annual report for the financial year 2018
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In this letter presenting the Fertiberia S.A. Annual Report for the 2018 financial year, before commenting on how Grupo Fertiberia and Fertiberia S.A. in particular have performed, I would like to, as every year, briefly reflect on the future of our Group in the environment in which we are going to be operating in the coming years.

This is an environment that, following a downward pricing cycle that hit hard at the end of 2016, is much more positive, and it enables us to look to the future and face the coming years with optimism. All the indicators suggest that the sector recovery that began in early 2017 is being consolidated, and a period of stable pricing is forecast, in a context in which agriculture will be increasingly more specialised, more technology-driven, more efficient, and will demand very high-quality products that are specific to each crop.
The agricultural market is changing rapidly, and we are evolving with it. This is why we are designing a Strategic Plan for the coming years, and for our whole Group, with Fertiberia S.A. at the head. To do this we are going through a process of transformation, promoting the more specialist product segment - products that farmers are already asking of us due to the greater added value that they bring, their significant agricultural and environmental efficiency, their content of fully absorbable nutrients, and their high fertilising value. And for us as a company, it will allow us to earn higher profit margins, as well as dealing with products that are less sensitive to market fluctuations. Thus, our forecasts show that in the 2013-2023 period, the weight of this product range in Group sales turnover, in relation to commodities, will have gone from 28% to 58%.

This agricultural market evolution, and that of the fertiliser sector, is throwing up major challenges, which are, at the same time, great opportunities for a sizeable business group like ours:

- Only large producers will be able to meet the requirements of much more technically prepared farmers, who are much more demanding in terms of the profitability of their crops.
- Natural gas, a raw material that is needed in the manufacture of nitrogen fertilisers, will continue to be a key factor for our industry, and its cost will be substantially lower as other alternative energy sources come into play.
- Nobody doubts the benefits that the fertiliser sector brings to the environment and to the fight against climate change, but only large producers will be able to meet the growing demand for the most environmentally-friendly fertilisers, which comply with ever tighter regulations.
- Our sector will continue to be key to overcome the challenge, and the obligation, of feeding a growing world population, which will demand more food, and food of higher quality. It has been estimated that during the 2000-2050 period food production needs will have increased by more than 70%.
- We have a production structure that has the most advanced technology, is efficient and flexible, and is completely ready to meet the demand for new products, without having to make significant investments, since these have already been made in recent years.

In terms of the performance over the financial year, and as I mentioned earlier, fertiliser prices have continued on an upward trend, particularly in the last quarter, which had a very favourable impact on our profit and loss account. This price recovery is backed up by positive changes in the prices of cereals and other agricultural products that, despite the improvements seen in 2018, are still 30% below the highs attained in 2011.

Nevertheless, from August onwards there was an abrupt and unexpected rise in the prices of natural gas in Europe and Asia. This had a very negative impact on our production costs at the ammonia plants in Palos and Puertollano and, consequently, on the financial results, mitigating to some extent the positive effect of price recovery.

In this context, Fertiberia S.A., at the head of the group, achieved an EBITDA of €10.8 million, an amount which is slightly lower than that recorded in the previous financial year.
The volume of product that we placed on the market was practically the same as in 2017, although the increase in prices meant that our income was over €551 million, which represents an increase of 3.8%. This sales volume also made it possible to maintain our market shares and a reasonable level of working capital.

As I mentioned earlier, and in accordance with the strategic plan that we designed, we have made huge progress in the marketing of special products, which already generate 30% of the volume of fertilisers distributed in Spain. Beyond our borders, where Fertiberia products are well established, we are also promoting sales of this product range, and we are continuing to open up new markets in growth areas, particularly South America and Africa.

With regard to the progress of sales of products for industry, which represent 34% of the company’s billings, in 2018 the volume handled exceeded 807,000 tons, with a turnover of €185 million, which means an increase of 2% on the previous financial year. I should highlight the important role that export plays in this business area, which in 2018 represented 43% of its turnover.

For another year, the performance of our production centres was outstanding. We produced 2.2% more than the year before, 3.018 billion tons, which is the highest volume for the last five years. We have made the necessary investments to keep our assets at maximum output, and of course to ensure industrial and worker safety.

However, I particularly wanted to mention the great efforts that we are making in terms of energy efficiency. In 2018 the ambitious projects that we undertook in the Palos and Puertollano centres were consolidated; we continue to apply the most advanced technology to dramatically reduce greenhouse gas emissions, and in fact, during the 2008-2018 period, CO₂ emissions from our production centres were reduced by 48%.

But as well as improving the energy efficiency of all of our locations, we are also promoting the range of products known as environmental products, which are the result of research and innovation that we undertake at Fertiberia, often in collaboration with research centres and universities, both public and private, in Spain and overseas. These products allow other industries to reduce their pollutant emissions and to comply with the parameters established by the various regulations. AdBlue, and the high-purity ammonia and urea solutions that we produce, play a critical role in eradicating NOx gases, and, in actual fact, Fertiberia is responsible for a 10% reduction of all NO2 emissions recorded in Spain in 2018.

Concerning the results of the Group as a whole, which as well as Fertiberia S.A. at the head, is also made up of our Portuguese arm, ADP Fertilizantes, distribution companies in Spain and France, and Química del Estroncio, the sales turnover achieved was €714.1 million, 3.5% higher than the 2017 figure, with the consolidated EBITDA being €19.8 million. These results are, of course, a result of the better climate, but are also undoubtedly down to the considerable progress that we have continued to make throughout the year both strategically and operationally.
The aforementioned strategy of harnessing the market for highly specific products, was a great catalyst for the improved results of our Portuguese subsidiary, ADP Fertilizantes, whose gross margin increased by 27%. The business turnover exceeded €175 million, 5.6% higher than that recorded the previous year, with the net result of the financial year being €5.3 million.

Lastly, I should note that in July we signed a long-term syndicated loan, for a total amount of €190 million, which allows us to have good stability in the company’s debt structure.

As for Fertial, the Algerian subsidiary of Grupo Villar Mir, which is managed by Fertiberia, both the production results and the financial results were in line with expectations. However, there is a decent margin for improvement, which is why forecasts for the years to come are very promising. The strengthening of the average sales price for ammonia exports, which rose by 7%, made it possible to achieve a sales turnover of €265 million, which is 3% higher than the 2017 turnover.

The three ammonia units achieved an output of more than 821,000 tons, which is the third best result in the company’s history, although, the net result of the financial year, of over €38 million, was less than that reached in 2017. This is largely as a result of the lower volume of product placed on the market, as well as the increased gas price at which Sonatrach is now invoicing us.

I want to bring this letter to a close with a message of hope and optimism. After a particularly long and hard phase, the recovery of the sector is being consolidated. As I said a year ago, this phase has in no way affected the transformation process that I referred to before, and which we designed in order to face, with the maximum guarantees, the requirements of a market that is undergoing great change and that will be more demanding by the day.

We are a vertically integrated business Group, competitive and efficient in acquiring and transforming raw materials; we have an industrial structure that is modern, flexible and specialised; and downstream we manufacture and market the widest range of sophisticated, innovative and efficient products, both in terms of the way they provide nutrients, and environmentally. All of this puts us in an advantageous position as compared to other producers who continue with their commitment to conventional products.

I sign off, as every year, giving thanks in the name of the Board of Directors and in my own name, to our customers and suppliers for the confidence they place in our Group, and to all the staff for their daily efforts and dedication.

D. Javier Goñi del Cacho
Presidente y Consejero Delegado
Management committee

Chairman and Chief Executive Officer
JAVIER GOÑÍ DEL CACHO

Chief Financial Officer
JUAN IGNACIO NAVARRO ÁLVAREZ

Commercial Director of Fertilizer
ALFREDO SEGURA LÓPEZ

Commercial Director of Industry and Supplies
CAYETANO AGUIRRE CABANYES

Director of Industrial Operations
DAVID HERRERO FUENTES

Director of Foreign Markets
JOSÉ MARÍA GARCÍA-CASTAÑO GANDIAGA

General Director of ADP Fertilizantes
JOAO PAULO LAGOS 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
SALVADOR FERRÍ ZURILLA

Fertiberia Huelva
JUAN ARBONA ZAPATA

Fertiberia Puertollano
JOSÉ ANTONIO CABELLO GRANADOS

Química del Estroncio
FRANCISCO LORMAN MARTÍNEZ

Agralia
EFRAÍN LLOVERA CARULLA

ADP Fertilizantes Alverca and Setúbal
JOSÉ LUIS LINO LUIS

Factory Managers
Management committee

Javier Goñi del Cacho
Chairman and Chief Executive Officer

Juan Ignacio Navarro Álvarez
Chief Financial Officer

Alfredo Segura López
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

João Paulo Lagos Cabral
General Director of ADP Fertilizantes

Iván Muñoz López de Carrizosa
Chief of Legal
significant Group data
**Group business and industrial structure**

- **12** sales offices in four countries
- **16** production centres state-of-the-art
- **14** logistics centres strategically located

**Installed production capacity**

- **7.8 million tons**
  - **75%** of the fertiliser produced in Spain
  - 4.1 million tons Fertiberia and subsidiaries
  - **100%** of the fertiliser produced in Portugal
  - 1.4 million tons ADP Fertilizantes
  - **40%** of the ammonia produced in Algeria
  - 2.3 million tons Fertial

**Share of the fertiliser market on the Iberian Peninsula**

- **42%** nitrogenous market share in Spain
- **30%** total market
- **62%** total market market share in Portugal
- **72%** nitrogenous
Fertiberia, S.A.

Sales turnover

€858 million

€551 million Fertiberia and subsidiaries

€192 million ADP Fertilizantes

€258 million Fertial

Distribution of sales by product type

- Direct application fertilisers: 65%
- Leaf fertilisers and fertigation: 8%
- Industrial products: 27%

Special products: 45% of total tonnage sold

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

Destination of sales

- Sales in Spain: 67%
- Sales overseas: 34%

- 85% to European countries
- 15% to the rest of the world

Business activity

87 countries

* Does not include Fertial S.p.A. special products
3.1 The sector in the World and in Europe

Agricultural market

Global cereal production fell by 1%, according to data from the United States Department of Agriculture, reaching a volume of 2.615 billion tons.

To this low volume obtained in 2018 are added downward forecasts, which indicate that production will be lower still next season. The drop in world cereal production and supply, together with a higher demand from stable consumption, which according to the USDA could be 2%, will allow for a reduction of high stocks. This will be a relief to many producing countries, where stock levels are very high.

In this context, cereal prices have evolved positively, although there is still an upward trend, since they are much lower than those registered years ago. The values of sugar dropped the most in 2018, followed by vegetable oils, meat, and dairy products. The FAO Cereal Price Index in 2018 averaged 165 points, 9% above that reached in 2017, but 31% below the highest values back in 2011. As for the FAO Food Price Index, it registered a 3.5% drop as compared to the 2017 average, and it is still 27% lower than the historical high, also reached in 2011.

Fertiliser market

The 2018 financial year was characterised by a recovery of fertiliser prices on international markets, and the Spanish market was no exception to this increase.

This upward trend was the result of various factors, such as the appreciation of the dollar against the euro, and an increase in crude oil and gas prices, in spite of the fact that towards the end of the year these markedly decreased again.

