

**annual
report
for the
financial
year
2017**



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01

**chairman's
letter**



Javier Goñi del Cacho

Before embarking on a review of the performance of our group, and that of Fertiberia, S.A. in particular in 2017, I would like to share some thoughts regarding the significant changes and the new reality that all of us involved in this industry are facing in the forthcoming years.

Some of the most reliable bodies estimate that the world population will reach a figure of 9,500 million by 2050, which means that food demand is set to rise by 50%. Accordingly, there is a pressing need to increase agricultural production, which will only be possible by means of greater and more agronomically efficient use of fertilisers.

It is common knowledge that fertilisers positively contribute to climate change. Nonetheless, environmental requirements are going to become an increasingly more determining factor. As a result, the Paris agreements are already laying down stricter regulations, which means that farmers will also be asking for fertilisers that prove to be more environmentally efficient, that leave less of a carbon footprint, with fewer losses and less air volatilisation.

The unstoppable digitisation of agriculture and the circular economy are other factors destined to bring about profound changes in the industry; not solely owing to the need to reduce costs and better leverage natural resources. In this sense a simple fact speaks for itself: 75% of fertilisers produced in Europe are already being made using co-products and by-products.

Adapting to this new reality has led us to increase our research efforts, as exemplified by the design of more innovative products which, moreover, are already growing at a faster pace than the so-called commodities.

In fine, we are progressing towards more efficient production in terms of energy, while at the same time making advances in soil diagnosis, in crop needs and in improving our fertilisers so that each nutrient is maximised by the plant and not lost in the air. A genuine opportunity and a passionate challenge that we are meeting head on, without sparing efforts to maintain our position at the cutting edge of the sector.

Having shared these few thoughts, I will now focus on 2017. In spite of having been a particularly difficult year in terms of the market context, a certain change in the trend can be detected, as reflected by a sharp improvement in operating and financial results throughout Grupo Fertiberia, as well as of the Grupo Villar Mir Algerian associate company, Fertial, which we manage. Indeed, the year was also very positive as regards company strategic development with a view to successfully facing up to the changes I have addressed above.

Firstly, I would like to emphasise the fact that 2017 was a year in which the downward price trend for agricultural products and fertilisers that has prevailed in our sector since 2013 seems to have come to an end. After several years of exceptional harvests worldwide, global agricultural commodity stocks began to stabilise. Even though the FAO Cereals Price Index is some 37% below that returned for 2011, the year in which the average value reached its record high, 2017 recorded a 3.2% increase, which should be considered as a very positive result. This, along with a greater demand for fertilisers worldwide, made possible a slight increase in the price of ammonia and of the main fertilisers in international markets.

Consequently, despite the fact that we are still moving in a difficult environment, this improvement in the state of affairs, not to mention the significant progress made in company management and operations, have materialised in results which, albeit at some remove from those that our Group has the potential to achieve in a year considered to be normal in the fertiliser sector cycle, do serve to indicate a change in the trend and a positive outlook.

Accordingly, I would like to emphasise the important improvement to the results of all the companies that go to make up our Group in Spain and Portugal, among which we include, in addition to our industrial flagship, Fertiberia S.A., our Portuguese subsidiary ADP Fertilizantes, our European distribution companies and Química del Estroncio.

Taken together, this group of companies managed an increase of 3% in the consolidated sales turnover with respect to 2016, up to €690.3 million, returning a positive consolidated EBITDA sum of €24.2 million, as opposed to the negative €3.7 million for the year before. Moreover, there was a positive consolidated operating income of €2.8 million in comparison to the negative €23 million result for 2016, which was possibly the year in which international prices reached their lowest point in the last cycle. Representing as they do the fruits of a better climate, without a doubt these results also reflect considerable progress at both strategic and operating levels throughout the year.

Specifically, the Spanish industrial flagship, Fertiberia S.A, improved its returns by 11.7%, materialising in the sum of €530.6 million owing to a greater use of the capacity of most factories, which have worked at full capacity throughout the year. Indeed, production rose by 5.3%, thus reaching the highest volume in terms of tonnage in the last five years, despite the four-yearly shutdown that took place at the ammonia-urea Palos facility to improve gas consumption efficiency and to enhance its assets.

The cost reductions achieved in the course of the year along with the progress made in the internationalisation agenda (which saw a 21% increase in exports) and product diversification (enabling 45% of sales to become special products for industry and agriculture) contributed to a sharp rise in the EBITDA (€16.3 million, as opposed to the negative €5.4 million in 2016).

Our Portuguese subsidiary, ADP Fertilizantes, also experienced a big jump in income and EBITDA, returning a sum of €8.8 million as opposed to the positive €3.6 million in the previous financial year. Growth in specific, added-value products for agriculture played a key role in the improved results.

Moreover, 2017 saw Fertial make a strong recovery in its results. After attaining both shareholding and corporate stability subsequent to the shareholder restructuring brought about in 2016, the company focused its efforts on operating improvements, achieving excellent results. The 14% rise in the average selling price of ammonia, reaching the figure of \$269 a ton, allied to a practically record production level (over 854,326 tons) and a major effort to keep costs down, made it possible for the company to radically improve its financial results. Sales turnover grew by 23%, exceeding the €272 million mark, while the EBITDA reached the sum of €79 million as opposed to the previous year's €7.2 million. Its net positive result of €57.7 million will enable Fertial to return to paying out dividends to its shareholders 2018.

Lastly, it should be pointed out that, in spite of the sector finding itself at the outset of a recovery period after years of price drops, our Group has shown great resilience and has managed to stick to the development agenda drawn up to prepare us for the new trends that will impact on the sector in the forthcoming years.

Indeed, we are facing considerable challenges geared towards more sophisticated fertiliser, one that is smarter in its nutrient contribution and more demanding in environmental terms. These challenges will no doubt prove particularly difficult for our competitors, focused as they are on the production of more conventional products, but will also serve to showcase companies such as ours, which are downstream strong owing to the flexibility of factories that are becoming increasingly more specialised and which provide the sector with one of the most extensive and innovative product portfolios.

In the light of the foregoing, I can sign off on a note of hope and strength based on the positive outlook for our sector and our Group, while not overlooking to thank the Board of Directors, all those who work for us with proven professionalism and effort, the over 20 research centres and public and private universities, both in Spain and abroad, with whom we collaborate, and all of our suppliers and customers for the trust placed in our company.

A genuine opportunity and a passionate challenge that we are meeting head on, without sparing efforts to maintain our position at the cutting edge of the sector.



Javier Goñi del Cacho
Chairman and Chief Executive Officer

Board of Directors

Chairman and Chief Executive Officer

JAVIER GOÑI DEL CACHO

Deputy Chairman and Chief Executive Officer

JUAN VILLAR-MIR DE FUENTES

Members of the Board

FRANCISCO J. DE LA RIVA GARRIGA

JAVIER LÓPEZ MADRID

JUAN IRANZO MARTÍN

GONZALO URQUIJO FERNÁNDEZ DE ARAOZ

Secretary of the Board

IVÁN MUÑOZ LÓPEZ DE CARRIZOSA

Management committee

Chairman and Chief Executive Officer

JAVIER GOÑI DEL CACHO

Deputy Chairman

JUAN VILLAR-MIR DE FUENTES

Chief Financial Officer

JUAN IGNACIO NAVARRO ÁLVAREZ

Commercial Director of Fertilizer

MANUEL FERNÁNDEZ GONZÁLEZ

Commercial Director of Industry and Supplies

CAYETANO AGUIRRE CABANYES

Director of Industrial Operations

DAVID HERRERO FUENTES

Director of Foreign Market

JOSÉ MARÍA GARCÍA-CASTAÑO GANDIAGA

General Director of ADP Fertilizantes

JOAO PAULO CABRAL

Chief of Legal

IVÁN MUÑOZ LÓPEZ DE CARRIZOSA

Factory Managers

Fertiberia Avilés

JESÚS ALBERTO GONZÁLEZ MARTÍNEZ

Fertiberia Palos de la Frontera

ANTONIO PÉREZ EXPÓSITO

Fertiberia Sagunto

JUAN ARBONA ZAPATA

Fertiberia Huelva

ROBERTO IBÁÑEZ VILLAREJO

LUIS DEL CASTILLO UBERO

Fertiberia Puertollano

JOSÉ ANTONIO CABELLO GRANADOS

Química del Estroncio

FRANCISCO LORMAN MARTÍNEZ

Agralia

EFRAÍM LLOVERA CARULLA

ADP Fertilizantes Alverca and Setúbal

JOSÉ LUÍS LINO LUÍS

Management committee



Javier Goñi del Cacho
Chairman and Chief Executive Officer



Juan Ignacio Navarro Álvarez
Chief Financial Officer



Manuel Fernández González
Commercial Director of Fertilizer



Cayetano Aguirre Cabanyes
Commercial Director of Industry and Supplies



David Herrero Fuentes
Director of Industrial Operations



José María García-Castaño Gandiaga
Director of Foreign Markets



Joao Paulo Lagos Cabral
General Director of ADP Fertilizantes



Iván Muñoz López de Carrizosa
Chief of Legal

02

**significant
Group
data**

Group Business and Industrial Structure



**sales
offices**

in four countries



**production
centres**

state-of-the-art

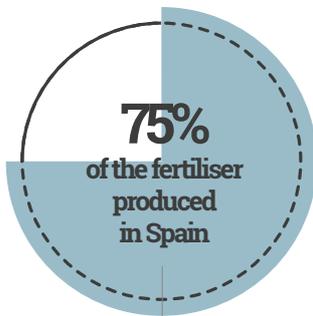


**logistics
centres**

strategically located

Installed production capacity

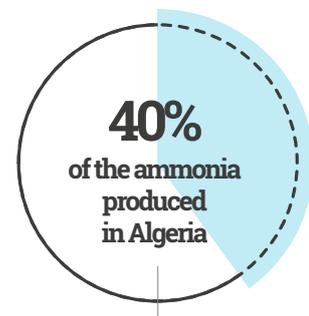
7.5 millions
of tons



3.7
million tons Fertiberia
and subsidiaries



1.4
million tons
ADP Fertilizantes



2.4
million tons
Fertial

Human resources

66%
of the staff
work abroad



3,300
employees

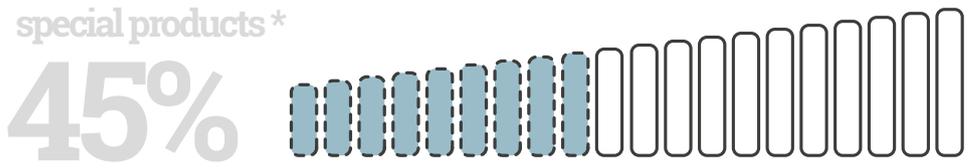
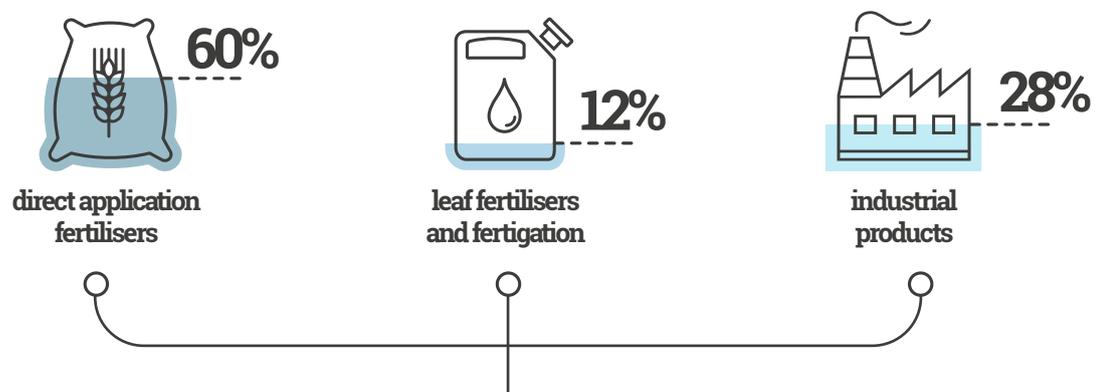
- continuous training
- equal opportunities
- labour integration
- work and home life reconciliation

Sales turnover



* Fertial S.p.A. consolidates by global integration

Sales distribution



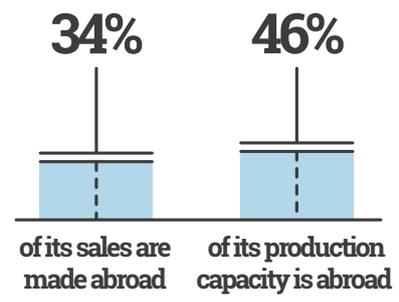
* Includes Fertilisers and Industrial Products
* Does not include Fertial S.p.A. special products

International presence

six production centres set up abroad



business activity
84
countries





03

fertilisers

3.1 The sector in the World and in Europe

Agricultural market

The 2017 international fertiliser market was marked by high cereal production figures, mainly in wheat and maize, and by high stock levels. Indeed, it was a record production year which, when added to the high stocks, meant that there was an ample market offer. Accordingly, even though demand also rose considerably, it failed to rise at the same rate.

The FAO Cereals Price Index returned an average of 152 points for the year. Though this value represents a rise of 3.2% with respect to 2016, it is still 37% below the 2011 record figure.

Comparing annual averages, the FAO Food Price Index also rose with respect to 2016, this time by 8.2%. Nevertheless, though this represents the highest annual average since 2014, it still lies some 24% below the maximum values reached in 2011. Although sugar values fell drastically, dairy and meat ones rose, albeit more moderately than those of cereals and vegetable oils.

Outlook for 2018

As we write, projections for the 2017/2018 season point to figures slightly below those of 2016/2017 owing to the drop in sown areas and lower average yields. Nevertheless, on account of the high baseline stock levels, the offer may grow slightly. Consumption will reach a record high due to the increase in demand for food, animal feed and industrial uses. A slight reduction in stocks is expected, given that the demand will exceed the offer and, though this may be minimal, it would represent the first drop over the last five years. The cereals business may very well reach a record high.

As forecast by the IMF, the world economy grew by around 3.6%, with further growth to the order of 3.7% expected in 2018. As in previous years, emerging and developing countries are leading growth, while recovery is somewhat slower in developed economies.

Moreover, throughout the year the euro has gained in strength against the dollar, while in parallel, there has been a rise in energy prices. Given this context, ammonia prices and those of the main fertilisers have increased moderately in the international market, thus marking a slight recovery after several years in a row of a fall-off in the same. Nonetheless, they continue to be low.

Sustainable development goals

17

goals in the fight against poverty, inequality and climate change

health and well-being



reduction of inequalities



quality education



sustainable towns/cities and communities



affordable and non-pollutant energy



climate action



decent jobs and economic growth



peace, justice and solid institutions



industry, innovation and infrastructures



alliances to achieve goals



FAO

participates in the pursuit of these seven objectives

end poverty



eliminate hunger



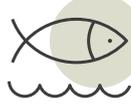
gender equality



clean water and sewage systems



underwater life



terrestrial ecosystem life



responsible production and consumption



Fertiliser market

The International Fertilizer Industry Association (IFA) estimates that the global consumption of nutrients was 189 million tons for the 2016/17 season, which represents a 2.4% rise on the 2015/16 figure.

There was a 2.3% rise in the case of nitrogen, which translates into 106 million tons; 2.0% in the case of phosphorus pentoxide, registering a consumption of 48 million tons; and an increase of 3.0% in the case of potassium oxide, representing a consumption of 35 million tons.

The modest rise in the 2015/2016 season, the favourable weather conditions and the slight price increase in agricultural products have led to this significant turnaround in these three nutrients.

The forecast for this season 2017/2018 points to a nutrient consumption level of 191 million tons, which represents a mere increase of 0.9%, as no price rises are expected in agricultural products. Moreover, an increase in the efficient use of mineral nutrients is foreseen, along with a greater participation of organic and recycled ones.

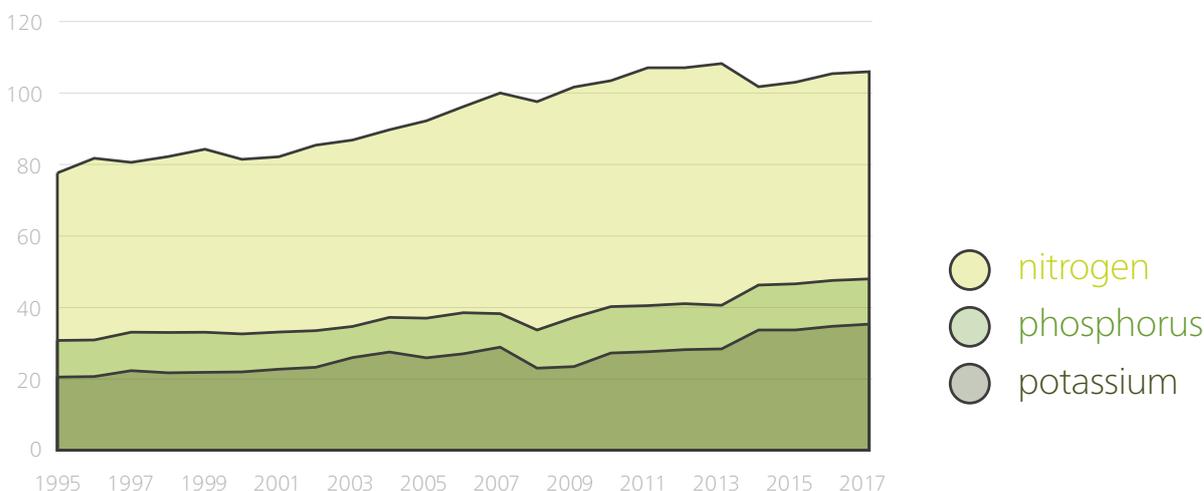
Consumption projections for the medium term suggest growth, albeit somewhat slower and more moderate than expected previously. Behind this, apart from those reasons already mentioned for the 2017/2018 season, is the fact that China has managed to supply itself with its own production for nitrogen and phosphorus.

Consumption estimates for nutrients for the 2018/19 season expect it to reach the figure of 192.5 million tons. Forecasts suggest that there will be an increase in the case of potassium, followed by phosphorus, while the nitrogen market will remain stable. One of the basic reasons for this unequal growth is the improvement to fertilising actions in certain regions and, naturally, because there is balance adjustment coming about with respect to the three main nutrients.

In terms of geographical areas, demand will remain stable in Eastern Asia, while in Europe, North America, Oceania, Western Asia and Latin America it will grow modestly, no more than 1%. Africa, Western and Central Asia and mainly Southern Asia are set to return the biggest growth figures.

Nutrient consumption around the world

millions of tons



Fertiliser consumption in the European Union fell slightly in 2016/17 by 1.1% with respect to the figures returned for 2015/16, which in turn were also down on the previous year. The total volume of nutrients was 16.4 million tons, 11.0 million of which corresponded to nitrogen, 2.5 million tons to phosphorus pentoxide and 2.9 million tons to potassium oxide. They were used on an area of 134.5 million hectares.

The slight reduction of consumption in 2016/17 can mainly be put down to the low agricultural product price levels and especially those of the cereals, which account for 37% of the arable land in Western European countries and 56% of that in Eastern and Central Europe.

According to studies undertaken by the European Union, the area under arable crop is to continue on its slight albeit continued fall. Notwithstanding, increases are expected in yields that will make it possible to maintain and even increase production, partly due to the increase in the efficient use of nutrients and a slight rise of their use.

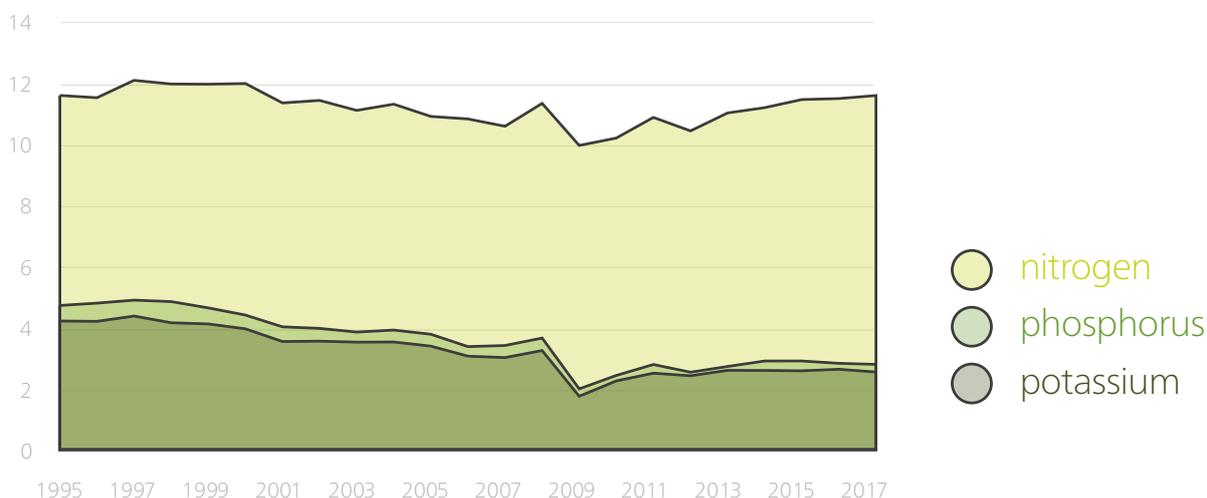
Fertilizers Europe long-term forecasts indicate that some 16.9 million tons of nutrients will be used in the 2026/27 season on 134 million hectares, a slightly smaller area than the present one, which means an increase of 3.3% with respect to consumption figures for 2016/17. The increase in nitrogen is expected to be minimal, whereas phosphorus and potassium are predicted to rise by around 8%.

- A drop in consumption of 2% is expected in Western Europe, mainly affecting nitrogen and phosphorus, whereas potassium is expected to rise albeit slightly.
- It is predicted that the Central and Eastern Europe markets will grow 15.8% with respect to 2016/17: 12.5% in nitrogen, 28.7% in phosphorus pentoxide and 16.2% in potassium oxide.

Some of the factors destined to determine the trend in mineral fertiliser consumption have not been fully defined yet. The adopting of the definitive texts of the new regulation will be decisive in this sense which, based as they are on the principles of the circular economy, propose, inter alia, a greater use of nutrients recovered from industry and from several types of organic waste.

Nutrient consumption in Europe

millions of tons



Moreover, the increasing concern for the environment will impact on demand and could significantly affect the structure of fertiliser consumption. Specifically, the imposing of Directive (EU) 2016/2284 on the reduction of national emissions of certain atmospheric pollutants provides for the reductions in certain gases, and even though some of them, specifically the ammonia based ones, are caused by farming and livestock (to the order of 97%), only one third is due to the use of fertilisers.

Ammonia is the only product the emissions of which are on the rise with respect to the reference year, 2005. **All countries are obliged and responsible for the adoption of the particular measures to meet the targets set for 2020 and 2030.**

This will make Member States adopt measures for those fertilisers that most volatilise ammonia, namely, urea, the use of which is already being prohibited, restricted or penalised in certain countries under particular crop conditions.

Amendments to the EU regulation that governs CAP, by means of what has become known as the “omni-bus” regulation, have incorporated a number of technical improvements to simplify the regulation in 2020: rules concerning direct payments, rural development, common market organisation and horizontal regulation. These new rules and their implementation by Member States will no doubt exercise a decisive influence on the sector.



