

MOULDING DAY by DAY with FIRMNESS

Sustainability Report 2009



1 KEY DATA

LA FARGA ROD HAS **INCREASED SALES** BY **64%** IN A MARKET IN RECESSION. THE EUROPEAN AVERAGE WAS -24% AND THE SPANISH, -28.2%.

LA FARGA LACAMBRA **INVESTS IN MACHINERY** TO MAKE NEW PRODUCTS, WHICH HAS ENABLED IT TO DIVERSIFY IN PRODUCTS OF HIGH TECHNICAL USES. ALSO LFL IS ENTERING THE **RAILWAY MARKET** WITH STRENGTH.

DESPITE THE DIFFICULTIES OF THE SITUATION, AND MAINLY OF THE STRONG CONTRACTION OF THE CONSTRUCTION MARKET WHERE LA FARGA TUB IS SITUATED, GENERALLY SPEAKING THE **RESULTS** HAVE BEEN **SATISFACTORY**.

IN LFL, 2009 HAS BEEN THE YEAR IN WHICH **THE FOUNDATIONS HAVE BEEN LAID** TO TAKE THE NEXT STEP FORWARD IN **THE NEXT 5 YEARS**. MOREOVER, THE WORK UNDERTAKEN IN PREVIOUS YEARS HAS BORNE FRUIT.

PROFILE

LFR's annual **PRODUCTIVITY**:
720 T/EMPLOYEE.
HIGH PERFORMANCE alloys by LFL.
LFL's **TECHNOLOGY** throughout
the world: **25 PLANTS** in
14 COUNTRIES.

ECONOMY

SHAREHOLDERS' EQUITY:
56.831.101 €.
DEBT: 67.388.596 €.
INVESTMENT of the year:
5.087.458 €.
TURNOVER:
514.317.979 €.
RESULT: 5.275.786 €.
CASH FLOW: 11.011.597 €.
TONNES produced: 181.035.

RESEARCH AND IMPROVEMENT

INVESTMENT IN R&D&I
(LFL, LFT y LFR):
20% of net PROFITS.

ENVIRONMENT

Consumption of **ELECTRIC POWER** in relation to tonnes of copper produced: 263 kW/h.
Consumption of **THERMAL ENERGY** in relation to tonnes of copper produced: 968 kW/h.
Consumption of **WATER** in relation to tonnes of copper produced: 1,22 m.³

HUMAN RESOURCES

Average **WORKFORCE**: 270 **EMPLOYEES**.
Age groups with most representation on the workforce: **89 MEN** aged between 36 and 45 and **14 WOMEN** aged between 26 and 35.
Origin of the workforce: **91%** from **THE REGION** (247 employees).
Percentage of the workforce with an **INDEFINITE CONTRACT**: **86%**.
Percentage of the workforce employed **FULL-TIME**: **95%**.
Average **SENIORITY** in the company: **8 YEARS**.
Percentage of **WOMEN** in the workforce: **9,5%**.

CLIENTS

NEW LFL clients: 13,2%.
NEW LFT clients: 22,5%.
NEW LFR clients: 40,4%.
SATISFACTION rate of LFT clients: 7,91.
SATISFACTION rate of LFR clients: 7,99.
SATISFACTION rate of LFL clients: 8,26.
SATISFACTION rate of LFI clients: 9,94.

QUALITY

IMPROVEMENT PLANS:
13 projects.
QUALITY CERTIFICATES gained for products: **2**.

SUPPLIERS

Percentage of **LOCAL SUPPLIERS**: 18%.

COMMUNITY

Investment in **GRANTS** and financial help for studies, granted to the community and staff: 59.822,44 €. **Number of visits to the COPPER MUSEUM**: 5.771 PEOPLE.

2 PROFILE

LA FARGA GROUP IS A FAMILY-RUN COMPANY WITH A CLEAR VISION: TO INNOVATE CONSTANTLY AND INVEST TO IMPROVE.

La Farga Lacambra

The big investment in an **ALLOY-MAKING MACHINE**.