These factors contributed to a progressive rise of the price of ammonia and of the main fertilisers on the international markets, continuing the recovery that began in 2017 following the reductions that took place in previous years. In any case, the current level is a long way from the record reached before the major crisis began, in 2008.
Global consumption

The most recent estimates from the International Fertilizer Association (IFA) indicate that during the 2017/18 agricultural season, global consumption of nutrients reached 187 million tons, which represents a 1.3% increase on the 2016/17 season.

- The nitrogen market volume increased by 0.8%, rising to 106 million tons.
- The market for phosphorus pentoxide rose by 2%, with a consumption of 45 million tons.
- The potassium oxide volume increased by 1.7%, with a consumption of 36 million tons.

Forecast for the current season suggest that consumption will be similar, with a volume of nutrients of 188 million tons, which represents a rise of only 0.5%.

Consumption forecasts are maintained in the medium term, although this will be slower and more moderate than that expected in previous estimates, and it will be affected by different factors, including:

- The slower growth rate across the global economy.
- The implementation of environmental policies to favour the use of other sources of nutrients, which is already happening in countries like China.
- The price of cereals and other agricultural products, the increase of which will only be moderate.

Forecast for the consumption of nutrients for the 2019/20 agricultural season are for 191 million tons. The potassium market is expected to see the most growth, followed by the phosphorus market, and lastly, nitrogen.

In terms of geographical regions, it is expected that demand will remain stable or slightly increase in Central and Western Europe, in Eastern Asia, and in North America. The greatest increases in consumption will take place in Eastern Europe and Central Asia, in Latin America, the Caribbean, and across Africa. Lastly, in Oceania there will be a decrease in consumption, as well as in Western Asian countries, where the drop is forecast to be quite acute.
Fertilisers and sustainability

“Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance.”

- FORMER UN SECRETARY GENERAL, BAN KI-MOON -

five reasons why fertilisers are key for transforming agriculture

1. Fertilisers are crucial for meeting the food needs of the growing world population, which will reach 10 billion people in 2050.

2. Fertilisers help farmers adapt to climate change and operate in environments where water is scarce.

3. Proper nutrient management helps to mitigate climate change, because they increase the soil’s carbon sequestration.

4. Fertilisers are essential to sustainably intensify agriculture on the available farm land.

5. Fertilisers help to prevent and reverse soil degradation and desertification, because they improve the health of the soil.

International Fertilizer Association.
Summary of the article “5 reasons why fertilizers are key for transforming agriculture”
European consumption

In its report entitled “Forecast of Food, Farming and Fertilizer use in the European Union 2018/2028”, Fertilizers Europe indicates that the amount of nutrients placed on the market during the 2017/18 season was 17.1 million tons, which represents a 1.5% fall on the previous season, although the amount is similar to the average for the last three seasons.

This volume breaks down as 11.4 million tons of nitrogen, 2.7 million tons of phosphorus pentoxide, and 3 million tons of potassium oxide. Over the most recent season, 134.1 million hectares of agricultural land were fertilised, meaning that another 44.5 million cultivable hectares were not fertilised. Within the fertilised area, arable crops accounted for 68% (43% cereals, 9% oilseeds, and 9% fodder crops), whilst permanent crops (woody) represented 8%, and grasslands, 24%.

<table>
<thead>
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<th>Nutrient consumption in Europe</th>
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<td>millions of tons</td>
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- **Nitrogen**
- **Phosphorus**
- **Potassium**

This reduction in consumption has been the result of different factors, including the very unfavourable weather conditions that affected large parts of Europe, leading to significant periods of drought; the level of prices for agricultural products, which, although they have seen upward movement during the year, continue to be at levels that should be considered low, and the implementation of environmental regulations, which of course directly affect the application of fertilisers.

Taking into account the economic outlook and the possible evolution of cultivated areas in Europe, which are expected to be slightly smaller than at present, Fertilizers Europe’s forecasts on consumption in the long term, for the 2027/28 season, suggest that 17.2 million tons of nutrients will be applied, of which 11.1 million tons will be nitrogen, 2.8 million tons will be phosphorus, and 3.2 million tons, potash. In other words, the application of nitrogen will drop slightly, that of phosphorus will be maintained, and, conversely, the consumption of potassium will go up.
The trend in demand is different in the two major European regions: in the EU 15 countries a 3% reduction in consumption is forecast, which will mostly affect nitrogen, and to a lesser extent, phosphorus, whilst the use of potassium will see a slight increase.

Conversely, in Central and Eastern European countries it is expected that the market will grow by 8.9% compared to the 2017/18 season.

Feeding Life 2030

Fertilizers Europe, in its Feeding Life 2030 report, predicts how the European fertiliser industry will evolve between now and 2030. The aim of the study is to answer a key question: how to satisfy the future food needs of a growing population, in a more energy and environmentally efficient way?

According to this report, the European fertiliser industry will be at a “crossroads” between nutrition and energy until 2030. Under an appropriate legislative framework, the fertiliser industry could play a vital role in the European Union’s ambitious pledge to lead sustainable agricultural production, maintaining a solid industrial base and, at the same time, making progress towards a decarbonised economy.

The report establishes a long term vision for the industry, focusing both on the use and on the production of fertilisers in Europe:

1. With regard to the use of mineral fertilisers, these will continue to perform an essential role in society, because they are directly responsible for 50% of the world’s population being able to feed themselves, so malnutrition evidently is and will continue to be the major concern. But the efforts of European agriculture are focused on improving the sustainability of farming practices. The digitalisation of agriculture, new fertiliser products, and better advice, offer the possibility of satisfying future food needs in a more sustainable way.

2. With regard to the production of nitrogen fertilisers, the mineral fertiliser sector, as an ammonia producer, has the potential to act as a carbon-free energy carrier and, as a result, should be considered to be one of the main players in the European Union’s efforts to decarbonise its economy. Applying more knowledge will drive improvements in the fertiliser industry and in the agricultural sector as a whole.

The increase, in the case of nitrogen, will be 6.8%, 14.1% for the phosphorus pentoxide market, and 11.2% for that of potassium oxide. However, these growth forecasts are below estimates that had previously been made.

In the medium and long term, fertilisers will continue to be essential for maintaining and improving the yield and quality of harvests, but the trend, as the European industry and institutions have made clear for some time now, is to apply more knowledge to agricultural production; improve efficiency in the use of nutrients, produce better and more specific fertilisers, use the tools that technology makes available to farmers in order to also reduce the impact on the environment, and by so doing, fight climate change.
“The open debate about the circular economy has highlighted the important role of the fertiliser industry when it comes to optimising the use of resources, of sub-products and of other raw materials recycled in our production.”

Javier Goñi del Cacho
Grupo Fertiberia Chairman
3.2 The sector in Spain

Agricultural market

According to early estimates from the Ministry of Agriculture, Fisheries and Food, agricultural income was €30.217 billion in current terms, which represents a 4.3% increase on the previous year. In constant terms per annual work unit, the increase was 3.7%.

Crop production also saw an increase of 7.8% in value. This was due to production that was 8.3% higher, since prices went down by 0.6%.

Whilst in 2017 the weather was very detrimental and had a huge impact on crop production, in 2018 there was a great recovery. Thus, the production of cereals increased by 43.1%; wine and grape juice, 38.4%; fodder crops, 25.7%, and fruit, 6.4%. Olive oil production, however, fell by 7.4%; potato production by 10.2%, and vegetables by 2.2%.

With regard to prices, those of fruit, vegetables and cereals increased moderately. Conversely, there were significant decreases in the price of olive oil, wine and grape juice, and to a lesser extent, the price of fodder crops.

Intermediate consumption saw an increase of 6.3% compared to the previous year, which means an increase of 2.9%, whilst prices rose by 3.3%.

The spend on fertilisers and soil improvers, which was €1.958 billion, increased by 10.2%. The MAPAMA estimates that the volume of this item, which also includes mineral fertilisers, organic fertilisers and soil improvers, has grown 7.4%, whilst prices grew by 2.6%.
Application of fertilisers in Spain

- The sowing and fertilisation of crops in autumn and winter of 2017 was carried out intermittently and with fewer ground applications than usual. Ultimately, the surface area sown was identical to that of the previous season.
- From January 2018, the abundant rains, which lasted until summer, were far greater than those historically recorded over the same period.
- The rains significantly improved crops, which together with expectations for good yields, caused a very substantial improvement in the application of fertilisers, translating into good coverage for extensive crops, if somewhat delayed.
- Sowing work for crops under irrigation was carried out without any water restrictions for irrigation. The expanse of cultivated areas was only affected by market trends and by the low prices that some crops were traded at, highlighting corn, whose sown area was reduced further still.
- Throughout the autumn, the equally abundant rains hindered and delayed sowing, and the deep fertilising of crops, delaying applications in some cases.
Fertiliser market

The volume of fertilisers consumed in Spain was 5.1 million tons, which means an increase of only 0.6% on the previous year.

With regard to the three main nutrients, the consumption of nitrogen was 1.03 million tons, 4.2% less than that consumed in 2017; the drop in volume of phosphorus pentoxide was 2.4%, with a volume of 0.43 million tons, and, conversely, the market for potassium oxide grew by 6.4%.

The simple nitrogen fertiliser sector went down 2.6%, with a volume of 2.57 million tons, essentially because of drops in the consumption of urea and nitrogen solutions, although there was also a drop, to a lesser extent, in the markets for big groups of nitrogen fertilisers, with the exception of ammonium nitrates, the volume of which rose considerably, up to 32%.

The recovery of the simple phosphate fertiliser market was significant, at 13.3%, and with a volume of 0.21 million tons, whilst the market for simple potassium fertilisers, although to a lesser extent, also increased by 4.5%.

The market for compound fertilisers saw an overall increase of 3.2%, due to significant growth, to the tune of 25.7%, of binary compounds, and also the more moderate increase in ternary fertilisers, which was 7.9%.

Conversely, the consumption of ammonium phosphates fell by 25.3%.

### Nutrient consumption in Spain

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- nitrogen
- phosphorus
- potassium
4.1 The growth of a multinational

Grupo Fertiberia History

Leader in the European Union of the chemical fertiliser industry, Grupo Fertiberia was conceived in 1995 with the incorporation of Fertiberia to Grupo Villar Mir. Head of its Chemical and Fertiliser Division, Fertiberia is the permanent reference for the fertiliser industry in Spain.

Grupo Fertiberia has become a large multinational group, with a presence in different countries and sectors.

It is the second chemical group with Spanish capital and one of the main producers of fertilisers and ammonia and derivatives for the sector in the European Union and the Mediterranean Basin.

Some years ago Fertiberia S.A. began a policy of growth in the Spanish market based on the acquisition and creation of strategically located subsidiary companies, thus opening up new distribution channels. This, together with its already well-established sales network, allowed the company to decisively streamline the delivery of Fertiberia products throughout Spain, achieving greater logistical efficacy and proximity to customers.

Later a process of internationalisation began, leading to the acquisition of ADP Fertilizantes in Portugal, and of 66% of Fertial, in Algeria. As well as opening up new markets, this strategy allowed the company to have direct and more competitive access to the raw materials required in manufacturing processes.

At the same time, it strengthened the marketing of industrial products generated during the manufacture of fertilisers and used in other industries. In this way, what at one time was a residual business line, today represents a key activity for the Company.
Grupo Villar Mir acquires Fertiberia, S.A.

