information is available, by discounting expected future cash flows. Changes in this market value are recognised with a charge or credit to "Unrealised Asset and Liability Revaluation Reserve" in the consolidated balance sheet until these investments are disposed of, when the accumulated balance of this heading relating to these investments is allocated in full to the consolidated income statement.

  Equity investments in unlisted companies, the market value of which cannot be measured reliably using alternative methods such as those indicated in the preceding paragraph, are measured at cost.

  Management of the Group decides on the most appropriate classification for each asset on acquisition and reviews the classification at each balance sheet date.

Reverse factoring receivables and confirming

The Group derecognises trade receivables for the amount of the receivables sold to banks provided that the factor assumes in full the bad and past-due debt risk relating to non-recourse factoring agreements. At 31 December 2014 and 2013, the unmatured balances receivable derecognised as a result of the aforementioned non-recourse factoring transactions amounted to EUR 45,675 thousand and EUR 43,697 thousand, respectively. However, the Group does not derecognise collection rights factored when substantially all the risks associated with them are retained.

Cash and cash equivalents

This heading includes cash, current bank accounts and deposits, and if appropriate, deposits and temporary acquisitions of assets which meet the following requirements:

- They are convertible into cash.
- On acquisition, they mature in less than three months.
- They are not subject to significant value fluctuation risk.
- They form part of the Company's normal cash management policy.

Bank overdrafts, if they arise, are included in borrowings in current liabilities on the consolidated balance sheet.

Debentures, bonds and bank borrowings

Loans, debentures and similar interest-bearing items are initially recognised at the amount received, net of direct issue costs, i.e., equal to the subsequent application of the amortised cost model using the effective interest rate. Financial costs are recognised on an accrual basis in the consolidated income statement using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they arise. Also, obligations under finance leases are recognised at the present value of the lease payments under "Obligations under Finance Leases" in the consolidated balance sheet (Notes 15 and 16)

Trade and other payables

Accounts payable are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate.

Derivative financial instruments and hedge accounting

The Group's activities expose it mainly to the financial risks of changes in foreign exchange rates and interest rates and of changes in the fair value of certain assets (mainly zinc and aluminium). To hedge this exposure to foreign exchange rate changes and to totally or partially hedge sales transactions of physical tonnes containing aluminium or zinc, the Group uses foreign currency hedges, currency futures and zinc and aluminium futures to hedge highly probable transactions. The Group does not use derivative financial instruments for speculative purposes (see Note 18).

Financial derivatives are initially recognised at acquisition cost in the consolidated balance sheet and the required valuation adjustments are subsequently made to reflect their fair value at all times. Gains and losses arising from these changes are recognised in the consolidated income statement, unless the derivative has been designated as a hedge which is highly effective, in which case it is recognised as follows:

- In the case of fair value hedges, if any, changes in the fair value of the derivative financial instruments designated as hedges and changes in the fair value of a hedged item due to the hedged risk are recognised with a charge or credit, as appropriate, to the consolidated income statement.
- In the case of cash flow hedges and hedges of a net investment in a foreign operation, the changes in the fair value of the hedging derivatives are recognised, in respect of the ineffective portion of the hedges, in the consolidated income statement, and the effective portion is recognised under "Unrealised Asset and Liability Revaluation Reserve and valuation adjustments" and "Translation Differences" in the consolidated balance sheet. The accumulated loss or gain under these headings is recognised in the consolidated income statement in the same period as that in which the hedged item affects net profit or loss or in the year it is disposed of.

  If a hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, this balance is taken into account in the initial measurement of the asset or liability arising from the hedged transaction. If a hedge of a firm commitment or forecast transaction does not result in the recognition of an asset or a liability, the amounts credited or charged, respectively, to "Unrealised Asset and Liability Revaluation Reserve and valuation adjustments" in the consolidated balance sheet are recognised in the consolidated income statement in the same period as that in which the hedged item affects the net profit or loss.

At the time of the discontinuance of the hedge, the accumulated gain or loss at that time in the "Reserve for the restatement of unrealised assets and liabilities and valuation adjustments" continues to be reflected in that heading until the transaction hedged is realised, at which time the profit or loss on that transaction will be adjusted. If a hedged transaction is no longer expected to occur, the gain or loss recognised under the aforementioned heading is transferred to the consolidated income statement.

The total fair value of a hedging derivative is classified as non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and as current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months.

Derivatives embedded in other financial instruments are treated as separate derivatives when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported with a charge or a credit to the consolidated income statement.

The fair value of the various financial instruments is calculated as follows (see Note 18):

- The market value of derivatives listed on an organised market is their market price at year-end.
- To measure derivatives not traded on an organised market (or traded derivatives with terms longer than those traded on organised markets), the Group uses assumptions based on year-end market conditions, which are compared with the valuations issued by banks or by independent third parties.

The financial assets and liabilities recognised as a result of the measurement at fair value of the aforementioned hedging instruments affected "Current Financial Assets - Other Financial Assets", "Other Current Financial Assets", "Other Non-Current Liabilities" and "Other Payables - Other Current Liabilities", as described in Note 18.

3.6 Inventories

"Inventories" in the consolidated balance sheet includes the assets that the Group:

- Holds for sale in the ordinary course of its business;
- Has in the process of production, construction or development for such sale; or
- Expects to consume in the production process or in the provision of services.

Raw materials and goods held for resale are measured at the lower of FIFO cost or market. Ancillary products, consumables and spare parts are measured at the lower of the price per the last invoice or market value, which does not differ significantly from FIFO cost.

Work in progress and finished goods are measured at the lower of market value and average production cost. Average production cost is calculated as the specific cost of the supplies and services plus the applicable portion of the direct and indirect cost of labour and general manufacturing expenses. Other warehouse materials are measured at the lower of average acquisition cost and market value.

Obsolete, defective or slow-moving materials have been reduced to their realisable value.

3.7 Classification between current and non-current

Assets and liabilities are classified as current when they relate to the Group's ordinary operations cycle, usually regarded as one year, and also assets expected to be sold, consumed, realised or settled in the short-term as from the year end, as well as financial assets held for trading, except for financial derivatives maturing in more than one year, and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished at short-term. All other liabilities are classified as non-current liabilities.

3.8 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of taxes, from revenue obtained.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to equity holders of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently disposed of or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to equity holders of the Company.

3.9 Grants, donations and bequests received

The Group companies recognise government grants received as follows:

- Grants related to assets are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group fulfils all the conditions attaching to them, and they are recognised as other non-current liabilities.
- Grants related to income are credited to income when they are definitively granted and are recognised as income.

3.10 Provisions, contingent liabilities and contingent assets

In the preparation of the consolidated financial statements, the Parent's Managers drew a distinction between:

- Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies and which do not meet the requirements for recognition as provisions.
- Contingent assets: possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the companies.

The Group recognises provisions for the estimated amount required to suitably meet its liability, whether it be legal or constructive, probable or certain, arising from contingencies, litigation in process or obligations, which arise as a result of past events, for which it is more probable than not that an outflow of resources will be required, provided that it is possible to make a reasonable estimate of the amount in question. Provisions are recognised when the liability or obligation arises with a charge to the relevant heading in the consolidated income statement based on the nature of the obligation, for the present value of the provision when the effect of discounting the obligation is material.

Provisions for pensions and similar obligations

Several Befesa Group companies have certain defined benefit obligations to their employees to supplement their social security retirement pensions. These obligations had been outsourced at 31 December 2014 and 2013. Subsidiaries' obligations as pension plan promoters are established in the contribution of a percentage of employees' pensionable salaries. These commitments are not significant on a Group scale. In addition, the Group has an incentive scheme in place for executives (see Note 25).

Other provisions

In addition to the foregoing, "Long-term Provisions" in the accompanying consolidated balance sheet includes provisions to cover work to be carried out to cover tanks and, more specifically, that required to seal and close residues safety tanks, the charge for which is calculated on the basis of the number of tonnes managed (Note 3.3).

"Long-Term Provisions" also includes, where applicable, the estimated amounts required to settle any liability that might arise from litigation in process and significant tax obligations, when it is considered more likely than not that these obligations will have to be met, while any contingent liabilities (possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control Bilbao MidCo, S.à r.l.) are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37 (see Note 22).

3.11 Revenue recognition

a) Revenue

Revenue from sales is measured at the fair value of the assets or rights received as consideration for the goods and services provided in the normal course of the Group companies' business, net of discounts and applicable taxes. Sales of goods are recognised when they are delivered and ownership is transferred. Revenue is shown net of value added taxes, returns, rebates and discounts and after eliminating intra-group sales.

The Group recognizes revenue when the amount may be reliably estimated and it is likely that the future economic benefits will flow to the Group. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on past results, taking into account the type of client, the type of transaction and the specific terms of each agreement.

b) Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

c) Income from dividends

Income from dividends is recognised when the shareholder's right to receive payment is established.

3.12 Recognition of contract revenue and costs

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the consolidated balance sheet date.

The Group presents as a debtor account in the heading trade and other receivables, the gross amount of the difference between the revenues recognised for the work on all projects under way and the progress billings made. The Group records as a creditor account on the liabilities side of the balance sheet the gross amount owing to customers for the work for the entire project under way in the amount by which the partial billing exceeds the recognised income.

Any losses on contract work in progress are recognised in full as an expense in the consolidated income statement when they become known or can be estimated.

3.13 Leases

The Group classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are classified in the appropriate non-current asset category based on their nature and function at the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus the price of exercising the purchase option, with a credit to "Obligations under Finance Leases" in the consolidated balance sheet. Each lease payment is distributed between the liability and financial charges. The interest part of the financial charge is charged to the income statement during the term of the lease, in order to obtain a constant regular interest rate on the debt pending repayment in each period. These assets are depreciated using similar criteria to those applied to the assets of the same nature owned by the Group.

Expenses arising on operating leases are allocated to "Other Operating Expenses" in the consolidated income statement over the term of the lease on an accrual basis.

3.14 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of assets, in accordance with IAS 23 for assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the interest costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the year in which they are incurred.

3.15 Foreign currency

The Group's functional currency is the Euro. Therefore, all balances and transactions in currencies other than the Euro are deemed to be "foreign currency transactions".

Transactions in currencies other than the Euro are translated into Euro at the exchange rates prevailing at the date of the transaction. During the year, differences between the exchange rate used and the rate prevailing at the date of the collection or payment are recognised with a charge or credit to income.

Also, foreign currency fixed-income securities and receivables and payables at 31 December of each year are translated at the exchange rates prevailing on the balance sheet date. Any exchange differences arising are recognised with a charge or a credit, as appropriate, to "Exchange Differences" in the consolidated income statement.

3.16 Income tax, deferred tax assets and deferred tax liabilities

The expense for income tax and other similar taxes applicable to the foreign consolidated entities are recognised in the consolidated income statement, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities, and any tax loss and tax credit carry forwards.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carry forwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Also, deferred tax assets recognised for tax loss and tax credit carry forwards and temporary differences are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed (see Notes 20 and 21).

In view of Group's international nature, there are several tax rates depending on the applicable legislation, ranging from 20% to 35%.

3.17 Severance indemnities

Under current labour legislation, the consolidated companies are required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

At 31 December 2014 Managers do not expect any significant dismissals or terminations to arise in the future and, accordingly, no provision was recognised in this connection in the accompanying consolidated balance sheet.

3.18 Environmental matters

The Group recognises environmental investments at acquisition or production cost, net of the related accumulated amortisation, and classifies them by nature in the appropriate non-current asset accounts.

Expenses incurred in order to comply with the applicable environmental legislation are classified by nature under "Other Operating Expenses" in the accompanying consolidated income statement.

3.19 Related party transactions

The Group performs all its transactions with related parties at fair value. Also, transfer prices are adequately supported and, therefore, the managers consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

3.20 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

3.21 Segment reporting

The operating segments are presented consistently with the management approach, in accordance with the information used internally at the highest decision-making level. The maximum authority for decision making is responsible for assigning resources to operating segments and evaluating the segments' performance. Segment reporting is disclosed in Note 5.

3.22 Consolidated statement of cash flow

The following terms are used in the consolidated statement of cash flow, which was prepared using the indirect method, with the meanings specified:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The principal revenue-producing activities of the Group companies and other activities that are not investing or financing activities.
- Investing activities. Activities of acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

4. Financial risk management policy

The activities carried on by the Group through its business segments are exposed to several financial risks: market risk (including foreign currency risk, fair value and interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Risk Management Model used by the Group focuses on the uncertainty in financial markets and attempts to minimise the potential adverse effects on Group's earnings.

Risk management is carried out by the Corporate Financial Department in accordance with the internal management rules that must be adhered to. This Department identifies, assesses and hedges financial risks in close cooperation with the different operating units. The internal management rules provide written policies for global risk management, as well as for specific areas such as foreign currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments and investment of surplus liquidity. There are no changes in the risk management policies between 2014 and 2013.

4.1 Financial risk factors

a) Market risk

i) Foreign currency risk

The various Group companies operate internationally and, therefore, are exposed to foreign currency risks in foreign currency transactions (especially between the US dollar, Swedish krona and the Turkish lira).