We should highlight the progress made in technology, recycling, quality of product and environment. We have also positioned ourselves in the market with new recycled materials due to the big **COMMITMENT TO INNOVATION** in order to improve the properties of refining recycling.

La Farga Tub

We have **INCREASED THE TURNOVER** by 3% and **EXPORTS** by 100%, despite the difficult situation of the market. This has enabled us to achieve the **LEADERSHIP IN THE DOMESTIC MARKET**, thus ensuring **CLIENT LOYALTY** through the quality of service, and boosting our brand internationally.

In 2009 we have had the **LOWEST RATE OF ACCIDENTS IN THE HISTORY** of LFT.

La Farga Rod

We have **CONSOLIDATED THE WORK** of LFR in the market with an **INCREASE IN THE LEVEL OF EXPORTS** of over 8% and an **INCREASE OF SALES** of 6%. We have also become the best option in product, quality and service.

La Farga Intec

Through La Farga Intec, the processing and refining technology of copper patented by LFL has been sold in more than **25 PLANTS** around the world, always with the collaboration through the joint venture with the Italian company Continuus Properzi.

New trademarks associated with products

La Farga Group, through **La Farga Advanced Materials** and with the support of universities and technological centres, undertakes constant research work with the aim of designing high-service new materials, specifically for the electrification of railway lines, such as **EVELEC™** and **EVELHIS™**.



EVELEHC™ new generation copper is a material that, based on micro-alloys, improves resistance to wear and tear by between 30 and 50% compared to commonly-used products on conventional lines.



The **EVELHIS™** technology developed by LFL surpasses the standards established by international regulations for materials used for high speed. It adapts perfectly to the demands of products that are used for this in this application and even surpasses the technical services required by international regulations.



COPPERCLEAN™, developed by La Farga Tub, guarantees that the copper tube has the capacity to eliminate 99.9% of certain bacterium in just two hours, as well as inhibiting the growth of microbes and fungi, reducing the possibilities of infection and acting permanently as efficient material in the fight against deadly pathogens. The aim of this brand is to distinguish and inform about the properties of copper.