1995

Incorporation of Fertiberia into the share capital of Química del Estroncio, S.A.U. (29%)

1998

Establishment of Agronomía Espacio, S.A.U. (100%)

1997

Acquisition of Fercampo, S.A.U. (100%)

Construction of the new liquid fertiliser plant Agralia Fertilizantes, S.L.U.

Acquisition of ADP Fertilizantes, S.L.U. and its subsidiaries (100%)

2009

Agreement with Sonatrach to build the plant El Bahia Fertilizer, S.P.A.

Acquisition of the remaining 48% of Agralia Fertilizantes, S.L.U. (100%)

2008

Establishment of Abonos Líquidos Altorricón, S.L. (52%)

(Now Agralia Fertilizantes, S.L.U.)

Closure of the Sefanitro plant (Baracaldo)

2003

Acquisition of 66% of the ownership of Fertial, S.P.A.

by Grupo Villar Mir

2005

Establishment of Agronomía Espacio, S.A.U. (100%)

2006

Closure of Seville and Cartagena plants

2011

Acquisition of Nova AP (100%)

2012

Establishment of the subsidiary Fertiberia France, S.A.S. (100%)

2013

Acquisition of 2F Ouest, S.A.S. (50%)

2014

Construction of the new liquid fertiliser plant Agralia Fertilizantes, S.L.U.
4.2 Growth drivers

Diverse activity

In a sector as cyclical and seasonal as that of fertilisers, having a presence in other sectors brings stability to the Group’s progress, because these are not conditioned by the seasonality of those sectors directly linked to agricultural activity.

Since the early days, the Group has made the most of other business opportunities in various industrial sectors, strengthening the marketing of those products generated in fertiliser manufacturing processes and the raw materials used. What used to constitute a minor activity for Fertiberia - the manufacture and sale of industrial products - has, as the years have passed, experienced strong growth based primarily on the exploitation of ammonia and its derivatives. Consequently, today the Group is one of the main international players in these sectors.

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 products with environmental purposes that are produced at Puertollano, and at other Fertiberia centres, were directly responsible, in 2018, for a more than 10% reduction in NOx emissions nationally.”

Javier Goñi del Cacho
Grupo Fertiberia Chairman
The most complete range of fertilisers

Main activity of the Group

LEADING producer in the Eurozone

Products to fertilise all types of crops

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 derived from ammonia from the manufacture of fertiliser

AdBlue

largest manufacturer in Spain and Portugal
Garden and green space products

1,000,000 units sold per 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

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

specialists in wastewater treatment
International expansion

With internationalisation being one of the key axes of company expansion, every day Grupo Fertiberia has more activity in countries with significant growth potential.

Following the acquisition of ADP Fertilizantes in Portugal, and Fertial in Algeria, and being well-established in the European Union, Grupo Fertiberia is analysing a variety of new projects in different geographical areas around the world, particularly in areas that are rich in raw materials, with the aim of continuing to grow and consolidate the Group’s leading position in those sectors in which it operates.
As well as being an obligation, a commitment to R+D+I helps to guarantee the company’s competitiveness, the modernisation of processes and primarily, the permanent suitability of the products for market demands, always guaranteeing the utmost respect for the environment.

Research and development, always with the intention of innovating and seeking the effectiveness of the work carried out.

Innovation as successful assimilation and exploitation of an invention, whether that be improving production processes, or introducing new products and services to the market.

Commitment to research, development and innovation, which is applied to all of the company’s business areas:

- To best respond to the needs of agriculture, launching 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.
- Ongoing research efforts, in the industrial area as well, both to innovate end products and intermediate products used in other industries’ manufacturing processes.
- Innovation as a commitment to sustainability through greater energy efficiency, both in the provision of raw materials, as well as in the development of production processes, with all that entails in terms of benefits from an environmental point of view.

Grupo Fertiberia is a very active participant in research projects in Spain and overseas, working hand-in-hand with universities and public and private bodies, in order to leverage all the scientific capital in Spain and Europe.

In addition, the creation of coordinated research groups is encouraged, involving different research centres in a single project, organising working groups and transferring the results and knowledge to the end user.
Grupo Fertiberia focuses its activities on developing more efficient products, using less polluting processes and ensuring that fertilisers are used correctly along the whole value chain, relying on communication based on scientific principles.

For this reason, 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.

In recent years the amount of environmentally-focused investments amounts to more than €110 million.

Among the activities carried out in this field, it is worth highlighting:

- Reduction of NOx gas emissions from ammonia and nitric acid plants.
- Elimination or purification of ammonium nitrate condensates.
- Elimination or purification of ammonium nitrosulphate condensates.
- Desorption and recovery of ammonia production condensates.
- Hydrolysis of condensates from urea plants.
- Installation of a water treatment plant of phosphogypsum pools.
- Integration of the nitric acid and ammonium nitrate plants to benefit from the synergies between the two and improve their energy and environmental performance.
- Installation of inverse osmosis to reduce pollutants in the Avilés and Sagunto factories.
- Elimination of particle emissions in granulation and drying processes.
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 made progress over time, acquiring new knowledge and their own skills, while also expanding their respective areas of influence, thus making a contribution to attaining the magnificent results achieved by 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, has a set of specialised, marketing and strategically distributed subsidiaries:

- Fertiberia La Mancha, Fertiberia Castilla-León, Agralia Fertilizantes and Fercampo, engaged in the manufacture, distribution and marketing of fertilisers 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 fertiliser 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 Fertiberia

Grupo Villar Mir Chemical Division

99.83% GVM
Fertiberia, S.A.
Production and sale of fertilisers and industrial products

49% GVM
Fertial, S.P.A.
Production and sale of fertilisers and industrial products

100%
Fertiberia Castilla León, S.A.U.
Fertiliser marketing

100%
Fertiberia La Mancha, S.L.U.
Fertiliser marketing

100%
Fercampo, S.A.U.
Production and sale of fertilisers and industrial products

100%
Agralia Fertilizantes, S.A.U.
Production and sale of fertilisers and industrial products

100%
Fertiberia France, S.A.S.
Marketing of fertilisers and industrial products

50%
2F Ouest, S.A.S.
Production and sale of fertilisers

100%
Química del Estroncio, S.A.U.
Production and sale of strontium nitrate and carbonate

50%
INCRÓ, S.A.
Engineering
Sales offices 12

Spain (Fertiberia)
1. Madrid (Head Office)
2. Cuenca (Fertiberia La Mancha)
3. Valladolid (Fertiberia Castilla-León)
4. Malagá (Fercampo)
5. Huelva (Agralia)
6. Cartagena (Química Del Estroncio)
7. Madrid (Incro)
8. Madrid (Intergal)

Portugal (ADP)
9. Alverca

Algeria (Fertial)
10. Annaba

France
11. París (Fertiberia France)
12. Ille-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. Barcelos

Algeria (Fertial)
12. Arzew
13. Annaba

France
14. Ille-et-Vilaine (2F Ouest)

Logistics centres 14

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 (Fercampo)
8. Málaga (Fercampo)
9. Córdoba (Fercampo)
10. Zamora (Intergal)
11. Palencia (Intergal)

Portugal (ADP)
12. Barcelos

France
13. Folligny (2F Ouest)
14. Carhaix (2F Ouest)

* Warehousing infrastructures that are added to the 16 warehouses belonging to each of the 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:

The ten production units located in Spain are in Huelva, Palos de la Frontera, Puertollano, Sagunto and Avilés. The Agralia factories are located in Altorrícon (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 Lavrado, 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.
In addition to the warehouses in its own factories, Grupo Fertiberia owns 15 large logistics centres distributed in a geographically strategic way across Spain, Portugal, Algeria and France.

Amongst these centres, 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 group companies to be fast, economical and effective in managing 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.
General Aspects

Despite not having managed to achieve all of the objectives that were set out at the beginning of the financial year, Fertial recorded some very significant achievements, consolidating the recovery that began to be visible in 2017, after two years - 2015 and 2016 - that were extremely difficult, as a result of a series of unforeseen circumstances that negatively affected operating conditions.

The results obtained in 2018, both with regard to production and in terms of financial results, were in line with forecasts, although they were slightly lower than figures recorded in 2017, which can be considered exceptional. However, Fertial still has a considerable margin for improvement, which is why the forecasts for the years to come are very encouraging.

It should be pointed out that the positive progress that Fertial has made over recent years would not have been possible if there had not been a tremendous social climate, which was the result of the efforts made by the General Management, always alert to the concerns of all workers, and by the Social Partners, who prioritised pragmatism to the benefit of society and the workers.

Company Results

Fertial achieved a sales turnover of €264.4 million, which is 111% of the budget, and represents an increase of 3% on 2017.

This development is the result of a strengthening of the average sales price for ammonia exports, since the sales volume for all product categories decreased by 4%.

The net result was €38.2 million, compared to the €60.3 million achieved in 2017. As well as the lower volume placed on the market, this decrease is primarily a result of the supply of €11.2 million in relation to the gas consumption level of Public Services, and also of the 9% increase in the cost of gas invoiced by Sonatrach, as well as the increase in the price of the export supplement, which was 46%.

Equity represented 62% of the total balance sheet, compared to 60% recorded in 2017.
Sales Area

With regard to the exogenous hindrance related to fertiliser transport conditions to the different warehouses, which constitutes a real bottleneck, and which affects availability for buyers and therefore production as well, the situation began to improve, notably, towards the end of 2017, when Fertial was authorised to use a private escort for 46% TSP dispatches. Fertial continues to work with the Public Authorities in order to change the legal provisions that govern the escorts of sensitive products, which apply to fertilisers.

Concerning sales on the domestic market, these fell by 16%, as compared to 2017, with the lower volume of fertilisers placed on the market being notable, in a year in which the consumption of fertilisers increased by 28%, especially for nitrogen fertilisers. As a result, Fertial’s share of the domestic fertiliser market, including all types of fertilisers, sat at 24%, which means that it is an absolute priority to reverse this situation.

To this effect, the new fertiliser distribution strategy is being implemented, with some success already, and this consists of running direct sales from the factories to distributors that have appropriate means of transport and the necessary permits.

Raw material prices

The prices of the main materials imported throughout the year recorded an increase, in general terms. The most notable rises were in the price of phosphoric acid, 21%, that of urea, 9%, and that of sulphuric acid, which was 38%. In contrast, the price of potassium sulphate saw a 20% decrease.

Likewise, the price of natural gas, which is governed by the provisions of the Letter of Agreement between Sonatrach and Grupo Villar Mir, from 30 April 2014, recorded a significant increase, which, in the case of export gas, was 46%, with the increase being 9% for the gas regulated by decree.

Concerning ammonia, the reference sales price, Yuzhnyy, was $289, when in 2017 it was valued at $269, which is to say a 7% increase. The average increase in the last two years compared to 2016 was 22%, which of course has positive repercussions on the company’s average invoicing price. However, this positive information should be downplayed, in view of the fact that in 2015 and 2016 the price of ammonia dropped significantly.
Industrial Area

Production

The three ammonia units reached a production of more than 221,000 tons, 102% of the volume forecast in the Annual Operating Plan. Despite some technical issues, this result represents the third best historical result for Fertial, after the volumes achieved in 2012 and 2017.