To control the foreign currency risk that arises from future commercial transactions and recognised assets and liabilities, the Group companies use forward contracts. Foreign currency risk arises when the future commercial transactions and recognised assets and liabilities are denominated in a currency other than Group's functional currency.

All the transactions, assets and liabilities are presented in foreign currency at the subsidiary located in a given country and, therefore, translation differences arise on consolidation.

(Thousand euro)

For financial reporting purposes, each subsidiary designates hedges with the Corporate Financial Department as fair value hedges or as cash flow hedges, as appropriate. Additionally, at corporate level, external foreign currency hedges are designated as foreign currency risk hedges on certain assets, liabilities or future transactions.

The detail of the most significant foreign currency transactions (basically in US dollars and Swedish krona) with an impact on the consolidated income statement is as follows:

	2014	2013
Sales	136,547	78,746
Purchases	45,740	33,019

In accordance with Group's policy on financial hedging instruments, some of these foreign currency transactions were hedged.

If the average euro exchange rate in 2014 and 2013 had depreciated or appreciated by 10% against all the functional currencies other than the euro, holding all else constant, there would have been no material change in equity or in profit after tax for the year.

ii) Cash flow interest rate risk and fair value risk

Group's interest rate risk mainly arises from variable interest rate borrowings.

To manage interest rate risk, in certain situations, the Group uses floating-to-fixed interest rate swaps; either for the total amount or a portion of the loan and either for the full term or a portion thereof.

In 2014 and 2013 if the average interest rates on the borrowings denominated in euros had increased/decreased by 10 basis points, with all other variables remaining constant, the profit after tax for the year would not have been significantly affected as a result of the hedging policies in place.

The exposure of the external resources of the Group to variations in interest rates below:

	2014	2013
Total external resource (Note 15 and Note 16)	622,531	621,165
Fixed – rate external resource (Note 15)	(461,197)	(453,725)
Effect of interest rate swaps	(90,750)	(99,750)
Risk	70,584	67,690

iii) Price risk

The earnings of the residues recycling segment are exposed to the volatility of recycled metal prices (zinc and aluminium). From the end of 2013, the Group manages price risk through the acquisition of options in exchange for a premium through which it assures a minimum sale price. Group's policy in the steel residues recycling segment is to hedge between 60% and 70% of the sale transactions, amounts subject to the risk of changes in selling prices.

These financial instruments are initially analysed to assess whether they can be considered to be hedging instruments and, if so, the accounting rules restricted to these instruments may be applied to them.

Note 18 contains a breakdown of the derivative financial instruments arranged on the selling prices of these metals.

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 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.

(Thousand euro)

In this regard, factored receivables are recognised off the balance sheet provided that all the conditions established in IAS 39 are met for their de-recognition from the consolidated balance sheet. That is to say, it is analysed whether the risks and rewards inherent to ownership of the related financial assets have been transferred, comparing the company's exposure to the change in the amounts and timing of the net cash flows from the transferred asset before and after the transfer. Once the exposure of the company factoring the receivables to this change has been eliminated or substantially reduced then the financial asset in question is deemed to have been transferred.

Additionally, some Group companies work with insurance companies, which establish the credit guaranteed by the same, normally insuring around 90% of the risk hedged in case of insolvency. The Finance Department continually tries to adjust the limits granted to the business' needs. From there, the Group allows an assumable commercial risk, which is establishes based on the specific customer, market and circumstances (history of non-payment, solvency, ...).

Group's policy is to transfer the credit risk related to the items included in the balance of trade and other receivables through the use of non-recourse factoring arrangements. Consequently, as regards the balance of trade and other receivables, the potential effect of trade receivables for which there are factoring agreements would have to be excluded, as well as the effect of other trade receivables that can be factored but which have not yet been sent to the factor at year-end and assets that are covered by credit insurance and that are reflected in this balance. Through this policy the Group minimises its credit risk exposure in relation to these assets.

The balances of trade and other receivables, other receivables, current financial assets and cash are Group's main financial assets and represent its maximum exposure to credit risk, in the event that the counterparty does not meet the obligations it has undertaken to meet.

c) *Liquidity risk*

Prudent management of liquidity risk entails the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and the capacity to settle market positions. Given the dynamic nature of the core businesses, Group's Treasury Department has the objective of maintaining flexible financing through the availability of committed credit lines.

Management monitors Group's liquidity reserve projections and the changes in net borrowings; the calculation thereof at 31 December 2014 and 2013 is as follows:

	2014	2013
Cash and cash equivalents	81,726	70,570
Other current financial assets (Note 13)	3,546	8,298
Undrawn credit facilities and unused financing (Note 16)	15,056	27,785
Liquidity reserve	**100,328**	**106,653**
Non-recourse financing (Note 15)	323,470	324,022
PIK Toggle notes (Note 15)	159,801	150,976
Bank borrowings (Note 16)	136,239	142,851
Obligations under finance leases (Note 16)	3,021	3,316
Vendor note (Note 17)	52,175	47,946
Cash and cash equivalents	(81,726)	(70,570)
Other current financial assets (Note 10)	(3,546)	(8,298)
Net borrowings	**589,434**	**590,243**
Less non-current borrowings	(639,771)	(636,656)
Current net borrowings	**(50,337)**	**(46,413)**

Cash and cash equivalents comprise:

	2014	2013
Cash on hand and at banks	81,726	70,570
Total	**81,726**	**70,570**

(Thousand euro)

The Group's Treasury Department considers that any short-term liquidity constraints can be covered with the current or future financial resources available to the Group. The cash generation forecast for 2015 will enable the payments in the year to be settled without the need to increase borrowings.

One of Group's strategic lines is the optimisation and saturation of the resources assigned to the business. For that reason, the Group pays special attention to the net operating working capital invested in these resources. In this regard, in 2014 and 2013, as in previous years, major efforts were made to control and reduce collection periods relating to trade and other receivables and optimise payment periods to suppliers, unifying policies and conditions across the Group.

The table below presents an analysis of the financial liabilities of Befesa that will be settled, grouped by remaining term from the balance sheet date to contractual maturity. This breakdown does not include the long-term provisions (see Note 19) since they do not have a contractual maturity date. However, the Parent's managers consider that the above liabilities will be settled in a period of more than five years. The amounts shown in the table relate to the cash flows stipulated in the contract (excluding the market interest rate to be paid).

	Within one year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At 31 December 2014				
Recourse financing (Note 16)	26,664	33,231	79,098	267
Non-recourse financing (Note 15)	7,965	261	474,753	292
Trade and other payables(*)	142,089	30,186	56,206	4,846
At 31 December 2013				
Recourse financing (Note 16)	22,290	12,929	110,608	340
Non-recourse financing (Note 15)	10,165	1,369	463,039	425
Trade and other payables(*)	163,386	1,565	54,393	3,667

(*) It does not include capital grants by EUR 12.3 and EUR 7.0 million in 2014 and 2013, respectively.

d) Capital risk

The Group manages its equity investments to ensure that its subsidiaries have a guarantee of continuity in terms of their assets and financial position, maximizing shareholder return by optimising the structure of equity and liabilities on the liabilities side of the subsidiaries' balance sheets.

Capital management is the responsibility of Group's strategy committee, the approach of which focuses on increasing the value of the business at long-term for shareholders and investors as well as for employees and customers. The objective is the constant, sustained achievement of results through organic and, where necessary, inorganic growth. For this purpose, on the one hand, a balance in the businesses is required, with control of financial risks, combined with the necessary financial flexibility to achieve this goal.

Group's capital management policy focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy makes the creation of value for the shareholder compatible with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business.

The detail of the debt/equity ratios (excluding balances with Group companies) at 31 December 2014 and 2013 is as follows:

Excluding Preferred Equity

	2014	2013
Total bank borrowings (Notes 15 and 16)	622,531	621,165
Vendor note (Note 17)	52,175	47,946
Less: Cash and cash equivalents	(81,726)	(70,570)
Other current financial assets	(3,546)	(8,298)
Net debt	**589,434**	**590,243**
Total non-Preferred equity	71,659	64,876
Total capital invested	**661,093**	**655,119**
Borrowing ratio	**89,0%**	**90,0%**

(Thousand euro)

Including Preferred Equity

	2014	2013
Total bank borrowings (Notes 15 and 16)	622,531	621,165
Vendor note (Note 17)	52,175	47,946
Less: Cash and cash equivalents	(81,726)	(70,570)
Other current financial assets	(3,546)	(8,298)
Net debt	**589,434**	**590,243**
Total Non-preferred equity	71,659	64,876
Total Preferred equity	176,421	176,421
Total equity	248,080	241,297
Total capital invested	**837,514**	**831,540**
Borrowing ratio	**70,4%**	**71,0%**

Valuation method (fair value estimate)

According to the amendments to IFRS 7 on financial instruments measured at fair value, these amendments require disclosure of fair value estimates based on the following hierarchy levels: The table below includes an analysis of the financial instruments that are measured at fair value, classified by measurement method.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. reference prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable market data) (Level 3).

The table below shows Group's assets and liabilities that were measured at fair value at 31 December 2014 and 2013 (all Level 2):

	2014	2013
Assets		
Assets measured at fair value:		
Marketable securities (Note 13)	—	39
Hedging derivatives (Note 18)	1,432	292
Total assets at fair value	**1,432**	**331**
Liabilities		
Hedging derivatives (Note 18)	1,374	953
Total liabilities at fair value	**1,374**	**953**

The fair value of the financial instruments traded in active markets is based on the market prices at the balance sheet date. The quoted price used for financial assets is the current bid price. These instruments, if any, would be included within Level 1.

The fair value of financial instruments not traded in an active market is determined using valuation techniques. The Group employs a variety of methods such as estimated discounted cash flows and uses assumptions based on the market conditions at each balance sheet date. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is calculated using quoted forward exchange rates at the balance sheet date. It is assumed that the carrying value of trade receivables and payables is similar to their fair value. For financial reporting purposes, the fair value of the financial liabilities is estimated by discounting the contractual future cash flows at the current market interest rate available to the Group for similar financial instruments.

It is assumed that the carrying amount, less the provision for impairment of accounts payable and receivable, is close to fair value. For financial reporting purposes, the fair value of the financial liabilities is estimated by discounting the contractual future cash flows at the current market interest rate available to the Group for similar financial instruments.

If all the inputs required to measure a financial instrument at fair value are observable in the market, the financial instrument is included within Level 2.

If one or more of the significant inputs are not based on observable market data, the financial instrument is included within Level 3.

5. Segment reporting

The Board of Managers is ultimately responsible for making the Group's operational decisions. The Board reviews Group's internal financial information in order to assess its performance and allocate resources to the segments.

Accordingly, the Board of Managers analyses Group's business based on the three segments defined:

- Steel waste recycling
- Aluminium waste recycling
- Industrial environmental solutions

These segments correspond to Befesa's principal activities (products and services), the sales of which (fee for the services or sale of the recycled residues) determine the Group's revenue.

The Board of Managers assesses the performance of the operating segments, based mainly on operating income before interest, taxes, depreciations and provisions (EBITDA).

This measurement basis excludes the effects of non-recurring expenses and those incurred in atypical transactions. The segment information received by the Board of Managers also includes finance income and costs and tax-related matters.

The accounting policies and measurement bases applied to the information furnished to the Board of Managers are consistent with those applied in the financial statements.