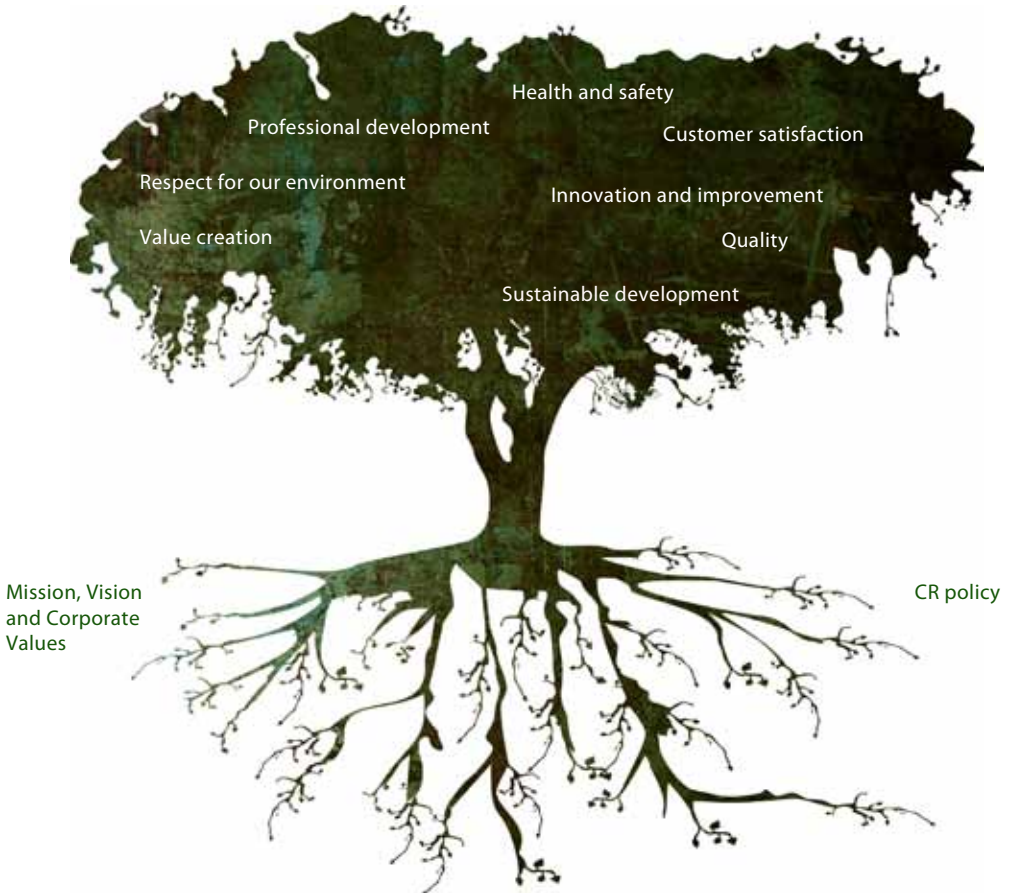


ECOCOPPER™ La Farga Lacambra provides **ECOCOPPER™** material in the form of semi-finished products: wire rods, solid and drawn out. This is copper produced from 100% recycled materials and which contribute to saving resources and energy, as well as having less impact on the environment. We also design with our clients all the products where **ECOCOPPER™** is applicable, so that we contribute to creating solutions in copper with less impact on the environment but with the same qualities and characteristics as products made from mined copper.

3 SUSTAINABLE DEVELOPMENT

LA FARGA GROUP HAS TO HAVE A SUSTAINABLE FUTURE. OUR MANAGEMENT HAS TO BE SUSTAINABLE IN ALL FIELDS.

The 8 axis of LFG's corporate responsibility



For monitoring work in the sphere of corporate responsibility, in 2009 a **SOCIAL RESPONSIBILITY COMMISSION** was set up, formed by the management and an expert in Corporate Development, a head of communication and an external assessor.

At the end of December 2006, **LFG joined the UNITED GLOBAL COMPACT** to promote our company's **SOCIAL RESPONSIBILITY**, by adopting the ten principles that it encompasses.

4 ECONOMY

THE INCORPORATION OF SUSTAINABILITY CRITERIA INTO LA FARGA GROUP'S ECONOMIC MANAGEMENT STRUCTURE HAS ENABLED US TO IMPROVE THE GLOBAL MANAGEMENT OF THE COMPANY AND MAKE IT MORE TRANSPARENT, THUS ENSURING PROFITABILITY AND VIABILITY.

The investment of the LFG holding in the companies of the Group have reached 5,087,458 euros, used for improving processes, purchasing machinery, creating new products and for the consolidation of new infra structures.

Noteworthy:

LFL: Extension of range of copper products.

Consolidation of railway market and international opening.

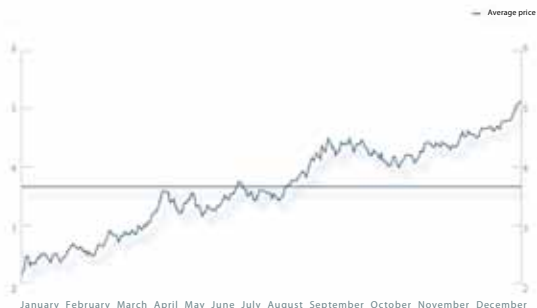
With wire rod and drawn out products: extension of geographic area in foreign markets.

LFT: In 2008, 95% of the sales of LFT were in the Spanish market and in 2009 they were 80%, working in new countries such as France, Algeria and Portugal.

LFR: The sales points were consolidated with the extension of the range of products.

Price of copper during 2009 (\$/t)

In 2009 the price of copper experienced a greater strengthening than expected; this was due to the vigorous rise in apparent demand in China, supported by a second half-yearly period in which the impulse came from a dollar that lost value compared to other currencies and a primary supply that grew less than expected.