“To counter this unwelcome development, care is necessary to prevent soil damage, environmental pollution or adulterated fertiliser use, while continuing to increase the much needed use of fertiliser in certain regions”

The World Bank.

Excerpt from the article: “Enabling the business of Agriculture (EBA) 2017.”

3.2 The sector in Spain

Agricultural market

The global state of affairs mentioned above has been characterised by the high rate of cereal production, high stocks and good harvests, which in spite of having been positive for fertiliser price levels, these are still low. As far as this season is concerned, a reduction in production and stocks is expected, though both will continue to be high.

The FAO Cereals Price Index rose by 3.2%, though this is still 37% lower than its highest level registered in 2011. Meanwhile, the Food Price Index has risen by 8.2% with respect to 2016 owing to the rise of all products, except sugar.

The strength of the euro against the dollar and the increase in energy prices are factors that have also affected fertiliser prices.

Plant production fell in Spain by 6.1%, though this was offset by the modest rise in prices, resulting in a final drop in value of 2.6%. Fertiliser use has been conditioned by the following basic factors:

- The area dedicated to autumn and winter cereals was around 3% lower than last season. Sowing and shoot emergence were extremely irregular owing to the cold, dry winter, particularly in the northern regions of Spain and Portugal. There was also scarce and irregular use of basal dressing, once again mostly affecting the north.
- Cover fertiliser for these crops was lively owing to January, February and March rains, which noticeably improved production potential. However, the subsequent drought, allied to late freezes followed by abnormally high temperatures led to significant drops in yield, particularly in northern Spain. The first estimates point to a 28% fall-off in cereal production.
- The area dedicated to herbaceous crops fell again, albeit slightly, in part owing to prices and partly because of the uncertainty with respect to the amount of water that could be used for irrigation. The unfavourable weather, exemplified by the extreme temperatures, led to a poor fertiliser season in general.
- In the latter months of the year, when the drought persisted, the sowing and fertilising of autumn and winter cereals was intermittent with much lower use of basal dressing than normal. Indeed, the reduction reached the 40% mark in some areas. Though official data have yet to be released, sowing may be some 10% down on the normal rate.

Fertiliser market

According to sector figures, global fertiliser consumption grew by 5% with respect to 2016, reaching a figure of five million tons. Simple nitrogen-based consumption increased by 7%, while that of compound fertiliser rose a little less, by 4% to be exact. Though these figures may be globally up on those for 2016, a year in which there was a significant slump, they are still below the figures recorded for 2015 as far as nitrogen-based fertilisers are concerned, while they remain the same in the case of NPK compounds owing to the effect of the increased entry on the scene of ammonium phosphates.

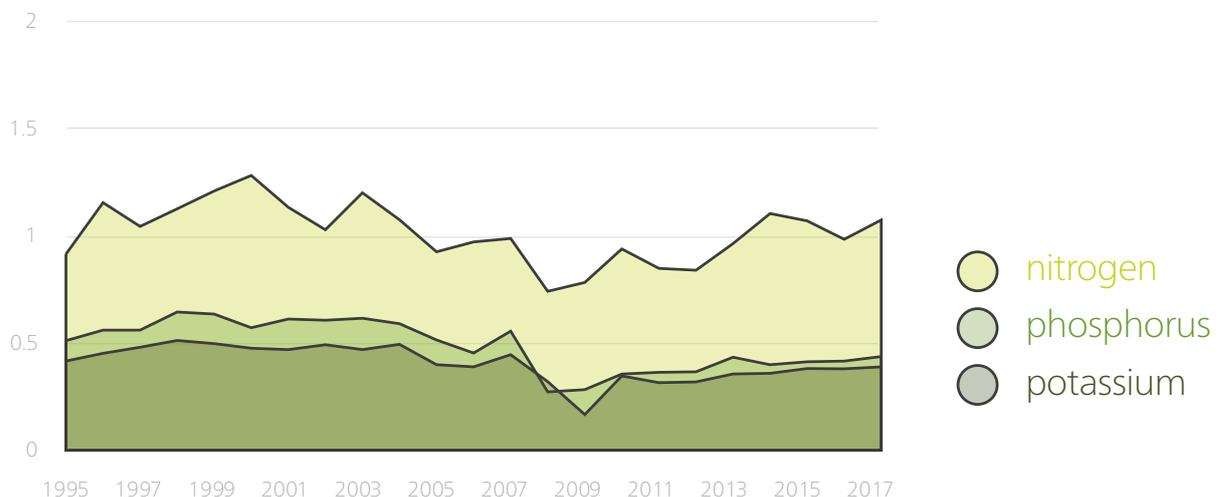
- The simple, nitrogen-based fertiliser market volume grew to 2.6 million tons as opposed to the 2.4 million for 2016. There were increases in the use of urea, which can basically be put down to the enormous pressure of imported goods to the detriment of the consumption of other nitrogen-based products, mainly on calcium ammonium nitrates and, to a lesser extent, on nitrogen-based solutions. Neither should the increase in the ammonium nitrate and ammonium nitrosulphate market be overlooked.
- Some 1.5 million tons of two- and three-component fertilisers were used, which is in line with the figures for 2016.
- Ammonium phosphate consumption grew again, this year by 21%. This product is mostly used in the making of compound fertilisers.

As is the case every year, in 2017 imported products exerted enormous pressure on the Spanish market. A total of 3.5 million tons of product were imported for all uses, which represents an increase of 14% on 2016.

Imported nitrogen-based fertilisers supply over 50% of the Spanish market. This influence is particularly relevant in the case of nitrogen-based solutions and urea, with the latter exceeding a supply of 80% from abroad. Compound fertiliser imports grew by 17% with respect to 2016, which also accounts for 50% of the consumption of this range of products on the home market, partly on account of the entry of ammonium phosphate, the agricultural consumption of which was up by 21% on the previous year.

Nutrient consumption in Spain

millions of tons



According to the preliminary estimates of the Spanish Ministry of Agriculture, Fisheries, Food and the Environment (MAPAMA), agricultural income, in current terms, amounted to €27,831 million, representing an increase of 2.6% with respect to the previous year. In standard terms, understood as Annual Work Units, there was a drop of 4.7%.

Plant production value fell by 2.6%, basically on account of the big drop in the amount produced, which fell by 6.1% with respect to 2016. Conversely, prices were up by 3.7%.

Among the consequences of the bad weather referred to above, the 28.1% fall-off in cereal production, a drop of 19.6% in the case of wine and must, a decrease of 13.8% in the case of fodder plants and a fall of 8.2% in the case of olive are all particularly noteworthy. There were also not significant drops in the production of fruit and industrial plants, whereas vegetable and potato yields increased by 1.3% and 6.7%, respectively.

Intermediate consumption rose by 1.6% with respect to 2016, while the amount consumed increased by 1.9%, with prices falling by 0.3%.

Expenditure on fertilisers and improvers amounted to €1,806 million, which is up by 3.6%. Indeed, the Ministry estimates that the volume of this item rose by 8.9%, while prices fell by 4.9%. Nonetheless, it should be borne in mind that this item includes organic fertilisers and improvers, as well as mineral fertilisers.



04

Grupo Fertiberia

4.1 The growth of a multinational

Grupo Fertiberia History

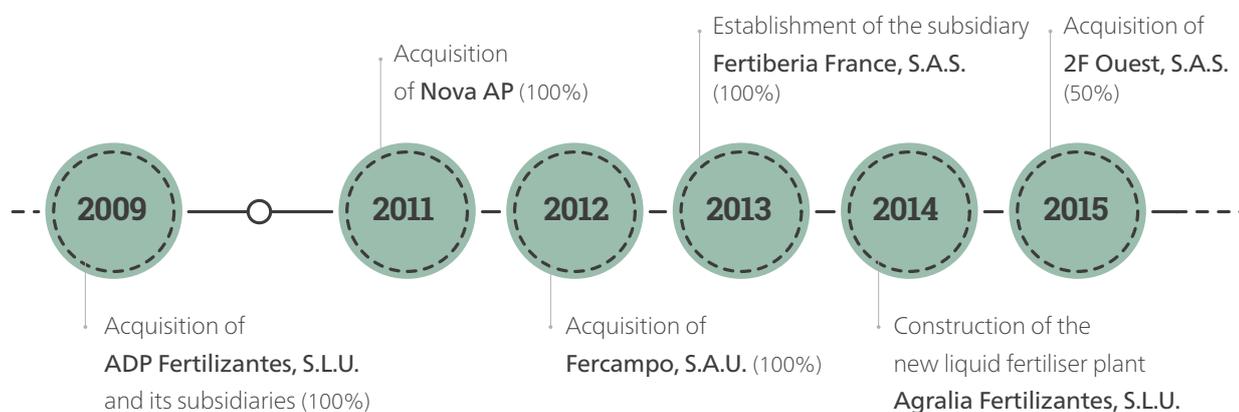
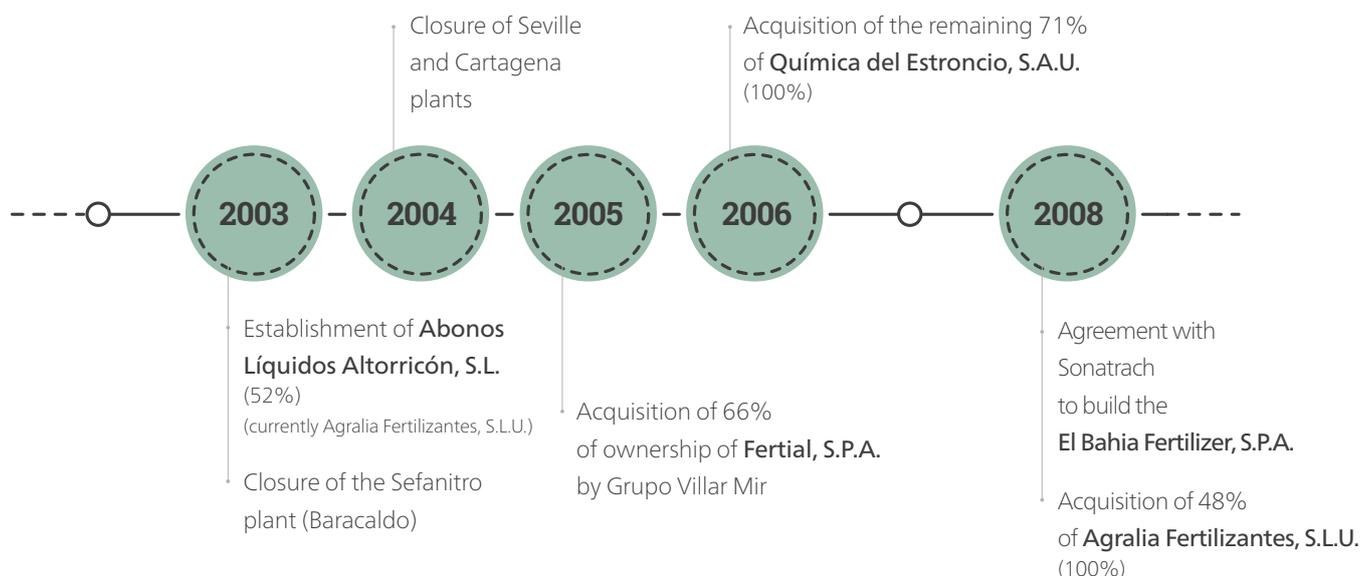
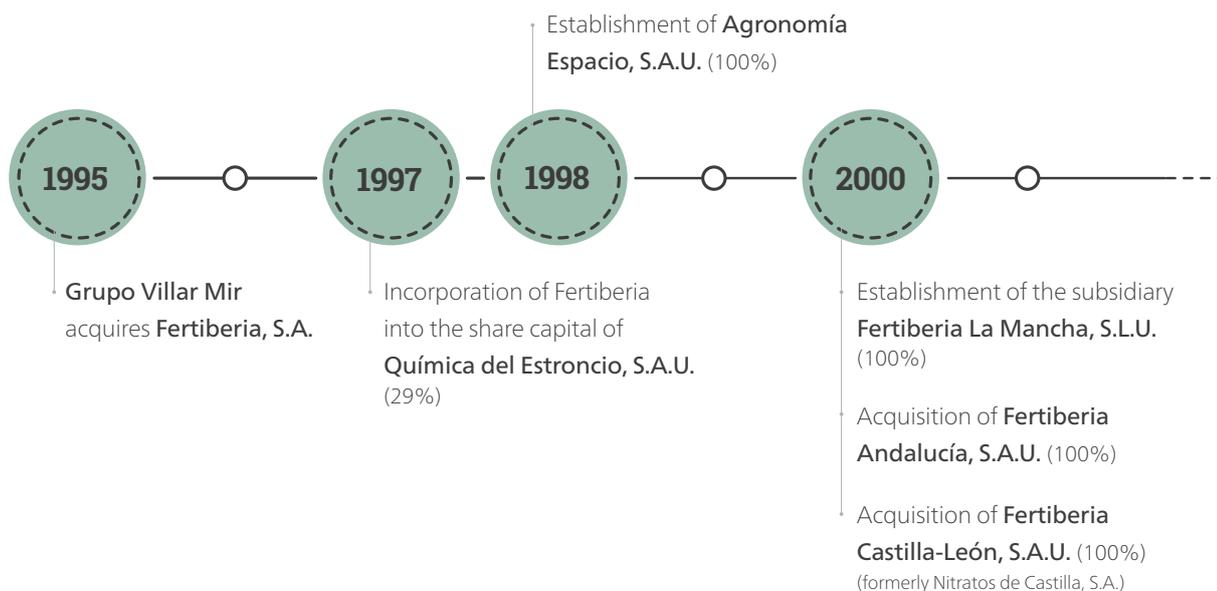
Established in 1995 with the incorporation of Fertiberia S.A. into Grupo Villar Mir and formed by different companies in several sectors and countries, Grupo Fertiberia set up a chemical and fertiliser division with Fertiberia as its flagship.

Grupo Fertiberia, while still a ready benchmark for the fertiliser sector in Spain, **is, at present, one of the main fertiliser, ammonia and derivative producers** in the European Union.

An efficient, dynamic and competitive group, Grupo Fertiberia is the second biggest chemical company in Spain in terms of capital.

The growth experienced by Grupo Fertiberia since 1995 began with expansion in the local market by acquiring and setting up strategically located subsidiaries, while at the same time strengthening its already consolidated sales network. Indeed, its logistics efficiency enables Fertiberia products to be distributed with great speed throughout Spain.

GrupoFertiberia





4.2 Growth drivers

Diverse activity

Marketing the industrial products generated in the process of manufacturing fertilisers and which are used in other industries has become a staple line of business since Fertiberia joined the Grupo Villar Mir, at which time the decision was adopted to go down this road.

The fertiliser sector is both cyclical and seasonal, thus presence in other industrial sectors brings stability to the group, as these are not affected by the external factors that condition agricultural activity in general, and the fertiliser industry in particular.

At present, **the industrial product line** represents a **key business sector for the company**, generating as it does some 30% of total company turnover year after year.

Main activities

- Production and marketing of the most extensive range of fertilisers on the market.
- Leading presence worldwide in the ammonia and derivatives industry.
- Other business areas: gardening, green spaces, plant protection products and strontium derivatives.
- Undertaking of fertiliser and environmental engineering projects.

The most complete range of fertilisers

Main activity of the Group

Leading

producer
in the Eurozone

Products to
fertilise all types
of crops



- simple and compound
- solid and liquid
- conventional and special
- rain-fed and irrigation

added-value services

**training and
technical support**



**leaf, soil and
water analyses**



**promotion
of research**

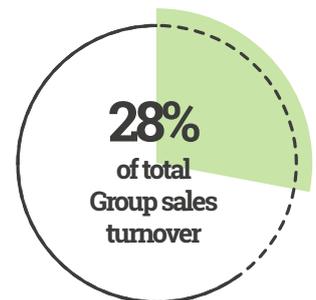
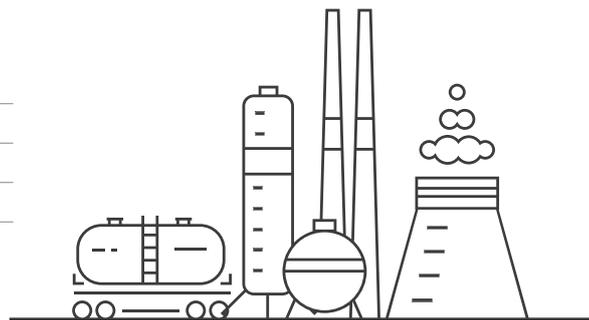


Solutions for all types of industrial sectors

- environmental purposes
- chemical industry
- animal feed
- industrial explosives



Mainly ammonia
by-products generated
during the fertiliser
production process



AdBlue

largest manufacturer
in Spain and Portugal

Garden and green space products

1,000,000 units sold a year

all for the gardening enthusiast



organic products



soils and topsoils



solid and liquid fertilisers



plant protection and specialist products



insecticides and pesticides

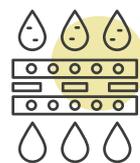
Conventional and slow-release fertilisers for green space professionals

- golf courses
- public parks and gardens
- sports areas
- kitchen garden

Environmental and fertiliser engineering projects

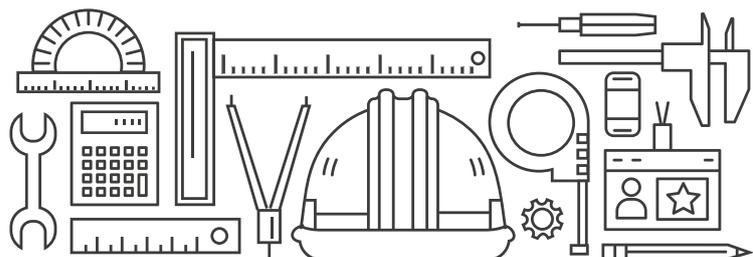
Incro engineering sector leader

Sales and technology transfer for fertiliser and environmental plants



specialists in wastewater treatment

- technology licence and transfer
- basic engineering
- supervision of detailed engineering
- personnel training
- commissioning supervision
- process selection and assessment
- feasibility studies



International expansion

After this first stage of consolidation and growth in the home market, Fertiberia opted for what was to become one of its main drivers of growth: international expansion.

Acquisition of a 66% share in the Algerian company Fertil in 2005 not only opened the door to new markets, but also provided closer access the raw materials required to manufacture fertilisers and ammonia. This was later followed by the incorporation of the Portuguese firm, ADP Fertilizantes, into the group, which enabled Fertiberia to leverage existing synergies and to develop a global policy for both Spain and Portugal.

Having established a firm footing in the European Union, in recent years the focus has been on boosting exports to markets with a greater potential for growth in different geographical areas. At the same time, new projects of several different types are being studied and analysed in different countries, especially those that are rich in raw materials.



Agriculture



Industry



Gardening



Engineering

North America 3

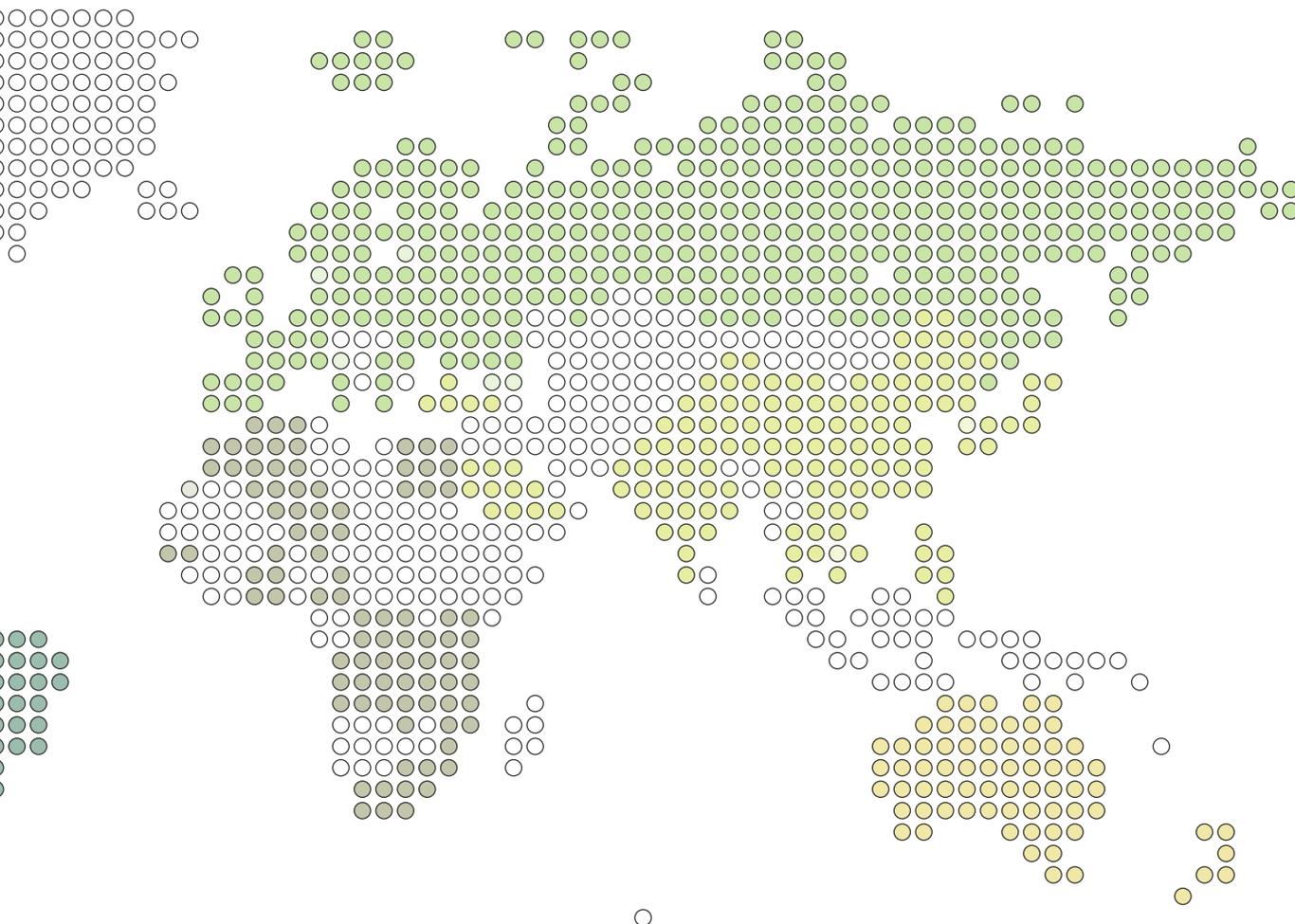
- ① Canada 🌿
- ② Mexico 🌿 ⚙️
- ③ USA 🌿 🏠 ⚙️

South America 11

- ④ Brazil 🌿 ⚙️
- ⑤ Chile 🌿 🏠 ⚙️
- ⑥ Colombia 🌿 🏠 ⚙️
- ⑦ Costa Rica 🌿
- ⑧ Cuba 🏠
- ⑨ Dominican Rep. 🌿 🏠
- ⑩ Ecuador 🌿 🏠
- ⑪ Honduras 🌿
- ⑫ Peru 🌿 🏠
- ⑬ Uruguay 🌿
- ⑭ Venezuela ⚙️

Africa 20

- ⑮ Algeria 🌿 🏠
- ⑯ Angola 🌿
- ⑰ Egypt 🌿 ⚙️
- ⑱ Gabon 🌿
- ⑲ Ghana 🌿
- ⑳ Ivory Coast 🏠
- ㉑ Kenya 🌿
- ㉒ Libya 🏠
- ㉓ Malawi 🌿
- ㉔ Mauritania 🏠
- ㉕ Mauritius 🌿
- ㉖ Morocco 🌿 🏠 ⚙️
- ㉗ Mozambique 🌿
- ㉘ Nigeria 🌿
- ㉙ Reunion Island 🏠
- ㉚ Senegal 🌿 🏠
- ㉛ South Africa 🌿 ⚙️
- ㉜ Tanzania 🌿
- ㉝ Tunisia 🌿 🏠 ⚙️
- ㉞ Zambia 🌿



Europe	30	Asia	15	Oceania	2
35 Albania 🌾	50 Lithuania 🌾	65 China 🌾 🏠 ⚙️	80 Australia 🌾 ⚙️		
36 Andorra 🏴	51 Luxembourg 🌾	66 India ⚙️	81 New Zealand 🌾		
37 Belgium 🌾 🏠	52 Norway 🏠	67 Indonesia 🌾 🏠			
38 Bulgaria 🌾	53 Poland 🌾	68 Japan 🏠			
39 Croatia 🌾	54 Portugal 🌾 🏠 🏴 ⚙️	69 Jordan 🌾 🏠 ⚙️			
40 Cyprus 🌾	55 Romania 🌾	70 Lebanon 🌾			
41 Denmark 🌾	56 Russia 🌾	71 Malaysia ⚙️			
42 Estonia 🌾	57 Serbia ⚙️	72 Pakistan ⚙️			
43 Finland 🌾	58 Slovenia ⚙️	73 Philippines 🌾 🏠 ⚙️			
44 France 🌾 🏠	59 Spain 🌾 🏠 🏴 ⚙️	74 Saudi Arabia 🌾 🏠 ⚙️			
45 Georgia 🌾	60 Sweden 🌾 🏠	75 South Korea ⚙️			
46 Germany 🌾 🏠	61 Switzerland 🌾	76 Taiwan 🏠 ⚙️			
47 Greece 🌾	62 The Netherlands 🌾 🏠	77 Thailand 🌾			
48 Ireland 🌾	63 Ukraine 🌾	78 Turkey 🌾 🏠 ⚙️			
49 Italy 🌾 🏠	64 United Kingdom 🌾 🏠 ⚙️	79 Vietnam 🌾 ⚙️			

Research for innovation

Fertiberia is unreservedly committed to research. But research with a clear objective: industrially-focused innovation to modernise production processes and, it goes without saying, to adapt the products we make to market demands, always seeking maximum quality and ensuring complete respect for both health and the environment. Investment in research is always the best way to guarantee both competitiveness and profitability:

- Responding to agricultural demands, offering new, modern products, designed and adapted to the farmer's needs and to changes demanded by new farming techniques, the species introduced, and EU and national agricultural and environmental policies.