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a) Segment reporting

The breakdown, by segment, of the profit or loss for the years 2014 and the period of May 2013 to December 2013 is as follows (in thousands of euros):

	2014					2013				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Revenue	262,252	281,245	109,720	(2,024)	651,193	131,558	124,529	53,252	1,799	311,138
Income/Expenses from operations (except revenue, depreciation and amortization charge and provisions)	(169,607)	(250,849)	(93,182)	2,583	(511,055)	(91,496)	(113,014)	(41,144)	(19,783)	(265,437)
Depreciation and amortisation charge and provisions	(19,553)	(9,276)	(9,403)	(8,051)	(46,283)	(7,865)	(4,296)	(6,253)	(155)	(18,569)
Profit (Loss) from operations	**73,092**	**21,120**	**7,135**	**(7,492)**	**93,855**	**32,197**	**7,219**	**5,855**	**(18,139)**	**27,132**
EBITDA	**92,645**	**30,396**	**16,538**	**559**	**140,138**	**40,062**	**11,515**	**12,108**	**(17,984)**	**45,701**

The detail of sales by geographical segment for the year 2014 and the period of May 2013 to December 2013 is as follows:

Geographical area	2014		2013	
Spain	235,504	36%	112,713	36%
Germany	61,584	10%	35,117	11%
Rest of the world	354,105	54%	163,308	53%
Total	**651,193**	**100%**	**311,138**	**100%**

"Rest of the world" corresponds mainly to Europe

The distribution of the property, plant and equipment and intangible assets (excluding goodwill and licenses recognized in the business combination of Befesa) is as follows:

	2014	2013
Spain	212,505	215,549
Germany	90,593	69,123
Rest of Europe	61,741	63,903
Rest of the world	66,769	56,525
Total	**431,608**	**405,100**

(Thousand euro)

Other segment items included in the consolidated income statement are as follows:

	2014					2013				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Depreciation and amortisation charge:										
– Property, plant and equipment	(15,885)	(8,411)	(8,789)	(110)	(33,195)	(7,763)	(4,039)	(5,700)	(32)	(17,534)
– Intangible assets	(911)	(759)	(566)	(503)	(2,739)	(391)	(382)	(167)	(95)	(1,035)
– Reversal/(recognition) of impairment losses	(2,757)	(106)	(48)	(7,438)	(10,349)	—	—	—	—	—
Total	**(19,553)**	**(9,276)**	**(9,403)**	**(8,051)**	**(46,283)**	**(8,154)**	**(4,421)**	**(5,867)**	**(127)**	**(18,569)**

The detail of the segment assets and liabilities is as follows:

	2014					2013				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Assets										
Intangible assets	374,171	72,822	4,839	(1,692)	450,140	366,499	70,766	6,486	(3,102)	440,649
Property, plant and equipment	127,124	126,683	154,684	941	409,432	128,176	100,466	153,056	976	382,674
Investments in associates and other non-current assets	48,750	15,789	29,118	12,013	105,670	46,061	17,638	36,786	47,000	147,485
Current assets	115,446	67,558	43,049	2,459	228,512	110,153	63,021	38,590	19,198	230,962
Total assets	**665,491**	**282,852**	**231,690**	**13,721**	**1,193,754**	**650,889**	**251,891**	**234,918**	**64,072**	**1,201,770**
Equity and liabilities										
Equity	205,949	103,506	36,404	(97,779)	248,080	190,861	97,091	50,024	(96,679)	241,297
Non-current liabilities	389,522	120,647	25,685	232,950	768,804	377,117	70,755	25,489	290,993	764,354
Current liabilities	70,020	58,699	169,601	(121,450)	176,870	82,911	84,045	159,405	(130,242)	196,119
Total equity and liabilities	**665,491**	**282,852**	**231,690**	**13,721**	**1,193,754**	**650,889**	**251,891**	**234,918**	**64,072**	**1,201,770**

The investments in the corresponding period were as follows (excluding the effect of translation differences):

	2014					2013				
	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total	Steel	Aluminium	Industrial environmental solutions	Corporate and eliminations	Total
Additions to non-current assets (Notes 7 and 8)	14,417	29,464	5,876	1,899	51,656	3,619	4,909	9,394	1,848	19,770
Disposals of non-current assets (Notes 7 and 8)	(4,711)	(118)	(1,237)	—	(6,066)	(856)	19	(3,774)	(778)	(5,389)
Changes in the scope of consolidation (Notes 7 and 8)	75	5,593	5,255	44	10,967	38,023	—	(1,932)	—	36,091
Net investments in the period (Notes 7 and 8)	**9,781**	**34,939**	**9,894**	**1,943**	**56,557**	**40,786**	**4,928**	**3,688**	**1,070**	**50,472**

The investments in non-current assets include additions to property, plant and equipment (see Note 8) and intangible assets (see Note 7).

Inter-segment transfers and transactions (if any) are arranged under the same usual commercial terms and conditions as those that should also be available to unrelated third parties.

b) Information on customers

Customers' concentration is calculated based on representativeness of the five most significant customers of the business unit's revenue of each segment are as follows:

	%	
	2014	2013
Steel	68.1%	57.4%
Aluminium	25.9%	31.2%
Industrial environmental solutions	20.3%	18.0%

6. Goodwill

The detail of the balance of "Goodwill" in the consolidated balance sheets at 31 December 2013 and of the changes therein in 2014 and the period from May 2013 to December 2013 is as follows:

	Thousands of euros
Balance at 31 May 2013	**—**
Acquisition of Befesa Group (Note 2)	317,243
Business combinations (Befesa Zinc Korea) (Note 2)	19,980
Impairment	—
Balance at 31 December 2013	**337,223**
Regularization	9,741
Impairment	—
Balance at 31 December 2014	**346,964**

	Balance at 31/05/13	Acquisition of Befesa Group	Other business combinations	Balance at 31/12/13	Regularization	Balance at 31/12/14
Steel	—	272,202	19,980	292,182	9,516	301,698
Aluminium	—	43,794	—	43,794	1,472	45,266
Industrial environmental solutions	—	1,247	—	1,247	(1,247)	—
	—	**317,243**	**19,980**	**337,223**	**9,741**	**346,964**

The Parent Company has registered an amount of EUR 9.7 million regularizing the goodwill initially registered at the acquisition date, once the initial estimations considered in the PPA have been finally reviewed and concluded. This entry has impacted reducing deferred tax liabilities in EUR 2.2 million and increasing reserves in EUR 11.9 million.

Impairment analysis

The Group has implemented a procedure whereby at each year-end the possible impairment of goodwill is analysed.

Recoverable amount is the higher of fair value less costs to sell and value in use, which is taken to be the present value of the estimated future cash flows.

In calculating the value in use of the principal items of goodwill the assumptions used were as follows:

- Projections of the cash flows of the company in question are made for periods of between five and ten years, calculating a residual value based on the flow of the last year projected, provided that this flow is representative of a normalised flow to reflect margin and cash flow experience in those businesses as well as future expectations. Perpetuity growth is not envisaged (g=0).
- The gross margins used in the calculation of the value for 2014 and 2013 are in line with the profit expected to be obtained based on the past experience of profits of each of the segments and of the new contracts existing in each.
- To discount the flows, a discount rate is used based on the weighted average cost of capital for assets of this type, adjusted, where necessary, on the basis of the additional risk that could be contributed by certain types of activity.
- In all cases sensitivity analyses are also conducted, particularly with regard to the discount rate used and the residual growth rate, to ensure that the effect of possible changes in estimates of these rates does not have an impact on the recoverability of the recognised goodwill.

The measurement methods indicated above led to discount rates used to perform the impairment test that stood in a range of between 5.20% and 7.02%. The discount rates used are net of taxes and reflect the risks specific to the significant CGU segments. The Managers consider that the changes in the discount rate used -approximately 2%- will not have a significant impact on these consolidated financial statements.

At the end of 2014 and 2013 estimations were made of the recoverable amounts of the cash generating units to which goodwill had been allocated in accordance with Note 3.1 and the methods described above. No impairment was recognised in 2014 and 2013.

The results of the sensitivity analyses carried out on the main assumptions were also taken into account in this conclusion.

The result of using cash flows before tax and a discount rate before tax does not differ significantly from the result of using cash flows after tax and a discount rate after tax.

(Thousand euro)

7. Other intangible assets

The changes in "Other Intangible Assets" in the consolidated balance sheet in 2014 and in 2013 were as follows:

	Development expenditure	Licenses and other	Computer software	Administrative concessions and others	Intangible assets in progress	Total
Cost:						
Balance at 01/01/14	**7,106**	**81,000**	**21,862**	**2,001**	**3,061**	**115,030**
Changes in scope of consolidation	2	—	15	—	—	17
Additions	1,126	—	2,517	1,571	2	5,216
Disposals	(2)	—	(2,670)	—	—	(2,672)
Transfers	—	—	3,061	—	(3,061)	—
Translation differences (net)	(2)	—	(72)	—	—	(74)
Balance at 31/12/14	**8,230**	**81,000**	**24,713**	**3,572**	**2**	**117,517**
Accumulated amortisation-						
Balance at 01/01/14	**(3,991)**	**—**	**(6,147)**	**(1,466)**	**—**	**(11,604)**
Changes in scope of consolidation	—	—	(2)	—	—	(2)
Additions	(709)	—	(1,855)	(175)	—	(2,739)
Transfers	—	—	—	—	—	—
Translation differences (net)	2	—	2	—	—	4
Balance at 31/12/14	**(4,698)**	**—**	**(8,002)**	**(1,641)**	**—**	**(14,341)**
Other intangible assets, net at 01/01/14	**3,115**	**81,000**	**15,715**	**535**	**3,061**	**103,426**
Other intangible assets, net at 31/12/14	**3,532**	**81,000**	**16,711**	**1,931**	**2**	**103,176**

The changes in "Other Intangible Assets" in the consolidated balance sheet in 2013 were as follows:

	Development expenditure	Licenses and other	Computer software	Administrative concessions	Intangible assets in progress	Total
Cost:						
Balance at 31/05/13	**—**	**—**	**—**	**—**	**—**	**—**
Business combination	5,886	81,000	18,068	1,830	5,713	112,497
Additions	608	—	2,090	—	562	3,260
Disposals	(10)	—	—	—	(599)	(609)
Transfers (Note 8)	660	—	1,947	171	(2,655)	123
Translation differences (net)	(38)	—	(243)	—	40	(241)
Balance at 31/12/13	**7,106**	**81,000**	**21,862**	**2,001**	**3,061**	**115,030**
Accumulated amortisation-						
Balance at 31/05/13	**—**	**—**	**—**	**—**	**—**	**—**
Business combination	(3,790)	—	(5,367)	(1,432)	—	(10,589)
Additions	(201)	—	(800)	(34)	—	(1,035)
Transfers	—	—	—	—	—	—
Translation differences (net)	—	—	20	—	—	20
Balance at 31/12/13	**(3,991)**	**—**	**(6,147)**	**(1,466)**	**—**	**(11,604)**
Other intangible assets, net at 31/05/13	**—**	**—**	**—**	**—**	**—**	**—**
Other intangible assets, net at 31/12/13	**3,115**	**81,000**	**15,715**	**535**	**3,061**	**103,426**

2014

In 2014, the most significant additions relate to development expenses, the development of patents as well as costs related to the monitoring of work performed to separate servers from their former parent; and the improvement of computer software.

In the year, the Group has impaired EUR 2.6 million for computer software related to the German plant of the Steel subgroup which will not be implemented.

2013

The business combination refers, mainly, to the acquisition of Befesa Group explained in Note 2.6).

On the consolidated balance sheet the Company included as part of the business combinations licenses amounting to EUR 81,000 thousand (65.5 EUR million in the segment of Steel and 15.5 EUR million in Aluminium).

Those licenses represent the amount that any producer would have to pay in order to obtain the needed environmental authorization to start.

Their fair value was estimated using the discount of the cash flows method considering 1.5 years, which was the average time spent to obtain the environmental license, and considering the same assumptions considered in calculation the value in use of the goodwill (Note 6).

The additions in 2013 relate to work performed to separate the servers from the former Parent of Befesa Group subsequent to the purchase and sale transaction performed in 2013 (see Note 2). Also in 2013 the Group recognised the internally generated estimated cost of various development projects the economic success of which is highly probable (see Note 3.3).

Investment commitments

At 31 December 2014 and 2013 the Group had no significant investment commitments.

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8. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheet in 2014 were as follows:

	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	Total
Cost:					
Balance at 01/01/14	**247,023**	**421,649**	**54,802**	**17,699**	**741,173**
Changes in the scope of consolidation (Notes 2.6 and 5 a))	—	1,863	106	8,981	10,950
Additions	1,491	4,764	2,145	38,040	46,440
Disposals	(331)	(2,334)	(682)	(47)	(3,394)
Transfers (Note 7)	1,197	14,739	1,982	(17,918)	—
Translation differences (net)	885	1,688	162	430	3,165
Balance at 31/12/14	**250,265**	**442,369**	**58,515**	**47,185**	**798,334**
Accumulated depreciation:					
Balance at 01/01/14	**(55,220)**	**(259,731)**	**(35,932)**	**—**	**(350,883)**
Changes in the scope of consolidation (Note 2.6))	—	(87)	(32)	—	(119)
Additions	(7,228)	(23,011)	(2,956)	—	(33,195)
Disposals	2	1,600	513	—	2,115
Translation differences (net)	94	750	(48)	—	796
Balance at 31/12/14	**(62,352)**	**(280,479)**	**(38,455)**	**—**	**(381,286)**
Impairment losses at 31/12/13	—	(7,616)	—	—	(7,616)
Impairment losses at 31/12/14	—	(7,616)	—	—	(7,616)
Carrying amount at 31 January 2014	**191,803**	**154,302**	**18,870**	**17,699**	**382,674**
Carrying amount at 31 December 2014	**187,913**	**154,274**	**20,060**	**47,185**	**409,432**

(Thousand euro)

The changes in "Property, Plant and Equipment" in the consolidated balance sheet in 2013 were as follows:

	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	Total
Cost:					
Balance at 31/05/13	—	—	—	—	—
Business Combination	**228,754**	**389,142**	**54,251**	**21,995**	**694,142**
Changes in the scope of consolidation (Notes 2.6 and 5 a))	10,060	26,145	(114)	—	36,091
Additions	6,199	3,890	516	5,905	16,510
Disposals	(438)	(1,323)	(155)	(2,864)	(4,780)
Transfers (Note 7)	4,532	2,228	424	(7,307)	(123)
Translation differences (net)	(2,084)	1,567	(120)	(30)	(667)
Balance at 31/12/13	**247,023**	**421,649**	**54,802**	**17,699**	**741,173**
Accumulated depreciation:					
Balance at 31/05/13			—	—	
Business Combination	**(52,216)**	**(250,308)**	**(34,965)**	**—**	**(337,489)**
Changes in the scope of consolidation (Note 2.6))	299	293	118	—	710
Additions	(3,730)	(12,845)	(959)	—	(17,534)
Disposals	95	893	131	—	1,119
Transfers	—	—	—	.—	—
Translation differences (net)	332	2,236	(257)	—	2,311
Balance at 31/12/13	**(55,220)**	**(259,731)**	**(35,932)**	**—**	**(350,883)**
Impairment losses at 31/05/13	—	—	—	—	—
Business Combination	—	(7,616)	—	—	(7,616)
Additions	—	—	—	—	—
Impairment losses at 31/12/13	—	(7,616)	—	—	(7,616)
Carrying amount at 31 May 2013	—	—	—	—	—
Carrving amount at 31 December 2013	**191,803**	**154,302**	**18,870**	**17,699**	**382,674**

2014

During 2014, the main additions relate to the construction of the plant Befesa Aluminium Germany GmbH; which are under Property, Plant and Equipment in the Course of Construction at the year end. Additionally, other significant addition for the year relate to the construction of a new kiln in Befesa Zinc Korea Ltd.