The granulation unit reached a production output of almost 124,000 tons, 6% less than that recorded in 2017, although in terms of efficiency, the manufacture of products that are sold through agents, with a ratio of 1059 tons per sales agent, constitutes the second best result in the company’s history, after the performance recorded in the 2017 financial year.

The average consumption of natural gas grew with respect to the previous year, as a result of the stoppages and start-ups of the plants.

Safety, quality and the environment

With regard to safety matters, there was a stabilisation in the number of work-related accidents, taking into account the fact that during the 2004-2018 period, a reduction of over 94% in the number of accidents was recorded. The permanent aim of the company is for “Zero accidents”, irrespective of whether they do or do not cause time off work.

The excellent results are down to promoting the proactive risk management initiative that the company has developed, an initiative that also applies to all subcontractors.

It should be stressed that excellent work was carried out to renew the certificates of the various Management Systems (regarding Quality, the Environment, workplace Health and Safety and Energy), and follow-up audits. Also noteworthy were the accreditations of the Agronomic Laboratories, which in 2018 continued their activities pertaining to soil and plant sample analyses.

Investments

In 2018 Fertial maintained its investment efforts to guarantee the reliability of its manufacturing plants and the company’s competitiveness, carrying out investments worth €13.9 million. The Arzew factory was the main recipient of these investments.
Labour Area

A good social environment has been maintained, which naturally contributed enormously to achieving the objectives set by the company. Negotiations began between the General Management and the Social Partner, with the aim of reaching a Collective Agreement for the 2018-2020 period, concerning changes to the salary system for staff governed by the Collective Agreement.

Following the high number of retirements that occurred in 2016 and 2017, as a result of revising the legal provisions that govern them, and which was carried out at the beginning of 2017, during the past year there has been a certain reversal of the trend. Thus, for the first time since 2004, the number of employees at Fertial has increased.

As in previous financial years, efforts to invest in training were maintained, with learning courses having been imparted to staff throughout the year.
General Aspects

ADP Fertilizantes is a private capital company oriented to the 21st Century. Formed in 1997 from the merger of the two largest Portuguese fertiliser companies, belonging to the Quimigal and Sapec groups, it currently occupies a prominent position in the production and marketing of fertilisers in Europe, particularly on the Iberian peninsula. In 1999, the Grupo José de Mello bought the share of Grupo Sapec, becoming the company’s only shareholder. In 2009, Grupo Fertiberia acquired CUF - Adubos de Portugal and the business name changed to ADP Fertilizantes. With over one hundred years of experience, ADP Fertilizantes is the only manufacturer in Portugal.

The ultimate purpose of ADP Fertilizantes, S.A., outlined in its strategic plan, consists of supplying quality products and services that meet the needs of their customers in the agricultural and industrial sectors, and that provide adequate remuneration for the capital invested, with the aim of guaranteeing the presence and continued commitment of shareholders in the business.

With a production capacity of over 1.1 million tons in its three factories in Alverca, Lavradio and Setúbal, ADP has a wide distribution network that covers all the demand coming from its market.

Thanks to a constant concern to supply all the markets in which it operates, ADP Fertilizantes developed a set of important logistical supports with the capacity to distribute via land, rail and sea, ensuring its customers’ maximum satisfaction.

Company Results

The turnover achieved by ADP Fertilizantes rose by almost 7% compared to the 2017 financial year, exceeding €175 million.

Particularly noteworthy was the 27% increase in the gross margin, as a result of the very favourable changes in the unitary gross margins of all the fertiliser ranges.

Structural expenses were maintained at the previous year’s level, and provisions for bad debts were nil, because there were no credit losses.

Financial costs related to bank debt were less than 2017, due to the reduction of indebtedness by around 12%, and also because of the fall in the average interest rate for credit lines.

The net result for the 2018 financial year was nearly €5.3 million.
Sales Area

ADP Fertilizantes’ sales policy, which follows a plan that was strategically designed at group level, is based on promoting the manufacture and marketing of differentiated high-end products, which offer genuine added value at the time of application, and which generate higher sales margins. These are families of products that are also less exposed to low price cycles.

In 2018 our unequivocal commitment to this segment of specific products was maintained, with the aim of growing on the overseas market and, above all, on the Spanish market. To this end, an investment of over €6 million was approved, aimed at increasing the production capacity for calcium nitrate by 50%. This goal will be met in the first quarter of 2020. Furthermore, to be able to more efficiently cover larger geographical areas of Spain, the sales network was expanded, with the hiring of 14 new sales technicians.

The total volume of the fertiliser market on the Iberian Peninsula registered a slight increase, under 3%, in a year in which the weather conditions were not as desired. The winter was extremely dry until the middle of February, when a period of significant rains began, which lasted until spring. The rains that fell were so heavy that they ended up harming almost all crops, and also affected fertilisation work, limiting top dressing and pushing back the sowing of spring crops.

Price evolution on the Portuguese market was the same as across the rest of the Iberian Peninsula and international markets, registering a slight decrease in the first months of the year, to then begin, from the second half of the year, a clear recovery that affected all products, particularly nitric ammonia fertilisers.

The performance of the special ADP TECH products was very satisfactory, with an increase in sales of around 11%.

These products represented more than 57% of the company’s gross margin.

In the current year the Fertiberia TECH project was initiated, in other words, bringing together ADP’s and Fertiberia’s technological products, further enhancing the Group’s commitment to the most advanced, most efficient and most sustainable product line. High-precision and technological fertilisers, whose efficacy on different crops has been fully confirmed by the R+D+I department.

The creation of Fertiberia TECH is a business strategy that has been undertaken as a result of the success of the brand developed by ADP to classify its specific high-quality fertilisers. The “TECH” concept encompasses collaborative work, from research and experimentation, in collaboration with universities and research facilities, to the technical/sales support for farmers, guaranteed by a network of specialist technicians.

On overseas markets as well, specific fertilisers are very much in demand, with exports of this product range - which is also less affected by price oscillations - growing markedly. Therefore, it is worth highlighting the sales achieved in France, Italy and Greece. Also, as every year, the volume of calcium ammonium nitrate sold to the traditional markets (Germany, Ireland and England) was maintained, and similarly, the sales of calcium nitrate stayed at the same level as previous years, with a noteworthy margin, compared to the average margin of other nitrogen fertilisers.
Industrial Area

Fertiliser production

The performance of the Setúbal factory’s NPK compound fertiliser plant was very positive, with an increase in production of 9% as compared to 2017 output. Progress was very stable, having produced 83% of its installed capacity.

In granulation plant 4 the concentration of ammonium nitrate project began, the investment for which was €1 million. It will make it possible to begin producing high nitrogen content NPK compound fertilisers. These products will be marketed to both the domestic market and international markets.

The Lavradio plant also increased its production of nitric acid and ammonium nitrate, in a year in which the performance of the facility was very stable, significantly reducing the number of stoppages. This positive development was translated into an increase in the production of nitric acid, which was 175,000 tons, as compared to 141,000 tons produced in 2017.

Concerning the Alverca factory, the performance of the facilities was also very satisfactory, with an increase in the output of all nitrogen fertilisers, most notably the production of calcium ammonium nitrate, which reached 211,000 tons, compared to 185,000 tons recorded in 2017.

An investment of €6 million was approved, aimed at doubling the production capacity of calcium nitrate, which will be implemented during the current financial year. Despite it being for a lesser amount, it is also worth mentioning the investment of €182,000, which was approved to completely replace the nitric acid plant catalyser, in the Lavradio factory. The aim of this work, which was carried out in November, is to reduce CO₂ emissions, in accordance with the Grupo Fertiberia policy to reduce emissions as much as possible, reaching the maximum energy efficiency in all its manufacturing plants.

Procurement

The price of ammonia, the main raw material for ADP, from which nitrogen products are made, oscillated widely during 2018. The year began with a price of $325, which decreased during the middle months of the year to reach a low of $225, and ended the year at $305. These fluctuations, which are primarily a result of energy sector price variations, were a determining factor in the increase in the price of nitrogen fertilisers, of over 15% compared to 2017. The prices of other raw materials, such as that of phosphate rock, or that of diammonium phosphate, behaved in a more stable way.

Quality, safety and the environment

With regard to Quality, the transition has been made to adapt to the requirements of ISO 9001:2015, and the liquid fertilisers produced at Sopac have been included in the Quality System.

As every year, the Internal Safety plans for all production units were submitted to the National Authority of Civil Protection. Also as every year, simulations of serious industrial accidents were carried out at the three manufacturing plants, in accordance with the respective emergency plans.

At the Alverca and Lavradio factories the Seveso communication forms were revised because of the new classification of nitric acid.
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.

TECH products, at the forefront of the Group

ADP Fertilizantes’ range of technological products, Fertiheria TECH, is the result of significant investment in innovation and experimentation associated with a specialised technical sales service, together with farmers. There are four main product lines making up this range:

- **AMICOTE** are compound fertilisers with fortified nutrients. Formulated with C-VIDA Technology, based on the action of carefully selected beneficial micro-organisms, and their metabolites, which stimulate the microbial life of the soil, promoting enzymatic activity and making sure that plants use the nutrients efficiently.

- **PLUSMASTER** is produced with AntiOX Technology, based on an activated complex of siliceous minerals that increase the antioxidant content in plants, they selectively regulate the circulation of nutrients at the xylem level, favouring the most efficient, higher yield crops.

- **NERGETIC** are compound fertilisers high in nitrogen and with protected nutrients, used in deep fertilising and top-dressing. They are formulated with C-PRO Technology, based on the action of a regulating polymer that covers the fertiliser, protecting its nutrients from loss processes, such as leaching and volatilisation, making them more available for plants.

- **TECNIFOL** are liquid foliar fertilisers formulated with EF Technology, based on a permanent analysis of the best raw materials, nutrients and complexing agents, to optimise plants’ foliar absorption capacity.
Fertiberia activity report

07

Fertiberia activity report
7.1 Company results

Throughout the 2018 financial year the trend of sector recovery that began in 2017 was maintained, after an exceptionally poor 2016, in a context of improvement in the prices of end products, the evolution of which was very positive, especially in the last quarter of the year.

From an operational perspective, as is well documented in this Annual Report, excellent production levels for nitric acid and end products NAC 27 and NSA were reached, and energy efficiency levels were also historic.

However, the abrupt and unexpected increase in the prices of natural gas in Europe and Asia (main raw material in the ammonia production process), which happened from August onwards, had a very negative impact on the manufacturing costs of the ammonia plants at the Palos and Puertollano production centres, having a very negative effect on the results of the financial year.

Fertiberia continued to implement its transformational agenda of diversification towards increasingly differentiated products that generate better margins, maintaining its market share, and managing the evolution of working capital in a disciplined way.

The results obtained reflect the recovery that had already begun in 2017, though the figures attained are still clearly below those that ought to be achieved in a year that could be considered normal within the fertiliser sector cycle.