Economic indicators

(In €)	LFL		LFT		LFR		LFI
	2008	2009	2008	2009	2008	2009	2009
Revenue	395.438.814	278.981.296	88.893.115	73.668.316	365.975.431	276.856.454	955.283
Operating costs	347.568.842	261.185.357	79.600.096	67.725.219	357.413.303	273.661.901	154.700
Salaries and social benefits	7.411.821	7.204.126	3.230.386	3.381.430	900.663	973.103	98.733
Payments to financial hackers	4.696.273	1.662.365	400.401	293.762	5.281.106	2.526.091	83.872
Direct payments to the government	9.927.089	3.008.484	13.680.910	1.369.288	9.390.440	415.817	32.005
CMC tax payment	-	6.605.355	-	8.514.059	-	153.351	164.152
Significant financial aid received from governmental bodies	124.288	318.257	63.604	3.907	44.704	17.086	0
Turnover	393.013.568	257.550.462	88.523.804	70.462.130	360.362.329	276.626.592	955.283
Net profit	7.883.289	5.241.639	83.162	500.583	44.907	599.721	68.852
Cash flow	12.595.842	8.189.111	2.262.952	2.298.202	1.120.263	1.379.397	572.120
% of exportation	19%	17%	7%	14%	16%	32%	100%
Expenditure	390.503.310	271.344.480	88.589.729	72.904.269	65.757.476	275.414.681	756.701
Total investment	7.417.110	3.218.784	2.051.885	1.324.437	16.796.223	542.104	2.134
Corporate income tax	2.173.897	1.914.298	-18.775	-28.015	-32.852	86.152	45.862
Total assets	66.198.888	87.192.148	25.784.658	31.850.748	41.984.710	41.984.710	4.951.838
Shareholders'equity	33.705.209	35.151.825	18.452.018	16.414.390	16.796.223	17.346.944	1.333.651
ROE	23%	15%	4%	3%	3%	3%	5%

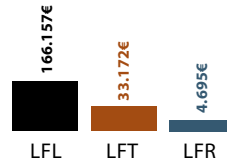
5 INNOVATION AND IMPROVEMENT

AT LFG WE ARE CONTINUOUSLY IMPROVING AND INNOVATING IN ALL SPHERES OF THE COMPANY. WE ARE DEVELOPING NEW PRODUCTS AND SERVICES AND EVEN PRODUCTION PROCESSES. INNOVATION IS ESSENTIAL FOR PROGRESS IN AN INCREASINGLY COMPETITIVE ENVIRONMENT.

The five key points for innovation in LFG

1. Quality of product.
2. Development of product.
3. Time to market.
4. Technological leadership.
5. Design costs.

R+D+I costs 2009



Our Investigation ways

- Applied Investigation
- Management Investigation
- Basic Investigation

The R+D+I Department (research, development and innovation) is made up of four people distributed in the different companies and who work in network with several technological centres and universities.



Example of the best practices

Joinfil Ecocopper: 100% recycled and recyclable soldering wire.

Innovative, sustainable and profitable product, with big economic and environmental advantages, both for clients and the company itself.



6 RESPECT FOR OUR ENVIRONMENT

RESPECT FOR OUR NATURAL ENVIRONMENT IS ONE OF LA FARGA GROUP'S ESSENTIAL VALUES THAT IS WHY WE ARE WORKING TOWARDS AN ECOLOGICAL PRODUCTION PROCESS WITH A RESPONSIBLE MANAGEMENT OF RAW MATERIALS AND NATURAL RESOURCES. IT IS ALSO WHY WE ENDEAVOUR TO MINIMISE POLLUTION. TO ENSURE THIS, WE SET OURSELVES IMPROVEMENT TARGETS EVERY YEAR.

Our environmental aspects

- Consumption of natural resources
- Generation of waste
- Noise and light pollution
- Effects on land
- Water runoff
- Atmospheric emissions

Environmental costs and investments (€)



All our companies are certified by the **ISO 140001**.

100% OF OUR PRODUCTS can be **RECOVERED** at the end of their useful life.

100% OF THE WATER used in the productive process is **REUSED**.

76% OF PACKAGING MATERIAL packaging material of LFG is **RECOVERED** at the end of its useful life.