The main transfers in the year relate to the opening of Befesa Plásticos[1] new plant.

2013

The business combination refers to the acquisition of Befesa Group explained in Note 2.6.

The main additions in 2013 related to the inclusion in the scope of consolidation in the second half of the year of Befesa Zinc Korea Ltd. (see Note 2.6).

At the end of 2013 "Property, Plant and Equipment in the Course of Construction" related mainly to the construction of a plant to recycle fibreglass residues by the Group Company Befesa Plásticos, S.L.

Insurance

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. The coverage is considered to be sufficient.

Capitalisation of borrowing costs

Borrowing costs capitalised in 2014 amounted to EUR 1.1 million (2013: EUR 0.2 million). Most of these refer to the Befesa Aluminium Germany GmbH plant.

(Thousand euro)

Property, plant and equipment subject to guarantees

At 31 December 2014 and 2013, there are bank borrowings secured by land and buildings the net book value of which was EUR 1.3 million (see Notes 15 and 22).

9. Investments accounted for using the equity method

The detail of the investments in associates at 31 December 2014 and 2013 is as follows:

Company	Percentage of ownership	2014	2013
Ecología Canaria, S.A.	45%	1,650	1,809
Total		**1,650**	**1,809**

The gross changes in "Investments Accounted for Using the Equity Method" in the consolidated balance sheet in 2014 and 2013 were as follows:

	2014	2013
Balance at the beginning of the period	**1,809**	**—**
Business combination	—	2,382
Profit of the companies	299	58
Dividends paid	(458)	(631)
Balance at year-end	**1,650**	**1,809**

At 31 December 2014, total assets and liabilities of associates accounted for using the equity method amounted to approximately EUR 5.4 million (EUR 5.2 million in 2013); and EUR 1.7 million (EUR 1.8 million in 2013), respectively.

The revenue for 2014 of associates accounted for using the equity method amounted to EUR 0.3 million (EUR 58 thousand in 2013). In addition, the net profit for the year amounted to EUR 0.7 million (EUR 0.1 million thousand in 2013).

10. Other non-current financial assets

The detail of "Non-Current Financial Assets" is as follows:

2014

	Balance at 31/12/2013	Changes in scope of consolidation, net	Additions/ (Charge for the year)	Disposals	Transfers	Balance at 31/12/2014
Investments in Group companies and associates						
Investments in Group companies	12,989	(2,327)	1,743	(1,921)	—	10,484
Investments in associates and other companies	2,101	—	—	—	—	2,101
Provisions	(10,299)	1,485	(167)	835	—	(8,146)
	4,791	**(842)**	**1,576**	**(1,086)**	**—**	**4,439**
Long-term loans						
Other long-term loans	34,342	(2,199)	1,365	(3,440)	(1,037)	29,031
Provisions	(2,303)	—	(7,438)	766	—	(8,975)
Financial derivatives (Note 18)	—	—	464	—	—	464
Other non-current financial assets	956	10	49	(82)	—	933
	32,995	**(2,189)**	**(5,560)**	**(2,756)**	**(1,037)**	**21,453**
Total	**37,786**	**(3,031)**	**(3,984)**	**(3,842)**	**(1,037)**	**25,892**

(Thousand euro)

2013

	Balance at 31/05/13	Business combination of Befesa Group	Other business combinations (Befesa Korea)	Additions/ (Charge for the period)	Disposals	Balance at 31/12/13
Investments in Group companies and associates						
Investments in Group companies	—	17,752	—	7	(4,770)	12,989
Investments in associates and other companies	—	17,818	(15,717)	—	—	2,101
Provisions	—	(10,299)	—	—	—	(10,299)
	—	**25,271**	**(15,717)**	**7**	**(4,770)**	**4,791**
Long-term loans						
Other long-term loans	—	14,834	—	19,673	(165)	34,342
Provisions	—	(2,303)	—		—	(2,303)
Financial derivatives (Note 18)	—	378	—	—	(378)	—
Other non-current financial assets	—	1,024	—	—	(68)	956
	—	**13,933**	**—**	**19,673**	**(611)**	**32,995**
Total	**—**	**39,204**	**(15,717)**	**19,680**	**(5,381)**	**37,786**

(Thousand euro)

a) Investments in Group companies and associates

Set forth below is certain significant information relating to the investments in Befesa Group companies and associates which are not accounted for using the equity method or fully consolidated, as the case may be, because they are being liquidated, they have not commenced operations, they do not constitute a decision-making unit or their effect is not material:

2014	% Direct and indirect ownership interest	Carrying amount	Provision	Share capital	Reserves and conversion differences	Result
Group companies						
Aluminio en Discos, S.A.	100%	2,400	(2,400)	3,600	(5,726)	(11)
Trinacria, Spa. Z.o.o.	100%	4,584	(4,584)	351	(1,007)	685
Befesa Silvermet Dis Ticaret A.S. (formerly Adana)	100%	1,799	—	1,799	(300)	(38)
Befesa Silvermet Izmir A.S.	100%	1,079	—	1,079	(8)	(390)
Other		622	(182)			
		10,484	**(7,166)**			
Associates and other companies						
Donsplav, Llc	51%	980	(980)	1,721	(1,360)	(64)
Betearte, S.A.	33%	1,121	—	2,750	(733)	(707)
		2,101	**(980)**			

2013	% of direct and indirect ownership	Carrying amount	Provision	Registered share capital	Reserves	Profit/(Loss)
Group companies						
Befesa Aluminio Comercializadora, S.L.	100%	1,485	(1,485)	90	21	—
Aluminio en Discos, S.A.	100%	2,400	(2,400)	3,600	(5,718)	(8)
Trinacria, Spa. Z.o.o.	100%	4,584	(4,584)	366	(1,069)	(126)
Befesa Steel R&D, S.L.(*)	100%	3	—	3	—	(1,432)
Befesa Silvermet Adana, A.S.	100%	504	—	504	(38)	(288)
Befesa Silvermet Izmir, A.S.	100%	2,166	—	2,166	(66)	(141)
Ecovedras, S.A.	78%	39	—	50	(61)	(13)
Aqualdre Zinc, S.L.(**)	100%	835	(835)	4	6	—
Befesa Management Services Gmbh	100%	25	—	25	—	(42)
Other		948	(15)			
		12,989	**(9,319)**			
Associates and other companies						
Donsplav, Llc.	51%	980	(980)	1,721	(1,296)	(64)
Betearte, S.A.	33.3%	1,121	—	2,750	628	371
		2,101	**(980)**			

(*) Companies included in 2014 in the consolidation scope, together with the subsidiaries Befesa México, S.A. de C.V. and Befesa Aluminium Germany GmbH which were registered as equity investments at 31 December 2013 under "Other".

(**) Merged in 2014 with Befesa Zinc, S.A.

(Thousand euro)

2014

	Registered office	Line of business
Group companies		
Aluminio en Discos, S.A.	Spain	Dormant
Trinacria, Spa. Z.o.o.	Poland	Dormant
Befesa Silvermet Dis Ticaret A.S.	Turkey	Recovery of metals
Befesa Silvermet Izmir A.S.	Turkey	Recovery of metals
Associates		
Donsplav, Llc.	Ukraine	Dormant
Betearte, S.A.	Spain	Performance of studies and projects

2013

	Registered office	Line of business
Group companies		
Befesa Aluminio Comercializadora, S.L.	Spain	Marketing and distribution of aluminium alloys
Aluminio en Discos, S.A.	Spain	Dormant
Trinacria, Spa. Z.o.o.	Poland	Dormant
Befesa Silvermet Adana, A.S.	Turkey	Recovery of metals
Befesa Steel R&D, S.L.	Spain	Environmental services
Befesa Silvermet Izmir, A.S.	Turkey	Recovery of metals
Ecovedras, S.A.	Portugal	Dormant
Aqualdre Zinc, S.L.	Spain	Dormant
Befesa Management Services Gmbh	Germany	Integral Corporate Management Services
Associates		
Donsplav, Llc.	Ukraine	Dormant
Betearte, S.A.	Spain	Performance of studies and projects

The fair value of the investments under this heading was determined using in-house estimates made by Bilbao MidCo, S.à r.l. since there are no quoted prices therefore on an organised market, and the value is calculated, in general, on the basis of their underlying carrying amounts.

The net value of the investments recognised under this heading was in general calculated using net asset value or value in use, depending on the circumstances of each company.

The assets and liabilities of the companies classified as equity investments in which the Group retains control or joint management are not significant with respect to the consolidated assets and liabilities.

b) *Other non-current loans*

At 31 December 2014 and 2013, this heading included an account receivable from a non-fully consolidated Group company relating to prior years' input VAT vis-à-vis the Portuguese tax authorities on purchases of aluminium scrap. In the current year, this balance was totally impaired (EUR 7.4 million), considering the time elapsed and the development of the ongoing litigation.

In 2014 this heading includes long-term collection rights amounting to EUR 2.9 million (2013: EUR 3.2 million) relating to the accounts receivable from various UTEs in which the Group has interests.

In 2013, it also included EUR 13.7 Million corresponding to an up-stream loan to Bilbao LuxCo S.A. (Note 26) granted by the Company, with a maturity date ending the 1st December 2018 and with an interest rate of 11% approximately.

(Thousand euro)

11. Inventories

The detail of "Inventories" in the accompanying consolidated balance sheet at 31 December 2013 is as follows:

	2014	2013
Finished goods	9,977	11,770
Goods in progress and semi-finished goods	1,112	1,278
Work in progress	257	183
Raw materials	18,164	16,247
Other	12,282	11,538
Advances to suppliers	108	190
Total	**41,900**	**41,206**

The Group has taken out insurance policies to cover risks relating to inventories. The coverage provided by these policies is considered to be sufficient.

12. Accounts receivable

The breakdown of the accounts receivable in the accompanying consolidated balance sheet at 31 December 2013 is as follows:

	2014	2013
Work completed not invoiced	3,493	5,905
Trade and other receivables	76,748	63,664
Trade receivables from related companies (Note 26)	1,811	20,301
Other receivables	4,587	8,477
Accounts receivable from public authorities (Note 21)	17,510	15,341
Less- Allowance for doubtful debts	(2,809)	(2,800)
Total	**101,340**	**110,888**

The accounts receivable are stated at their nominal value, which does not differ significantly from their fair value, based on the cash flows therefrom discounted at market rates.

Balances that have exceeded the nominal maturity date but which are within the habitual terms of the collection systems established with the various customers, which range between 30 and 60 days, are not considered to be past due. At 31 December 2014 and 2013 there were no balances that had exceeded the agreed-upon collection terms or the habitual payment periods for which impairment losses had not been recognised. The trade receivables for which impairment losses were not recognised correspond to independent customers which have no recent history of default. All the trade balances mature in less than twelve months.

At 31 December 2014 and 2013 impairment losses had been recognised for all the receivables, past due or otherwise, the recoverability of which was considered to be doubtful at those dates. The impairment losses were recognised on the basis of an estimate of the reasonable loss corresponding to each trade receivable.

All the impaired accounts receivable are more than twelve months past due.

The impaired receivables relate mainly to balances with specific collection problems identified on a case-by-case basis. On the basis of the collection management procedures applied, a high (although undetermined at the reporting date) percentage of these accounts receivable is expected to be recovered.

The changes in the allowances for doubtful debts relating to Group's trade and other receivables for the year 2014 and the period from 31 May 2013 to 31 December 2013 were as follows:

	2014	2013
Opening balance	**(2,800)**	**—**
Business combination	—	(1,950)
Allowance for doubtful debts (Note 23)	(130)	(587)
Derecognised uncollectible accounts receivable and other transfers	—	(393)
Reversal of provisions (Note 23)	121	130
Closing balance	**(2,809)**	**(2,800)**

The credit quality of the trade receivables that have not become impaired can be classified as highly satisfactory, since in substantially all of the cases the risks are accepted and covered by credit risk insurers and/or banks and financial institutions.