The main figures obtained by the group in the 2018 financial year are shown below, compared with those corresponding to the previous year:

- The EBITDA amounted to €10.8 million as opposed to the €16.2 million posted in 2017.
- The operating result (EBIT) was -€6.2 million as opposed to the -€0.3 million for 2017.
- The net result of the 2018 financial year was a loss of €17.4 million, which includes extraordinary items such as a negative adjustment of €5 million, due to the variation in the value of the shares of the listed company OHL, which Fertiberia still has on its balance sheet.
- The company’s total net bank debt (excluding cash and short-term investments) stands at €155.83 million. It is important to mention in this section that during this 2018 financial year the Company made its debt structure considerably more stable, by signing, in July, a long-term financing deal for a total amount of €190 million, in which together with the banking entities present in the previous syndicated financing (Banco Santander, Banco Bilbao Argentaria, Bankia, Bankinter, Caixabank, Cooperatieve Rabobank, HSBC, and Banco Sabadell), the funds Kartesia Securities, S.A. and Kartesia Securities IV, S.A. participate.
7.2 Business Area

Performance over the financial year

Fertiberia achieved a turnover of €550 million, which represents a 3% increase on the previous financial year. The volume sold, 2.4 million tons, was very slightly less than that recorded in 2017. But the most relevant information for the sector, and for Fertiberia in particular, was the evolution of prices, which after years of decreases and, for a long period, far below what is considered “normal”, experienced a significant increase over the year, with the average price of all products sold being 6% above that of the previous year.

Agriculture Area

Sales of fertilisers on the domestic market amounted to €361 million, whilst product exports represented an income of €189 million. On the home fertiliser market, we delivered, including special products, 1.1 million tons, a very similar figure to that recorded for 2017.

The aforementioned rise in prices, by almost 7% on the mix of products in this sub-sector, allowed invoicing to grow by 3%, going above €252 million.

On the Spanish market, sales of fertilisers were conditioned, for another year, by the weather, which was very variable and which affected, to a much greater extent, all the so-called traditional fertilisers, intended for extensive crops. Nonetheless, the increase in prices compared to 2017, meant that turnover could be maintained.

Enormous progress was made in the marketing of specialities, a range of fertilisers that, in 2018, already represented 30% of the sales volume for fertilisers distributed to the Spanish market, and 28% of turnover. These statistics are a result of the strategy implemented by Fertiberia, to promote the manufacture and marketing of products that generate greater added value and better sales margins.

522,000 tons of fertilisers were distributed to export markets, which is 4% less than the previous financial year. In spite of this, the aforementioned rise in prices meant that the turnover grew by 5%, to reach over €109 million. Sales of special, specific fertilisers are also being promoted, as these are of high quality on foreign markets. As well as the exports made to the traditional, well-established European markets, where Fertiberia products enjoy great prestige and where sales are fully consolidated, trades in new markets are being signed off, year after year, which means that the presence of Fertiberia products is being consolidated in growing emerging markets, particularly in South America and in Africa.

Industry Area

Sales of products for industry, which in 2018 represented 34% of company billings, went over 807,000 tons, with €185 million having been invoiced. In terms of volume, the performance over the financial year was very similar to that of 2017, although the 1% increase in prices meant that turnover grew by almost 2%. The important role of exports in this business area should be highlighted, and in 2018 these represented 43% of its revenue.
7.2.1 Fertilisers Business Area

2018 has undoubtedly been a year of great changes and progress in this business area.

Firstly, continuing with the strategy to organise and unify the overall product catalogue of Grupo Fertiberia, from which point, and under the “one group, one brand” premise, we are looking to strengthen the Fertiberia brand, both on the domestic market and outside of our borders, the following decisions were made:

- In order to be more suitable for international markets, the Tradicionales, Fertirrigación and Foliare product families are being renamed, becoming respectively Fertiberia CLASSIC, Fertiberia AQUA and Fertiberia FOLIAR.
- The Fertiberia Advance and ADP Tech brands of advanced fertilisers are merging into one, as they competed in positioning, now being called Fertiberia TECH and becoming, par excellence, the arrowhead of the Group’s commitment to innovation and vanguard in the development of state-of-the-art products.
- A new concept of differentiation is born, the plus edition. A transverse product line with the CLASSIC, AQUA and FOLIAR families, which comprises a series of solid and liquid fertilisers, formulated with highly efficient additives, and which have been developed by the Fertiberia laboratory. This new high added value product line already occupies a niche in the market between conventional products and the more advanced products from the Fertiberia TECH family.

With reference to the organisational structure, the naming of a new Commercial Director of Fertilizers at the end of the year on the national market, from Special Products Management, is a good sign of the company’s unconditional commitment to more specific lines of fertilisers.

Similarly, dependent on the former, the Traditional Sales Management has been restructured with two new sales management teams, one for NPKs and the other for nitrogen-based.

A new Marketing Lead has been created, primarily tasked with consolidating the organisation of the product catalogue and communications for Fertiberia and its subsidiaries.

With regard to research, the Agronomic Innovation Management and its departments continued to work on three main aspects:

1. The development of new nutritional additives that allow the company to continue to offer farmers more efficient and profitable fertilisers, which have lower emissions, and where raising awareness of the environment is one of the priorities.
2. Demonstrating through countless trials, in the field, in greenhouses and in cultivation chambers, the agronomic properties of new products.
3. The signing of agreements with the main national and international research centres and universities, to develop new research projects.

Progress towards the digitalisation of various parts of the business continued to be a priority, such as the improvement of communication with customers and farmers, and the use of the data gathered in more than 20 years of collecting data from the analysis of soils, leaves and water.

Lastly, on the international stage, the Sales Management for the Overseas Market, giving continuity to the Group Internationalisation strategy, continued to promote the Fertiberia brand and sales through:

- Increasing our presence in new high growth potential areas, like Africa, Asia and South America, with the implementation of four new sales teams.
- Growing the Algerian market, where strong recognition of the Fertiberia brand is a fact.
- Strengthening the team in Spain, with new appointments.
Firmly committing to research, development and innovation

Grupo Fertiberia’s Agri-Environmental Technology Centre

Since Fertiberia set up the CTA (joint Agri-Environmental Technology Centre) at the University of Seville in 2015, the company’s research activity has been strengthened and made a qualitative leap that has led Fertiberia to the forefront of innovation in the field of fertilisers.

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

In addition, the modern facilities at Grupo Fertiberia’s CTA were added to with two new services: Molecular biology and X-ray diffraction, thus increasing the number of services that this centre runs and offers to the different departments of the company and to its customers.

In the molecular biology area, the most advanced techniques of genetic and molecular analysis are applied to determine the response of plants to new fertilisers developed at Fertiberia.

The new X-ray diffraction service makes it possible to study the internal structure and the composition of fertiliser granules without altering them, contributing to an improvement in production processes to optimise product quality.

At the same time, two modern pieces of equipment to formulate pilot-scale fertilisers were acquired:

- Rotary plate granulator with continuous addition of solid raw materials and pulverisation of hot liquids.
- Fluidised bed with two operating configurations: covering and granulation.

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.

Furthermore, every year over 50 field tests are done on advanced fertilisers in the main agricultural districts in Spain and Portugal. These tests were 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 Fertiberia 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, 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.

The laboratory continues to take 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 and Food.
- 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 12 research centres and universities, with a particular highlight being the new collaboration with the Dutch university of Wageningen, Europe’s most prestigious research centre for agricultural technologies.

Collaboration with research bodies:

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

Among these the projects approved by the Centre for Technological and Industrial Development stand out:

- **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 into circular economics and green chemistry.

The prestige earned by Fertiberia in the field of research has led to it being nominated 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)**
- **CIRCULAR AGRONOMICS - Efficient Carbon, Nitrogen and Phosphorus cycling in the European Agri-food System and related up- and downstream processes to mitigate emissions.** H2020 RIA No 773649 (2018-2021)

The importance of the research projects undertaken has been acknowledged 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 Basel and the Bioeconomy Conference held in Seville.
B-Ferst Project

Fertiberia, the first Spanish fertiliser company to lead a European technology demonstration project

In December, the European Commission approved the Demonstration Project B-Ferst, led by Fertiberia. The project will get under way in the current financial year, and it means that Fertiberia has become the first Spanish fertiliser company to lead a European technology demonstration project.

The B-FERST project – “Bio-based Fertilising products as the best practice for agricultural management sustainability”, is being undertaken in the framework of the European Innovation Programme, Horizon 2020, and is exceptional proof of Fertiberia’s efforts to make research a critical growth driver. Research that translates into innovation, in the development of advanced fertiliser products, which are high quality and respectful of the environment.

Current and future agriculture requires the development of new, increasingly efficient fertilisers, which improve the productivity of crops in the particular agro-climatic conditions of each farm. To this is added the need to reduce dependence on raw materials from overseas, to prevent the exhaustion of resources and to reduce the environmental impact. In order to find an appropriate solution that encompasses all of these requirements, as project leader Fertiberia will coordinate the implementation and development of the B-FERST project.

The B-FERST project – “Bio-based Fertilising products as the best practice for agricultural management sustainability” represents one step further in the line of research and development undertaken by Fertiberia in 2015 with the European project H2020 Newfert, with the aim of developing new quality base materials for the manufacture of fertilisers, based on the recovery and enhancement of nutrients from bio-waste.

B-FERST pursues the development and demonstration, both industrial and agronomic, of a new generation of sustainable fertilisers, framed within the contexts of circular economics and green chemistry, which have been signposted as priorities by the European Union.

The project brings together the most advanced technologies for product development and fertilisation management. The resulting products will be evaluated and validated in four different agro-climatic areas, through field trials in Spain, Italy, France, Poland and Ukraine.

This project has the active participation of the University of León, with the companies FCC Aqualia, FCC-Medioambiente, Agrisat, and INCRO completing the list of Spanish participants. Organisations from five other countries are also participating in the project: Novamont (Italy), FKUR KUNSTSTOFF (Germany), Vito (Belgium), AG Futura Technologies (Macedonia), Arcadia (Belgium), Instytut Uprawy Nawozenia i Gleboznawstwa (Poland) and Fondazione iCons (Italy).

In this way Fertiberia is boosting its research and innovation activities in the field of improving the sustainability of the manufacture and use of fertilisers, also taking a big step towards the internationalisation of its R&D&I.
New product launches

The considerable involvement of all the company’s departments in marketing higher value added products for farmers and also for the company, continues on a clear upward trend.

The majority of this growth is mainly based on the promotion of two product families that are clearly defined by their soluble nutrient content, fully absorbable, which are highly fertilising.

The first is Fertiberia CLASSIC, more specifically the “plus edition” range, within which the following products stand out for their sales success:

- Olivo Plus: a fertiliser specially designed to meet the needs of olive groves, complemented with zinc lignosulfonate and with iron “Carbolite”, additives that make it exclusive among fertilisers, extending this design’s range of action to other crops such as almond, pistachio, citrus and even tropical crops.

- SulfActive: Unique NPK formulation with six basic nutrients, low in chlorine content, optimised to activate the absorption of nutrients by plants.

- ASUre Plus: maximum nitrogen use due to the combined action with sulphur and with an inhibitor of nitrogen losses by volatilisation.

The second is the Fertiberia AQUA family of fertilisers, designed to be used in fertigation, where the range of products has notably been increased with four new innovations that complement the catalogue of water soluble and liquid products for this very specific market:

- Fertibersol Ural: new variant for 46% urea for foliar use made in miniprill format, which is different from traditional ureas in that it has a lower biuret content (from -25%), a feature that makes it ideal for use in leaf treatments.