- This effort also affects the industrial area, which is in charge of the manufacturing and quality of both intermediate and end products; products that are used not only for agricultural purposes, but also in other industrial sectors.
- Innovation to achieve greater energy efficiency, both in the provision of raw materials, as well as in the development of production processes, and all that this brings with it in terms of environmental benefits.
- Grupo Fertiberia is taking part in several research projects in Spain and abroad to achieve these goals, in collaboration with public and private bodies and universities.

Commitment to the environment

All group actions are conducted with strict accountability for and respect towards the environment, fostering at all times:

- Optimisation of energy consumption and resources.
- Reductions in and elimination of any emission or spill, whenever possible.
- Management of the by-products generated, using the most advanced and innovative technologies.
- The amount of environmentally-focused investments in recent years amounts to over €110 million.

“Research guarantees company competitiveness, which in turn enables us to constantly tailor make our products to market demands, while always ensuring maximum environmental friendliness”.

Javier Goñi del Cacho.

Grupo Fertiberia Chairman.

4.3 Business structure

Group Companies

The consolidation of Grupo Fertiberia as a leading company is to a great extent based on the creation and acquisition of strategically positioned subsidiaries. This business model has led to greater sales, production and logistics efficiency, all of which are key factors in such a competitive market.

Our subsidiaries have progressed over time, acquiring new knowledge and own skills, while also expanding their respective areas of influence, thus making an essential contribution to the attaining of the magnificent results achieved by the Grupo Fertiberia.

Grupo Fertiberia is made up of Fertiberia as parent company, the subsidiary companies located in Spain, Fertiberia France and 2F Ouest in France and ADP Fertilizantes and Fertial in Portugal and Algeria, respectively.

Fertiberia, S.A.

Group flagship, and the cornerstone around which the expansion of Grupo Fertiberia has come about, it has a set of specialised, marketing and strategically distributed subsidiaries:

- Fertiberia Andalucía, Fertiberia La Mancha, Fertiberia Castilla-León, Agralia Fertilizantes and Fercampo, engaged in the manufacture, distribution and marketing of fertilizers and industrial products.
- Química del Estroncio, dedicated to the manufacture and sale of strontium nitrate and carbonate of which it is the main European producer.
- Incro, engineering company specialising in fertilizer and environment sectors, 50% owned by Grupo Fertiberia.
- Fertiberia France and 2F Ouest, set up to boost the marketing of Fertiberia products in France and to study new expansion opportunities.

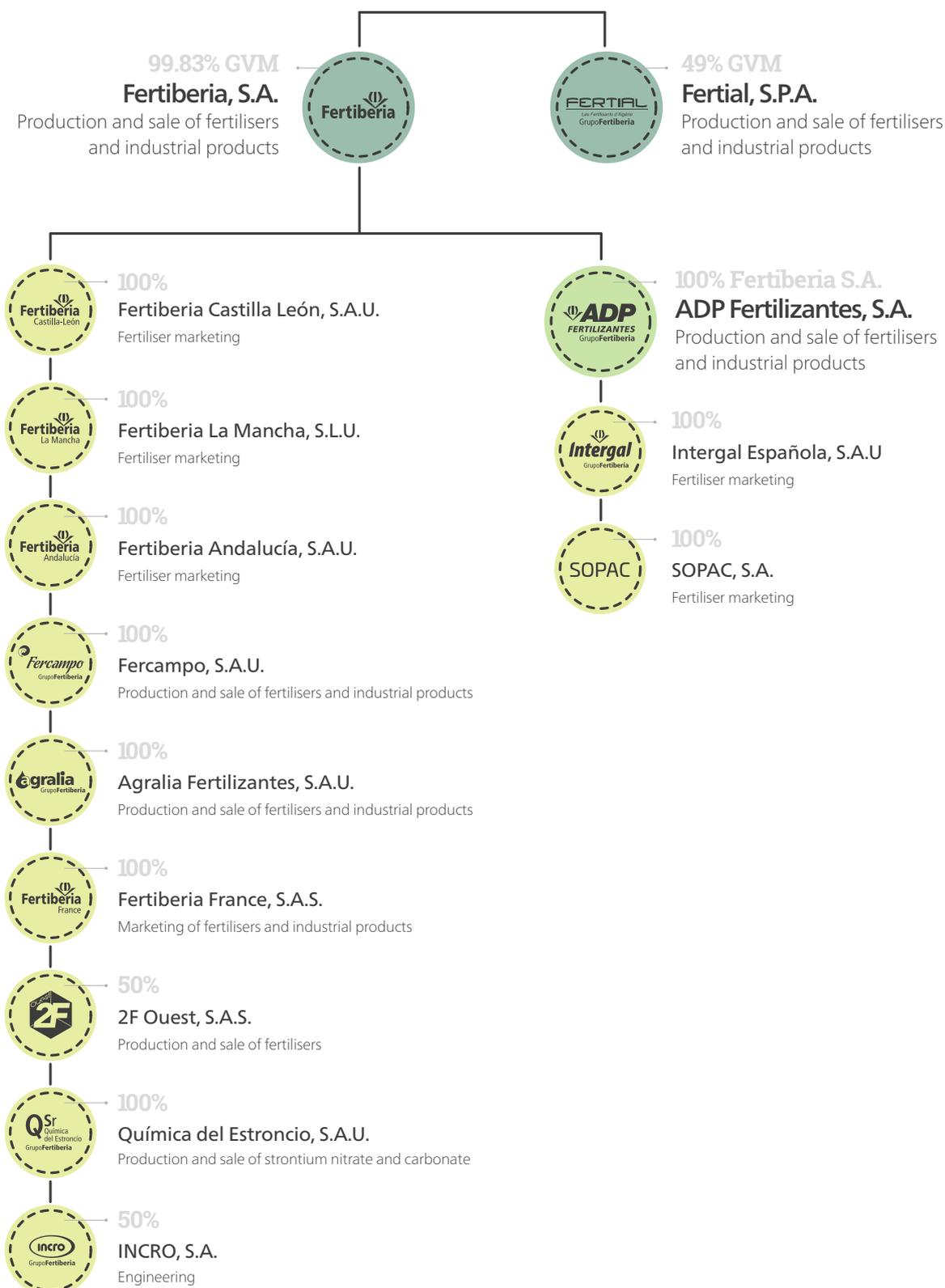
ADP Fertilizantes, S.L.U., in Portugal

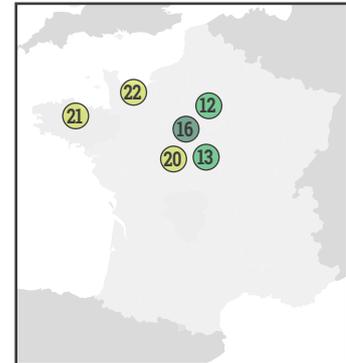
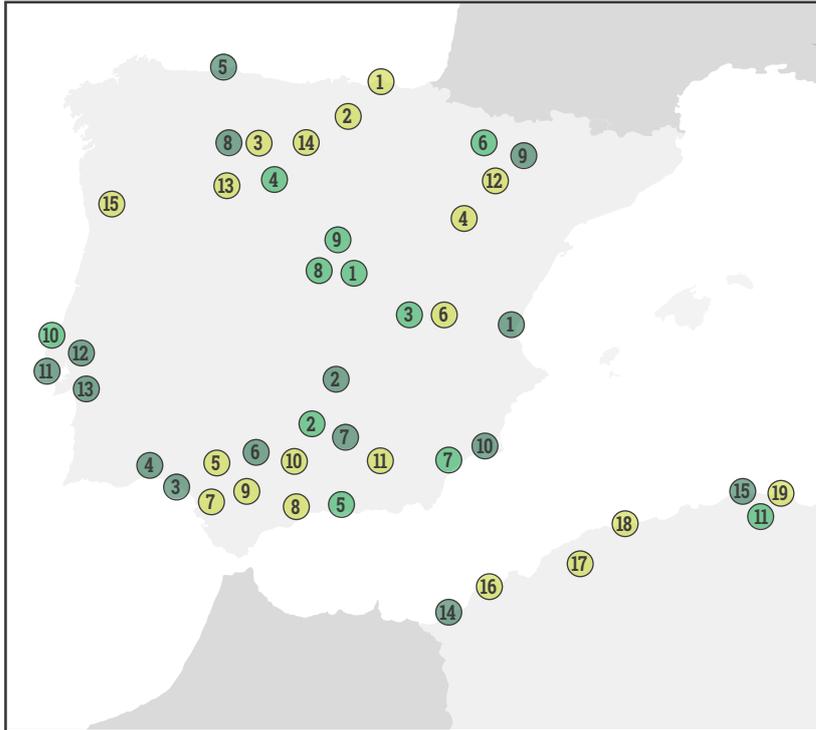
Main producer and market leader in Portugal, ADP Fertilizantes is also present in Spain through the company, Intergal Española. ADP Fertilizantes has consolidated its industrial structure with the acquisition of the company Nova AP, which owns a nitric acid and nitrate liquor plant, located in the town of Lavradío.

Fertial, S.p.A. in Algeria

The only manufacturer of fertilisers and ammonia in Algeria, Grupo Villar Mir has a 49% share in Fertial, after the sale of 17% of the capital stock to ETRHB HADDAD. The remaining shares in the company are held by the Algerian state-owned company ASMIDAL, a Sonatrach subsidiary. Fertial is currently the largest exporter of ammonia in the Mediterranean and one of the leading international operators.

Grupo Villar Mir Chemical Division
GrupoFertiberia





Sales offices

13

Spain (Fertiberia)

- ① Madrid (Head Office)
- ② Alcolea (Fertiberia Andalucía)
- ③ Cuenca (Fertiberia La Mancha)
- ④ Valladolid (Fertiberia Castilla-León)
- ⑤ Málaga (Fercampo)
- ⑥ Huesca (Agralia)
- ⑦ Cartagena (Química Del Estroncio)
- ⑧ Madrid (Incro)
- ⑨ Madrid (Intergal)

Portugal (ADP)

- ⑩ Alverca

Algeria (Fertial)

- ⑪ Annaba

France

- ⑫ Paris (Fertiberia France)
- ⑬ Ile - et - Vilaine (2F Ouest)

Production centres

16

Spain (Fertiberia)

- ① Sagunto
- ② Puertollano
- ③ Palos
- ④ Huelva
- ⑤ Avilés
- ⑥ Utrera (Fercampo)
- ⑦ Mengíbar (Fercampo)
- ⑧ Villalar (Agralia)
- ⑨ Huesca (Agralia)
- ⑩ Cartagena (Química del Estroncio)

Portugal (ADP)

- ⑪ Lavradío
- ⑫ Setúbal
- ⑬ Alverca

Algeria (Fertial)

- ⑭ Arzew
- ⑮ Annaba

France

- ⑯ Ile - et - Vilaine (2F Ouest)

Logistics centres

22

Spain (Fertiberia)

- ① Puerto de Bilbao
- ② Pancorbo
- ③ Villalar
- ④ Cabañas de Ebro
- ⑤ Punta del Verde
- ⑥ Cuenca (Fertiberia La Mancha)
- ⑦ Alcolea (Fertiberia Andalucía)
- ⑧ Málaga (Fercampo)
- ⑨ Utrera (Fercampo)
- ⑩ Córdoba (Fercampo)
- ⑪ Mengíbar (Fercampo)
- ⑫ Altorricón (Agralia)
- ⑬ Zamora (Intergal)
- ⑭ Palencia (Intergal)

Portugal (ADP)

- ⑮ Barcelos

Algeria (Fertial)

- ⑯ Orán
- ⑰ Ain-Defla
- ⑱ Alger
- ⑲ Annaba

France

- ⑳ Ile - et - Vilaine (2F Ouest)
- ㉑ Finistère (2F Ouest)
- ㉒ Manche (2F Ouest)

4.4 Production and logistics

Production centres

Fertiberia's industrial structure is acknowledged the world over for its state-of-the-art technologies, its efficiency and its responsible environmental approach.

The Group has 16 production centres: ten in Spain, three in Portugal, two in Algeria and one in France, with a production capacity, amongst intermediate and end products of **nigh on eight million tons.**

The ten production units located in Spain are in Huelva, Palos de la Frontera, Puertollano, Sagunto and Avilés. The Agralia factories are located in Altorricón (Huesca) and Villalar de los Comuneros (Valladolid), while Química del Estroncio has a production centre in Cartagena. Fercampo, in turn, has a production plant in Mengíbar and a blending plant of solid fertilisers in Utrera.

ADP Fertilizantes production centres are located in Alverca, Setúbal and Lavradío, while Fertial factories are in Annaba and Arzew.

The recent acquisition of 2F Ouest in France represents the incorporation of a new blending plant in Ille-et-Vilaine, in the west of the country.

Storage centres

In addition to the storage facilities that the factories themselves have, the logistics structure is made up of 22 large, company logistics centres strategically distributed in Spain, Portugal, Algeria and France.

Amongst these, those located in Pancorbo (Burgos), Cabañas de Ebro (Zaragoza), Villalar de los Comuneros (Valladolid), in the Nuevo Puerto de Bilbao and in Punta del Verde (Seville) are particularly noteworthy.

These storage infrastructures enable the group companies fast, economical and effective management of the product, at the same time as ensuring product delivery in conditions of maximum physical quality.

When designing these centres, the specific characteristics of the geographical area where they are set up and their individual storage capacities must be taken into account:

1. The daily output volume of the factories that they ease the pressure on in times of absence of consumption.
2. The geographical location of agricultural areas where the demand for fertilisers arises, in areas that are remote from the production centres and meeting this demand at the right time.

In addition, Grupo Fertiberia has implemented in its centres modern packing facilities to treat the product after storage and before shipment. This type of facility, with yields of 100 and 200 t/h., external to the manufacturing centres, are unique to the group's logistics centres.





05

Fertial

General Aspects

After the very negative financial years that were 2015 and 2016 on account of several unexpected factors that conditioned company results, 2017 represents a clear turnaround in both production and financial terms. This clear improvement is particularly praiseworthy bearing in mind the complex state of affairs affecting the entire fertiliser sector. And, even more importantly, Fertial still has ample room for further progress in forthcoming years.

Company Results

Fertial results met the estimates set out in the budget.

- Overall turnover increased by 29%, exceeding €249 million, which represents 96% fulfilment of the estimates. As far as export sales are concerned, these rose by 44%, while volume increased to the order of 25%.
- The net result was €59.3 million.
- Shareholder's equity was strengthened in the structure of the balance, which now represents 60% of the total. Indeed, the considerable drop in commercial debt must be emphasised.

Sales Area

Fertiliser sales on the home market have been conditioned in recent years by external restrictions related to handling and product transport conditions to stores. These restrictions led to a slump in production and, therefore, less product availability for the consumer.

The restrictions affecting dispatch conditions have proven to be a real bottleneck for sales management; restrictions that were kept in place up to the end of the financial year, at which juncture Fertial was authorised to resort to a privately guarded convoy to dispatch TSP 46% to the different stores. Nevertheless, this positive measure was implemented too late for its effects to impact on 2017 figures. Whatever the case, negotiations will have to be continued with the public authorities to resolve this problem once and for all.

As far as sales are concerned, the home market suffered a 3% fall-off, which mainly affected fertilisers, though, it should be borne in mind that the level of fertiliser consumption dropped in Algeria by 1%. Consequently, Fertial's share of the home market, including all forms of fertiliser, dropped from 39% to 37%.

Notwithstanding, the new fertiliser supply system must be taken into account, whereby distributors that have appropriate means of transport and the requisite authorisations, can acquire the product directly at the Annaba factory.



Raw material prices

As far as the main imported raw materials are concerned, both potash chloride and phosphoric acid prices fell 6.5% and 8.8% respectively. However, it is expected that during the course of this financial year there will be a turnaround with an upward trend starting.

With respect to the price of natural gas, which is governed by the provisions of the Letter of Agreement signed between Sonatrach and Grupo Villar Mir on 30 April 2014, it went up by 12.4% as regards export gas, while on the home front national gas increased by 8.4%.

The average reference FOB sale price for ammonia, Yuzhny, rose again, this year by 14%, thus the \$237/ton average for 2016 increased to \$269/ton for 2017. Though it is true that this considerable increase came after two years of exceptional drops in price (39% in 2016 and 22% in 2015), a scenario that impacted very negatively on the company's average billing price.

Industrial Area

Production

The different production centres can be said to have performed excellently this year. The three ammonia units manufactured a consolidated 854,326 tons, which represents a 107% increase on the forecast amount in the budget and a growth of 21% on the amounts obtained in 2016. These figures attest to the second best yearly performance since 2012. Moreover, it should be pointed out that these three units recorded a noteworthy improvement to the average consumption of natural gas.

The granulation unit produced 132,173 tons, which was 73% of the budgeted volume and 8% below the 2016 figure.

As far as production is concerned, the amount of products sold through agents increased by 37%, reaching a volume of 1,151 tons. This figure is mainly due to the 20% increase in saleable production and the 12% drop in staff. In the light of the foregoing, the company posted aggregate financial statements in keeping with budget forecasts and ones that represent a notable improvement with respect to 2016.

Investments

Investment efforts continued with a view to ensuring production reliability and company competitiveness. Accordingly, investments were made in 2017 to the order of €10.5 million, the main beneficiary of which was the Arzew production centre.

Safety, quality and the environment

As is the case every year, maximum efforts have been made in the safety area, a priority for the company since it joined the group, striving as it does to improve employees' safety conditions.

Results were particularly satisfactory this year, once again showing a drop in accidents. Indeed, the 2004-2017 period has seen a reduction of over 94% in the accident rate, and what is even more important, the severity of accidents has sharply diminished.

These results can be put down to the proactive occupational health and safety measures implemented by the company, which aims to reach the "zero accident" goal. The OHSAS 18001/2007 certification was maintained in 2017.

As far as quality is concerned, ISO 9001/2008 certification was renewed, as were ISO 14001/2004 Environmental Management and ISO 50001 Energy Management certifications. Monitoring audits detected minor Non-Conformities, which were speedily remedied. The same can be said of the accreditation of the Agricultural Laboratories, all of which continued their soil and plant sample analyses tasks for the benefit of farmers: analyses which, moreover, are conducted free of charge.

Development towards a genuinely Integrated Quality, Health, Safety, Environmental and Energy Management System (QHSEE) led to the passing on of the Sustainable Action Plan (SAP) to the Global Action Plan (GAP) to achieve greater visibility with respect to the set of improvement actions arising from the numerous audits, inspections and risk studies carried out.

Labour Area

The excellent work environment throughout the year proved to be a key factor in achieving these positive results. Indeed, the latter can be taken as the fruit of a joint effort by both General Management, which is always ready to listen to staff concerns, and Trades Union Representatives, whose attitude has been characterised by responsibility and pragmatism when it comes to tackling company and professional issues, all to the greater benefit of both the company and its employees.

This symbiosis has served to further strengthen employees', company management's and shareholders' confidence in the future of Fertial, while at the same time enabling the company to be better prepared for the numerous challenges facing it.

The pay scheme set out in the Collective Bargaining Agreement signed for the 2015-2017 period held firm in 2017.

Some 127 employees exercised their right to early retirement in 2017, which can be added to the 130 who had done so the year before. Such a high number can be explained to a great extent by the amendment to the legislation regulating retirement adopted at the beginning of the year.

As has been the case in previous financial years, the company training and education policy investment for 2017 amounted to close on €400,000.

Company Affairs

The acquisition of 17% of Fertial share capital by the ETRHB HADDAD Group deserves special mention; a share that had previously be held by Grupo Villar Mir. This led to a change in the Board of Directors in December, with the naming of a representative of the new shareholder on the same.

Another relevant event in the year saw the appointment in December of a new Assistant General Manager.

06

ADP
Fertilizantes

General Aspects

Even though the 2017 results were an improvement on those of 2016, this increase is still at some remove from expectations. Having said that, the rigorous management of operating capital enabled an important release of funds and a 20% reduction of bank debt.

Fertiliser price levels, particularly nitrogen-based ones, reached a record low, which meant the ADP Fertilizantes found itself having to forfeit the volumes it normally exports in summer months when there is a fall in national demand.