The maximum exposure to credit risk at the date of presentation of the financial information is the fair value of each of the accounts receivable disclosed above and, in all cases, taking into consideration the aforementioned credit insurance coverage.

The detail of the accounts receivable denominated in foreign currency and recognised at the end of 2014 and 2013 in the accompanying consolidated balance sheet is as follows (in thousands of euros):

	2014	2013
US dollars	5,730	7,453
Peruvian nuevo sol	4,638	3,438
Swedish krona	3,698	2,751
Argentine peso	3,274	3,332
Chilean peso	1,501	681
Pound sterling	1,303	1,012
Korean won	933	1,713
Other	2,374	307
	23,451	**20,687**

13. Other current financial assets

The detail of "Other Current Financial Assets" in the accompanying consolidated balance sheet at 31 December 2014 and 2013 is as follows:

	2014	2013
Short-term deposits in financial institutions	1,322	—
Escrow account with Group (Note 26)	—	7,120
Investment funds, fixed-income securities and short-term deposits	—	39
Derivative financial instruments (Note 18)	968	292
Other short-term loans	743	437
Short-term guarantees and deposits	513	410
Total	**3,546**	**8,298**

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial instruments classified as available for sale and loans and receivables.

14. Equity

a) Share capital

As at 31 December 2014 and 2013, the subscribed and fully paid up capital is represented by 5,728,116 Class A preference shares and 5,503,246,234 Class B ordinary shares with a par value of EURO.01 each with a total amount of EUR55,089,743.50.

(Thousand euro)

The Parent Company shall issue Class B Ordinary Shares to the Bondholder (Abengoa) upon conversion of the Bond, then representing 14.06% of the Company's issued Class B Ordinary Shares on a fully diluted basis. Such Class B Ordinary Shares shall be issued and allotted to the Bondholder.

At 31 December 2014 and 2013, the Parent's shareholder structure was as follows:

	Percentage of ownership 2014	Percentage of ownership 2013
Bilbao LuxCo, S.A.	88,75%	88,75%
Triton Luxembourg II GP Bilbao, S.A.	11,25%	11,25%
Total	**100%**	**100%**

b) Share premium and other reserves

The detail in the consolidated balance sheet is as follows:

	2014	2013
Share premium	176,364	176,364
Other shareholder contributions	9,027	9,027
Reserves of consolidated companies	(28,763)	(7,227)
Unrealised asset and liability revaluation reserve and valuation adjustments	(406)	(111)
Total	**156,222**	**178,053**

Share premium

The share premium may be used to provide for the payment of any shares which the Parent Company may repurchase from its shareholders, to offset any net realised losses, to make distributions form its shareholders, in the form of a dividend or to allocate funds to the Legal reserve, provide that any such repurchases or distribution out of the share premium paid on the Class A Shares may only benefit such Class A Shares. Share premium paid on the Class A Shares amounts to EUR 176.4 million as at 31 December 2014 and 2013.

Other shareholder contributions

This amount refers to the valuation at fair value, of the convertible bond mentioned in Note 2.6 at the acquisition date of Befesa. This financial instrument is a level 3 instrument in accordance with the definition included in Note 4. The valuation was made considering the valuation of the Group based on the value in use method.

This convertible bond matures in 2028 (15 years since the acquisition of Befesa Medio Ambiente Group) and is subjected to two extension options of five years each at the discretion of Bilbao MidCo, S.à r.l. The loan's principal could be settled with a single repayment at maturity and accrues interest at the 6 -month Euribor, plus a 6% spread, with an option for the Company to capitalize or pay interest at the end of each accrual period. Certain triggering events, which include Befesa's insolvency, a maximum net debt/EBITDA ratio of 8.0 throughout the life of the convertible loan, and failure to meet certain financial objectives in the last three years of the 15-year loan (minimum expected operating cash flow minimum cash coverage ratio of 1.3) would result in the automatic conversion of the loan into 14.06% of Bilbao MidCo's shares. Furthermore, under certain scenarios of sale of Befesa by the Company, and conversion of the convertible bond into the 14.06% of Bilbao MidCo's share, the Company can require that Abengoa sells its 14.06% ownership together with the sale of the Company ownership an under the same conditions applicable to the Company. In any case, if Abengoa does not receive such requirement from the Company, Abengoa can sell its 14.06% ownership coming from the conversion together with the remaining ownership sold by the Company and in this case the sale will be valid only if the acquirer also bought the 14.06%.

The convertible loan is an equity instrument considering that:

- The instrument includes no contractual obligation for the issuer to deliver cash or another financial asset to another entity or of exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

(Thousand euro)

- The instrument meets the requirement of "Fixed for fixed".
- There are clauses that guarantee equality in economic rights of bondholders and shareholders in the case of corporate actions (reorganizations, dividend distributions, ...).

c) Translation differences

The breakdown, by company, of "Translation Differences" at 31 December 2014 and 2013 is as follows:

Company or group of companies	2014	2013
Befesa Argentina, S.A.	(754)	(555)
Befesa Perú, S.A.	49	(281)
Befesa Zinc Korea, Ltd.	2,547	—
Befesa Salt Slags, Ltd.	691	191
Soluciones Ambientales del Norte, S.A.	(1,059)	(919)
Befesa Scandust AB	(688)	(140)
Other	(223)	(347)
Total	**563**	**(2,051)**

d) Profit (Loss) for the period

The detail, by business segment, of the contribution to the consolidated profit (loss) attributable to the Parent for the year ended 31 December 2014 and for the period from 31 May 2013 to 31 December 2013 is as follows:

	2014	2013
Steel	25,494	14,407
Aluminium	11,762	3,489
Industrial environmental solutions	(2,874)	(1,779)
Corporate and consolidation adjustments(*)	(16,014)	(25,270)
Total	**18,368**	**(9,153)**

(*) Consolidation adjustments are mainly related to the elimination of dividends and changes in impairment losses on investments attributable to the Parent. In addition, the consolidation adjustments attributable to the other companies are included in their respective profit or loss.

e) Non-controlling interests

The detail of "Equity - Non-Controlling Interests" on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2014 and 2013 is as follows:

	2014	2013
Industrial Environmental Solutions:		
Befesa Plasticos, S.L.	320	87
Residuos Industrials de la Madera de Cordoba, S.A.	652	598
Steel:		
Befesa Silvermet Turkey, S.L.	7,977	7,014
Befesa Zinc Korea, Ltd.	8,888	11,659
	17,837	**19,358**

Summary information of subsidiaries with non-dominant material participation

Below are the main figures of the Befesa Silvermet Turkey, S.L. and its subsidiaries; and Befesa Zinc Korea Ltd., expressed in thousand euro.

2014

Subgroup/ Company	Befesa Silvermet Turkey S.L. and its subsidiaries	Befesa Zinc Korea, Ltd.
Assets	25,242	58,053
Liabilities	7,153	13,613
Equity	18,089	44,440
Sales	12,015	21,412
Profit before taxes	4,551	4,412
Profit after taxes	3,628	3,441

2013

Subgroup/ Company	Befesa Silvermet Turkey S.L. and its subsidiaries	Befesa Zinc Korea, Ltd.
Assets	17,695	49,310
Liabilities	1,792	23,401
Equity	15,903	25,908
Sales	11,112	4,361
Profit before taxes	4,129	(167)
Profit after taxes	3,392	(130)

f) Capital management

The Group's capital management focuses on achieving a financial structure that optimises the cost of capital while maintaining a solid financial position. This policy reconciles the creation of value for the shareholder with access to financial markets at a competitive cost in order to cover both debt refinancing requirements and investment plan financing needs not covered by the funds generated by the business.

Group management consider that the minimal leverage ratio with recourse is a good indicator of the degree to which the objectives set are being achieved. At 31 December 2014 and 2013, most of the debts are related to business acquisitions performed in prior years.

15. Non-recourse financing

The detail of the related headings in the accompanying consolidated balance sheet is as follows:

	2014		2013	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Bank loans	2,735	316,577	3,512	316,617
PIK toggle notes	—	158,437	2,851	148,125
Unmatured accrued interest	5,063	—	3,732	—
Obligation under financial leases	167	292	70	91
Total	**7,965**	**475,306**	**10,165**	**464,833**

In project finance arrangements, the basis of the financing agreement between the company and the bank involves allocating the cash flows generated by the project in order to repay the financing and pay the related interest, with the exclusion or quantified reduction of any other security, so that the bank can only recover its investment through the cash flows from the projects financed with the subordination of any other debt derived from the project financing until such financing has been repaid in full.

The main terms and conditions of the non-recourse borrowings are as follows:

			2014		2013	
Limit in nominal currency (thousands)	**Effective interest rate**	**Maturity date**	**Current maturity**	**Non-current maturity**	**Current maturity**	**Non-current maturity**
EUR 300,000	8.87%	2018	3,328	296,737	3,328	295,770
EUR 20,000	6m-Euribor + floating	2017	360	19,119	371	18,764
EUR 150,976	10.50% - 11.25%	2018	1,364	158,437	2,851	148,125
KRW 14,000	6.035%	2015	1,331	—	2,445	1,206
Other			1,582	1,013	1,170	968
			7,965	**475,306**	**10,165**	**464,833**

At 31 December 2014 and 2013, "Other" includes primarily finance leases and a loan obtained by Befesa Scandust AB to finance the construction of their industrial building for SEK 10 million.

On 6 May 2011, Befesa, through Zinc Capital, S.A., initiated the placement of EUR 300 million of ordinary bonds with European qualified and institutional investors. Zinc Capital, S.A. is a non-Befesa Group special purpose vehicle without assets or business operations other than those relating to the bond issue. All the funds raised (EUR 300 million) have been lent to Befesa Zinc, S.A.U. and mature in May 2018. The borrower is the parent of a group of companies associated with specific zinc recycling projects (Befesa Zinc, S.A.U. and its subsidiaries). The amount obtained by the abovementioned company was used, mainly, to repay the outstanding balance amounting to EUR 185.2 million of the syndicated loan arranged with Barclays and to increase liquidity for business activities within the Steel segment. The guarantees given in relation to the bond issue essentially entail a joint and several guarantee from the subsidiaries of Befesa Zinc (Befesa Zinc Comercial, S.A.U., Befesa Zinc Aser, S.A.U., Befesa Steel Services GmbH, Befesa Zinc Freiberg GmbH, Befesa Duisburg GmbH and Befesa Valera S.A.S.) and a pledge of the shares of Befesa Zinc, S.A. itself. The Parent or other subsidiaries did not provide any additional guarantees. As a result of the change in the Group's shareholder structure (see Notes 1 and 14), on 10 May 2013 all the approvals and waivers necessary to maintain the conditions of the bond were obtained. The subsidiaries Befesa Gravelines, S.A.S.U. and Befesa Zinc Óxido, S.A.U. were also a guarantor in 2014.

In addition, on 12 August 2013 the Group company Befesa Zinc, S.A.U. obtained a loan amounting to EUR 20 million with final maturity at 2017 to finance the activity carried on by Befesa Zinc Korea Ltd. The interest rate is a fixed rate plus a market spread. In arranging the loan, a series of covenants were defined, based on various ratios at consolidated level of the Zinc subgroup, which were achieved at 2014 and 2013 year-end. It was established that the guarantors be the same guarantors as those defined for the bond issue.

On 24 October 2013, the Group issued EUR 150,000 thousand of its 10.50%/11.25% PIK Toggle Notes due 2018 pursuant to an indenture. The Notes were issued among Befesa Holding S.à.r.l. as parent guarantor and Citibank, N.A., London Branch as Trustee, as Security Agent and as Principal Paying Agent, Transfer Agent and Registrar Agent. An amount of EUR 148,125 thousand was drawn under these Notes.

The Notes bear interest at a rate of 10.50% per annum with respect to Cash Interest (as defined in the agreement) and 11.25% per annum with respect to PIK Interest (as defined in the agreement). Interest will be payable semi-annually in arrears on each 1 June and 1 December of each year, commencing on 1 June 2014. As at 31 December 2014, the capitalized accrued interest amounted to EUR 10.3 million (2013: EUR 2.8 million thousand).

Scheduled amortization

The repayment schedule for the long-term loans is as follows (in thousands of euros):

	2014	2013
2015	—	1,369
2016	261	148
2017	19,354	18,883
2018	455,372	444,009
Subsequent years	399	424
Total	**475,386**	**464,833**

The carrying amount of non-recourse borrowings does not differ from their fair value, since they were arranged at market rates.