- Fertibersol Nica cristal: soluble calcium nitrate 15.5 (27) in crystalline format, which because of its unique format, has the advantage of being very pure and totally soluble, which together with a lack of coating, make it less prone to caking and therefore better in storage.

- CalciLiq 16 neutro: a technical concentrated solution of calcium nitrate 8.2 (16) that brings together two essential nutrients. Nitrogen and calcium are indispensable as promoters of growth, production and quality, which means that the form of calcium nitrate is the most efficient to meet the needs of crops that have high production and quality requirements.

- Ammonium sulphate: fully soluble crystalline fertiliser, which gives out all its nitrogen in ammoniacal form and has a high concentration of sulphur available to plants. The fact that it contains sulphur gives the product a slightly acid character in dissolution, which makes it more efficient both when using directly on soil, or when dissolving in water with basic pH.
Training and dissemination of the best use of fertilisers

Contribution to sustainability

Presenting new fertiliser products should go hand-in-hand with an appropriate communication policy and informative activities, taking part in numerous technical and scientific forums.

Extensive activity on social media, based on the field results of the new fertilisers, has been very successful and recognised by the industry, drawing attention to this new way of communicating results. In addition, generating brief infographics on new product lines, sent to customers and farmers through such everyday means as WhatsApp, has been well received and has acted as a technical support to the Sales department as an appreciable support for sales.

Also the blog hosted on fertiberia.com, together with networks like LinkedIn, have supported the communication of articles, which are always linked to the proper use of fertilisers and to the world surrounding them.

As a result of this strong communications activity, the Agricultural Service actively took part in written, TV and radio dissemination media.

At the end of the year 92 technical-commercial dissemination actions were recorded, from which Fertiberia's message impacted more than 4,500 people, including technicians and farmers.

To this end, technical training for the sales teams is required, providing them with the differential arguments concerning new products. For this reason 12 internal training courses were run for the different sales teams at Fertiberia, subsidiary marketing companies and customer technicians.

Trade defence action

Faced with commercial actions that go against market rules, Fertilizers Europe undertakes important work to achieve the establishment of the protection measures established by Community Legislation against irregular imports, in defence of European industry.

Intensive work is carried out to identify illegal practices, to communicate them to the relevant national and community authorities, and to prepare documentation and arguments to defend the interests of the Company.

Consequently, Fertiberia participates in Fertilizers Europe's Committee of Experts on Commercial Policy and in the Working Groups, also at the heart of Fertilizers, created to establish anti-dumping procedures for various fertiliser groups.

At the same time, work has been done with the State Secretariat for Trade, to modernise the trade defence instruments across the European Union’s different trade agreements, as well as to reduce derived customs tariffs, and in requesting contingents and other related matters.
Promoting good agri-environmental practices

Fertiberia’s Department of Studies and Market Research is constantly carrying out an exhaustive analysis of the regulations that affect the fertiliser industry, which is done in collaboration with the different national and community administrations, and which translates into:

• Drafting regulations related to the fertiliser sector and the environment.

• Presenting amendments and proposals about matters like community and Spanish legislation concerning fertilisers.

• Putting forward proposals, also on environmental issues, such as, among others, areas vulnerable to pollution by nitrates.

• Devising the national nitrogen and phosphorus balances.

• Establishing regulations on good agricultural practices.

• Establishing and applying the regulations for explosives precursors, on the fertiliser register.

Work has been done with the Ministry of Agriculture, Fisheries and Food, with the Permanent Representation of Spain at the European Union, with members of the European Parliament, with ANFFE, and in the scope of Fertilizers Europe, on the text for the future European Regulations on Fertilisers.

It should be pointed out that, after two years of intense debate, on 20 November the Trialogue (European Commission, Council and Parliament) reached an agreement pertaining to the proposed Regulations on fertiliser products. It is expected that this will be passed by the Parliament next March.

There was also active collaboration in the Royal Decree Project, by which standards are established to achieve sustainable nutrition of agricultural soils. Monitoring the global, European and Spanish fertiliser markets.

Close cooperation with IFA has been ongoing, providing data and analyses for sector statistics and forecasts to be drawn up at a global level.

At the heart of Fertilizers Europe, work has been done in the Statistics Committee, including most notably the drafting of the Forecast of Food, Farming and Fertilizer Use, a highly important document about agriculture and the environment.

Fertiberia works actively at the heart of ANFFE on drawing up sector statistics, which are those that the Government publishes, and are used for producing environmental legislation.

Reports and studies on the prices of agricultural products and fertilisers, and about national and international competition, are drawn up.
Unconditional support to the academic and university world

Fertiberia Chair of Agri-environmental Studies

Since it was established in 2007, the Fertiberia Chair of Agri-environmental Studies is the vehicle for strategic collaboration between Fertiberia and the Technical University of Madrid. The spheres of activity are very diverse: educational, scientific and technical, and now more than ever, highlighting environmental aspects.

One of the main aims of the Chair is research in the area of rational fertilisation and, since as far back as 2007, work related to this matter has been undertaken.

Thus, the company has carried out numerous research, innovation and development projects.

In addition, during 2018 several activities were carried out, including most notably the 11th Workshop on Fertilisation for Sustainable Agriculture: “The Circular Economy and Innovation”; XI Prizes for the Best Projects and End-of-Bachelor’s and End-of-Master’s at the UPM; participation in and sponsorship of academic and patronage activities, such as the X Congress of University Students of Science, Technology and Agricultural Engineering at the UPM, the XII Jobs Fair, The Agri-food Olympics and the XIV International Plant Water Relations Symposium.

Work continued on training future professionals with different activities, including highlights such as the granting of scholarships to work for the Company and visits to our production facilities.

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

Among the objectives of the Fundación Juan-Miguel Villar Mir are promoting and defending the quality of life and well-being of Spanish society in any of its facets, as well as protecting and defending the environment through all kinds of activities, such as studies, research, publications, heritage protection and backing informative and educational campaigns.

As for Fertiberia, it has historically been committed to not only backing the university and other research and training centres for professionals, but also to taking an active part in this 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. It is from this perspective that Fertiberia collaborates in this Master’s degree.

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 hundreds of professionals with specific training.
Best PhD Thesis on Agricultural Issues

Fertiberia, in collaboration with the Official Association of Agronomists of Central Spain and the Canary Islands, awarded the XX Fertiberia Prize for the best PhD thesis on agricultural issues, the biggest financial prize awarded for research in Europe.

First awarded 21 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 Fernando Miranda Sotillos, General Secretary for Agriculture and Food.

The winner of this twentieth edition was Dr. Ana María García López, for her PhD Thesis “The effect of phosphorus sources and inoculation with different microorganisms on the absorption of iron and phosphorus by plants”.

This Thesis was presented at the Superior Technical School of Agricultural Engineering of the University of Seville, under the guidance of Dr. Antonio Delgado García.

A decision was also made to award second prize to the thesis entitled: “Unravelling the molecular and physiological components that contribute to iron deficiency chlorosis”, written by Dr. Carla Sofia Sancho dos Santos, at the Portuguese Catholic University of Porto, and directed by doctors Marta W. Vasconcelos, António O.S.S. Rangel and Susana M.P. Carvalho.

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.
7.2.2 Industrial Products Business Area

Fertiberia’s industrial products, marketed through the Fertiberia INDUSTRIAL family, are characterised by their quality, by their specialisations, and by the added value that they provide, which have meant that they have seen spectacular growth, most notably those aimed at the environmental area.

So, in 2018 Fertiberia’s presence in non-agricultural sectors has continued to grow, on consolidated bases such as internationalisation and specialisation.

Sales to international markets have increased, and the number of countries in which Fertiberia’s industrial products are present continues to grow, thereby reducing dependence on the domestic market.

In 2018 the volume handled, the turnover, and the weight of industrial products in Fertiberia’s worldwide sales increased.

Similarly, the number of direct customers was upped by 6%.

At the same time, research efforts have been sustained, always carried out in a very practical way, with the aim of innovating, launching new products, improving quality and industrial processes. As a result of this, two new products have been included in the portfolio: calcium nitrate solution, and DeNOx urea, both of which have environmental purposes.

Manufacturing these products is possible thanks to technological developments implemented after intense research work, which has been reflected in recent years with the launch of the highest quality products, designed to both catalytically reduce NOx gases in industrial processes, and to reduce emissions in the automotive sector via AdBlue.

Therefore, for another year, the strategy adopted some time ago to promote those products known as environmental remains unchanged. Sales of these products have leapt up by 11% compared to volumes recorded the previous year, with this growth being generalised across all of the products that make up this range. Firm proof of this commitment is the expansion of the sales team that happened in 2018.

Furthermore, these industrial solutions are making it possible to meet the specific needs of customers, highlighting, on the one hand, Fertiberia’s perfect knowledge of the concerns and needs of the market, and on the other, how with research and innovation these needs can be met and value can be created for the company itself, as well as for society.
The environmental products manufactured by Fertiberia have meant that, in 2018, NOx emissions nationally have been reduced by more than 10%.

The incorporation of the Logistics and Supplies Department into the Industry Department, which happened in 2015, has created greater agility and coordination in the purchasing of raw materials, and in the supply to customers, and allows them to be acquired, either for use ourselves or to manufacture industrial and agricultural products, at more competitive prices. Also, the cost of Time Charter contracts to hire ships - mainly used to transport ammonia - has been reduced.

The road distribution network for liquid products has continued to expand, with the involvement of new transport companies with national and international coverage. This allows Fertiberia to be more competitive on neighbouring markets and to optimise the synergies between the different loading points that the company has across Spain. In this regard, it is necessary to mention the strong investment that has been made to speed up the distribution of AdBlue, an essential tool to maintain leadership in this market.
Strong presence in several industrial sectors

Chemical Industry

Products like ammonia, urea and nitric acid are essential elements in the world of fertilisers, but in their most basic state they are raw materials with significant uses in other industries.

Ammonia

With a landscape of international prices and references very similar to that of 2017, billings were maintained with barely any variations, reaching €25 million on the national market, thanks to the consolidation of the sales recovery experienced during the previous year.

Volumes similar to those of 2017 were also reached in the trading of ammonia. Being one of the main operators in Europe in the ammonia market, Fertiberia takes advantage of its knowledge by conducting purchase and sale operations for an approximate value of €15 million. This undertaking is a key complement to Fertiberia’s own production.

Technical-grade urea

50% of the urea made by Fertiberia is destined for industrial uses, with technical-grade urea being used primarily both in the national market and as exports.

Sales of technical-grade urea in 2018 were 14% higher than those recorded in 2017

This improvement is mostly due to the supply agreements reached with the main consumer companies for this product.

This was possible thanks to the improvements carried out in terms of quality and logistics at the Palos de la Frontera and Puertollano factories.

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.

As it is a raw material that is closely tied to ammonia, the prices of nitric acid remained similar to 2017 levels.

However, sales registered an increase of almost 20%, with a volume of 43,000 tons.

Carbon dioxide (CO₂)

Carbon dioxide (CO₂), 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.

The increase in prices on the carbon dioxide market was reflected in higher billings in 2018, improving on 2017 figures by 4%.

The good operating of both plants made it possible to supply the volumes required by our customers, in line with the previous financial year.
Animal feed

In 2018 the Puertollano plant obtained the necessary permits to produce and market urea for animal feed. Fertiberia therefore has the restrictive licence for food in both of the centres where urea is produced: Palos de la Frontera and Puertollano.