The main waste products are treated according to the reports of the **Catalan Waste Agency**. Most of them are recycled or recovered.

Example of the best practices

New smoke-treatment plant for the casting section of La Farga Lacambra

It is a system for treating smoke emission, more efficient and tailor-made, which decreases the risk of dioxins and organics.

- 25% decrease on the generated atmospheric emissions.
- 90% decrease on the physical-chemical parameters.



7 PROFESSIONAL DEVELOPMENT

AT LA FARGA GROUP WE BELIEVE IN THE PERSONAL AND PROFESSIONAL ENRICHMENT OF OUR STAFF AND THEIR SATISFACTION. THE AXIS OF OUR HUMAN RESOURCES POLICY ARE THE EVOLUTION OF TALENT REFLECTED IN SKILLS, THE ABILITY TO OVERCOME WEAKNESSES, THE CARE WE TAKE WHEN DEALING WITH OTHERS AND THE WAY WE MOTIVATE OURSELVES. THIS IS ACCOMPANIED BY FAIRLY AND COMPETITIVELY COMPENSATING PERFORMANCE AND PROMOTING A WORK LIFE BALANCE.

Main actions undertaken in 2009

1. Information system project.
2. Creation of People Development Area.
3. Standardisation of a discipline and habits through signs.
4. Internalisation of the change of culture: excellence, success and efficiency.
5. Application and interpretation of the regulations allowed by the collective agreement: salaries and flexibility.

67% of the **WORKFORCE** of La Farga Group is aged between 26 AND 45

In LFG we have a **MULTIDISCIPLINARY PROFESSIONAL TEAM** that is technically very well capacitated.

91% of the **WORKFORCE** COMES FROM OSONA.

86% of the **CONTRACTS** are **INDEFINITE**.

The **AVERAGE SENIORITY** of the company workforce is 8.2 **YEARS**.

In 2009 there were 7 **INTERNAL PROMOTION**.

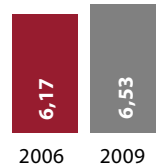
9.5% of the workforce of LFG are **WOMEN**, a factor directly related to sector of activity, which is mainly occupied by men. **MORE THAN 33%** of the management staff are **WOMEN**.

In the last three years, **100%** of the workforce **HAVE RECEIVED TRAINING**. A total of 97,684€ has been invested in **TRAINING** with a total of 7,068 hours.

For the 2009-2010 course 170 **GRANTS WERE AWARDED**, which came to a total amount of 16,830€.

The desire of LFG is to contribute to the wellbeing of the employees. To do this, every two years we evaluate through a labour atmosphere survey their degree of satisfaction and their opinion.

The **MOST VALUED** enterprise has been LFR with a score of 6,79.



This year the **INTERNAL ANNUAL COMMUNICATION PLAN** has been completed by 84.5%.

Example of the best practices

Success of LFR suggestion system

With the aim of involving and motivating everyone at the distinct levels of the company, in LFR we have created a suggestion system (with a record of 7 suggestions per person per year) which has reflected the involvement of the employees.

8 OCCUPATIONAL HEALTH AND SAFETY

AT LA FARGA GROUP WE APPLY THE MEANS NECESSARY TO GUARANTEE HEALTH AND SAFETY IN THE WORK-PLACE. SAFETY IS ESSENTIAL IN AN ACTIVITY LIKE OURS. ACCORDINGLY, WE PROVIDE TRAINING AND COMPREHENSIVE INFORMATION TO OUR WORKERS IN ORDER TO GUARANTEE HEALTH AND SAFETY IN THE WORKPLACE.

All our industrial companies are certified according to the **OSHAS 18001**.

Costs in prevention of occupational risks (LFG)



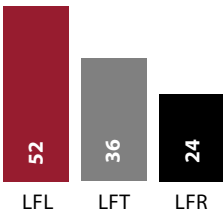
Safety and risk indicators

LFL: the number of accidents has increased but the majority has been minor.