Financing currencies

The carrying amount of the Company's non-recourse borrowings is denominated in the following currencies:

	Thousands of euros	
	2014	2013
Euro	481,113	470,357
Swedish krona	827	990
South Korean won	1,331	3,651
	483,271	**474,998**

16. Financial debt and obligations under finance leases

The detail of the related line items in the accompanying consolidated balance sheet is as follows:

	2014		2013	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Loans from and credit facilities from financial institutions	25,416	110,737	19,353	121,629
Unmatured accrued interest	86	—	1,869	—
Obligations under finance leases	1,162	1,859	1,068	2,248
Total	**26,664**	**112,596**	**22,290**	**123,877**

On 27 September 2013, with a view to unifying the Group's financial structure, a syndicated financing agreement was arranged for the amount of EUR 190 million, which includes two loans amounting to EUR 75 million and EUR 60 million, respectively, a credit line amounting to EUR 30 million and a guarantee line amounting to EUR 25 million. The EUR 75 million loan is repayable on a straight-line basis in half-yearly instalments (except for the first and final two instalments) with final maturity on 30 June 2017. The EUR 60 million loan mature in full at four years after the arrangement of the loan.

The interest rate established for the borrowings is based on a floating rate plus a market spread. Also, there are financial covenants to be met which are based on various ratios at consolidated level and a limit on investment in non-current assets has been established over the term of the loan. In 2014 and 2013 the covenants were being duly achieved.

In the framework of this transaction, on 24 October 2013 the Group arranged IRSs with an agreed fixed rate of interest of 1 %.

The Group companies Befesa Aluminio, S.L.U., Befesa Gestión de Residuos Industriales, S.L., Befesa Valorización de Azufre, S.L.U., Befesa Salt Slags, Ltd., Befesa Salzschlacke GmbH, Soluciones Ambientales del Norte Limitada, S.A., Befesa Peru, S.A., Alianza Medioambiental, S.L.U. and MRH Residuos Metálicos, S.L.U. are acting as personal guarantors for the obligations assumed by Befesa Medio Ambiente, S.L.

In 2014 accrued interest payable amounts to EUR 86 thousand (EUR 1,869 thousand in 2013).

In 2013 financial expenses accrued amounting to EUR 5 million related to the arrangement of the transaction.

All the loans and credit facilities bear interest at market rates, tied mainly to Euribor plus a spread.

The repayment schedule for the non-current loans is as follows (in thousands of euros):

	2014	2013
2015	—	12,929
2016	33,231	32,802
2017	77,826	77,483
2018	723	322
Subsequent years	816	341
Total	**112,596**	**123,877**

At 31 December 2014, Befesa had unused unsecured credit lines totalling approximately EUR 56 thousand (31 December 2013: EUR 785 thousand) (see Note 4), and EUR 15 million not yet been drawn down against the new financing agreement.

17. Other current and non-current payables

The detail of "Other Non-Current Liabilities" and "Other Payables" in the accompanying consolidated balance sheet at 31 December 2013 is as follows:

	2014		2013	
	Current maturity	Non-current maturity	Current maturity	Non-current maturity
Vendor Note	—	52,175	—	47,946
Other group liabilities (Note 26)	—	1,198	—	—
Payable to non-current asset suppliers (Notes 7 and 8)	2,430	—	990	—
Derivative financial instruments (Note 18)	66	1,308	125	828
Accounts payable to public authorities (Note 21)	16,633	—	13,887	—
Remuneration payable	6,254	—	4,699	—
Other	8,187	48,854	22,570	17,881
Total	**33,570**	**103,535**	**42,271**	**66,655**

"Vendor note" refers to the amount pending of payment to Bilbao MidCo. This instrument issued by the Company to Bilbao MidCo, and this entity with the seller of Befesa Group as part of the settlement of purchase price. The vendor note instrument expires on the 1st December 2018, has an aggregate principal amount of EUR 47,500 thousand and bears an annual interest rate of 2% in the first year, 4% in the second and 6% in the third, 8% in the fourth and 12% in the fifth year. The interests accrued until 2014 totalling 1,843 thousand euro (446 thousand in 2013) have been capitalized to the initial balance amount of 47,500 thousand. The Group has registered 2,803 thousand euro to the loan in order to register it at its amortized cost.

"Other" mainly includes grants related to assets not yet allocated to income and subsidised loans amounting approximately to EUR 21.7 million. As a result of the inclusion in the scope of consolidation of Befesa Zinc Korea, Ltd., "Non - Current Liabilities - Other" in the consolidated balance sheet includes EUR 6.3 million payable to the non-controlling interests of this company (Note 2.6), as well as EUR 6.1 million recorded in 2014 from the valuation of put options of minority shareholders. Additionally, a loan with Abengoa amounting to EUR 15 million is included, obtained to finance the new plant of Befesa Aluminium Germany GmbH.

(Thousand euro)

18. Derivative financial instruments

The Group uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed, which are mainly risks arising from changes in exchange rates, interest rates and the market price of certain metals, mainly aluminium and zinc. The detail of the balances that reflect the measurement of derivatives in the accompanying consolidated balance sheets at 31 December 2014 and 2013 is as follows:

	2014	2013
Cash flow hedges non-current assets (Note 10):		
Zinc futures contract	464	—
	464	**—**
Cash flow hedges current assets (Note 13):		
Zinc futures contract	139	235
Aluminium futures contract	829	—
Foreign currency cap	—	57
	968	**292**
Total assets	**1,432**	**292**
Cash flow hedges non-current liabilities (Note 17):		
Interest rate swap	1,308	828
	1,308	**828**
Cash flow hedges current liabilities (Note 17):		
Foreign currency cap	66	125
	66	**125**
Total liabilities	**1,374**	**953**

- Zinc and aluminium futures contracts

The detail of the tonnes the selling price of which was hedged and of the maturity of the related contracts at 31 December 2014 and 2013 is as follows:

	Tons			
	31 December 2014		31 December 2013	
	2015	2016 and subsequent years	2014	2015 and subsequent years
Hedge (in tonnes)				
Zinc Contract Floors	73,200	36,600	72,600	—
Aluminium futures contract	1,980	—	—	—
	75,180	**36,600**	**72,600**	**—**

These derivatives have been designated to hedge highly foreseeable transactions (sales) and based on the effectiveness test, no ineffective portion was detected and, therefore, the full effect of the change in fair value of the hedge was recognised in equity, net of the related tax effect. The portion transferred to income each year is recognised in revenue at each settlement date.

- Interest rate swaps (floating to fixed)

The notional amounts of the IRSs outstanding at 31 December 2014 totalled EUR 90,750 thousand (Note 4) (EUR 99,750 thousand in 2013), which were classified as fully effective hedging instruments in both 2014 and 2013.

At 31 December 2014 and 2013, the fixed interest rate was 1% and the main benchmark floating rate was Euribor.

- Foreign currency cash flow hedges

(Thousand euro)

At 31 December 2014, currency swaps or forwards amounted to:

- US dollar purchases: USD 0 thousand
- US dollar sales: USD 10,347 thousand.

At 31 December 2013, currency swaps or forwards amounted to:

- US dollar purchases: USD 458 thousand.
- US dollar sales: USD 1,834 thousand.

Highly probable future hedged transactions denominated in foreign currency are expected to take place on various dates within the next twelve months. The gains and losses recognised in the hedging reserve in equity (Note 14) in connection with forward foreign currency contracts at 31 December 2014 and 2013 are recognised in profit or loss in the year in which the hedged transactions affect profit or loss. Increases and decrease recognised in equity in relation to foreign currency forwards at 31 December 2014 will be transferred to profit or loss over the next twelve months.

19. Long-term provisions

The detail of "Long-Term Provisions" on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2014 and 2013 is as follows:

	Provisions for litigation, pensions and similar	Other provisions for contingencies and charges	Total long-term provisions
Balance at 31 May 2013	—	—	—
Business Combination (Note 2.6)	3,086	38,399	41,485
Period provisions charged to income	2,146	305	2,451
Provisions used	(347)	(96)	(443)
Balance at 31 December 2013	**4,885**	**38,608**	**43,493**
Period provisions charged to income	(374)	216	(158)
Provisions used	(2,722)	(438)	(3,160)
Transfers	—	(25,342)	(25,342)
Balance at 31 December 2014	**1,789**	**13,044**	**14,833**

"Other Provisions for Contingencies and Charges" includes the provisions recognised by the subsidiary Befesa Gestión de Residuos Industriales, S.L. for the expenses arising from the sealing and closure of its residues safety tanks amounting to approximately EUR 8,029 thousand at 31 December 2014 (31 December 2013: EUR 7,875 thousand) (Note 8). In addition, the Group companies Befesa Valera, S.A.S. and Befesa Zinc Gravelines, S.A.S. recognised a provision of approximately EUR 2.1 million at 31 December 2014 and 2013 for the present value of the estimated costs of dismantling the concession for the performance of their activities in the Port of Dunkirk (France) once concluded (Note 8).

In addition, Befesa has recognised other provisions under "Other Provisions for Contingencies and Charges" to meet liabilities, whether legal or constructive, probable or certain, arising from contingencies, litigation in process and tax obligations, which arise as the result of past events and are more likely than not to require an outflow of resources embodying economic benefits from Befesa to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

The provision recorded in previous years of EUR 25,342 thousand relating to the recoverability of deferred taxes, is presented in 2014 less related assets (Note 20).

20. Deferred taxes

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the income taxes levied by the same tax authority. At 31 December 2014 and 2013 there were no material offset deferred tax assets and liabilities.

(Thousand euro)

The Group recognises deferred tax assets, tax loss carry forwards and unused tax credits and tax relief to the extent that their future realisation or utilisation is sufficiently assured.

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet for 2014 and 2013 is as follows:

	2014	2013
Deferred tax assets arising from:		
Tax loss carry forwards and tax credits and tax relief	75,644	96,863
Revaluation of derivative financial instruments	675	340
Impairment of recognised assets and provisions	—	1,887
Other deferred tax assets	1,809	8,800
Total deferred tax assets	**78,128**	**107,890**
Deferred tax liabilities arising from:		
Asset revaluation	34,843	35,410
Revaluation of derivative financial instruments	—	99
Deferred tax liability arising from the tax deductibility of goodwill	19,467	23,084
Other deferred tax liabilities	8,224	6,903
Total deferred tax liabilities	**62,534**	**65,496**

The changes in the deferred tax assets and liabilities in 2014 and 2013 relate to:

2014

		Recognised in				
	Balance at 31/12/13	Profit or loss	Equity	Changes in the scope of consolidation (Note 2.6)	Transfers (Note 19)	Balance at 31/12/14
Deferred tax assets						
Tax losses carry forwards and deductions	96,863	2,706	(1,667)	3,084	(25,342)	75,644
Derivatives	340	283	52	—	—	675
Other (temporary differences)	10,687	526	(9,404)	—	—	1,809
Total deferred tax assets	**107,890**	**3,515**	**(11,019)**	**3,084**	**(25,342)**	**78,128**
Deferred tax liabilities						
Revaluations	35,410	(567)	—	—	—	34,843
Derivatives	99	—	(99)	—	—	—
Goodwill	23,084	(189)	(1,284)	—	(2,144)	19,467
Other (temporary differences)	6,903	(860)	2,181	—	—	8,224
Total deferred tax liabilities	**65,496**	**(1,616)**	**798**	**—**	**(2,144)**	**62,534**

(Thousand euro)

2013

	Balance at 31/05/13	Business combination	Recognised in: Profit or loss	Recognised in: Equity	Changes in the scope of consolidation (Note 2.6)	Balance at 31/12/13
Deferred tax assets						
Tax loss carry forwards and deductions	—	75,750	18,088	(555)	3,580	96,863
Derivatives	—	536	—	(196)	—	340
Other	—	9,619	1,057	—	11	10,687
Total deferred tax assets	**—**	**85,905**	**19,145**	**(751)**	**3,591**	**107,890**
Deferred tax liabilities						
Revaluations	—	40,633	(5,223)	—	—	35,410
Derivatives	—	3,186	(923)	(2,164)	—	99
Goodwill	—	18,757	4,327	—	—	23,084
Other	—	7,733	(830)	—	—	6,903
Total deferred tax liabilities	**—**	**70,309**	**(2,649)**	**(2,164)**	**—**	**65,496**

The main amounts and changes in deferred tax assets and liabilities in 2014 and 2013, in addition to those arising from the revaluation of derivatives disclosed in Note 18, were as follows:

2014

- As a result of the inclusion of Befesa Steel R&D, S.L., in the consolidation scope tax credits increased by EUR 3.1 million.
- Additionally, tax credits were regularised against reserves amounting to approximately EUR 11.8 million.
- A transfer of 2 million has been registered in deferred tax liabilities in order to decrease the initial goodwill registered related to the Steel Segment (Note 6).

2013

- As a result of the business combination with Befesa Group (Note 2.6) deferred tax assets and liabilities from that group have been incorporated to Bilbao MidCo Group, registering, in addition and as a consequence of the aforementioned business combination, deferred tax liabilities amounting to EUR 23 million due to the net revaluation in property, plant and equipment and other intangible assets.
- As a result of the inclusion of Befesa Zinc Korea, Ltd, tax loss carry forwards and tax credits increased by EUR 3.6 million.
- In 2013 tax loss carryforwards amounting to EUR 16.9 million arose and were recognised. In 2013 tax loss carryforwards amounting to approximately EUR 0.6 million were deducted and tax loss carryforwards amounting to EUR 1.0 million were derecognised. Tax credits amounting to EUR 6.2 million were earned.
- Deferred tax liabilities arising on revaluation of land of Befesa Aluminio, S.L.U. amounting to EUR 1.8 million were reversed in 2013.