Faced with this situation, the company decided to shut down the Alverca and Lavradío production plants in May and June: a shut-down that cost some €2.4 million. Market behaviour for other fertiliser and industrial products proved somewhat more favourable in the course of the year.

Company Results

In spite of having sold more, sales turnover was slightly down on that achieved in 2016.

Price behaviour, especially during the second and third quarters, particularly impacted on this drop in turnover.

Debt costs dropped by around 9%, both as a result of its reduction as well as owing to interest rate behaviour.

Profit margins were lower than budgeted for, except for those generated by specific ADP-Tech products and industrial chemical products.

The result for 2017 was €3.3 million before taxes, leaving a net result of €2.4 million.

Sales Area

Overall market volume in Portugal fell by 2% in 2017, mainly as a result of an extremely bad year for agriculture on account of the drought, which caused a considerable drop in the sown area.

The sharp fall in international prices for nitrogen-based fertilisers as of the second quarter should be highlighted, which, along with a rise in the price of ammonia, its raw material, led to an inevitable profit margin loss. However, the compound fertiliser season passed normally, without incident.

Sales of the specific range of ADP Tech products grew by 7%, with growth in Spain increasing even more, rising by 15%.

This range of products is greatly contributing to profit margin increases, thus fully justifying the investment made in its production.

As far as the liquid fertiliser market is concerned, sales grew by 60%, mainly on account of the greater competitiveness made possible by moving production to Setúbal.

Exports

The international scenario, as commented on herein, marked as it was by lower yields, albeit still very high, as are stocks, kept fertiliser prices at levels that are way below those of 2011, though slightly better than 2016 ones.

Given this context, ADP, like many other sector companies decided to limit production to avoid increases to stock levels, thus only 20,000 tons of ammonium nitrate fertiliser were exported, even though the budgeted volume amounted to 56,000 tons. Indeed, the same holds for NPK compound fertilisers, the exported volume of which fell below estimates. Nonetheless, the commercial effort in Moroccan and French markets held firm. Notwithstanding, calcium nitrate estimates did manage to meet budget forecasts as attested to by the considerable profit margin generated.

Industrial Area

Fertilizer Production

Operations at Sopac facilities maintained the 2016 level. The new liquid fertiliser plant built and commissioned at this factory, accounted for the main ADP Fertilizantes investment effort in 2017.

Operations at the nitric acid and nitrate liquor plants at the Lavradío factory were intermittent during the year on account of the lack of programming at Alverca. Meanwhile, the production of nitrogen-based fertilisers at the same factory only attained 80% of that which was budgeted for owing to the shut-downs that took place for market reasons in May and June. Conversely, calcium nitrate production did manage to reach 100% of its production capacity.

Quality, safety and the environment

Half-yearly quality audits were conducted in the course of 2017 in accordance with ISO 9001:2008 certification requirements, returning fully satisfactory results. For its part, the Alverca laboratory maintained its NPEN ISO 17025 certification.

As far as environmental matters are concerned, particular mention should be made of the start of channeling domestic and industrial effluent to the Municipal Wastewater Treatment Plant.

The plan to reduce noise at the Lavradío plant bore fruits, a particularly noteworthy feature of which was the relocation of the nitric acid cooling tower, as was the extension of the sound barrier.

In terms of safety actions, 2017 brought a review of the internal emergency plans at the Lavradío and Sopac plants, while work on installing the new water pumping system for fire fighting purposes was completed.

Serious industrial accident drills were carried out at the three plants, in accordance with their respective emergency plans.

The Lavradío plant underwent an external audit on Product Stewardship, the findings of which revealed an excellent level of compliance, 97.83% to be exact.

Lastly, the Portuguese Ministry responsible for the "Environment and Territorial Planning" (IGAOT) conducted REACH and Safety environmental inspections at the three company plants.

Labour Area

ADP Fertilizantes staff numbers suffered little change, except for those employees who left in the course of the year as a result of having reached the retirement age.

In keeping with the policy begun some years ago, ADP remains true to its commitment to personnel training and education, in which it continues to invest heavily. Training covers matters such as the environment, IT, safety, hygiene, laboratories and maintenance in general, in all of their different specialist areas.

07

Fertiberia activity report

“Progressing towards more efficient production, making advances in soil diagnostics, in crop needs, in improving our fertilisers. A real opportunity we are sparing no effort in taking on”.

Javier Goñi del Cacho.

Grupo Fertiberia Chairman. XI Fertiberia Chair of Agri-environmental Studies Conference

7.1 Company results

After an exceptionally negative 2016, during the course of which fertiliser prices reached their lowest levels in 14 years, 2017 was a turnaround year in which the sector began to recover globally, thus heralding a change that impacted on Fertiberia as well, as clearly attested to by the improvement in company results.

Fertiberia managed to maintain its market share, administering operating capital development with due discipline and reaching excellent production levels at its factories. Likewise, it has pressed ahead with its diversification policy towards increasingly more market distinguishing products that generate bigger profit margins. Also worthy of particular mention was the culmination on 2017 of the ambitious projects pursued at the Palos and Puertollano facilities with a view to improving energy efficiency; projects that represent heavy investment initiatives.

The results obtained certainly point to this market recovery, though the figures attained are still clearly below those that ought to be achieved in a year considered to be normal within the fertiliser sector cycle:

- The EBITDA amounted to €16.28 million as opposed to the -€5.39 million posted in 2016.
- The operating result (EBIT) was -€0.28 million as opposed to the -€21.62 million for 2016.
- The net result for 2017 returned a loss of -€2.87 million, which represents a clear improvement with respect to the previous year's -€35.59 million.
- The company's total net bank debt (excluding cash and short-term investments) stands at €134.24 million.

7.2 Business Area

In spite of the factors that have conditioned developments during the year, especially the bad weather, the year was characterised by high cereal yields, by high stock levels and by good harvests, thus enabling a certain upturn in fertiliser prices, which was also contributed to by the strength of the euro against the dollar and the increase in energy prices. This state of affairs benefitted both Fertiberia and other producers in our business environment.

The Spanish fertiliser market is a mature one that is not subject to any great fluctuations, though consumption rose by 5% in 2017, in a five million ton context; undoubtedly an important figure, but below that recorded for 2015.

The simple nitrogen-based fertiliser market volume rose with respect to last year. Nonetheless, once again this year, mention should be made of the enormous pressure caused by imported products, which in addition to their much poorer quality they are not being sold at market prices.

The total volume of imports amounted to 3.5 million tons, which represents a 14% increase with respect to 2016. In the case of nitrogen-based fertilisers, these products supply 50% of the Spanish market. Indeed, the case of urea is especially relevant as imported products supply over 80% of the market demand.

Another positive development in 2017 was the increase in agricultural revenue, which rose by 2.6% with respect to 2016, while expenditure on fertilisers and improvers increased by 3.6%.

On the down side, weather adversely affected certain basic fertiliser consuming crops. Apart from the particularly noteworthy 28% fall-off in cereal production, there were also drops in the production of wine and must, fodder plants, olive oil, fruit and industrial plants.

Given the cyclical and seasonal nature of the fertiliser sector, the presence of Fertiberia in industrial sectors continues to provide stability to company business. These are products for industrial, non-agricultural use and, therefore, are unaffected by seasonal factors or external ones, such as weather, which was particularly bad in 2017.

Ammonia is the main raw material used in this range of products. It is also used in fertiliser manufacturing processes, with its surplus being sold on international markets for use in the manufacturing of industrial products.

The upturn in ammonia prices in international markets should be highlighted, taking place as it did at the beginning of the year. However, there was a change in the upward trend just before summer, which meant that the average values for the year were only slightly above those for 2016, though they are still at some remove of those recorded in previous years.

Performance over the financial year

Fertiberia sales turnover amounted to €531 million, which is 10% up on the 2016 figure. Of the aforementioned sum, €344 million were made on the home market, while the remaining €187 million represent export revenue. Both the greater volume put on the market, which increased by 6%, as well as the upturn in selling prices, as mentioned above, explain this rise in turnover.

Agriculture Area

Fertiberia sold 1.2 million tons of traditional fertiliser and special products on the home market in 2017, which is quite similar to the 2016 figure, though there was greater price strength in the mix of company products, which saw turnover rise by 3%, reaching the sum of €245 million.

The main factor that affected the traditional fertiliser market in what proved a complex market context throughout the year, was the bad weather.

Even so, the amount of products sold by Fertiberia only fell by the 3%, a drop that was offset by the stronger prices, thus explaining the rise in turnover.

Mention should be made of the success of the policy of pushing those products that generate a greater added value, which are marketed through the Fertiberia Advance line, as they are already accounting for 25% of the total of compound fertilisers being sold.

As far as the special products are concerned, the product line that accounts for 23% of sales on the home market, their sales have increased in volume by 4%, which in conjunction with the improved price behaviour, has led to an 8% rise in turnover.

Export market behaviour was especially positive in 2017; a year in which fertiliser sales abroad amounted to a volume of 547,000 tons, which represents a 21% increase on 2016 figures. These good figures, along with the upturn in prices, represent a 35% increase turnover with respect to that which was posted for 2016, exceeding the €104 million mark. As is the case with the home market, the initiative to boost the export of special and specific fertilisers continued, generating as they do greater added value and bigger profit margins.

The presence of the Fertiberia product range in European Union markets has been firmly consolidated and maintained its position in 2017, while at the same time strengthening other markets with a great capacity for growth, much less mature than the European ones, particularly those of South America and Africa.

Industry Area

The sale of products for industry has already come to account for 34% of the company's overall sales, as was confirmed at the close of business for 2017. Some 802,000 tons of this range of non-agricultural products were sold, which translated into a turnover of €182 million. This represents a 9% increase in volume on 2016, which along with the stability that has maintained prices, means that the sales turnover also rose by 9%. Exports accounted for 47% of the total turnover for this business area in 2017.

Worthy of special mention in the industry area was the positive development in the sale of environmental products geared towards cutting down NOx gas emissions for the automotive industry, and for a host of other industrial sectors that are required to meet increasingly more demanding and restrictive environmental legislation, both nationwide and on a European scale. Sales in this product segment grew by 51% with respect to the volume sold in 2016.

7.2.1 Fertilisers Business Area

The Fertiberia Advance line of advanced solid fertilisers that is exclusively sold by a selected customer and distributor network continues its unstoppable growth with the incorporation of two new formulae and a considerable increase in its sales volume.

These new products, mainly compound fertilisers that are made at the Huelva Plant, are based in innovative developments made by the Fertiberia R&D team which, from its Agri-Environmental Technology Centre at the University of Seville, is the driving force behind innovative research projects aimed at creating new solutions that offer improved efficiency and better results than traditional fertilisers.

What had initially begun to respond to the increasing demand for a more technically-based approach to agriculture, has two years later become one of the main cornerstones of Fertiberia fertiliser business growth.

Moreover, also along technological lines and aware as it is of the importance of innovation, Fertiliser Business Management has also been promoting the development of new IT solutions in the course of 2017 that will come to light next year.

On the one hand, it seeks to improve communications with customers and distributors via mobile technology to enable it to offer a complete advice and personalised customer service experience to facilitate sales endeavours related to more added-value products. On the other hand, it is implementing new functionalities based on what is possibly one of the largest big data sets in Europe in the agricultural sector, the result of over 20 years in which the company has been collecting and analysing soil, leaf and water data. Once all of this information has been fed into the well-known Siddra fertiliser analysis and recommendation system, farmers will be better able to obtain maximum returns from their holdings.

As far as the Special Products Division is concerned, which oversees the business of soluble liquid fertilisers administered by means of leaf or fertigation systems, it has pushed forward in 2017 with its strategy to promote brand presence in southern and eastern Spain, where there is a great demand for these products.

These efforts form part of a drive to position Fertiberia as a manufacturing and marketing company of cutting-edge products in terms of both quality and efficiency in markets that only a year ago reached end customers through distributor brands.

Moreover, with a view to meeting the needs of other fertiliser producers, which are in turn Fertiberia customers, the development of high solubility liquid and solid products was promoted during the year. These products are used as raw materials in the manufacturing of fertilisers to be administered via fertigation systems.

Firmly committed to research, development and innovation

Agro-tech innovation

Since Fertiberia set up the Grupo Fertiberia Agri-Environmental Technology Centre (CTA) at the University of Seville in 2015, research activity received an enormous boost and has, moreover, made a qualitative leap that has led the company to the forefront of innovation in fertilisers, as readily attested to by the technological and commercial success of its Advance products.

Moreover, the modern facilities at Grupo Fertiberia CTA were extended in the course of the year with a fertiliser quality laboratory and the setting up, in the plant laboratory, of a new greenhouse to do crop tests, thus enhancing the services already being offered by this centre to different company departments and customers.

Grupo Fertiberia CTA promotes integration with other University of Seville faculties and centres, **to which end it signed three new collaboration agreements over the last year** to develop cutting-edge technologies in the field of plant nutrition.

Grupo Fertiberia CTA - University of Seville

The Agri-Environmental Technology Centre is an ideal facility to exhibit and showcase the technologies that Fertiberia uses to develop new fertilisers, while also serving as a venue to hold important meetings with both customers and technicians.

Indeed, the centre has provoked the interest of agri-sector related institutions, which has led to numerous visits in the course of the year such as those of the Dutch Biorefinery Cluster, Das Kompetenzzentrum Wasser Berlin, the Department of Agriculture of the Regional Government of Andalusia and the United Nations Industrial Development Organization (UNIDO).

Furthermore, every year over 50 field tests are done on advanced fertilisers in the main agricultural districts in Spain and Portugal. These tests conducted on farming plots to achieve a greater impact when it comes to disseminating improved fertiliser techniques and handling methods, while at the same time increasing the confidence of those who use our products.

Study of the correct fertilisation

The Agri-Environmental Laboratory continues to provide an important soil, leaf and water analysis service.

Over **6,000 fertiliser analyses** were conducted and recommendations made at the Agri-Environmental Laboratory for Fertiberia customers and subsidiaries in 2017, while also providing support for company R&D activities.

In addition, the laboratory has undertaken a new role in acting as a quality control support for company production centres.

In keeping with the quality requirements set by Fertiberia, the laboratory continues taking part in different inter-comparison test studies.

Participation in inter-comparison tests:

- Wepal (soil and leaf analyses), organised by the University of Wageningen (The Netherlands).
- Labfer, internal inter-comparison conducted by Fertiberia with benchmark national laboratories once a year.
- Lagrored (fertiliser analyses), organised by the Spanish Ministry of Agriculture, Fisheries, Food and the Environment.
- GSCsal (water analyses).

Research alliances

Collaborative research continues to be a priority at Fertiberia as an instrument to generate and transfer knowledge, as well as the most effective tool to improve competitiveness through innovation. Accordingly, it maintained the collaboration agreements entered into with another 14 research centres and universities.

Collaboration with research bodies:

- University of Cádiz
- University of León
- Technical University of Madrid
- University of Salamanca
- Association for research for improvement in the cultivation of the sugar beet AIMCRA
- Aula Dei Experimental Station - CSIC
- Institute of Sustainable Agriculture IAS - CSIC
- Agriculture and Food Technology Institute ITACyL
- Institut de Recerca i Tecnologia Agroalimentàries IRTA
- Universidade de Trás-os-Montes e Alto Douro
- University of Evora
- University of Lisbon
- Institut national de recherche en sciences et technologies pour l'environnement et l'agriculture IRSTEA (France)
- Kompetenzzentrum Wasser Berlin Das KWB (Germany)

New product launches

The Fertiberia Advance product family continued to consolidate its market presence in its second year, already accounting for 35% of the total NPK fertilisers sold in Spain, thus maintaining a sustained growth while at the same time continuously broadening its range of products to meet the needs of the more specialised farming community.

Advance products are high efficiency fertilisers, the distinguishing value of which lies in the addition of a set of own technological solutions added to the traditional formula; solutions that were developed by the Fertiberia Laboratory in collaboration with over twenty national and international scientific centres and universities of recognised prestige.

The main technological solutions already incorporated into the NPK fertilisers are:

- Lignosulphonate: which makes it possible for the accompanying chemicals not to be fixed by the soil and be available for the plant, adapting to its needs, greatly increasing the chances of being absorbed and reducing possible losses from washing and/or retro-gradation.
- Carbolite: an efficient source of iron that improves the working of other traditional sources such as sulphate or iron.
- e3: Minerals and organic compounds that optimise the agri-environmental characteristics of fertilisation and stimulate plant growth.
- DCD and NBPT Retard: Nitrification and urease inhibitors that maximise nitrogen performance by avoiding volatilisation losses.
- Polysulphate: a unique, six basic nutrient compound that is low in chlorine content and has been optimised to activate the absorption of plant nutrients.

The effectiveness of Advance line products can be visually attested to by the results they have on the crops on which they are used.

Accordingly, several different show fields have been sown where it is possible to verify the returns to be had from fertilising with Advance products.

These magnificent results have constituted a company line of communication, highlighting the differences between treatments, both in the digital and conventional media in which the company is present:

Also worthy of special mention is the enhancing of the special products portfolio with the launch of new advanced products:

- Fertibersol ANTech: an extremely pure and highly soluble version of the well-known soluble ammonium nitrate 34.5%
- Fertibersol Nitro, comes in a mini-prill format and is particularly aimed at the manufacturers of liquid and water soluble solid fertilisers
- Fertibersol Nipo: the highest quality potassium nitrate on the market. This is a fertiliser in great demand worldwide for fertigation use. Fertiberia began to market it in 2016 after the investment made in the Química del Estroncio factory in Cartagena.

Innovation driving projects

Fertiberia's R&D Division has a consolidated portfolio of projects aimed at designing and developing state-of-the-art fertilisers and improving the most efficient handling systems.

A fact that can be easily confirmed by the numerous national research projects in which the company is involved, among which the ongoing ones that have been approved by the Centro para el Desarrollo Tecnológico e Industrial -CDTI-, the Spanish state Centre for Technological and Industrial Development) are particularly noteworthy:

- HE-COMPLEX. High efficiency compound fertilisers (CDTI-IDI-20150489).
- GROW-IN. Inductive fertilisation (CDTI-IDI-20151108).
- Anhava. High added-value nitrogen fertilisers (CDTI-IDI-20160768).

R&D&I internationalisation

Fertiberia's growing internationalisation is further reflected in its research and innovation endeavours. The H2020 European Project: Newfert Nutrient recovery from biobased waste for fertilizer production (Project reference: 668128. Funded under: H2020-EU.3.2.6) and led by Fertiberia is the first clearly circular economy project coordinated by a fertiliser company.

Fertiberia participation in the KARMA 2020 project. Industrial Feather Waste Valorisation for Sustainable KeRatin based MAterials (Project reference 723268; Funded under: H2020-IND-CE-2016-17) reinforces the company's research in circular economics and green chemistry.

The prestige earned by Fertiberia in the field of research has led to it being proposed to form part of the advisory boards for important international projects:

- Recovery and Utilization of Nutrients 4 Low Impact Fertilizer RUN4LIFE. H2020-CIRC-2016
- Farming tools for external nutrient inputs and water management FATIMA. H2020 RIA No 633945 (2015-2018)
- INTERREG VB project Phos4You (2016-2020)

How important the research projects undertaken are have received confirmation by way invitations to take part in important national and international events, such as "The 2017 EU agricultural Outlook Conference" and the "BBI 2017 Stakeholder event", both of which were held in Brussels, the European Nutrient Event which took place in Basle and the Bioeconomy Conference held in Seville.



Training and dissemination of the best use of fertilisers

Contribution to sustainable agriculture

As in previous years, Fertiberia continued its endeavours to communicate and instruct in the rational and sustainable use of fertiliser by means of informative actions, taking part as it did in numerous technical and scientific events.

Once again, in collaboration with the Ministry of Agriculture, Fisheries, Food and the Environment Fertiberia held training activities, with the "Fertilisation Course" deserving special mention, aimed as it is at instructors and technicians from the different Public Bodies and Agricultural Organisations, Cooperatives and Rural Associations.

The Agricultural Service took active part in written, TV and radio dissemination media.

Some **81 technical-commercial talks** were held, attended by over 4,000 technicians and farmers, while **16 internal training courses** were given for the different commercial teams in the Group.

Numerous articles and technical studies were published, in both company publications and in scientific media and journals, as a means for Fertiberia and its subsidiaries to share their experience and knowledge with society.

Moreover, to contribute to improving the returns on holdings and to maximise the fertilising operation, Fertiberia took part in a host of conferences, seminars and workshops organised by the scientific community and by agricultural cooperatives and associations.

Participation in events and conferences:

- Technical workshops for the Siro Group (one of the biggest food sector enterprises in Spain)
- Technical workshop for the Alcaliber technical team (No. 1 breadseed poppy growers)
- Technical workshop for FERTIMARROC, focusing on the technical team and agricultural customers in Meknes (Morocco)

Promoting good agri-environmental practices

Fertiberia continues to work in close participation with different government bodies and several Spanish and European organisations in several spheres:

Spanish Ministry of Agriculture, Fisheries, Food and the Environment and the Spanish Ministry of Industry

In legislative and regulatory aspects related to fertilisers and the environment, particularly the amendment to Royal Decree 506/2013 on fertiliser products, published in November 2017, as well as regards the development of certain measures to implement the European Directive on Emission Ceilings.

In the new future EU regulation on fertiliser products, which is based on the circular economy, and about the range of products it includes liaison with both the Spanish Ministry of Agriculture and with the European Commission, Parliament and Council for its definitive approval in Brussels.

State Secretariat for Trade

Work was done on Modernising Trade Defence Instruments, on aspects of several EU trade agreements that affect fertilisers, as well as on the pertinent tariffs and on the application for quotas and other related matters.

National Association of Fertiliser Manufacturers (ANFFE)

Work was done with the association on sector matters that covered regulatory issues directly and indirectly related to fertilisers, on the relationship with different public bodies, on the drafting of statistical information and on other miscellaneous matters.

Fertilizers Europe

As is the case every year, intense work was done in association Agriculture and Environment, Information and Trade Policy Committees and on anti-dumping issues.

International Fertilizer Association (IFA)

Work was done on the supply and exchange of information on the supply and demand for fertilisers, on trade and on the different factors that impact on the sector and its activity. Worthy of special mention was the drafting of demand estimates for Spain that are used at different international forums.

Unconditional support to the academic and university world

Best Doctoral Thesis on Agricultural Issues

Fertiberia, in collaboration with the Official Association of Agronomists of Central Spain and the Canary Islands, awarded the XIX Fertiberia Prize for the Best Doctoral Thesis on Agricultural Issues, which comes with what is currently the biggest financial prize awarded for research in Europe.

First awarded 20 years ago, and subsequently and uninterruptedly every year since then, this prize clearly attests to Fertiberia's commitment to R&D&I, while at the same time contributing to the acknowledgement and award of research excellence.

The award ceremony, which took place at the offices of the Ministry of Agriculture, Fisheries, Food and the Environment, was presided over by the Minister, Isabel García Tejerina.

The winner of the nineteenth edition of the prize was Dr. Luis Rivacoba for his doctoral thesis entitled "Assessment of nitrogen measurements in plants for their use as a system to recommend nitrogen-based fertiliser when growing cauliflower" presented at the University of La Rioja under the direction of Dr. Alfonso Pardo Iglesias.