Fertiberia has strengthened its dominant position in this market by becoming the benchmark producer with an unparalleled guarantee of supply on the Peninsula, thanks to having two production centres.

The result is a 70% increase in sales, having significantly improved outputs in the domestic market and exports.

Billings reached €4.3 million, which is 79% more.

Industrial explosives

Ammonium nitrate, in its liquid or solid state, is used in the production of civil explosives for sectors like construction and mining, and sales are shared equally between exports and the national market.

In both cases, growth of 26% was achieved thanks to, on the one hand, the upturn in economic activity in Spain with the commissioning of new civil engineering projects, and also to the opening up of new markets in Africa.

This market optimism also made it possible to improve on the previous year’s billings, achieving sales of almost €20 million.
Products for environmental conservation

The best indicator of diversification and specialisation in the industrial products area are those products aimed at improving the environment. The supply of nitrogen, in its various forms, is the ideal solution for reducing nitrogen oxides in the atmosphere (NOx gases) and for the treatment of waste and industrial waters. In this context, Fertiberia offers a range of products that go from AdBlue for diesel vehicles, to the ammonia solution for the country’s largest thermal power stations.

Fertiberia’s commitment to the environment goes much further than selling these solutions; we work with customers so that they put the appropriate measures in place to be able to meet the increasingly restrictive legislation on emissions.

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.

In 2018 the results from the previous year were improved upon even more, with sales rising by 79%.

This improvement was primarily driven by the French market, one of the larger consumers of this product in water treatment plants dealing with waste, industrial and purifying water.
NOx gas reducing agents

One of the main causes of the greenhouse effect are the NOx gases emitted during the combustion of mobile sources (motor vehicles), or fixed stationary sources (thermal power plants), as well as some industrial chemical processes.

Given the nature of its activity, Fertiberia is simultaneously a producer and consumer of NOx gas reduction solutions, which allows it to be, both directly and indirectly, one of the main players in the fight against gases that are harmful to people’s health. Nitrogen solutions mix with these gases to convert them into nitrogen and water, two elements that are harmless to humans. This is possible by injecting ammonia solution into the emissions sources of industrial blast furnaces or simply by filling the tanks of cars and trucks with AdBlue.

Limiting industrial emissions

The two products aimed at reducing gases in industry, the 43% urea solution and the 25% ammonia solution, grew 66% and 10% respectively, proof of the fact that the most polluting companies like cement plants, thermal power plants or incinerators are adopting nitrogen solutions to reduce their environmental impact and comply with current legislation.

On the other hand, the great geographic availability and guarantee of supply that Fertiberia provides is a key point so that these industries, some of a strategic nature, can operate uninterrupted.

AdBlue, the future of the automotive industry

In order to achieve validation of the EURO6 standards, motor car manufacturers have had to adopt AdBlue technology across almost all of their diesel engine vehicles. The same thing has happened with the range of construction and agricultural vehicles, which already include NOx gas reduction systems based on AdBlue.

On the other hand, the sector of heavy industrial vehicles, trucks and buses continues to grow despite being a mature market, and they were the forerunners in the use of AdBlue technology since 2006. All this, together with the recovery in new registrations, the renewal of fleets and a higher consumption per kilometre travelled, has made the AdBlue market sustain its growth.

Fertiberia, being the largest producer and main seller of AdBlue on the Iberian Peninsula, has benefited from increased demand, with sales rising 7% to billings of €14 million.

Urea deNOx

In 2018 the development of what is called urea deNOx, aimed at the production of urea solutions to reduce gases, was completed at Puertollano. This is an extremely pure urea that can be used in the manufacture of AdBlue because it meets all the requirements of ISO22241.

This product opens up a new business opportunity in the field in which most efforts are being made, that of environmental products.
The abundant rains that fell throughout many months of the year, and particularly from the beginning of February until June, very negatively affected the performance over the financial year.

All gardening product families were affected, especially anti-pest products; products against ants, cockroaches, mosquitoes, flies, and other household and garden insects that thrive when there are high spring temperatures.

The falls in sales of other product families were less severe, and new products and formats were included in the portfolio.

### Overall billings for the Gardening area, which includes Fertiberia JARDÍN and Fertiberia ÁREAS VERDES

Increased by 5.57% with respect to the previous financial year.

This increase was mainly due to the consolidation and expansion of the sales network, and the adaptation of Fertiberia products to the needs of the market.
7.2.4 Logistics and Supplies

The Logistics and Supplies Department, contained within the Sales Department for Industry and Supplies, undertook its operations during 2018 in extremely volatile, highly uncertain conditions. The following stand out:

- Acquisition of the raw materials required to guarantee the production of solid and liquid fertilisers – both potassium phosphate and nitrogen-based ones – at all production centres.

- Ensuring, coordinating and optimising all logistics, maritime and port movements and the requisite inspections to supply raw materials in due time, form and quality at the production centres.

- Managing, coordinating and undertaking, together with the company’s different commercial management divisions, the logistics movements by land and sea to facilitate and optimise commercial endeavours.

Throughout 2018, we improved how we manage the hiring of ammonia ships under the "Time Charter" regime, adapting at all times to the needs of the company, and we guaranteed at all times the supply service to the different consumption centres, both our own and those of third parties, effectively and in a competitive way.

Also noteworthy is the renegotiation of Time Charter contracts and the implementation of a new COA contract, adapting it to the maritime logistics needs of Fertiberia.

There was a very high rate of use of ammonia ships, which were adapted in a very flexible way to the various logistical situations that are hard to foresee.

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

1,665 transport units

- 304 ships to transport solid and liquid
- 277 rail compositions
- 693 containers by sea
- 391 trucks tankers

Shipping

- 19% of all vehicles
- 90% of weight transported
- 76% of logistics expenditure

Solid product: 70%
Liquid product: 30%

The Sagunto and Avilés factories generated 44% of the dry cargo shipped.

For export: 75%
For coastal trade: 25%
Supplying raw materials to the factories involves the delivery of large volumes per unit of purchase, usually made in bulk ships. The time it takes from the closing of a transaction to arrival at the factory depends on the product, availability and supplier location, but generally speaking, it takes between two and eight weeks.

This therefore means that the volume per unit of purchase should be as low as possible to minimise the financial impact, whilst at the same time guaranteeing the normal functioning of production.

So good planning with the managers of the production centres and with other Company Departments becomes necessary to ensure competitive and on-time supply.

With regard to how the main raw materials markets performed, these were uneven. International market prices for potash, ammonia, ammonium sulphate, rock, sulphur, and phosphoric and sulphuric acids, were stable during the first half year, whilst in the second half of the year, the price of sulphuric acid should be highlighted, as it was unstable and tended to rise, driven by demand from the mining and chemical industries.

The increased demand for fertilisers in 2018, in importing countries like Brazil, China, India, or the United States, and the ongoing strong activity in the chemical industry, caused an increase in prices, both for finished products and their raw materials.

With regard to the Chinese market, in the short- and medium-term we should be alert to:

- 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, NOₓ…)
- Less natural gas availability (energy production and residential priority).

**Market performance of raw materials**

**Ammonia**

Ammonia prices have maintained a fluctuating tendency, both west and east of the Suez Canal, as per the last three years. In the 2017/18 period prices varied between $300 and $400 per ton, delivered in north eastern Europe.

There was an increase in net exports from the United States, Saudi Arabia, Iran and Russia, whilst on the import side, the demand coming from the United States fell by 0.8 million tons and imports by Morocco, Turkey and China rose by more than 1.3 million tons.

China, India and Australia led demand to the east of Suez, with China particularly standing out, because the increase there was 30% as a result of local coal-based facilities being closed, given that new more environmentally demanding legislation came into force.

Demand to the west of Suez was weaker, due to the increase in the amount of product coming from the United States towards Northern Europe and North Africa. On the Black Sea prices fluctuated between $210 and $350, following the movements of supply in the Caribbean.

The improvement in industrial prices in the caprolactam and phosphate markets during the third and fourth quarters contributed to the price being sustained, both east and west of Suez.

At a global level, maritime ammonia trade grew by 4%, with a volume of 20 million tons, maintaining the growth of the global ammonia trade for the fourth consecutive year. This trend is expected to continue throughout the current financial year, driven by the growth of the fertiliser and synthetic fibre sectors.
**Phosphoric acid**

The price of phosphoric acid rose by 15% during the first half of the year, as a result of the increasing price of sulphur and of sulphuric acid from different sources, and stabilised in the second half of the year.

Globally there was sustained demand, although this was more limited in Western Europe, primarily due to the adverse weather. Also, the launch of HUB 4 in Morocco, which has a granulation capacity of a million tons, helped to ease prices towards the end of the year.

The adjustment of capacities in China for the environmental reasons already mentioned, will reduce its ability to export, although in 2019 new granulation capacity will begin operating in Saudi Arabia, which will drive supply to the east of Suez.

**Sulphuric acid**

The price of sulphuric acid on international markets has increased significantly, up to 40%, a rise that has mainly been caused by:

- The high prices of copper, zinc, and silver, due to the initiation of leaching mining, which leads to sharp increases in the consumption of acid used as a concentrator in the poorer ore mines.
- Significant maintenance shut downs at several foundries in Asia and Europe, which caused a lower overall availability of acid from the middle of the year.
- The launch of Hub 4 production in Morocco markedly increased demand for ammonia, sulphur and sulphuric acid in the north African country.

**Potash chloride and ammonium sulphate**

The price of potassium remained stable throughout the first three quarters, although at the end of the year there was a significant recovery in consumption and therefore in demand from the main markets such as Brazil, the US, China and India, where it rose between 10% and 28%. Thus, there was a moderate increase in the price, by 5%, a trend that should be maintained throughout the current year given the sustained demand and the low volume of stocks held by suppliers.

Supply and demand of Ammonium Sulphate has remained balanced, which has resulted in price stability during the year, and the rebound that happened in Europe at the beginning of the year was offset by the subsequent fall.

Ammonium sulphate is very sensitive to changes in the caprolactam and nitrogen markets because of it being used in the manufacture of fertilisers. Sometimes there are periodic tensions regarding availability, and prices, when high demand for the granulated product from Latin America coincides with a scarce availability of the crystalline product from producers.
7.2.5 Closer to society, closer to the customer

The endeavours made by Fertiberia to maintain close contact with society and especially with 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 national sport

Puerto Sagunto Handball Club

Sponsorship of the Fertiberia BM Puerto Sagunto, which began back in the 2012/13 season, was renewed two seasons ago 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 today in the top positions of the Plata Division of Honour with the possibility of rising this year to the first division of the Asobal League, 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.

Local sports sponsorships

Throughout the year, the different production centres collaborated with numerous local sporting events and clubs, mainly aimed at supporting grassroots sports, among which the following are particularly worthy of note:

- Sponsorship of the canoeing section of the Atlética Avilesina Association.
- Sponsorship of the rhythmic gymnastics and women’s volleyball clubs in Corvera (Avilés).
- Collaboration with the Avilés Basketball Sports Association.
- Organising the Fertiberia Multi-sport Campus, with more than 500 children from Puertollano taking part.
- Various collaborations to promote sport in the city of Puertollano with different types of sporting organisations: football, women’s indoor football, etc….
- Collaboration agreement for the promotion of grassroots women’s sports in Huelva.
Vuelta Ciclista a España

2018 was the twenty-third year in a row that the company sponsored this internationally prestigious race.