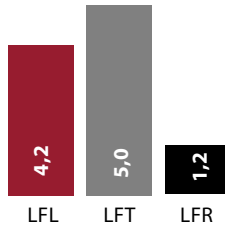
LFT: this year we have achieved the lowest accident rate in the history of the company.

LFR: low absenteeism and low accident rate.

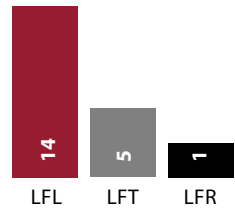
The frequency rate



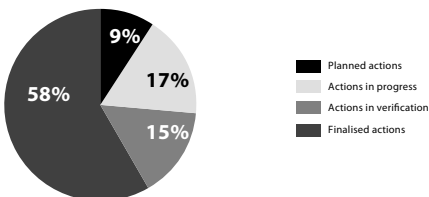
Absenteeism (%)



Number of accidents



Improvement actions in the prevention of accidents at work



259 ACTIONS

9 CUSTOMER SATISFACTION

FOR LA FARGA GROUP (LFG) SATISFYING THE EXPECTATIONS AND NEEDS FOR CUSTOMERS IS A KEY OBJECTIVE. ACCORDINGLY, WE CONSIDER CUSTOMERS TO BE AT THE CENTRE OF ALL OUR DECISIONS. AT LFG WE THINK THAT ALL ACTIONS AND DECISIONS HAVE AN EFFECT ON OUR CUSTOMERS AND THEY ARE PRESENT IN EVERYTHING THAT WE DO.

In LFG we offer a **PERSONALISED TREATMENT**.

Copper solutions

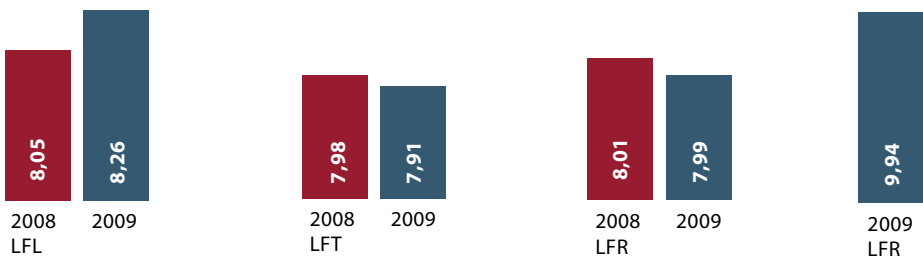
La Farga Group adapts top the **NEEDS** of the clients seeking **NEW PRODUCTS AND/OR APPLICATIONS**, thus being able to offer an “a la carte” product and activating **CONTINUOUS IMPROVEMENT PLANS** in order to surpass the clients’ expectations.

The **CLIENTS** are **PROACTIVE** in the development of products, due to a good technical relationship.



Client satisfaction rate

We evaluate the client satisfaction rate annually for each of the companies, which enables us to analyse the service in general and the technical quality of the product.



Our aim is to **INCREASE** annually by **3%** the client satisfaction rate.

In LFR we have achieved the **OBJECTIVE** of reaching **8 POINTS** in the client satisfaction rate.

In 2009 81% of the **PLANNED EXTERNAL COMMUNICATION ACTIONS** have been undertaken.

10 QUALITY

THE WHOLE ORGANISATION IS GEARED TOWARDS QUALITY, WHICH WE GUARANTEE BY ENSURING COMPLIANCE WITH ALL THE REQUIREMENTS DEMANDED BY OUR CUSTOMERS AND CONTROLLING ALL THE PROCESSES IN ORDER TO REACH OUR ULTIMATE GOAL: TOTAL CUSTOMER SATISFACTION BOTH WITH THE PRODUCTS WE OFFER AND WITH OUR SERVICE.

All our companies of LFG are certified by the **ISO 9001**.

Certificates of products

LFL: CETREN certificate for magnesium copper railway products: contact cables and wire. 1 October 2009

LFT: Extension of the NF brand (France) for large measurements. 10 July 2009

Our projects

5'S
KANBAN Methodology
Lean Office
OEE
Mizu's

Suggestion System
History of quality
SMED TPM (Total productive maintenance)
SCRA
CEDAC.