It was also decided to award second prize to the thesis entitled: "The biochemistry of phosphorus in the soil: optimising criteria for agronomically efficient and environmentally acceptable use of a non-renewable resource", written by Dr. Ramiro Recena from the University of Seville and directed by Dr. Antonio Delgado.

Both of these brilliantly written theses propose interesting solutions to current problems in our agriculture, such as the correcting of certain nutritional deficiencies, the saving of resources without jeopardising crop yields and the use of conservation farming techniques to improve soils with particular problems.

Master's in Agri-food Business Management (MGEA)

Fertiberia and the Juan-Miguel Villar Mir Foundation renewed their support for and collaboration with the Master's in Agri-food Business Management (MGEA). Since its first edition in 2010, both entities have been involved in this interesting post-graduate degree that has provided over one hundred professionals with specific training.

Historically, Fertiberia has been committed to not only backing the university and other research and training centres for professionals, but also to taking an active part in their education to endow them with the tools that will contribute to the competitiveness of our farming.

This Master's degree teaches, in a practical way, the company's experience in strategic management. Indeed, the Chairman of Fertiberia, Javier Goñi, gives a master class in the course.

It is considered advisable to improve the qualifications and awareness of those professionals who work in the rural environment, or whose activities affect it, in matters that promote environmental development and protection, and of course, in business management matters. It is from this perspective that Fertiberia collaborates in this Master's degree.

In its VIII edition, as in previous ones, Fertiberia, through the auspices of the Juan-Miguel Villar Mir Foundation awarded a grant of 50% of the price of the Master's to one of its students. On this occasion, Marta Caballero received the award. Having just successfully finished her post-graduate degree, she expressed great satisfaction with the management knowledge and skills acquired.

Fertiberia Chair of Agri-environmental Studies

Fertiberia and the Technical University of Madrid set up the Fertiberia Chair of Agri-environmental Studies in 2007, the main vehicle through which both entities collaborate. Since then they have cooperated strategically in different areas of action, such as training, both scientific and technical, always from an agri-environmental perspective.

The main aim of this chair is to do research into environment-friendly fertilising, which also contributes to the development of a sustainable and productive farming. Intensive work has been ongoing since 2007 on these issues, with 2017 being no exception.

In appreciation of all the actions undertaken over these years, the School of Agricultural, Food and Biosystems Engineering (ETSIAAB) recognised the Fertiberia Chair as a Collaborating Entity in 2017.

Actions of particular interest:

- X Workshop on Fertilisation for Sustainable Agriculture: "The Circular Economy and Innovation".
- X Awards for the Best Projects and Graduate and Master's Theses at the Technical University of Madrid (UPM).
- Collaboration with and sponsorship of numerous activities of the Superior Technical School of Agricultural, Food and Biosystem Engineering.
 - IX Congress of Students of Science, Technology and Agricultural Engineering of the UPM.
 - XXXI National Assembly of the Spanish Soil Science Association.
 - Regional and National Agri-food Olympics.
 - Symposium on Agriculture and Development organised by the Agricultural Engineers Without Borders Foundation.

7.2.2 Industrial Products Business Area

The Fertiberia presence in other, non-agricultural markets began with the manufacturing of products generated from the fertiliser production process that can be used in different industries.

Originally a spin-off activity, this business line is also the fruit of a diversification policy embarked on several years ago. Conscious as it was of its potential, Fertiberia opted to go down the industrial products road as one of its main growth drivers.

In 2017, the Industrial Products Business Area continued its positive trend. Indeed it now accounts for 34% of company turnover.

Accordingly, the number of direct customers increased by 8% with respect to 2016 while the product volume placed on the market bettered last year's figure by 9%.

Worthy of particularly mention was the excellent performance of ammonia solution sales. Made at the Avilés plant, this product already accounts for 27% of the division's total sales. Promotion work is ongoing with respect to the manufacturing of products with a very promising outlook and which are encompassed in the range of solutions marketed by Fertiberia aimed at environment conservation.

The integration of the Logistics and Supplies Division in 2015 continues to speed up and better coordinate the provision of raw materials to customers, enabling their purchase at more competitive prices for both self-consumption as well as to manufacture products for industrial and agricultural purposes.

Likewise, cost reductions are still being made in Time Charter contracts to hire ships, mainly used to transport ammonia.

Moreover, distribution network and roadway logistics resources continue to be optimised for both liquid and solid products. Fertiberia has extended its alliances with transport sector leaders to ensure product availability and to offer the best customer service possible to the highest quality and safety standards.

Strong presence in various industrial sectors

Chemical Industry

Ammonia, urea and nitric acid, in addition to being essential products in fertiliser making, are also used for different purposes in other industries.

Ammonia

Fertiberia is one of the main operators in the European ammonia market, the international prices for which experienced a turnaround in 2017, though they remain at some remove from previous years. Allied to this positive turn of events is the greater volume placed by Fertiberia on the market, amounting to 345,000 tons, which generated sales returns of €100 million; 19% more than 2016 and even more than was expected for the year.

Both home production and trading on the international markets greatly contributed to these results. National sales amounted to €35 million in a year in which all supply contracts were kept in place, thus consolidating this product in the medium and long term. This year also saw a recovery in chemical industry activity in Spain, which bodes well for the future.

Technical-grade urea

A particularly important product owing to its use in several industries, it currently accounts for 50% of the total company sales.

Fertiberia is pushing this market by way of supplying top quality urea that brings great added value. Its consumption remained stable throughout the year.

Nitric acid

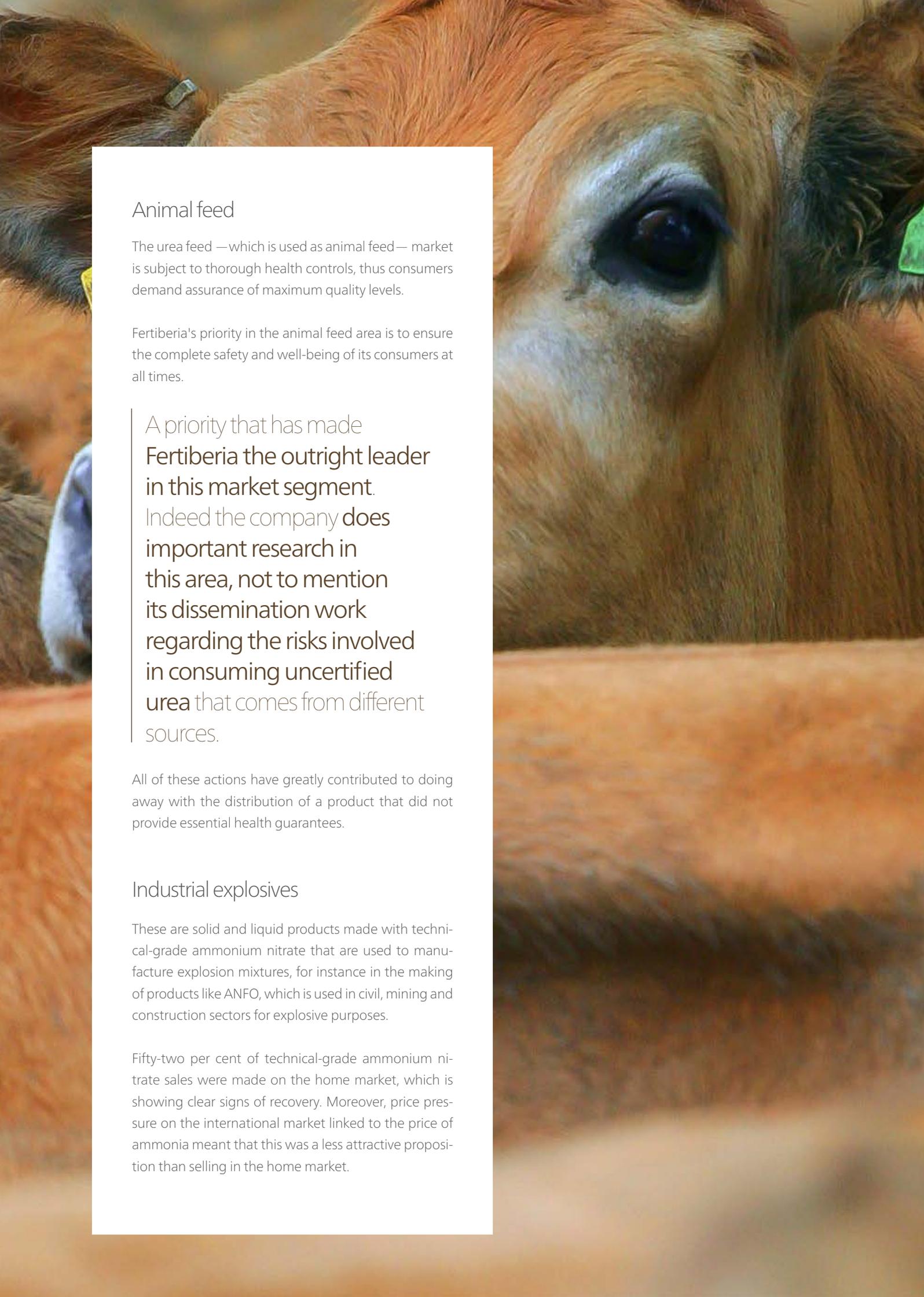
Nitric acid is used in sectors such as metal treatment, nylon, polyurethane, varnishes and paints and cleaning products for the agri-food industry, among others.

In 2017, a year which saw a turnaround in prices on account of the drop in supply, the sales of nitric acid for industry remained stable, registering a volume of 36,000 tons.

Carbon dioxide (CO₂)

Furthermore, sound operation of the Palos and Puertollano plants made it possible for Fertiberia to sell 17% more carbon dioxide (CO₂) which, after being purified and liquefied, is used in the food industry for gasification, packaging, cooling and freezing of drinks and in the processing of metals, medical products, plastics and as an extinguishing agent.

In spite of the shut-down at the Palos factory, **20% more carbon dioxide was sold** than in 2016.



Animal feed

The urea feed — which is used as animal feed — market is subject to thorough health controls, thus consumers demand assurance of maximum quality levels.

Fertiberia's priority in the animal feed area is to ensure the complete safety and well-being of its consumers at all times.

A priority that has made **Fertiberia the outright leader in this market segment.**

Indeed the company **does important research in this area, not to mention its dissemination work regarding the risks involved in consuming uncertified urea** that comes from different sources.

All of these actions have greatly contributed to doing away with the distribution of a product that did not provide essential health guarantees.

Industrial explosives

These are solid and liquid products made with technical-grade ammonium nitrate that are used to manufacture explosion mixtures, for instance in the making of products like ANFO, which is used in civil, mining and construction sectors for explosive purposes.

Fifty-two per cent of technical-grade ammonium nitrate sales were made on the home market, which is showing clear signs of recovery. Moreover, price pressure on the international market linked to the price of ammonia meant that this was a less attractive proposition than selling in the home market.

Products for environmental conservation

Fertiberia produces, consumes and markets a range of nitrogen-based solutions such as AdBlue, as well as ammonia solutions, to abate and eliminate nitrogen oxides (NOx gases), with a view to minimising damage to the environment, thereby avoiding any harm to people's health.

The new and more restrictive environmental legislation has broadened the number of industries and sectors that have to implement systems to reduce NOx emissions at their facilities.

Fertiberia's early commitment to the environmental solutions sector is beginning to bear fruit, both in the industrial and automotive sectors.

This decision has led to a 45% growth in sales, a percentage that reaches the 80% mark in the case of the ammonia solution.

Indeed, Fertiberia has invested heavily in its ammonia solution production plants, particularly at the Avilés plant, to meet this rise in the home market demand and to respond to its customers' needs.

Water treatment

The calcium nitrate solution is used to treat water to avoid the forming of hydrogen sulphide, which is the cause of the bad smell in wastewater and purification plant sewage networks. Fertiberia is one of the main operators in Spain, not to mention its strong footing in France.

Given the increase in demand, Fertiberia had already upped its calcium nitrate production capacity at the Sagunto factory, which enabled it to boost sales in 2016. This trend continued in 2017, which registered a 30% rise in sales.

NOx gas reducing agents

The main sources of NOx gas emissions are combustion systems, mobile (motor vehicles) or stationary (thermal power stations) sources, and some industrial chemical processes.

Fertiberia produces, consumes and markets a range of nitrogen-based solutions such as AdBlue, as well as ammonia solutions, to abate and eliminate nitrogen oxides (NOx gases), thus enabling various industries and sectors to comply with the restrictions imposed by national and European regulations. This is a market that will continue to grow owing to the increasingly more restrictive legislation being enacted and growing environmental awareness.

Limiting industrial emissions

Fertiberia manufactures products geared towards reducing emissions, such as urea 43% solution and 25% ammonia solution that are mainly used in the cement-making industry, power plants, incinerators and, in general, all industries with pollutant combustion systems, which otherwise would not be able to operate on failing to observe the constraining environmental regulations.

AdBlue, the future of the automotive industry

AdBlue was adopted by the car industry to reduce the NOx emissions of their diesel engines. A highly pure urea derivative product, it has proven to be enormously effective. Fertiberia is still the only Spanish manufacturer to produce AdBlue in an integrated fashion, thus ensuring a contaminant free product.

The coming into effect of the Euro 6 standard for cars, agricultural and works machinery and light duty industrial vehicles has seen AdBlue become a general product demanded by the general public. In 2016 this led Fertiberia to start marketing the product for all types of vehicles, thus consolidating it even more as the leader of this market in Spain, while at the same time strengthening its presence in international markets.

The good performance of the automotive sector in 2017 produced an increase in sales, thus reinforcing Fertiberia's dominant position in an increasingly more polarised market.

Saloon car and light industrial vehicle manufacturers have clearly opted for AdBlue, considering to be the ideal solution for the NOx emission problems caused by diesel engines. With a view to meeting the demand created by new consumers, Fertiberia launched a new five-litre format package onto the market in 2017.

Sales abroad also deserve particular mention as these doubled with respect to 2016 figures.





7.2.3 Gardening Business Area

Gardening area turnover, which encompasses Fertiberia Garden and Fertiberia Green Spaces, increased by 7% with respect to 2016.

Both the extending of the sales network and the adaptation at all times of Fertiberia products to market needs were decisive factors in contributing to these return figures.

Nevertheless, 2017 was a difficult year, given the extremely bad weather that caused a considerable drop in fertiliser consumption in green spaces and golf courses, thus making it necessary to reduce budget estimates. As a result, the consumption of fertiliser was transferred to less added-value products.

As far as the gardening market is concerned, both at professional and enthusiast level, the market remained stable with slight increases in demand depending on the sales channel, the geographical area and the product type.

Products for urban kitchen gardens and the adaptation of sales formats to this type of use, as well as the pest control family for homes, have consolidated Gardening Area results, selling over 850,000 product units in the course of the year.

7.2.4 Logistics and Supplies

The main tasks undertaken by the Supplies and Logistics Division, which has been integrated into the Industry and Supplies Commercial Division, are as follows:

- Acquisition of the raw materials required for the production of solid and liquid fertilisers – both potassium phosphate and nitrogen-based ones – at all company factories.
- Ensuring, coordinating and optimising logistics, maritime and port movement forecasts and the requisite inspections to supply raw materials in due time, form and to the opposite quality at the different production centres.
- Managing, coordinating and undertaking, along with the different commercial management divisions, the logistics movements by land and sea to facilitate and optimise the commercial endeavours of these divisions.

Throughout 2017, ammonia ships were managed under the Time Charter system, adapting environment needs and improving contract terms and conditions.

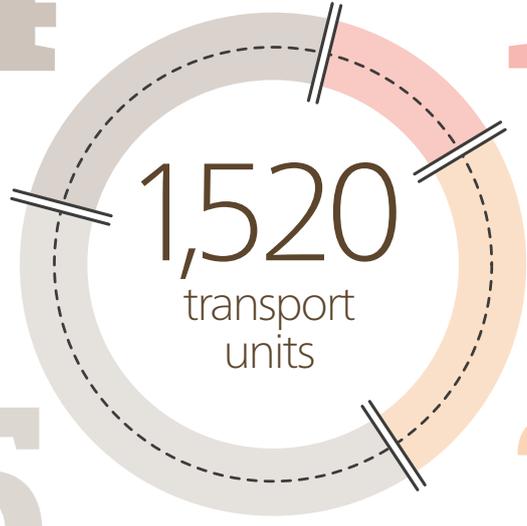
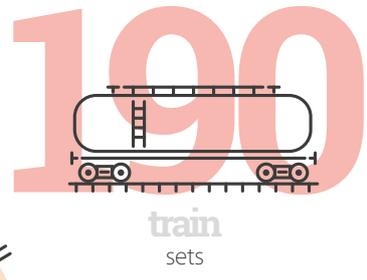
At all times supply services were efficiently maintained to different own and third-party consumption centres at competitive prices.

There was a high rate of use of ammonia ships, which were adapted to the different logistics situations, as these are difficult to foresee owing to the different variables involved.

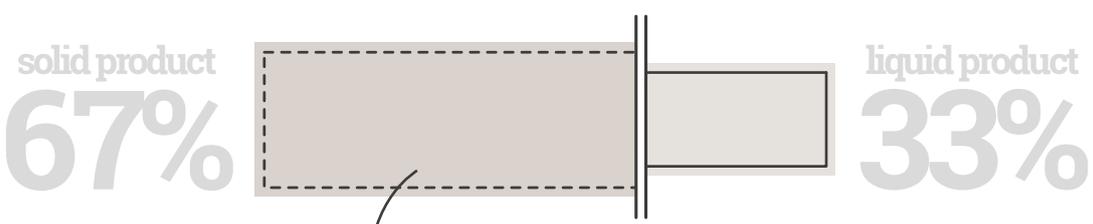
Transport logistics

- Ammonia shipping.
- Ammonia transport by road in dedicated and third-party tankers.
- Transporting ammonia and AdBlue by rail, to both external as well as internal Grupo Fertiberia customers.
- Ammonia shipping in containers.
- Transport, lading and stowage of technical-grade nitrate.
- Lading, stowage and shipping of finished products, both for the export and home market.

Transport units handled



Shipping



Market performance of raw materials

The supply of raw materials to factories generates large volumes per purchase unit. Generally this is done by bulk shipping. In general, the time it takes from the closing of a transaction to arrival at the factory depends on the product, availability and supplier location, involving numerous variable factors, varies from two to eight weeks.

With a view to minimising the financial impact, the volume acquired per purchase unit is as small as possible, but supply of production centres must be guaranteed at all times to ensure their operability. Therefore, the situation requires constant management and supervision, always bearing in mind the supply and the time negotiations take, producer availability and shipping times, thus perfect planning is required in collaboration with production centres and other company divisions to ensure a competitive and timely supply.

The different raw material markets have behaved unequally in international markets. Potash, ammonia, ammonium sulphate, rock, sulphur, phosphoric and sulphuric acids price trends were generally stable in the first half of the year. However, as of the third quarter prices became highly unstable marking an upward trend.

Fertiliser demand grew in 2017 with respect to 2016 as a result of the busier activity in what are mainly importer countries like Brazil, China, India and the USA. Likewise, there was strong, continued activity in the chemical industry, all of which led to a rise in both finished product and their raw material prices.

It should be pointed out that countries like the USA, Saudi Arabia and Egypt have increased their production capacity, particularly as regards nitrogen-based fertilisers, which has increased the supply while at the same time offsetting the fall-off in Russian market presence.

Moreover, the entry of China onto the ammonia market scene as a net importer is very important; and bearing in mind the new environmental policies that have come into force, it is expected that the upward price trend is to continue.

Accordingly, several particularly relevant facts should be highlighted as regards the Chinese industry in the short and medium term:

- Shutting-down of ammonia production capacity based on coal gasification.
- Increase in coal prices.
- Streamlining of the coal-mining industry due to inefficiency.
- Increase in local pollution charges (CO₂, SO₂, NO_x, etc.)
- Less natural gas availability (energy production and residential priority).

Ammonia

The price of ammonia has fluctuated considerably as a result of an extremely variable supply and demand, both to the east and west of the Suez Canal, which is in keeping with the trend in recent years.

To return to the Chinese market, the reduction of production capacity to meet environmental requirements is particularly noteworthy, which has given rise to enormous growth in demand there. Indeed, it is currently one of the main demand markets for this type of product and for other raw materials, a situation set to remain unchanged in the short and medium term. Indeed, this is one of the main reasons why the price of ammonia rose by 28% in 2017.

As far as supply is concerned, net exports from the USA, Saudi Arabia and Iran increased by 1.07 million tons, whereas Russian exports fell by half a million tons on account of the different technical shut-downs that took place there.

In terms of demand, the USA imported less, specifically 0.8 million tons, whereas imports in Morocco, Turkey and China grew by 0.85 million tons.

Less industrial ammonia consumption was registered in the last quarter in Europe, mainly on account of a fall-off in the synthetic fibre industry activity.

Phosphoric acid

The price of phosphoric acid remained stable throughout the year. Demand has been sustained worldwide, though in Europe this was somewhat more limited as a result of the bad weather.

The coming into service of Hub III in Morocco, with a production capacity of half a million tons of an ammonium phosphate, helped to hold prices up in spite of the bigger market supply, which was counter-balanced in Florida where a million tons of this very product failed to be produced since October, thus offsetting the supply excess.

It is expected that there will be some price alterations on account of the Chinese capacity adjustments mentioned above, which should see an upturn in phosphoric acid prices in the short term.

Potash chloride & ammonium sulphate

The price of potash remained stable most of the year. Nevertheless, there was an upward swing in consumption in importer nations, thus causing a rise of from 10% to 28% in some countries, while the prices increased more moderately in key markets like Brazil, the USA, China and India. It is expected that the demand will remain steady in the short term which, allied to a low volume of stocks, augur a moderate rise in prices for 2018.

The demand and supply of ammonium sulphate was extremely balanced in the first three quarters of the year, thus enabling prices to remain stable. However, the drop in availability of this basic raw material in the caprolactam production process led to less availability of this product, thus giving rise to strong price tensions in the European market.

Given the sensitivity to which the product is subject, on the one hand as regards the caprolactam market, and on the other with respect to nitrogen for fertiliser, the high demand for its granulated form and the lower availability of the standard form in producers, tensions are regularly arising as regards the availability of crystalline/standard quality.

Sulphuric acid

The price of this product has continued its upward trend, mainly on international markets, for the following reasons:

- Rises in the price of metals such as: Cu, Zn, Ag, which stirred leachate mining activity, which in turn has caused sharp increases in acid consumption.
- Important maintenance shut-downs at several foundries around the world, but particularly in Asia, which caused a downward re-adjustment of the global availability of acid during the last quarter.
- The start of Hub 3 production of DAP/MAP in Morocco contributed to increasing the demand there, both of ammonia as well as sulphur and acid.
- Logistics problems of an important Russian supplier to Morocco resulted in a speculative rise in both acid and sulphur at the end of the year.

In fine, sulphuric acid rose by around 50% in 2017.

7.2.5 Closer to society, closer to the customer

The endeavours made by Fertiberia to maintain close contact with society and especially in those communities where it conducts its activities, have once again attested to its resolute commitment to supporting a range of cultural, academic and sports initiatives, amongst which the following are particularly noteworthy:

Supporting the national sport

Vuelta Ciclista a España

2017 was the twenty-second year in a row that the company sponsored this internationally prestigious race.