(Thousand euro)

21. Current taxation

The detail of "Tax Receivables" and "Tax Payables" on the asset and liability sides, respectively, of the accompanying consolidated balance sheet at 31 December 2014 and 2013 is as follows:

	2014		2013	
	Receivable (Note 12)	Payable (Note 17)	Receivable (Note 12)	Payable (Note 17)
VAT	13,530	5,439	11,123	5,601
Tax withholdings and pre-payments	1,133	2,058	520	2,197
Income tax	2,349	5,700	2,018	2,714
Accrued social security taxes	98	2,754	59	2,299
Other	400	682	1,621	1,076
Total	**17,510**	**16,633**	**15,341**	**13,887**

"Accounts Payable to Public Authorities" on the liability side of the accompanying consolidated balance sheet includes the liability relating to the various applicable taxes, mainly personal income tax withholdings, VAT and the projected income tax relating to the profit for each year, mainly net of tax withholdings and pre-payments made each year.

Group's Parent Company, Bilbao MidCo, S.à r.l., is subject to the Luxembourg Law (Note 1).

Befesa Medioambiente HoldCo, S.L. heads the fiscal Group of companies subject to the Biscayne tax regulation. In 2013, that Group was headed by Befesa Medio Ambiente, S.L. That tax group comprises Befesa Medioambiente HoldCo, S.L., Befesa Medio Ambiente, S.L.U., MRH Residuos Metálicos, S.L.U., Alianza Medioambiental, S.L.U, Befesa Aluminio, S.L, Befesa Aluminio Comercializadora, S.L.U, Befesa Zinc, S.A.U., Befesa Zinc Comercial, S.L.U., Befesa Zinc Óxido, S.L.U., Befesa Zinc Aser, S.L.U, Befesa Valorización de Azufre, S.L.U, Befesa Steel R&D, S.L.U. and Befesa Zinc Sur, S.L.U.

The German companies Befesa Zinc Germany GmbH, Befesa Steel Services GmbH, Befesa Zinc Freiberg GbmH and Befesa Zinc Duisburg GmbH file consolidated tax returns under the tax legislation applicable to them in Germany; and Befesa Zinc Gravelines, S.A.S.U. and Befesa Valera S.A.S. file consolidated tax returns under the tax legislation applicable to them in France.

The other Befesa companies file individual income tax returns in accordance with the tax legislation applicable to them.

The Befesa Group companies subject to Biscay tax legislation and to the tax legislation applicable to the rest of Spain (excluding Navarre and the Basque Country), including those which form part of the tax group, generally have the years that have not become statute-barred, 2010 onwards, open for review by the tax authorities for income tax and the last four years for the other main taxes and tax obligations applicable to them, in accordance with current legislation.

The difference between the tax charge allocated to each year and the tax payable for that year, recognised in "Deferred Tax Assets" and "Deferred Tax Liabilities" on the asset and liability sides, respectively, of the consolidated balance sheets at 31 December 2014 and 2013, arose as a result of the following noteworthy circumstances:

- Temporary differences arising from the differences between the carrying amounts of certain assets and liabilities and their tax bases. The main differences arose from the measurement of assets and liabilities arising from the valuation of derivatives in relation to which the difference between the tax base and the carrying amount is not tax deductible and the deductibility of the amortisation of certain items of goodwill taken in accordance the regulations applicable to each company. In this regard, the tax deductibility of goodwill is conditional on the companies recognising a restricted reserve in the terms established by Spanish corporate law for at least the tax deductible amount calculated on the basis of the original acquisition cost.
- The different accounting and tax methods for recognising certain provisions.

Income tax is calculated on the basis of the accounting profit determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit.

(Thousand euro)

Also, in calculating the income tax expense for 2014 of the companies located in Spain, on the basis of the various applicable regulations the different income tax rates in force (28% for Biscay and 30% for the tax regime for the rest of Spain), applied to the profit or loss before tax, adjusted by the amount of the permanent differences and reduced by the application of the tax losses of companies not included in the consolidated Tax Group that were not recognised, were also taken into account.

The fully consolidated foreign subsidiaries calculate the income tax expense and the tax charges for the various taxes applicable to them in conformity with the legislation of, and at the tax rates in force in, their respective countries.

The reconciliation of accounting profit (loss) for the year to the income tax expense for the year is as follows:

	2014	2013
Profit (Loss) before tax from continuing operations	32,253	(5,087)
Total accounting profit (loss) before tax	**32,253**	**(5,087)**
Non-deductible expenses and non-computable income:		
– Other permanent differences	1,140	5,509
Adjusted accounting profit (loss)	**33,393**	**422**
Tax charge in each country where the Group operates	(9,835)	123
Income tax rate regularizations	(1,669)	(336)
Recognition of unused tax credits and tax relief and tax loss carryforwards, net of provisions	(76)	(3,016)
Income tax expense	**(11,580)**	**(3,229)**

During the year, as a result of the reduction of the tax rate in Spain approved for 2015 (28%), 2016 and subsequent years (25%), deferred tax were valued with a negative impact in expenses for corporate income tax of EUR 1.7 million.

At 2014 year-end the tax credit carry forwards amounted to EUR 25.7 million (2013: EUR 47.0 million) corresponding mainly to contributions to venture promotion companies and export activities and receivables arising from deductions for double taxation (EUR 13.4 million in 2014 and EUR 29.8 million in 2013).

The tax loss carry forwards recognised at 31 December 2014 amounted to EUR 50.0 million (31 December 2013: EUR 49.8 million). Unrecognised tax loss carry forwards amounted to EUR 2.9 million at 31 December 2014 (31 December 2013: EUR 1 million).

At 31 December 2014 and 2013, there were unrecognised tax assets for temporary differences amounting to EUR 24.8 million corresponding to differences between the carrying amount of assets and liabilities and their tax bases arising as a result of Befesa's accounting entries on consolidation.

The Managers of the various Befesa Group companies and of the Parent consider that the tax assets recognised in all the circumstances described above will be offset in the income tax returns of the various Befesa Group companies taken individually or of the companies composing the consolidated tax group, as appropriate, within the applicable deadlines and limits.

The Managers of the tax group companies calculated the income tax for 2014 and 2013 and for the years open for review pursuant to the legislation in force applicable at the end of each year.

22. Guarantee commitments to third parties and contingences

At 31 December 2014, various Befesa Group companies had provided guarantees for an overall amount of approximately EUR 36.3 million (31 December 2013: EUR 31.8 million), that were required to guarantee their operations vis-à-vis customers, banks, government agencies and other third parties.

All of these guarantees are additional to those described in Notes 8, 15 and 16.

The Group has contingent liabilities for litigation arising in the ordinary course of business from which no significant liabilities are expected to arise other than those for which provisions have already been recognised.

(Thousand euro)

23. Income and expenses

Procurements

The detail of "Procurements" in the consolidated income statement for the year 2014 and the period from 31 May to 31 December 2013 is as follows:

	2014	2013
Cost of raw materials and other supplies used	280,882	132,283
Changes in goods held for resale, raw materials and other inventories	(3,643)	(4,633)
Other external expenses	18,207	11,196
Total	**295,446**	**138,846**

Other operating income

The detail of "Other Operating Income" in the consolidated income statement for the year 2014 and the period from 31 May to 31 December 2013 is as follows:

	2014	2013
In-house work on non-current assets (Note 3.2)	13,412	1,570
Income from income-related grants	1,403	591
Services and other operating income	4,563	6,302
Excessive provisions for contingencies and charges	98	5
Total	**19,476**	**8,468**

Staff costs

The detail of "Staff Costs" in the consolidated income statement for the year 2014 and period from 31 May to 31 December 2013 is as follows:

	2014	2013
Wages and salaries	72,140	36,279
Employer social security costs	16,913	7,977
Other employee benefit costs	3,007	2,103
Total	**92,060**	**46,359**

The average number of employees at the Group in 2014 and 2013, by professional category, was as follows:

	Average number of employees	
	2014	2013
Management	57	72
Graduates and technicians	469	477
Administrative staff	133	124
Operatives and front-line professionals	1,192	1,166
Total	**1,851**	**1,839**

Of Group's average headcount in 2014, 514 had temporary employment contracts (2013: 478 employees).

The number of employees at 2014 and 2013 period-end, by gender, was as follows:

	2014		2013	
	Men	Women	Men	Women
Management	45	7	61	10
Graduates and other line personnel	336	132	331	154
Clerical staff	49	96	47	84
Operatives and professionals, first class	1,194	19	1,163	20
Total	**1,624**	**254**	**1,602**	**268**

(Thousand euro)

The workforce of the various UTEs and joint ventures in which the Group holds ownership interests is included in full when calculating the average number of employees and the status of the workforce at year-end, by gender, shown above.

Other operating expenses

The detail of "Other Operating Expenses" in the consolidated income statement for the year 2014 and period from 31 May to 31 December 2013, is as follows:

	2014	2013
Research and development expenditure(*)	430	(5)
External services	125,968	80,635
Taxes other than income tax	3,633	2,082
Losses on, impairment of and changes in allowances (Note 12)	9	457
Other current operating expenses	6,360	2,356
Total	**136,400**	**85,525**

(*) 2014 includes EUR 731 thousand (2013: EUR 530 thousand) net of the research and development expenditure for in-house work on non-current assets (see Note 3.2).

Depreciation and provisions

	2014	2013
Amortisation of intangible assets (Note 7)	2,739	1,035
Depreciation of property, plant and equipment (Note 8)	33,195	17,534
Impairment of assets (Notes 7 and 8)	2,668	—
Impairment of receivables with related parties	7,557	—
other	124	—
Total	**46,283**	**18,569**

24. Finance expenses

The breakdown of this balance in the 2014 and 2013 consolidated income statements is as follows:

	2014	2013
Interest expense (Notes 15 and 16)	57,524	30,472
Other finance costs (Note 16)	7,567	30
Impairment losses	1,705	2,303
Total	**66,796**	**32,805**

25. Emoluments granted to the members of the management and supervisory bodies and commitments in respect of retirement pensions for former members of these bodies

a) Remuneration and other benefits of Managers

In 2014 the members of the Board of Managers of the Parent earned approximately EUR 12 thousand for salaries and attendance fees for discharging their duties at the various Group companies (2013: EUR 30 thousand).

Also, at the date of preparation of these consolidated financial statements, the Parent had not granted any loans, advances or other benefits to its former or current Managers.

In addition, the Parent Company did not have any pension or guarantee obligations to its former or current members of the Board of Managers.

b) Remuneration of senior executives

The annual remuneration (mainly wages and social security) of the managing directors of Bilbao MidCo S.à r.l. industrial groups (see Note 1), and of persons discharging similar duties in 2014 amounted to EUR 1,086 thousand (2013: EUR 963 thousand).

(Thousand euro)

The Group companies have not assumed any obligations relating to pensions or other types of supplementary retirement benefits with senior executive personnel.

Incentives to executives and other matters

In 2014 and 2013 there were no other transactions with senior executives outside the normal course of business.

In 2011 an incentive scheme was introduced in the Group accruing for five years (2011-2015) with percentages vesting each year subject to the achievement, on a personal level, of the targets established in the Strategic Plan of the industrial Group headed by Befesa Media Ambiente, S.A. and to their remaining at the Group during this five-year period, among other conditions. The stated incentive scheme was extended to new beneficiaries in 2013, with identical conditions to those of the initial participants. Additionally, and with the aim to incentivize the sale of the Company, a change in control clause was included in the contracts.

As a result of the change in control in the Group during 2013, the amount of the consolidated scheme until that date became redeemable by all the beneficiaries, and consequently credited. The amount remaining in the event of compliance after the performed payment, amounts to 3,740 thousand euros, to consolidate until the end of the period covered by the plan. Based on current estimates, not expressed that this plan represents an additional disbursement to the already accomplished.

26. Balances and transactions with related parties

All the significant balances at period-end between the consolidated companies and the effect of the transactions between them were eliminated on consolidation.