For some years now, in LFG we have been working with continuous improvement methods and techniques: techniques that have enabled us to improve the efficiency and productivity of the manufacturing plants and, therefore, perfecting quality, safety, cost and production. In this last year we have intensified its establishment in order to be more efficient and competitive.

With all these techniques, our work teams and, as a whole, all the employees of LFG train in the **CULTURE OF CONTINUOUS IMPROVEMENT**, which should be understood as **INNOVATION**.

In **LFG** we apply different **TECHNIQUES** or **PROCEDURAL TOOLS**, with the aim of solving day-to-day problems in order to achieve more efficiency and excellence.

Example of the best practices

Creation of the figure of Lean Manager

The figure of Lean Manager has as their functions to coordinate, implement, control and boost the continuous improvement projects in the company in order to implement new concepts of participative and autonomous work among all the employees of the Group so as to obtain excellent operability.



11 VALUE CREATION

VALUE CRATIONS IS LA FARGA GROUP'S ULTIMATE GOAL. TO REACH THIS AIM, WE MANAGE OUR RESOURCES USING VALUE CREATION CRITERIA FOR CLIENTS, SUPPLIERS, SHAREHOLDERS AND SOCIETY IN GENERAL.

In LFG we extend the commitment to social responsibility in our raw material supplier companies by means of the inclusion of **SOCIAL** and **ENVIRONMENTAL CRITERIA** in the **EVALUATION** and **SELECTION** procedure.

The **DEGREE** of satisfaction of the supplier companies in 2009 was at 8.68 on a scale of 0 to 10, a mark higher than that obtained in 2007.

64% of the supplier companies have a **SOCIAL RESPONSIBILITY POLICY**, 65% have an **ENVIRONMENTAL MANAGEMENT SYSTEM**, 58% have a defined **CONCILIATION POLICY** and 67% have a **CODE OF ETHICS**.

Win to win

Applying the win to win concept as a relationship between clients and suppliers, the results are measurements of quality perceived by our suppliers who provide objective and sufficiently representative information in order to build the bases of the of 4% of the **CONTINUOUS IMPROVEMENT PLANS**. As from this year, LFG will reward the best suppliers from the client satisfaction rate.

The technical teams of LFG that relate to the supplier companies technically evaluate the service provided. In 2009, the **RESULT** of the technical evaluation of the supplier companies was 7.71 out of 10.

Social settings

Foundations and collaborating centres (2009)

Xarxa de Museus d'Osona
Escola Llotja de Barcelona
CRECIM and UAB



To spread our experience and know-how, we have collaborated in **5 TALKS** and **SEMINARS**.

Fundació La Farga and the Copper Museum

Areas of work of the Foundation:

CULTURAL

Copper Museum.

SOCIAL

Grants in the Les Masies de Voltregà district.

TRAINING

Training of the shareholders of La Farga group, of their children, of the workers and of the workers' children of the Group.

The Fundació La Farga takes part in more than 10 cultural associations from the sector and this year has taken part in more than 15 activities in the county.

In the two editions a total of **27 GRANTS** were awarded for higher education studies, language studies and language studies abroad, for a total sum of **59,822.44€**.

During 2009, **5,771 PEOPLE HAVE VISITED THE COPPER MUSEUM**, and since it opened the number of **VISITORS** has been a **TOTAL** of **10,445**.

Ambicert, SL, a company of the ECOCERT group, with tax number B62209044, and registered offices in Manlleu, has been the company that has undertaken the verification of the 2009 Sustainability report of La Farga Group. This company is totally independent from La Farga Group and, prior to this certification, has had no type of commercial link or of any other kind with the organisation.

This report is available in PDF format on the website of La Farga Group: www.lfg.es.

For more information about its contents you can write to etica@lfg.es.

This report has been revised by the Global Reporting Initiative, and its conclusion is that it complies with the criteria for an A+ level of application.





For **more information** you can consult our full Sustainability Report on our website, www.lfg.es