Indeed, this means that Fertiberia's sponsorship is the oldest of those that currently back the event, making it the doyen of the sponsors. Once again the event attracted big audience numbers, not to mention a considerable presence of customers and distributors in person.

The Vuelta is one of the oldest sporting events in our country, and one in which year after year sees a growth in the passion of cycling enthusiasts and general public alike. Its geographical reach, which sees it pass through many towns and cities in Spain, combined with the values of effort and sacrifice that it conveys, enable Fertiberia to bring its brand closer to rural areas and society in general, while at the same time establishing a point of contact between the farmer and company through sport.

Signalling the race start, km 0 and the combined classification shirt, which involves the daily awarding of the same on the podium, are just some of the most relevant actions in this sponsorship.

Puerto Sagunto Handball Club

Sponsorship of the Fertiberia BM Puerto Sagunto, which began back in the 2012/13 season, was renewed for another four years.

Accordingly, Fertiberia has continued to show its confidence in a club, which from the beginning of its sponsorship, has not stinted in its efforts to reach new goals, remaining as we write in the Asobal League Division of Honour, the maximum category in this sport.

This Fertiberia sponsorship agreement also includes the rest of the divisions: under 18s, under 11s and under 10s, in both male and female categories.

Atlética Avilesina Association

The Atlética Avilesina Association (A.A.A.) is a multi-sports, non-profit club founded in 1932 and based in Avilés. It currently has four sections: canoeing, athletics, basketball and handball. Moreover, it is one of the oldest sports organisations in the Principality of Asturias and a touchstone nationally.

Fertiberia collaborates by sponsoring its canoeing activities, one of the club's historical sections and a reference nationwide in the 1990s.

Owing to this sponsorship, a large number of canoeists from all categories are working hard to re-establish this prestige and the competitiveness of this club by means of the continuous medals being won at the competitions in which it takes part.

Other sports sponsorship actions

Throughout the year, several production centres have collaborated in numerous local sports events, among which the following are particularly worthy of note:

- Sponsorship of the Fertiberia Multi-sports Campus (to which over 500 Puertollano children have access).
- Other collaborations with different sports entities to promote both male and female sports activities in the Puertollano.
- Collaboration agreement with Sporting Club de Huelva to promote female participation in its youth system
- Collaboration agreement with Club Deportivo Baloncesto San Juan del Puerto to encourage and promote basketball in and among depressed areas and groups (Barriada Pérez Cubillas)

A commitment to culture

Children's Rural Painting Competition

As has been its custom every year since 1996, Fertiberia organised the Children's Rural Painting Competition, an initiative promoted by the company to encourage the development of artistic talent and interests of boys and girls from rural and agricultural areas around the country.

Registering a participation of over 15,000 school children from 6 to 10 years of age, this competition, which attracts the participation of over 1,500 schools from rural areas nationwide, awards important prizes for both the winning pupils, as well as for the schools and Parents' Associations.

Once again, this edition was able to count on César Lumbreras, the presenter of the "Agropopular" farming programme broadcast by the COPE radio station, as Chairman of the Jury.

As in previous editions, the collaboration of prestigious entities was not found to be wanting, such as: UNICEF, the Pedagogical Museum of Children's Art (MUPAI), the Friends of the Prado Museum Foundation and, it goes without saying, the Ministry of Agriculture, Fisheries, Food and the Environment.

The competition falls under the Framework Agreement signed with the Faculty of Fine Arts of the University Complutense of Madrid, which provides for a collaboration space between Fertiberia and MUPAI.

Actions within the educational sphere

In 2017, the different management units at Fertiberia production centres signed collaboration agreements with the educational institutions and cultural bodies in their area of action.

Agreements signed:

- Association of Chemical, Basic and Energy Industries (AIQBE) Chair. Agreement with the University of Huelva to help studies, lecturer internships, doctoral theses, etc.
- Collaboration with cultural associations in holding the "Ciudad de Puertollano" Annual Art Competition.
- Sponsorship of the Industry Day Benefit Concert organised by the J. Perianez Professional School of Music for the "Ciudad de los Niños" (City of Children) project.
- Collaboration in the magazine "Conciencia" (Conscience) published by the students at the IES Pablo Neruda public secondary school.
- Collaboration with the magazine "La Higuera" in publishing the free, Isla Cristina town newspaper.
- Sponsorship of the Science Week organised by the University of Huelva where the "Café con Industria" (A coffee with Industry) workshops are held, consisting of a debate with students and lecturers in which they tackle industry-related issues.
- Collaboration with the Andaluza Beturia Foundation for Health Research in the V FABIS Award to the best intern trained at Andalusia Public Health System (SSPA) centres in the province of Huelva.

Social Responsibility

Associations and solidarity actions

Fertiberia has always made its presence felt in the social reality of those places where it pursues its corporate activity. A clear example of this being the different sports sponsorships it has undertaken over the years. However, being able to contribute to improving the well-being and development of our society by means of supporting solidarity initiatives is a particular cause for pride and special sensitivity for our company.

Accordingly, year after year Fertiberia factory management units enter into collaboration agreements with different non-profit entities commissioned with protecting needy groups and defending activities aimed at improving life in general.

Social collaborations:

- Collaboration in several benefits organised by the Evangelical Church of Huelva.
- Collaboration with the association to fight against kidney diseases (ALCER) Onuba.
- Sponsorship of the Spanish Red Cross Flag Day to collect donations for the same.
- Collaboration with the Huelva Association for the Deaf to co-finance the "Access to English for deaf children" project.
- Collaboration with the integration activities carried out by the Huelva Sports Club for the Deaf.
- Collaboration with the Huelva Multiple Sclerosis Association in the VI Night Solidarity Race on Punta Umbría beaches.
- Collaboration in the "12 million pedal pushes" initiative to protect refugees internationally organised by the CEPAIM Foundation.
- Education programme in deprived neighbourhoods in collaboration with Huelva City Council.
- Help to organise the Solidarity Street Market organised by the "Asociación Proyecto Hombre" addict rehabilitation association.

Customer support

Marketing and communication

As has been the case in previous years, 2017 has been a particularly active one in terms of company presence in the mass media. In addition to constantly figuring in the main farming and agricultural journals, the company has been notably present on radio programmes, specifically "Onda Agraria" and "Agropopular", which are broadcast by Onda Cero and Cadena Cope radio stations, respectively.

Moreover, continuance was given to several already initiated direct marketing actions and pooled promotions with customers.

Particularly noteworthy activities:

- Joint presence at agricultural fairs:
 - FEVAL in Don Benito (Badajoz) with Mercoguardiana
 - Expoliva in Jaén with our subsidiary, Fercampo
 - FECSUR in Azuaga (Badajoz) with Fertiberia Andalucía
- Joint publicity in farming journals
- Promotional talks with the main distributors of the new line of Advance products.

7.3 Industrial Area

Fertiberia industrial facilities are operated safely, efficiently and reliably, minimising environmental impact and optimising natural resource usage.

Industrial activity is the cornerstone of Fertiberia business, enabling it to provide its customers with a complete range of highly added-value products and innovative solutions in the agriculture, industry and gardening sectors.

7.3.1 Production

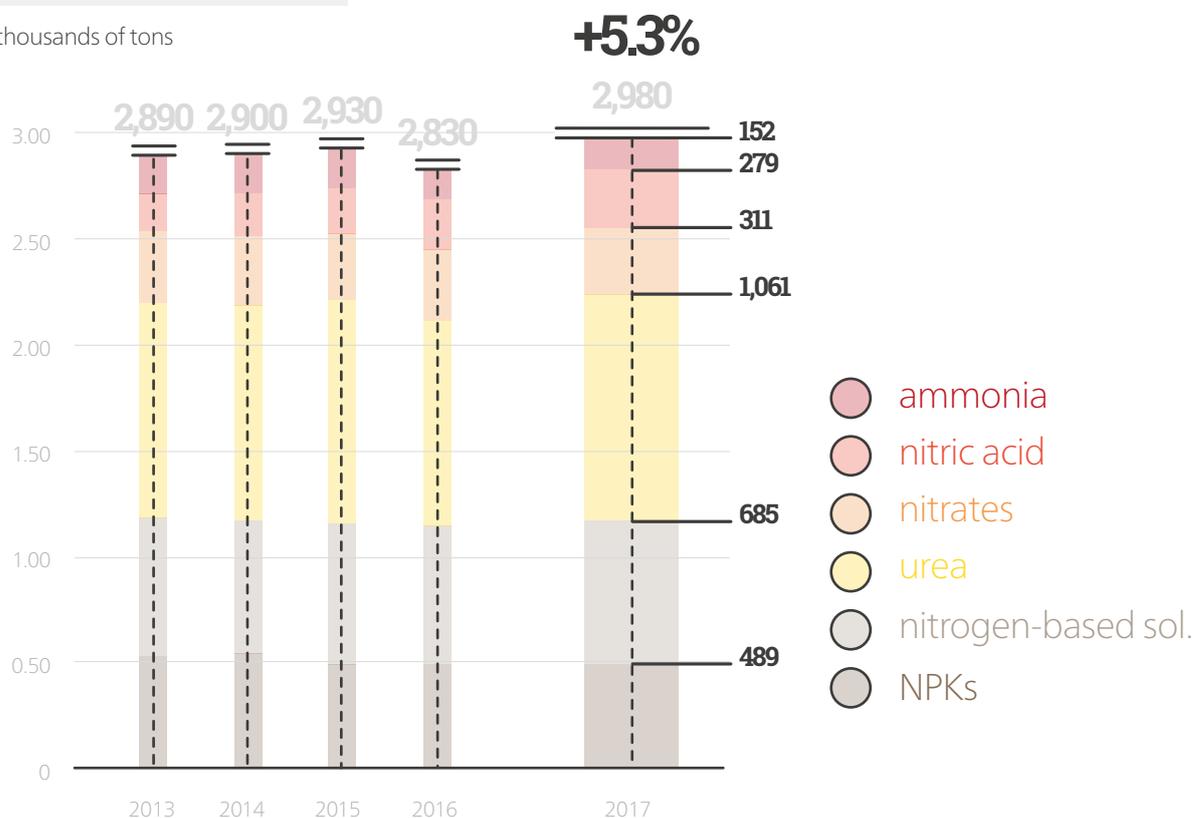
Total combined production increase by 5.3% in 2017 with respect to the previous year, reaching the staggering figure of 2.98 million tons. Indeed, this was the best performance in the last five years.

This rise in production was made possible by the improved performance of the all nitric acid and ammonium nitrate plants, as well as the ammonium nitrosulphate plant, in a context that proved more favourable to nitrogen-based fertilisers, not to mention the continued rise in production and sales of nitrogen-based solutions for both agriculture and industry.

Worthy of particular mention in production terms was the four-yearly, general shut-down at the Palos factory for 60 days, which affect both the amounts of ammonia and urea produced there.

Production performance

thousands of tons



The Avilés Factory

All Avilés factory indicators reflected a clear improvement in 2017 in a recovering nitrate market. Both the stable functioning of all the plants and the excellent quality of the nitrates produced at the Asturias factory explain this upturn. Indeed, nitric acid production rose by 15.9% in comparison to 2016, while a new production record was set for ammonium nitrosulphate. Moreover, granulate production reached the second best result in the history of this industrial complex.

The Huelva Factory

Consolidation of the manufacturing of high efficiency compound fertilisers marked 2017 at this factory. These fertilisers are marketed under the Fertiberia Advance brand and contain adapted formulae that included additives developed by Fertiberia to achieve top yields in every crop. These types of fertilisers, which are the mainstay and future of the Huelva plant, already represented 58% of its total production in 2017 and in spite of having increased by 11% with respect to last year, this figure only reached 69% of the budgeted estimate owing to the fall-off in sales.

The Palos Factory

The drop in ammonia and urea prill production is due to the scheduled, 60-day general shut-down that took place to do regular inspection, repair and improvement work at the facilities.

With respect to specific actions, the following are particularly noteworthy: the ten-yearly inspection of the ammonia tank, the installation of a new state-of-the-art control system, as well as the replacement of different equipment units at the ammonia and urea plants for greater energy efficiency. As a result of these actions, natural gas consumption was reduced by over 5%.

The Puertollano Factory

After the general shut-down in 2016, the various plants at the Puertollano Factory performed very stably throughout the year.

Accordingly, the ammonia plant has operated 99.4% of the time, the nitric-nitrate plants 97.4% while the urea plant was in operation 96.4% of the time. As a result, production exceeded estimates by 6%, thus establishing new annual records for urea, ammonia solution and nitrate liquor dispatches.

In the case of ammonia, plant load has been adjusted to self-consumption on account of the imbalance between the price of natural gas and the potential sale of surplus ammonia. Despite this, natural gas consumption per ton was reduced by over 3% with respect to last year.

The Sagunto Factory

Once again, the Sagunto factory proved to be a benchmark for operational excellence within Grupo Fertiberia, bettering as it did the previous annual production of nitric acid and total production.

Production rose 8% above estimates, which translated into over 100,000 tons of liquid production.

Moreover, a new ammonium nitrate with sulphur was produced and marketed. This highly valued agricultural product was particularly welcomed in Northern Europe and Morocco.

7.3.2 Investments

Investments of €25.3 million were made in 2017. Of the aforementioned figure, some 85% was allocated to the Palos factory to complete an important energy efficient project at the ammonia and urea plants.

As has been the case in previous years, the requisite investments were also made to maintain a fitting technological standard and to ensure facility safety. Investments in production in 2017 accounted for 8% of the total investment figure for the year.

Investment type	Thousands of €
Production	2,080
Environment and safety	534
Catalysts	95
Others	22,611
Total	25,320

Investments by factory	Thousands of €
Avilés	2,427
Huelva	87
Palos	21,770
Puertollano	321
Sagunto	437
Storage facilities	278



7.3.3 Purchasing Management

Orders placed by Fertiberia factories, representing the sum of orders for materials and services amounted to €43.45 million: a 35% drop with respect to the previous year.

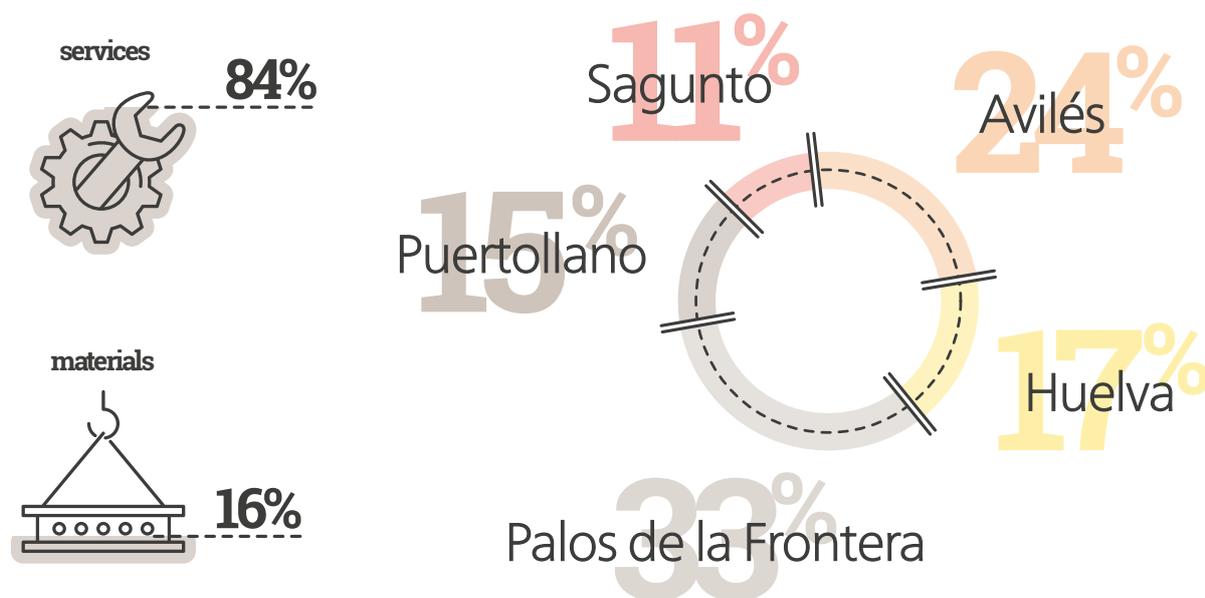
The ratio of material purchasing orders to those related to the hiring of services remained unchanged in 2017 with respect to 2016: 84% of orders were placed for services versus 16% of orders for materials.

As was the case in 2016, the Palos factory placed most orders in 2017, owing to the general shut-down that took place in May.

Notwithstanding, the Palos and Puertollano factories reduced their expenditure by 42% and 62%, respectively, in comparison to 2016. The reason for this is that a large part of the orders corresponding to both production centres were made in advance that year.

Avilés factory expenditure increased by 31% on the 2016 figure owing to the construction of the sulphuric acid tank at Valliniello dock in the Port of Avilés. Also worthy of mention as regards expenditure, was the drop in costs at the Huelva factory, as a result of the saving measures implemented there.

Order distribution



	Avilés	Huelva	Palos	Puertollano	Sagunto	General Summary
Materials	1,455	758	2,056	1,647	986	6,902
Services	8,859	6,522	12,335	4,936	3,898	36,550
Total	10,314	7,280	14,391	6,583	4,884	43,452

7.3.4 Integrated Management System (IMS)

True to its undertaking to serve both agriculture and society, as duly stated in its Integrated Management Policy, Fertiberia is committed to providing top quality goods whether they be fertilisers or the other products it markets. Moreover, it works to a set of ethically responsible principles of action with respect to society and the surroundings where it pursues its activities throughout the entire life of its products.

To implement this policy, an Integrated Management System (IMS) was developed in accordance with ISO-9001-Quality Management, ISO 14001-Environmental Management and 18001-OHAS requirements, the main Fertilizers Europe safety management principles and the regulations that govern labour and industrial safety.

This Integrated Management System regulates company activities and products and provides the information required to make possible their continuous improvement. Moreover, Fertiberia has signed up to the guiding principles of the "Responsible Care Programme", coordinated by the Spanish Chemical Industry (FEIQUE), to ensure continuous improvements to Safety, Health and Environmental Protection in accordance with Sustainable Development principles.

Company management is fully aware of the importance to Fertiberia of:

- Meeting the quality requirements and stakeholders' expectations;
- Requirement compliancy and continuous improvement;
- Its responsibility in achieving sustainable development before society and the environment in which it conducts its activities;
- Occupational health and safety and industrial risks associated with its activities.

Accordingly, Fertiberia management defines and ensures that requirements and risks are integrated into business organisation processes and incorporates them into documented information which, in turn, is reported to each department to implement and monitor them.

Accordingly, all Fertiberia personnel are aware of the importance of meeting these requirements to be able to pursue their activities and offer a quality, safe and environment-friendly product that contributes to its sustainable development.

Fertiberia management has defined and disseminated its Integrated Management Policy, while also setting out annual targets that are compatible with the strategic direction and the organisation context, endowing the company with the resources required to ensure the proper functioning and maintenance of the Integrated Management System, while at the same time regularly monitoring it to ensure it achieves expected management system results.



Safety as a priority

Safety is the main company priority. The safety of each and every one of those who enter its centres on any given day, the safety of its facilities and that of the surrounding area.

There were no industrial accidents of any import throughout 2017, thus making it a particularly satisfactory year in this sense.

The Puertollano factory has increased both its own and ancillary staff accident free day records, which at the end of the year stood at 1,601 and 2,789 days, respectively.

The Huelva factory also increased its own staff accident free day record, which now stands at 878 days. Nevertheless, the year did not end on a completely satisfactory note, as 2017 failed to achieve the zero accident goal.

Fertiberia can count on a complete and acknowledged Safety Management System to meet the most demanding safety objectives, at the core of which is the identification and mitigation of those occupational and industrial risks associated with its activity.

OHSAS 18001:2007 certification of the Safety Management System was maintained in 2017 after all factories successfully passed the audits with flying colours. The aforementioned audits were particularly noteworthy for the strong points detected, such as Systems Integration, Training, Communication, Drills, Awareness and the Efficacy of Management and OHAS tools.

Once again, Fertiberia's occupational health and safety activity throughout the year received acknowledgment from several different quarters, not to mention honourable distinctions awarded to the Puertollano factory and its Safety Coordinator, Manuel Buitrago, by the jury of the Clodoaldo Jiménez Izquierdo awards for safety management and being accident free over the last four years.

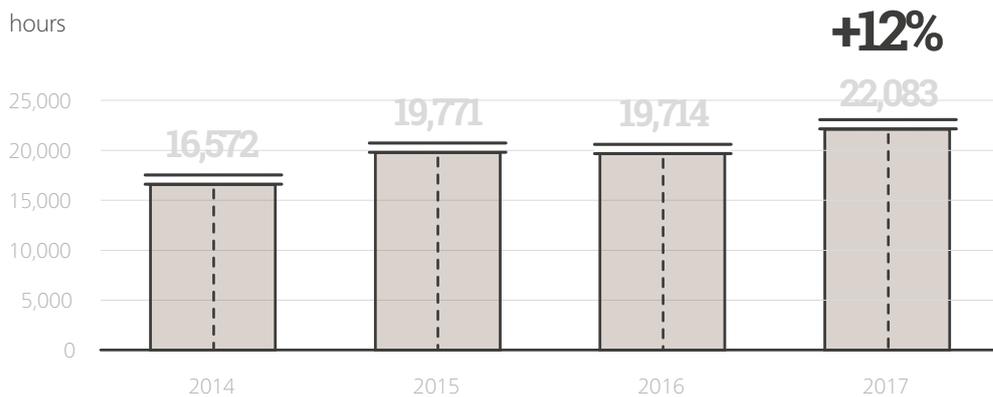
The good results obtained in the year and the recognition of the work done underscores the fact that we are on the right track in our approach to these issues, while at the same time strengthening our resolve to continue making improvements in our endeavours.

Safety training

Training in safety is a key factor in arousing the consciousness and awareness of all those who work at Fertiberia centres.

Company management makes daily efforts in personnel training and particularly in that of the emergency teams and the carrying out of emergency drills.