The detail of the balances with shareholders and Group and related companies at 31 December 2014 and the transactions performed with them in the year 2014 and the period between 31 May 2013 and 31 December 2013, is as follows:

2014

	Accounts receivable and other current financial assets (Note 12)	Long-term loans (Note 10)	Accounts payable	Other non-current liabilities (Note 17)	Sales and other income	Purchases and other expenses	Finance cost	Finance income
Triton IV Managers Limited	—	—	—	1,125	—	—	—	—
Bilbao LuxCo S.A.	—	13,796	250	—	—	—	—	1,343
Ecologia Canaria, S.A.	108	—	267	—	68	970	—	—
Recytech, S.A.	193	—	1,053	—	1,286	6,704	—	—
Betearte, S.A.	169	1,432	228	—	90	177	—	27
Gestión y Valorización Integral del Centro, S.L.	1,048	—	—	—	162	10	—	51
Other	293	14	93	73	—	216	—	324
Total	**1,811**	**15,242**	**1,891**	**1,198**	**1,606**	**8,077**	**—**	**1,745**

(Thousand euro)

2013

	Accounts receivable and other current financial assets (Notes 10 and 12)	Long-term loans (Note 10)	Accounts payable	Sales and other income	Purchases and other expenses	Finance income	Finance costs
Triton MasterluxCo 4 S.à r.l.	—	—	—	—	10,038	—	852
Triton Advisers Limited	—	—	—	—	6,461	—	—
Bilbao LuxCo S.A.	—	12,453	250	—	—	235	—
Ecologia Canaria, S.A.	125	—	104	58	347	—	—
Befesa Aluminium, Germany GmbH	7,120	2,880	—	—	—	—	—
Befesa Steel R&D, S.L.	10,511	—	1,582	845	109	84	—
Recytech, S.A.	198	—	706	631	2,884	—	—
Befesa Aluminio Comercializadora, S.L.U.	5,369	342	28	19,427	—	—	—
Gestión y Valorización Integral del Centro, S.L.	1,488	—	651	211	996	43	—
BGRI Portugal (Note 10)	732	7,438	—	—	170	34	—
Betearte, S.A.	198	1,432	605	58	704	14	—
Befesa Colombia, S.A.S.	93	1,382	325	68	—	—	—
Other	1,587	30	300	153	—	53	—
Total	**27,421**	**25,957**	**4,551**	**21,451**	**21,709**	**463**	**852**

The balances and transactions of Group companies relate to sale and purchase transactions and other commercial operations on an arm's length basis.

All transactions are commercial and do not accrue interest, except for loans and the above credit facilities with the Group, carried out on an arm's length basis, the maturity of which are ordinary for these types of transactions.

The Parent Company's Managers do not consider, taking into account that transactions with related parties are carried out on an arm's length basis, that they could give rise to significant liabilities in the future.

27. Information on the environment

The Parent and the subsidiaries maintain their production facilities in such a way as to meet the standards established by the environmental legislation of the countries in which the facilities are located.

Property, plant and equipment include the investments made in assets intended to minimise environmental impact and protect and improve the environment. In 2014 no significant environmental investments were made.

In 2014 and 2013 the Group did not incur any significant expenses relating to environmental activities.

28. Auditors' fees

In 2014 and 2013 the fees for financial audit services and other professional services provided to the various companies composing the Bilbao MidCo, S.à r.l. Group by the principal auditor in Luxembourg and abroad, and by other entities related to the principal auditor, were as follows:

	2014	2013
Audit services	475	100
Tax counselling and other services	—	350
Other services	8	—
Total	**483**	**450**

(Thousand euro)

The detail of the fees for financial audit services and other services provided by auditors other than the main auditor is as follows:

	2014	2013
Audit services	40	545
Tax counselling and other services	—	224
Other services	239	346
Total	**279**	**1,115**

29. Subsequent events

On February 2015, the loan note of EUR 47,500 thousand euros from Abengoa and the accrued interest until this date was contributed into the equity of Bilbao Midco S.á r.l for an aggregate amount of EUR 49,626 thousand euros after the purchase of the vendor note by a Group company.

Bilbao MidCo , S.à r.l. and Subsidiaries

Management's report as at 31 December 2014
(Thousand euro)

Entity	Address	Activity	% Interest	Auditor	Thousand euros (31/12/2014) Capital	Reserves	Translation differences	Profit of the year	Interim dividend
Befesa Holding S.á.r.l.	Luxemburg	Holding	100%	PwC	13	393,977	—	905	—
Bilbao (Luxemburg), S.A.	Luxemburg	Holding	100%	PwC	31	238	—	(5)	—
Befesa Medioambiente HoldCo, S.L.	Biscay	Holding	100%	PwC	72,914	311,086	—	(6,383)	—
Befesa Management Services	Germany	Holding	100%	PwC	25	(49)	—	184	—
Befesa Medio Ambiente, S.L.U.	Biscay	Holding	100%	PwC	150,003	(247,508)	—	7,949	—
1. AMA Subgroup-									
Alianza Medioambiental, S.L.	Biscay	Holding company	100%	PwC	39,359	50,347	—	(324)	—
– Befesa Valorización de Azufre, S.L.U.	Biscay	Manufacture of sulphuric acid from sulphur residues	100%	PwC	46,303	3,306	—	(58)	—
– Befesa Gestión de PCB, S.A.	Murcia	Decontamination of transformers	100%	PwC	211	321	—	191	—
– Befesa Plásticos, S.L.	Murcia	Plastic recycling	99.19%	PwC	15,297	(1,582)	—	(1,396)	—
– Befesa Argentina, S.A.	Argentina	Industrial cleaning and residues treatment	100%	PwC	8,328	2,457	(8,955)	181	—
– Befesa Gestión de Residuos Industriales, S.L.	Seville	Industrial cleaning and residues treatment	100%	PwC	4,804	34,334	—	(1,845)	—
– Residuos Industriales de la Madera de Córdoba, S.A.	Cordoba	Residues treatment	70.09%	(1)	869	1,201	—	184	—
– Befesa Perú, S.A.(1)	Peru	Residues treatment	100%	PwC	639	2,499	267	1,126	—
– Soluciones Ambientales del Norte Lmtda, S.A.(1)	Chile	Residues treatment	100%	PwC	6,589	(2,406)	(946)	221	—
– Befesa Colombia S.A.S.(1)	Colombia	Industrial cleaning	100%	(1)	1,458	(340)	44	(402)	—
– Befesa México S.A. de C.V	Mexico	Industrial cleaning and residues treatment	100%	(1)	3	(602)	28	300	—
2. Befesa Servicios Corporativos, S.A.	Madrid	Integral corporate management services	100%	(1)	991	(490)	—	(342)	—

Bilbao MidCo , S.à r.l. and Subsidiaries

Management's report as at 31 December 2014
(Thousand euro)

					Thousand euros (31/12/2014)				
Entity	Address	Activity	% Interest	Auditor	Capital	Reserves	Translation differences	Profit of the year	Interim dividend
3. MRH Residuos Metálicos, S.L.U.	Biscay	Holding company	100%	(1)	15,600	52,148	—	8,714	—
– Befesa Salzschlacke Gmbh	Germany	Aluminium residues treatment	100%	PwC	25	1,003	—	5,069	—
– Befesa Aluminium Germany GmbH	Germany	Aluminium residues treatment	100%	(1)	25	(1)	—	210	—
– Subgroup Zinc Befesa Zinc, S.A.U.	Biscay	Holding company	100%	PwC	25,010	38,603	—	19,346	—
– Befesa Zinc Comercial, S.A.	Biscay	Sale of recycled residues	100%	PwC	60	7,636	—	1,029	—
– Befesa Zinc Aser, S.A.	Biscay	Recovery of metal- and mineral-containing residues	100%	PwC	4,260	31,884	—	18,559	(17,000)
– Befesa Zinc Sur, S.L.	Biscay	Recovery of metal- and mineral-containing residues	100%	(1)	605	23	—	(51)	—
– Befesa Zinc Óxido, S.A.	Biscay	Recovery of metal- and mineral-containing residues	100%	PwC	1,102	5,727	—	(107)	—
– Befesa Steel R&D, S.L.	Biscay	Development of projects and technology innovation	100%	(1)	3	—	—	2,061	—
– Befesa Valera, S.A.S.	France	Recovery of metals	100%	PwC	4,000	11,574	—	(2,482)	—
– Befesa Zinc Gravelines, S.A.S.	France	Waelz oxide treatment	100%	PwC	8,000	(171)	—	762	—
– Bafesa ScanDust AB	Sweden	Recovery of metals	100%	PwC	5,310	3,193	62	2,138	—
– Befesa Silvermet Turkey, S.L.	Biscay	Holding company	55.90%	(1)	10,301	2,073	—	2,089	(1,694)
Befesa Silvermet Iskenderun A.S.	Turkey	Recovery of metals	100%	PwC	3,017	1,136	(911)	3,501	—
Befesa Zinc Germany GmbH	Germany	Holding company	100%	PwC	25	(6,495)	—	19,054	(14,838)
– Befesa Steel Services GmbH	Germany	Sales and logistics	100%	PwC	2,045	66,086	—	310	—
– Befesa Zinc Duisburg GmbH	Germany	Recovery of metals	100%	PwC	5,113	18,242	—	(802)	—
– Befesa Zinc Korea, Ltd.	South Korea	Recovery of metal and mineral residues	80%	Nexia Sanduk	14,446	23,369	3,184	3,441	—
– Befesa Zinc Freiberg GmbH & Co. KG	Germany	Recovery of metals	100%	PwC	1,000	19,864	—	(1,405)	—

Bilbao MidCo , S.à r.l. and Subsidiaries

Management's report as at 31 December 2014
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					Thousand euros (31/12/2014)				
Entity	**Address**	**Activity**	**% Interest**	**Auditor**	**Capital**	**Reserves**	**Translation differences**	**Profit of the year**	**Interim dividend**
Befesa Aluminio, S.L.U.	Biscay	Recovery of metal and mineral residues	100%	PwC	4,797	41,120	—	7,920	—
– Befesa Aluminio Comercializadora, S.L.	Biscay	Marketing company	100%	PwC	90	21	—	—	—
– Befesa Salt Stags, Ltd.	Great Britain	Recovery of metal and mineral residues	100%	PwC	21,399	(11,863)	(1,887)	(229)	—
Joint operations									
– Gestión y Valorización Integral del Centro S.L.	Madrid	Industrial cleaning and residues treatment	50%	(1)	148	—	—	290	—
– Recytech, S.A.	France	Recovery of metals	50%	Deloitte	6,240	288	—	8,076	—
Associates									
– Ecologia Canaria, S.A.	Las Palmas	Residues treatment	45%	(1)	150	2,854	—	579	—

(1) Companies not required having their financial statements audited

24. GLOSSARY

For a full understanding of this Prospectus and the Group's activities, please see below a glossary of certain technical terms used herein.

Aluminium alloy	A mixture of two or more elements in which aluminium is the predominant metal
Aluminium concentrates	Secondary aluminium residue generated during the recycling process of salt slags and SPLs, which can either be landfilled or sold to various industries as an input material for further production cycles
Aluminium residue	Aluminium scrap and other residues mainly containing aluminium, such as drosses, shavings and cuttings, that can be recycled
Aluminium scrap	Material from various goods that have reached completion of their useful lives, that mainly contains aluminium and can be recycled
Basic oxygen (BOF) steel	A type of metallurgical furnace used for smelting to produce iron ore and oxygen
Coke	An input material used in our steel residue recycling processes
Crude steel dust	A hazardous waste resulting from the production of crude steel by mini-mills
Electric arc furnace (EAF)	A furnace used by mini-mills to melt scrap steel that can be easily started and stopped to respond to changes in demand
Galvanized steel	Steel with a protective coating containing zinc that protects against corrosion
Leaching	A hydrometallurgical process that increases the zinc content of Waelz oxide by removing impurities like fluorines and chlorines
Lime	An input material used in our steel dust recycling process
Mini-mills	Steel production facilities for the production of steel by melting the recycled scrap steel in electric arc furnaces (EAF), as opposed to directly from iron ore (which is the primary iron resource used in traditional blast furnace steel factories)
Plasma furnace	A furnace used for recycling stainless steel residue by processing stainless steel residue, coke and lime, among other materials, in a plasma generator to recover metals (mainly nickel, chromium and molybdenum)
Rotary oven	A tube-shaped oven that rotates around a central axis while materials are being treated
Salt slags	A hazardous waste generated by the production of secondary aluminium
Scrap steel	Recycled steel that serves as an input material for steel manufacturers using mini-mill facilities
SPLs	Spent pot linings or aluminium electrolysis cells are hazardous wastes generated in the production process of primary aluminium
Stainless steel residue	A hazardous residue resulting from the stainless steel production from scrap stainless steel
Steel residue	Crude steel dust and stainless steel residue
Submerged arc welding furnace	A furnace used for recycling stainless steel residue by processing stainless steel residue, coke and lime, among other materials, in a charging device to recover metals (mainly nickel, chromium and molybdenum)
Tolling fee	A fee we charge stainless steel manufacturers to collect and treat stainless steel residue and return to them metals (mainly nickel, chromium and molybdenum) recovered in the process

Valorization .... The recovery of valuable materials from waste

Waelz kiln .... A kiln used for processing crude steel dust by mixing crude steel dust, coke and lime in the kiln containing a rotating furnace, which vaporizes the zinc and lead components contained in the crude steel dust and produces Waelz oxide

Waelz oxide .... A product with a high concentration of zinc that is generated in the crude steel dust recycling process and that is used in the production of zinc

Zinc smelter .... A type of industrial plant or establishment that engages in zinc smelting, i.e. the conversion of zinc ore concentrates and Waelz oxide into zinc metal

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