Safety training performance



Occupational health and safety

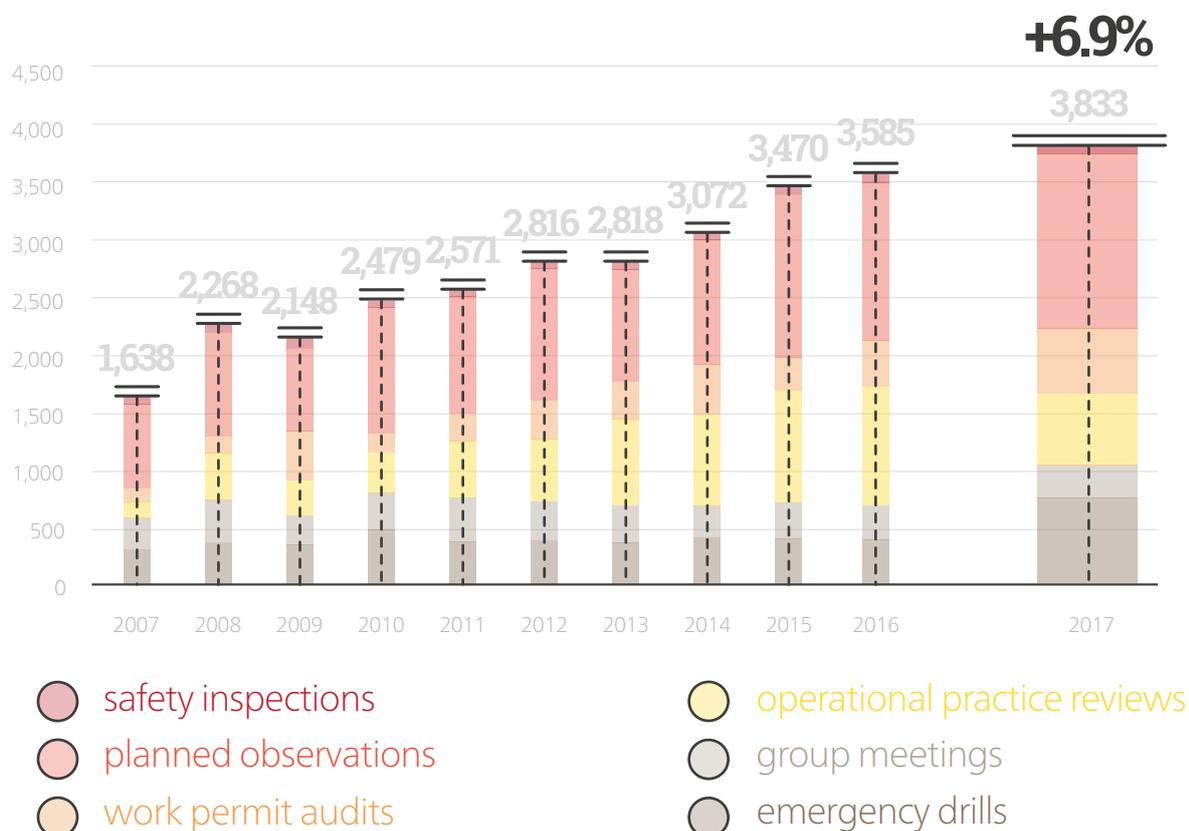
Occupational health and safety and industrial tools underpin the results obtained in safety matters.

A total of 3,833 prevention actions were conducted in the course of 2017, 6.9% more than the previous year.

	Inspections	Observations	Audits	Operational Practices	Group Meetings	Drills	Total
Fertiberia	754	293	618	569	1,529	70	3,833
Ancillary Companies	393	172	138	0	253	0	956
Total	1,147	465	756	569	1,782	70	4,789

Developments in occupational health and safety intensity

no. of actions



Accident rates

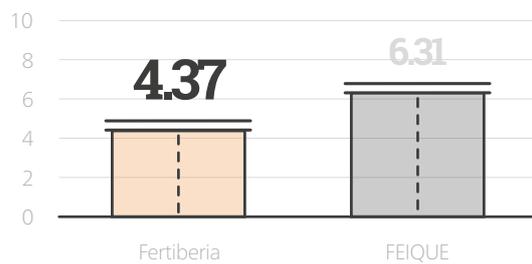
The frequency index measures the number of accidents with sick leave for every million of worked hours.

In 2017, the Fertiberia accident rate as regards both own staff as well as that of ancillary company personnel was 4.37, while the average for sector companies (FEIQUE) stood at 6.31.

The severity index, which measures the number of sick leave days lost on account of accidents per every thousand of hours work, was 0.28 days for the year, while the sector average was 0.46 days.

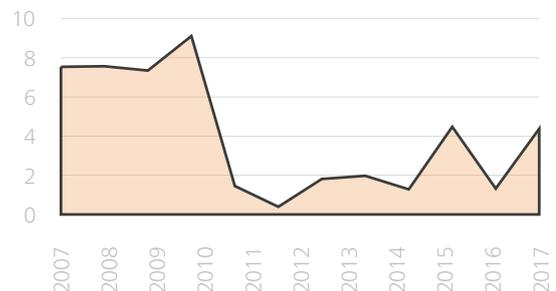
Frequency comparison index

no. of accidents with leave per million of hours



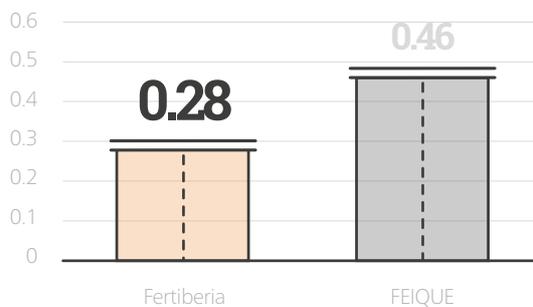
FI Fertiberia Performance

no. of accidents with leave per million of hours



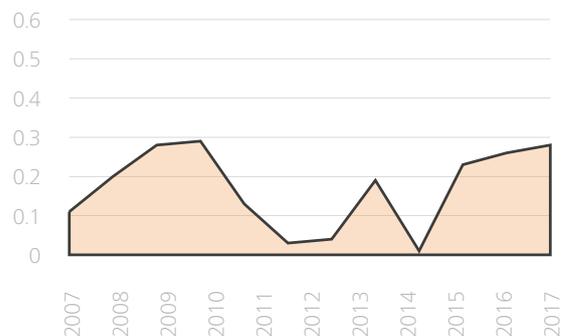
Severity comparison index

no. of working days lost per thousand hours



SI Fertiberia Performance

no. of working days lost per thousand hours



Environmental friendliness

Fertiberia pursues all of its industrial activity in a strictly environment-friendly manner, respecting its surroundings and understanding environmental awareness as an indisputable must in the chemical sector.

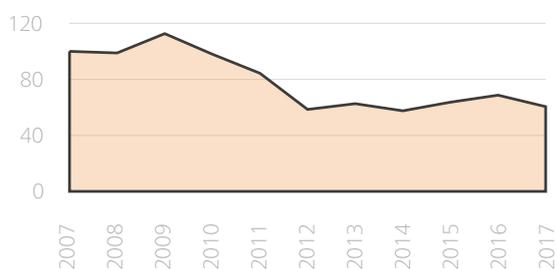
Such is its commitment that **Fertiberia has integrated best environmental practices into all of its procedures, not only as a legal requirement, rather as a continuous improvement goal.**

Indeed, this commitment is readily attested to by the emission and discharge results which are improving with each passing year, a fact to which 2017 was no exception. All company facilities observe the limits established by the Integrated Environmental Authorities, which displays a marked downward trend.

A review was begun in 2017 on the chemical Best Available Techniques Reference Documents (BREFs) —and associated limit values— for emissions. It is expected that this review process will take several years. The European Commission has set 2020 as the latest definitive publication deadline.

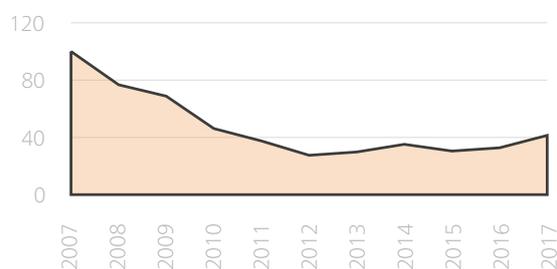
Development of NOx emissions

nitric acid production
% emission per ton. base 100 = year 2007



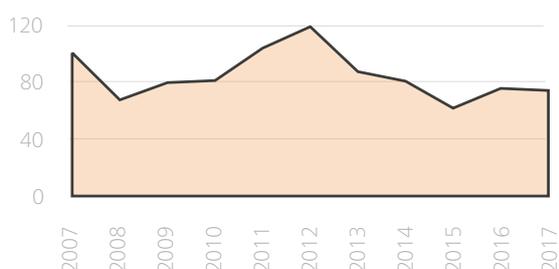
Development of particle emissions

granulate production
% discharge per ton of nitrogen. base 100 = year 2007



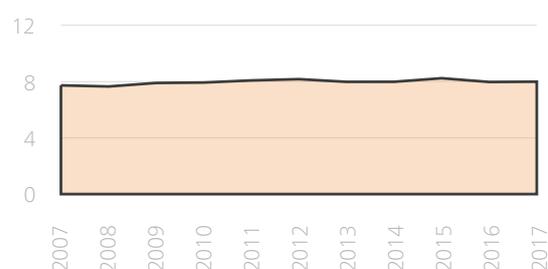
Development of nitrogen discharges

factories' average
% discharge per ton of nitrogen. base 100 = year 2007



Development of pH discharges

factories' average
pH level



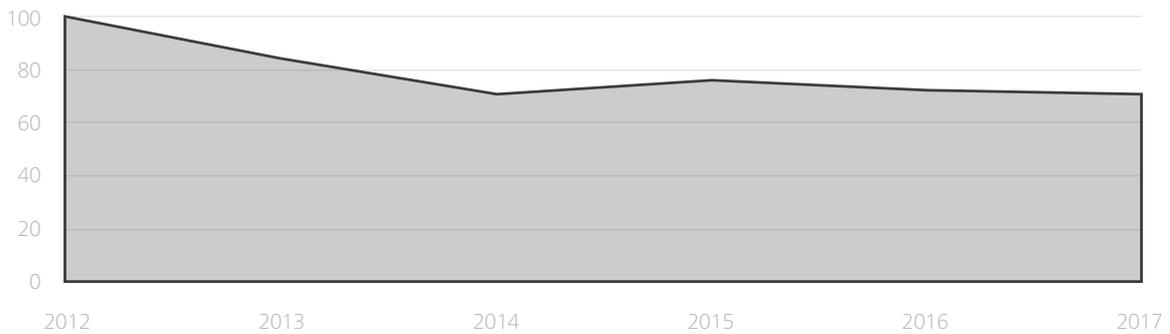
Energy efficiency and climate change

Fertiberia uses a lot of energy. As a responsible company, and one committed to sustainability and the fight against climate change, it has set ambitious targets to reduce greenhouse gas (GHG) emissions.

The energy efficiency project undertaken at the Puertollano factory in 2016, or the latest energy optimisation project at the Palos factory, successfully completed in 2017, clearly attest to this commitment. Indeed, the latter project has made it possible to reduce energy consumption at the ammonia plant by 5% and to reduce CO₂ emissions by over 60,000 tons a year.

Development of CO₂ emissions

ammonia production. Puertollano factory
% emission per ton. base 100 = year 2012



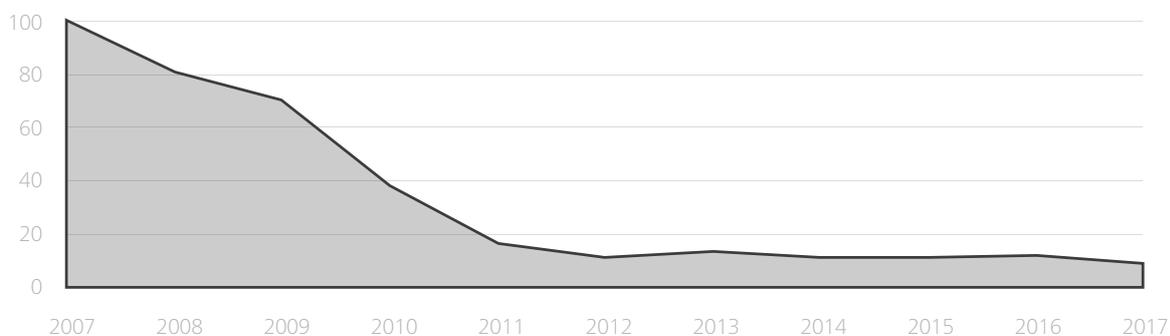
The aforementioned project was supported through the IDAE National Energy Efficiency Fund.

Nitrogen dioxide (N₂O) is another source of GHG emission at Fertiberia. This gas, the greenhouse effect of which is some 300 worse than CO₂, is emitted during the manufacturing of nitric acid, an intermediate material used to make different products with nitrate content.

Owing to the installation of increasingly more efficient catalysts and meticulous operational control, over the last ten years Fertiberia has managed to reduce its N₂O emissions by more than 90%, which is the equivalent of it having stopped emitting some 980,000 tons of CO₂ into the atmosphere every year.

Development of N₂O emissions

nitric acid production
% emission per ton. base 100 = year 2007



As result of the efforts made in reducing GHGs, Fertiberia has been able to cover 82% of its emissions with its allowances. In 2017 it resorted to the emission rights trading market to cover the rest. This situation is the same for all European ammonia producers that have to tackle high energy prices which are further increased by the cost of acquiring emission rights, thus creating even more difficulties for an industry that is the most efficient in the world and which must compete with other producing regions that are not committed to the fight against climate change.

With a view to fostering environmental awareness and promoting the use of more sustainable fertilisers, Fertiberia makes available information on the carbon footprint of all of its products for its customers, which is determined by the standard drawn up by Fertilizers Europe.

Environment-related investments

This year saw the completion of the €25 million investment project in energy efficiency at the Palos factory.

Moreover, other environmentally-related investments were made to the order of €500,000.

Commitment to quality

By implementing its Integrated Management Policy, Fertiberia ensures the quality of its products and agricultural and industrial solutions. Moreover, it works to a set of ethically responsible principles of action with respect to society and the surroundings where it pursues its activities throughout the entire life of its products.

To achieve its policy aims, the company designed a quality management system in accordance with the UNE-EN ISO 9001 International Standard to meet stakeholder demands and to guarantee compliance with all applicable legal and regulatory requirements.

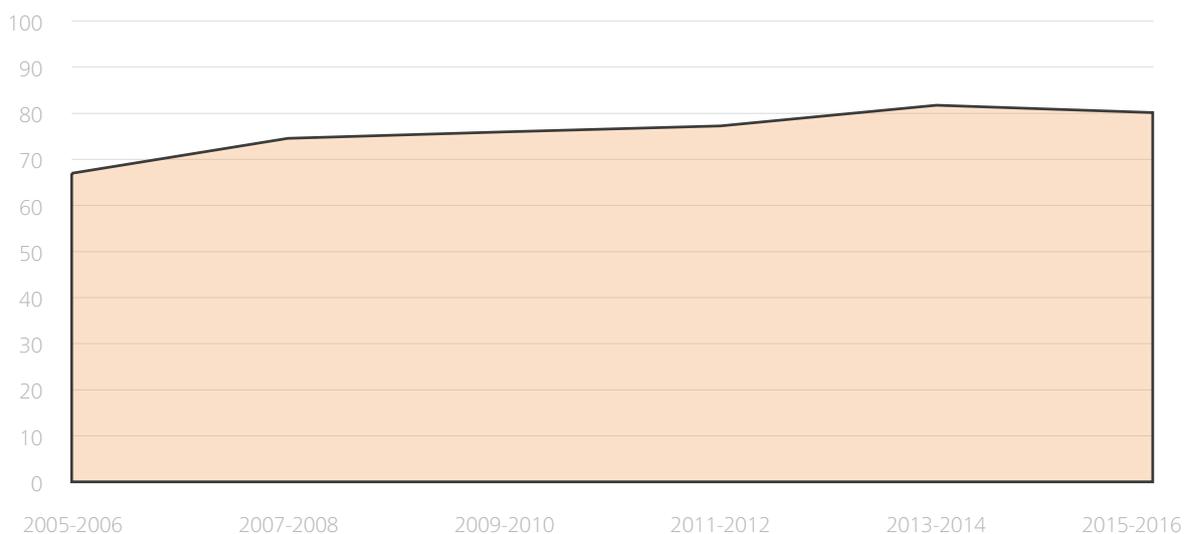
The Fertiberia Quality Management System structures and promotes design, production, sales and after-sales service activities for its products and furnishes the information needed to facilitate the continuous improvement of these.

One of the most important principles of the Quality Management System is its customer focus, encouraging as it does direct customer contact to determine their satisfaction levels, learn about their expectations and duly reconcile these with product design.

The overall result of the latest Customer Satisfaction Index was 79.1%, thus enabling us to consider our customers as "Very Satisfied".

The Quality Management System is audited every year by the Spanish standards agency AENOR, which upheld certifications at all company factories, adapting as they did to the new version of ISO 9001:2015 in the course of 2017.

Customer satisfaction performance rate



Non-conformities performance



The number of “Non-Conformities” detected in the audits continues to fall while at the same time maintaining a very low value, thus accrediting continuous system improvement.

By implementing the ISO 9001 Standard and in complying with all its associated requirements, Fertiberia ensures the continuous improvement of its Quality System, as well as satisfying all stakeholders (customers, suppliers, employees, shareholders, society, etc.). The main body for ensuring the analysis and improvement to the Quality Management System is the Quality Management Committee.

The quality policy, among other matters, is reviewed at the different quality committee meetings, in addition to checking the meeting of quality targets, goals and indicators and commenting on the results of the audits, process performance and product conformity. Moreover, customer satisfaction data are studied, the status of corrective and preventive actions reviewed and how these changes may affect the Quality Management System is anticipated. The quality of the Training Plan is also ensured.

Among Fertiberia’s numerous achievements in the course of the year, the following are particularly noteworthy:

- Manufacturing of new compound fertilisers as part of the Advance Line at the Huelva factory, optimising fertiliser performance and enhancing the product life cycle.
- Consolidation of the manufacturing of ammonium nitrates incorporating soluble sulphur, developed at the Avilés and Sagunto factories.
- Improvements to the physical quality of the ammonium nitrosulphate and ammonium nitrates at the Avilés and Sagunto factories.
- Different production records broken at the Avilés, Puertollano and Sagunto factories.
- Obtaining the registration of Puertollano urea as fit for animal feed.
- Absence of any noteworthy operational incident and maintaining of high availability indices at all of our factories due to the proper management of the operating robustness of these in terms of maintenance, operation and change control.



REACH

Registration, Evaluation, Authorisation, and Restriction of Chemicals

All the requisite activities have continued to be undertaken throughout 2017 to properly comply with REACH legislation, covering its different aspects. As a member of Fertilizers Europe, Fertiberia is thus also a member of the FARM (REACH consortium of manufacturers of Fertilizers And Related Materials) consortium.

Suppliers

Fertiberia continued to communicate with its suppliers as to the uses made of its substances, with the aim of maintaining these uses updated, identified and registered by them. Moreover, consultancy work continued about the different uses identified and recorded in company Safety Data Sheets and Chemical Safety Reports.

New Registrations

Registrations of substances that have had their classification changed under the Classification, Labelling and Packaging (CLP) regulation. Accordingly, the registration of nitric acid and anhydrous ammonia were updated as were those of other substances in order to meet company needs, such as, for example, the registration of DAP, MAP and phosphoric acid substances.

Customers

Communications have been maintained to confirm, or where appropriate, to broaden the known uses of products via collaboration with the sales area in order to include these on the lists of uses to be covered by the REACH consortium. Moreover, a speedy and effective channel was put in place to ensure any communication regarding the reviews of Safety Data Sheets.

Factories, Warehouses and Subsidiaries

Collaboration was forthcoming in the regulatory REACH inspections carried out on factories, warehouses and subsidiaries by the Competent Authorities, quickly responding to doubts and questions raised from the factories and other Fertiberia areas, as well as from the authorities themselves.

Fertial

Collaboration was ongoing with the Algerian company Fertial, which belongs to the Fertiberia Group, in all matters relating to the REACH consortium, and especially in the aspects related to possible exports to the European Union.

Product Stewardship

As member of the European fertiliser producer association, Fertilizers Europe, Fertiberia subscribes to the Product Stewardship programme, which involves taking on board a set of rules and responsible actions to ensure that fertilisers, raw materials and intermediate products are manufactured, packaged, handled, stored, distributed and used in such a way as to ensure and foster the health protection, safety, quality and respect for the environment.

Product stewardship materialises in the responsible management of safety, health and the environment throughout the life cycle of products, in accordance with the applicable legislation and observing the chemical industry best practices and guidelines. The product life cycle encompasses elements as disparate as:

- Raw materials, intermediate products, additives, coatings and by-products
- Product development
- Packaging and loading
- Marketing and sales
- Application and use
- Recycling and/or elimination of packaging materials, surplus products and waste

In accordance with the Product Stewardship programme, Fertiberia undertakes to:

- Develop policies and structures that reflect its commitment to the programme and assume responsibility for the elements that form part of the same.
- Improve action plans to meet the proposed objectives, to which end the requisite resources must be allocated.
- Follow and assess the compliance programme, making corrections where necessary, fostering communication and the participation of those involved in the supply chain.
- Control the documentation of Product Stewardship requirements.
- Keep a system to record and respond to complaints.
- Ensure product traceability.
- Establish a decision-making system along the entire production line, assessing raw materials and the alternative chemical products, alternative transport routes and types of storage, etc.
- Audit programme compliance, reviewing all the activities related to the same.

Brought into operation in 2003, the programme has an external audit conducted on it by a prestigious international auditor every three years. The latest of these audits was conducted in 2017 by the company DNV-GL.

The audit returned a very **satisfactory result**, obtaining a score of 89 out of a 100, **highlighting the good work done by Fertiberia in applying the programme**, its commitments and the continuous improvement to the same.

7.4 Labour Area

Complete normality was the prevailing tone as regards labour matters in 2017, as has been the case in recent years.

The Partial Retirement-Relay Contract Plan, which was put in place in 2004, continues to be applied; a plan that has made it possible for young and qualified people to join the company to relieve those older members of the staff who have taken early retirement under the same. Some 421 relay contracts have been signed in the 2004-2017 period which, along with covering 123 vacancies, has made it possible to renew 72% of the staff, the average age of which is currently 41.4 years of age.

All the training plans carried out at company work centres, focusing on the continuous improvement of personnel skills, enabled the giving of 58,000 training hours, which averages out at 75 hours per person.

The "Employee Portal" computer application was developed in the last half of 2017. This opens a new information and communication channel with company employees, enabling them to access relevant information in a secure and personalised manner from any terminal via a web page. Accordingly, it will enable the consultation of personal data and payslips, income tax certificates and other features that will be implemented on the portal in the future.

Full-time staff numbers at 31 December 2017 stood at 769, which can be categorised into the following professional groups:

Staff distribution by professional groups



Fertiberia Ethical Code

The objective that Fertiberia's management imposed with the creation of this code aims at strengthening, as far as possible, a culture of "Zero tolerance" with irregularities.

*"Honesty and integrity;
with oneself, with others,
at all times and in all places".*

What is the Ethical Code of Conduct

The Fertiberia's Ethical Code of Conduct is a fundamental rule of internal character, but with a universal vocation, which has the primary purpose of establishing ethical principles and basic patterns of behaviour that must govern the behaviour and actions, both internally and externally, of all the members of Fertiberia, regardless of their roles and responsibilities, their position in the organisation chart and any other personal, social or employment circumstances.

Who must comply with the Code

The Ethical Code is applicable to all members of the company, as well as, in general, to any person or entity with which the Grupo Fertiberia companies maintain a business, labour or administrative contractual or pre-contractual relationship.

Those subject to it have the duty to know, comply with and apply the Ethical Code of Conduct and, consequently, must respect the values, principles and standards contained in the code, both in their internal professional relationships with Fertiberia and with all other people subject to it, as well as in external relations with customers, suppliers, competing companies, public administrations, State and society in general.

Everybody subject to the code also has the obligation and moral duty to ensure that any other person subject to it also, know, comply with, respect and implement it.

08

associated companies

8.1 Fercampo



Fercampo is the Fertiberia subsidiary that operates in Andalusia and part of Extremadura. Within the same busi-

ness unit, it caters for all new agricultural needs, such as conventional, solid and liquid and leaf fertilisers and state-of-the-art gels, ecological fertilisers, plant protection products, seeds, industrial products and new precision fertilisers.

It has offices in Málaga, Mengíbar, Villafranca de Córdoba and Utrera, not to mention spacious solid fertiliser storage and packaging facilities with an approximate capacity for 65,000 tons, in addition to a liquid fertiliser factory the installed capacity of which amounts to 40,000 tons a year. Furthermore, Fercampo has exclusive use of storage tanks in Seville port that are capable of storing up to 8,000 tons of liquid fertiliser, in addition to other contracted warehouses in its area of influence.

Fercampo continued with the modernising of its transport fleet in 2017, 80% of which it has managed to renew in the last two years.

Moreover, in collaboration with the Fertiberia Agricultural Service, it offers technical advice to customers through a widely experienced sales team made up of agronomists. Particularly noteworthy in this sense were the briefings held with over 400 professionals to introduce them to the new Advance Line.

Fercampo has a customer portfolio of over 2,000 customers, mainly retailers and cooperatives. Nonetheless, the high number of farmers served by the company deserves special mention, thus enabling it to reach the last link in the sales chain.

Performance over the financial year

The rainfall throughout the first quarter, and which stretched into early April, boded well for winter and other crops. Thereafter, however, the scarcity of rain was particularly damaging, which translated into a lower consumption of nitrates than expected in late season top dressing.

As far as the olive growing is concerned, fertilising was brought forward and concentrated on a few weeks with the logistics difficulties this entails, having to manage a high number tons in a short space of time. Notwithstanding, record sales figures were reached in the sale of compounds for this crop.

Also worthy of mention is the continued drop in the areas sown with maize as a result of the negative price outlook, as well as the scarcity of irrigation water in many areas.

Even so, Fercampo sales for the first quarter were particularly satisfactory, placing over 122,278 tons on the market, including special products; a record figure and way above the both the 2016 and budget estimate ones.

Despite the high temperatures and prolonged drought, reservoir water reserves made it possible to irrigate crops as per normal in the second quarter. Once again, Fercampo has managed to surpass its forecast returns.

Weather was particularly bad in the latter months of the year for normal crop growth which, allied to the low cereal price levels and a bad sunflower harvest, negatively impacted on basal dressing fertiliser consumption. Olive harvesting was brought forward, which meant that a lot of farmers transferred their fertilising tasks to later on.

A 25% in the sale of leaf fertilisers should be mentioned, mainly from the Mengibar plant, as should the increase in differentiated NPK compound fertiliser sales, which were up by over 50%, on account of boosting specialisation and the commitment to special products that generate added value.

Moreover, in 2017 the sales of special products generated a sales turnover of over €14.5 million, thus these have increased by nearly 40% since Fercampo was incorporated into Grupo Fertiberia.

As a result of having met all set targets in terms of sales turnover and profits in the fertiliser, plant protection and seed sectors, means that Fercampo results before taxes in 2017 were up by 55.7% on those posted for 2016.

Targets for this year are to consolidate the market share gained in the conventional fertiliser sector and to continue increasing the sales of Fertiberia Advance, plant protection and leaf fertiliser sales, both on the home front as well as abroad.

8.3 Fertiberia Andalucía



A subsidiary pertaining to the Grupo Fertiberia, this has already become one of the main operators in the fertiliser market in Andalusia and part of Extremadura. Based in Córdoba, Fertiberia Andalucía markets traditional solid and liquid Fertiberia brand fertilisers over a sales network that includes cooperatives and wholesalers.

In the facilities located in Alcolea de Córdoba is the sacks and "Big Bag" packaging line, with storage capacity for up to 10,000 tons of solid fertilizer and 1,000 tons of nitrogenous solutions. With the aim of improving logistics promptness, agreements have been reached with strategically located warehouses in its area of influence.

Fertiberia Andalucía provides a sales and technical service to its customers through a highly qualified and experienced team in the industry, relying on the Fertiberia Agricultural Service.

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Performance over the financial year

Fertiberia Andalucía performance during the year was conditioned by the same factors that have affected the other Spanish subsidiaries, though, in this case, the differences between the first and second half of the year were even more clearly marked.

The volume sold in the first half the year managed to meet 97% of the estimate. Indeed, it was 7.5% up on that for the same period in 2016, with the cereal and olive top dressing seasons proving positive in general.

A drastic change of scene marked the second half of the year, mainly on account of particularly bad weather, resulting a very bad cereal basal dressing season and the putting back of the urea season. Consequently, Fertiberia Andalucía sales reached merely 51% of the budgeted estimate and fell by 32% with respect to the previous year.

As far as the sales performance of nitrogen-based fertilisers are concerned, albeit down on estimates, they can be considered as normal, with a volume of nearly 80% of the budgeted amount being placed on the market in Extremadura and Andalusia, while sales were 2% upon 2016. Indeed, the 26% increase in the sales of ammonium nitrosulphate was particularly noteworthy.

The big demand and introduction of granulated urea into the market have generated fierce competition, to which must be added the putting back of the season owing to emergence problems. Accordingly, sales fell by 20% with respect to 2016.

Generally speaking, compound fertiliser sales performed as expected in the first quarter of the year, and were in accordance with the expected figures, with the notable increase in the demand for 17-8-10 compound fertiliser for the olive market deserving special mention.

Nevertheless, the cereal season in the last few months of the year was particularly bad, as reflected in a 17% drop in the budgeted NPK amount, though the figures were practically the same as those achieved in 2016.

The same can be said of the DAP market, a product that was equally affected by the negative trend in the second half of the year. This mainly manifested itself in the cereal basal dressing season, registering a turnover of some 25% less than expected, and a drop of up to 35% less than the previous year.

As far as the 32% nitrogen-based solution is concerned, there was heavy competition owing to massive imports, thus worsening an already complicated market situation. There was a 58% drop in turnover with respect to the budgeted amount, though there was a rise of 42% in comparison to 2016 turnover. Sales of the 20% nitrogen-based solution also fell considerably.

Soluble solid fertiliser sales rose by 27%, thus maintaining the company's market share.

Given this scenario, Fertiberia Andalucía sales turnover was down 10% in comparison to 2016 and fell 26% below budgeted estimates.

As far this year is concerned, the new Advance line of products is being promoted, market acceptance of which is reflected in the optimistic estimates.

8.4 Fertiberia La Mancha



Set up in 2000, Fertiberia la Mancha main office is located in Motilla del Palancar (Cuenca).

This subsidiary specialises

in the sale of solid and liquid fertilisers, all of which are manufactured by the parent company. It has a plant in Motilla del Palancar with a 30,000 ton storage capacity. It also has facilities to enable packaging in sacks as well as big-bags, which greatly facilitates the service response speed to customers in Cuenca, Albacete, Ciudad Real, Guadalajara, Toledo and Madrid, all of which are provinces in which this subsidiary is firmly established.

Its storage capabilities are further complemented with different strategically located ones in Castile-La Mancha and Levante on foot of agreements reached with its customers.

Also worthy of mention is the renting of a warehouse in the Port of Sagunto with a storage capacity of 8,000 tons to avoid any delays in the ship unloading process. This warehouse also doubles as a central warehouse from which direct sales are made.

In addition to its business as a fertiliser seller, this year it is further consolidating its activity as a transport operator, which began in 2017, thus enabling it to maximise its logistics endeavours by direct, rapid, profitable and efficient control.

Fertiberia la Mancha continued to promote its efforts in disseminating best farming and fertilising practices towards a more productive and sustainable agriculture by means of holding several technical workshops and conducting field trials with certain customers to transfer its knowledge and check the techniques being applied to the fertilisers.

Fertiberia la Mancha is promoting the new line of Fertiberia Advance products; a range of cutting-edge and exclusive products that require greater sales and technical information. An initiative that is proving to be particularly successful with farmers.

Performance over the financial year

Despite the problematic developments in the agricultural sector, Fertiberia la Mancha managed to satisfactorily cope with a difficult state of affairs, maintaining its market position and its solid market share. Indeed, it continues to be one of the benchmark operators in central Spain.

First half sales were above those for the same period the previous year, rising by 5% and up 6% over the budgeted figure. The volume placed on the market in the second half of the year fell with respect to the same period last year. This can mainly be put down to the drop in compounds in the cereal basal dressing season, which was affected by very bad weather and an increase in the area sown without basal dressing.

Worthy of particular mention is the setting up of the subsidiary in the provinces of Valencia, Alicante and Murcia, a province with enormous potential.

Equally important in 2017 was the introduction of different Advance line products into Valencia and Alicante for use on fruit and vegetable crops.

8.4 Fertiberia Castilla-León



Located in Tordesillas, Fertiberia Castilla-León markets all Fertiberia product brands in its area of influence. Its

main customers are cooperatives, wholesalers and farmers. As do all subsidiary companies, Fertiberia Castilla-León offers the Fertiberia Agricultural service, which greatly helps to consolidate customer loyalty.

It has storage facilities with a capacity to cater for 40,000 tons and a daily reception rate of 1,000 tons. The company also has screen facilities for product re-conditioning and, where necessary, can count on the support of Pancorbo and Port of Bilbao logistics centres, thus ensuring a fluid supply to the entire region.

Performance over the financial year

Business activity at this subsidiary did not go unaffected by the circumstances that conditions the agricultural and fertiliser sectors in the course of the year, marked as it was the drought, low agricultural prices, particularly during the first half of the year, and cereal production in the region that was the 50% below the average for the last ten years.

This state of affairs led to a 50% drop in turnover with respect to 2016. Despite this, the result for the year, albeit at some remove from that which was expected, was positive, representing a turnaround with respect to the negative results of recent years. An increase in the gross profit margin is responsible for this change in trend, given that fertiliser prices remained similar to 2016 ones.

Developments in the second half of the year were much more favourable, as attested to by a 65% increase in turnover.

The amount of rain that has fallen so far this year, as well as the nitrogen-based fertiliser stocks, the value of which is below that of replacement, would suggest that the growth experienced in the second half of 2017 will hold good.

8.5 Agralia



Agralia, the main office of which is in Altorricón (Huesca), is a subsidiary that deals

in the fertigation subsector and has one of the biggest and most cutting-edge liquid fertiliser factories in Europe. Opened in 2005, the latter is also located in Altorricón.

The company manufactures liquid compound fertilisers for extensive crops, such as suspension, saturated solution and neutral undiluted ones. It also produces compound acids and solid products for fertigation and special fertilisers as shortage correctors, not to mention foliar fertilisers with which it completes its extensive range.

Agralia only sells its products on the internal market, and has its own network of warehouses to supply its area of influence: Catalonia, Castile-León, Aragón, Navarre and La Rioja and provinces of Castellón and Valencia.

The company's commercial activity is complemented by the solid fertilisers produced by the rest of the Group companies, especially nitrates, urea, phosphate products and compound fertilisers, in addition to a wide range of industrial products.

Performance over the financial year

Weather in northern Spain in the first quarter of the year differed considerably depending on the geographical area. There was a serious lack of rain in the north-west, whereas there was abundant rainfall in the north-east. Though the year began with prices on the up, the situation changed as of April. There was a big concentration of sales at consumption time that contributed to what proved to be a very intensive season.

On account of the low price levels for agricultural products and the paucity of water reserves in the north-west, the second quarter saw a reduction in the surface dedicated to maize, which affected both seeding and top dressing fertilisers in the second quarter. Generally speaking, the cereal harvest in the north was poor and, therefore, with low price levels, which caused a fall-off in fertiliser consumption.

The widespread drought throughout Spain and Portugal as of the third quarter, which also affected the north, notably impacted on the use of basal dressing, which fell quite considerably.

In spite of all these factors, the company managed to finish the year with a sizeable sales turnover, especially as regards own products. In fact, it surpassed the budgeted volumes, thus enabling Agralia to finish the year with a positive result. Once again, this can to a great extent be put down to the good performance of own products and the liquid products, which accounted for over 70% of the total company sales.

This year, 2017, is the second fully operational year of the Villalar de los Comuneros production plant which manufactures the complete range of liquid products (nitrogen-based, undiluted and neutral solutions, acids and suspensions).

The performance of the Villalar production centre was completely satisfactory, reaching as it did a high production level.

Weather has proven to be the decisive factor early on this year, with heavy rainfall and snow throughout the north, which promises a good winter cereal sowing season.

8.6 Intergal



Intergal is the company that markets ADP Fertilisers in Spain, where it distributes a wide range of products, both conventional solids and

liquid fertilisers, as well as specifics, foliar and bio-stimulants; crystalline fertilisers for fertigation and chemical products for agriculture. Intergal manages the logistics of the product manufactured in Portugal and earmarked for Spain by road.

To speed up this distribution, Intergal has two own warehouses, located in Coreses (Zamora) and in Paredes de Nava (Palencia), the latter with access to the rail network. Each one can handle 5,000 and 8,000 tons, respectively. The specific fertilisers are marketed all over Spain, the crystalline fertilisers are distributed along the eastern coast and in Andalusia, while the conventional fertilisers are marketed in the centre of Spain, as long as logistics permit carriage from Portugal.

Performance over the financial year

Intergal sold 235,000 tons over the course of 2017, which represents a drop of 5% with respect to 2016, basically owing to the particularly bad weather, which greatly impacted on Castile-Leon where the worst harvests were recorded in recent years, both as regards rain-fed and irrigated crops.

Nevertheless, the performance of specific fertiliser sales deserves particular mention, increasing as they did with respect to 2016, after a special sales effort that included an image make-over.

The specific fertiliser market also performed particularly well in Levante, given that enormous potential of this range of products in this geographical area.

On foot of sale prices that, generally speaking, were similar to 2016 ones, Intergal managed a sales turnover of €59.1 million, resulting in a drop of 5%, the same reduction percentage figure for the volume placed on the market.

As far as the industrial products area is concerned, activity was moderate, mainly focusing on the selling of the raw materials required to manufacture liquid fertilisers.

Given the location of the ADP factories, the main Intergal supplier and the characteristics of their products, conventional fertiliser sales are more intensive in the western area of Spain, whereas in the case of specific fertilisers, these are distributed in practically all Spanish regions.

Region	% Sales
Castile-Leon	63%
Andalusia	10 %
Extremadura	8%
Castile-La Mancha	7%
Galicia	3%
Rest of Spain	9%

Sales distribution by the main product groups is indicated in the following table:

	% Sales
Nitrogen Fertilisers	40%
Compound Fertilisers	54%
Industrial Products	2%
Other Products	4%

From a logistics perspective, Intergal products are mainly transported by road, from the factories to customers' warehouses, which enables high levels of service efficiency and capillarity.

Economically speaking, the result before taxes was positive, totalling over €700,000.

With respect to other company matters, Intergal renewed the certification of its marketing activity under ISO 9001:2015 Standard requirements, issued by SGS, which supports the effort being made by the company to provide its customers with top quality services and products.

8.7 Fertiberia France



Grupo Fertiberia has a footing in France through two companies: Fertiberia France, the corporate purpose

of which is to boost the sales of Fertiberia products in the French market and 2F Ouest, in which Fertiberia France holds 50% of the share capital, while the other half is held by Fertinagro France, a Bretagne-based wholesaler in most agriculturally active area in western France.

After a complicated 2016, in which there was a noteworthy drop in prices of up to 40% with respect to 2015, Fertiberia France increased its sales from €20.2 million to €23.5 million, owing in part to the rise in the sale of products that generated more added value and which are subject to less price fluctuations.

2F Ouest results also improved notably, posting an increase in turnover of 19.4%, which translated into sales to the order of €7.2 million.

French market situation

The performance of the French agricultural market, the biggest in Europe, was particularly negative in 2016. However, it can be said to have performed normally in terms of crop developments in 2017, albeit with cereal prices still somewhat low, as was the case in all markets. There were no great variations as far as fertiliser consumption is concerned in France.

Nevertheless, 2017 continued to suffer from the repercussions of the previous year, which saw farmers with liquidity problems on having delayed their purchases in 2016, and a bottleneck situation having been generated in the logistics chain, which always benefits the handier local producer than the importer.

As far as industrial product sales were affected, the situation of other, non-agricultural sectors has, generally speaking, improved, which augurs well for the sale of the chemical industry products exported to France by Fertiberia.

Performance over the financial year

French subsidiaries' turnover amounted to €40.7 million for 2017.

In addition to the distribution work in France of products of diverse provenance, the volume of products made by Group companies in Spain, Portugal and France and that were sold in France, rose to 154,000 tons, to which must be added the direct sales that are historically made in southern France: sales that increased to over 35,000 tons.

Of these sales, 86% corresponded to conventional products, specifically nitrogen-based fertilisers, though the commercial effort that is being made to boost the specific fertiliser and chemical product market saw these sales double in 2017.

Also worthy of mention was the considerable increase in the number of established or regular customers, which in the case of Fertiberia France amounts to 110, to whom over 50 different products were sold in 2017.

Despite the market situation and the fixed cost-saving efforts made, Fertiberia France staff numbers remain unchanged, whereas 2F Ouest has streamlined its industrial organisation, closing down a plant in May 2017.

The results of 2017 were prey to the consequences of the 2016, with surplus, depreciated stocks and lower than normal activity in the first half of the year.

In spite of the current agricultural market scenario, it should not be considered a crisis situation, though it is true that farmers had advanced their purchases at the end of 2017, thus early this year activity slowed down somewhat. Nevertheless, it is expected that the market will liven up as of the second quarter.

An increase of revenue is expected this year from Fertiberia France and 2F Ouest sales, mainly to be harvested from the rise in demand for those products that generate bigger profit margins.

Grupo Fertiberia presence in France has been fully consolidated through these two companies. Indeed, having achieved recognition as a prestigious and quality brand, Grupo Fertiberia has become one of the key players in the powerful French market.

8.8 Química del Estroncio



Química del Estroncio is a high-technology chemical company located in Cartagena. It is fully owned by Grupo Fertiberia and is currently the main producer of strontium nitrate and carbonate in Europe.

Strontium nitrate is used to make LCD screens and in the fireworks sector, while strontium carbonate is used in the ceramics industry, in the making of magnetic ferrites and in zinc electrolysis.

Química del Estroncio is a clear example of the Grupo Fertiberia diversification policy and its increasing presence in different sectors.

Performance over the financial year

Sales turnover rose in 2017, mainly owing to the consolidation of potassium nitrate in the product catalogue, which has substantially improved results, leading to a positive EBITDA.

There has been a considerable upward turn in sales with respect to 2016. These particularly increased in case of strontium nitrate, both in units as well as in diversification of the target segments, the rise being particularly significant in the pigment sector.

Moreover, the sales of strontium carbonate also grew considerably with respect to 2016, in keeping with the budgeted estimate. This rise can be put down to the increased consumption of important business customers, even though it continues to be a spin-off product in terms of company activity. Sales of potassium nitrate likewise rose significantly with respect to 2016.

Forecasts for 2018 are positive, as an increase in strontium nitrate and carbonate production is expected as is the consolidation of potassium nitrate in the market.



8.9 Incro



Grupo **Fertiberia**

Fertiberia holds a 50% share in Incro, while the other 50% is held by Intecsa, an engineering company that specialises in the fertiliser and environment sectors.

Of enormous worldwide prestige, it develops its own technology and has a market share of nearly 75% in the basic engineering of compound fertilisers.

Performance over the financial year

Incro net sales turnover in 2017 was €10 million, with a portfolio at the end of the year of over €6.5 million.

Fertilisers

Incro pursued its business activity involving the sale of technology in the fertiliser sector in different countries and companies throughout the course of 2017. Among the contracts on which it actively worked, the following are particularly noteworthy:

Supervisions, studies, spare parts supply

- Turkey: supervision the commissioning of granular ammonium sulphate production.
- Bulgaria: supervision of the commissioning and re-conditioning of the Incro process at the TSP/MAP to DAP/NPK plant.
- Vietnam: supervision of the commissioning of the new NPK plant based on the granulation of solids and chemical reaction with Incro technology.
- Vietnam: supervision of the commissioning of two new NPK plants based on the granulation of solids with Incro technology.
- Turkey: Supply of spare parts for Isgas.
- Saudi Arabia: Supply of spare parts for existing Incro plants.
- Saudi Arabia: Study of reconditioning and change of formulae at plants in Sabic.
- Morocco: Supply of spare parts for the O.C.P.
- Brazil: Supply of spare parts for Vale.
- Saudi Arabia: supervision of the commissioning of plants: three DAP and one NPK
- India: supervision of the commissioning of the new ammonium nitrate concentration unit designed by Incro.
- Malaysia: Study of the reconditioning of the plant to increase NPK plant production.

Environment

The following Incro environment sector related activities deserve special mention:

New contracts and assets

Spain:

- Oleofat: Wastewater. Biodiesel Production.
- Renault Seville: Wastewater. Automotive industry.
- Ferrovial La Vega: Municipal Solid Waste (MSW) leachate.
- Ferrovial Albacete: MSW leachate.
- Ferrovial Villarrasa: MSW leachate.
- Ferrovial Juan Grande: MSW leachate.
- Tradecorp: Wastewater. Plant protection products.

Germany:

- Kanal Fay: Cutting fluids.
- Cobos: Diverse wastewater management projects.
- Mevaco Fante: Wastewater. Oil regeneration.
- Riga: Wastewater. Logistics industry.
- Kanal Schäfer: Cutting fluids.
- Kanal Beck: Cutting fluids.
- Schnorr: Wastewater. Automotive industry parts.
- Heimer Bohmte: Wastewater. Industrial equipment industry
- MES: Wastewater. Logistics industry.
- Cobos Dalli: Wastewater. Cosmetics industry.

Brazil: CIE Automotive Wastewater. Automotive industry parts.

Romania: Zollern: Wastewater. Automotive industry parts.

Israel: Evron Landfill: MSW leachate.

India: AW Electronic: Wastewater. Industrial equipment.

Sphere of activity

Incro personnel continue to actively work in 19 countries: Spain, Germany, India, Brazil, Romania, Israel, Hungary, Czech Rep., Slovakia, Turkey, Bulgaria, Vietnam, Saudi Arabia, Morocco, India, Malaysia, Spain and Latvia.

Promotion

As far as the promotion of fertiliser-related technology is concerned, the company is pending the awarding of the following contracts, among others:

- New nitrate plant in Indonesia.
- New NPK plant in Indonesia.
- New NPK plant in India.
- Reconditioning project in Serbia.

R&D&I

Incro continues to broaden its field of operations, while at the same time managing to consolidate results via technical developments in the treatment of highly charged wastewater by means of using mechanical vapour compression.

The process of continuous improvement and diversification of wastewater treatment engineering continued at a pace in 2017, continuing to grow in Spain and Germany, in addition to opening the door to new horizons for Incro in other European, American and Asian markets.

This R&D&I project, even in the development of new equipment, places Incro in new international markets and into hitherto unexplored industrial fields with enormous potential for growth. Indeed, the first spin-off sales from R&D&I were made in the course of 2017.

commercial network

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Growing together.