Indeed, this loyalty 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. 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.

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.
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 from rural areas nationwide, this competition 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.

The first prize, of €6,000, went to Britney María Pintilii, from the 3rd year of the Infant and Primary School Castrelo do Miño in Ourense.

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 Complutense of Madrid, which provides for a collaboration space between Fertiberia and MUPAI.

Actions within the educational sphere

In 2018, 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 (AIQB) Chair. Agreement with the University of Huelva to help studies, lecturer internships, doctoral theses, etc.
- Collaboration with cultural associations in the “Ciudad de Puertollano” annual art competition.
- Collaboration to carry out cultural activities for senior citizens in Huelva.
- Professional training olympics in Huelva, attended by Queen Letizia.
- Collaboration with the Universities of Valencia, Castellón, Seville, Cordoba, Huelva and Las Palmas, and several professional training centres, to host educational seminars in factories and work placements for students.
- “Sagunt a Escena”, classical culture festival held in summer in Sagunto’s Roman theatre.
- “Ludi Saguntini”, classical culture theatres for school children from across Spain, in which more than 14,000 pupils participated.
- Conference for Young Researchers in Catalysis, held in Ciudad Real.
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 groups in need and defending activities aimed at improving life in general.

Social collaborations:

- Various collaborations with the Spanish Cancer Association, the Spanish Red Cross and the Multiple Sclerosis Association.
- Support for the Sagunto Food Solidarity Centre, an organisation that is responsible for the collection, preparation and distribution of food to people who rely on any of the region’s humanitarian aid associations (Cáritas, Adra, etc.).
- Solidarity challenge organised by Alter F Intermedia in Corvera, Avilés.
- Collaboration agreement to promote and publicise sport in deprived neighbourhoods and groups of Huelva.
- Organisation of the Huelva Professional School of Music J. Perianez concert, for the benefit of "Ciudad de los Niños."
- Charity Christmas dinner for homeless people in Huelva.
- Education programme in deprived neighbourhoods in Huelva.
- Collaboration with the Puertollano City Council and Civil Defence on the “Annual campaign against fires”.
- Guardia Civil festivities in Avilés.

Customer support

Marketing and communication

As has been the case in previous years, 2018 has been a particularly active one in terms of company presence in the mass media. In addition to constantly appearing 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 Mercoguadiana
  - 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 and innovative products and solutions in the agriculture, industry and gardening sectors.
7.3.1 Production

Total combined production increased by 2.2% in 2018 with respect to the previous year, exceeding 3 million tons. This was the best performance in the last five years for the second year in a row.

This positive production data is based on increases of 9% in the production of ammonia, and 18% in the production of urea, following the four-yearly shut downs in 2016 in Puertollano and 2017 in Palos, and equally, due to maintaining the production levels of nitric acids, nitrates and nitrogen solutions, despite the five-yearly shut down that was carried out in Sagunto.

This all made it possible to offset the low production of compound fertilisers in Huelva, which saw a decrease of 17% compared to the previous year.

It is important to highlight the excellent operating output of the Avilés Factory, which in 2018 achieved a historical record high production of nitric acid, of ammonium nitrosulphate and of granulated fertilisers, after 49 continuous years in operation.

*The production figures of previous years have been modified to correct the double counting of urea liquor used as an intermediate product in the manufacture of nitrogen solutions in the Puertollano Factory.
The Avilés Factory

Continuing the positive trend of the previous year, in 2018 the Avilés Factory exceeded all expectations: nitric acid production grew by 4.8%, to reach 206,000 tons, establishing a historical record after 49 continuous years in operation. For the second year running, a new record of ammonium nitrosulphate production was achieved, with an 8.2% increase. The above two factors combined also made it possible to hit a new historical record for the production of granulated fertilisers.

The continued good results of the Asturian factory show the excellent work carried out by a highly qualified and motivated team, proving the success of the investment strategy in this centre and constituting a clear example of excellent operation.

The Huelva Factory

2018 was a difficult year for the Huelva centre; production of compound fertilisers fell by 17% compared to the previous financial year, affected by operational problems and by a lower than forecast sales volume.

On the plus side we can highlight the consolidation of the production of N+S fertiliser with protective action as compared to the losses due to ammonia volatilisation ASUre Plus with NBPT Retard.

In the second half of the year, and with the agreement of the union representation, an ambitious plan for industrial improvement was launched, the key points of which include improving physical quality, improving the operation and maintenance of the facility, the reduction, renewal and qualification of the centre’s staff, and optimising its operating costs. The implementation of this plan is being headed up by a management team that has recently been strengthened, and with the ongoing support of the Setubal Factory’s technical team (SOPAC - ADP).
The Palos Factory

After the four-yearly 60-day shut down that took place in 2017, during which, as well as the usual programme of inspections and repairs, various modernisation and energy efficiency investments were made, 2018 was a year of operational stability at the Palos factory, reaping some of the rewards of a job well done.

So, ammonia production grew by 20.5%, and the consumption of natural gas per ton of ammonia produced, and therefore the associated CO₂ emissions, went down by 4.1% compared to the year before. This was possible in spite of the plant load being regulated to a minimum during most of the year due to the imbalance between energy purchase prices and ammonia sales prices. The significant investments made in energy efficiency allowed us to achieve the lowest ever consumption of natural gas and the lowest CO₂ emissions per ton produced during one of the few times of maximum load, in February.

The Puertollano Factory

The way the main production parameters evolved was inconsistent. Thus, ammonia and urea production fell by 9.6% and 7.8% respectively compared to the previous financial year, due to significant unplanned stoppages that required prolonged repairs to be carried out in April (urea) and August (ammonia).

However, the operation of the nitric acid and nitrate plants was very stable, achieving almost identical production figures to those of 2017.

In addition, thanks to intense business activity, new records were set for the production of technical-thick grade ammonium nitrate, ammonia solution and NGreen solution.

Lastly, it is worth noting the development of new products aimed at the environmental sector and for fertigation, like DeNOx grade urea and foliar grade miniprill urea, as well as the start-up of the new automated packaging facility.

The Sagunto Factory

Thanks to the dedication and quality of its staff team, the Sagunto Factory remained, for another year, the benchmark for operational excellence in the Grupo Fertiberia. This year was also special due to carrying out the five-yearly shut down to inspect the main equipment. This was carried out in a record time of 27 days, beating the previous record by 2.5 days, which was from the previous stoppage in 2013.

The annual production forecast was exceeded by 8%, thanks to there being no stoppages on nitric acid other than the five-yearly shut down, and to the consolidation of the increased load for that same plant, which was implemented in 2017.

Lastly, it is worthy of note that new records were established in the production of ammonium nitrates with sulphur and ammonia solution.

Thanks to the good functioning of the ammonia plant and the synthesis of urea, new annual production records were also set in urea liquor and in DeNOx/AdBlue solutions.
During 2018 investments of €10.6 million were made across all Fertiberia factories.

Investments in the factories were aimed at keeping them active at maximum capacity, improving results, ensuring the protection of the environment and industrial safety.

### Distribution of investments

- **Production**: 35%
- **Environment and safety**: 2%
- **Others**: 63%

### The Avilés Factory

During this year, construction of the new sulphuric acid tank at the port of Avilés was completed. This will enable the diversification of sulphuric acid supply, the main raw material for nitrosulphate.

### The Huelva Factory

In 2018 investments were undertaken at the factory for the replacement and improvement of assets, such as those carried out on the electrical installation of the granulation plant.

### The Palos Factory

After the 2017 five-yearly shut down, investments during 2018 were limited to investments repositioning assets, such as the acquisition of a tubular beam for the ammonia plant process boiler.

### The Puertollano Factory

An automated packaging and palletising line was installed, as well as two warehouses for packaged products. This line will allow us to meet the growing demand for technical-grade urea and ammonium nitrate in this format. In addition, the coupling to the second 132kV supply point was completed, making it possible to reduce our spend on electricity.

### The Sagunto Factory

During the 2018 financial year Fertiberia undertook the five-yearly shut down of the Sagunto factory. Among other work, during this stoppage the electricity generator and the process boiler from the nitric acid plant were replaced, as well as important work on the anhydrous ammonia storage area.
During 2018, orders placed by the Fertiberia factories (Orders for Materials and Services) reached €38.7 million, which represents a drop of almost 11% on the previous financial year.

The ratio of material purchasing orders to those related to the hiring of services varied slightly with respect to the previous financial year: 83% of orders were placed for services versus 17% of orders for materials.

In 2018, compared to the previous year, there was a significant reduction in the purchase orders for both materials and services from the Avilés and Palos factories.

This was down to finalising the services relating to the investment in the sulphuric acid tank at the Avilés Factory and the four-yearly shut down at the Palos factory.

It is worth highlighting the increase in purchase orders during the Sagunto Factory’s five-yearly shut down, which led to a notable increase in this factory’s spend as compared to previous years.

The Puertollano factory also increased its purchase orders for services, due to the approved investment for the commissioning of the new automated packaging line at this centre.

### Order distribution

- **Avilés**: 21%
- **Palos**: 17%
- **Sagunto**: 21%
- **Puertollano**: 23%
- **Huelva**: 19%
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) has been developed in accordance with ISO-9001-Quality Management, ISO 14001-Environmental Management and 18001-OHSAS-Occupational Health and Safety 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 their continuous improvement possible. Moreover, Fertiberia has signed up to the guiding principles of the “RESPONSIBLE CARE” Programme, coordinated by the Spanish Chemical Industry Federation (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 compliance and continuous improvement;
- Its responsibility in achieving sustainable development for society and the environment in which it conducts its activities;
- Preventing 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 the forecast system results.
Safety as a priority

At Fertiberia the belief that everyone who enters one of their facilities every day should be able to do so safely is a priority.

In order to make this priority a concrete reality, 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. 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.

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Safety training

Training in safety is a key factor in raising awareness and understanding of all those who work at Fertiberia centres.

Year after year, an enormous effort is made in terms of training personnel and particularly the “Emergency Teams” and carrying out of “Emergency Drills”.

Safety training performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>19,771</td>
</tr>
<tr>
<td>2016</td>
<td>19,714</td>
</tr>
<tr>
<td>2017</td>
<td>22,083</td>
</tr>
<tr>
<td>2018</td>
<td>22,494</td>
</tr>
</tbody>
</table>

+2%
Occupational health and safety

Aware of the role of occupational health and safety in work and industrial safety, in 2018 all Fertiberia factories and warehouses have far exceeded the planned preventive activity.

Indeed, a total of 3065 different types of management tools were completed.

Although there is a decrease in the total number of tools used with regard to the previous year, this reduction is explained by the support of the preventive activity carried out during the four-yearly shut down of Palos in 2017, thanks to its broad reach and number of simultaneous activities and contracts. These efforts made it possible to complete the shut down without any accident occurring.

Measuring the intensity of preventive activity, expressed as the number of management tools used per 100,000 hours of work, 2018 was the second most intense year in our history.

<table>
<thead>
<tr>
<th></th>
<th>Inspections</th>
<th>Observations</th>
<th>Audits</th>
<th>Operational Practices</th>
<th>Group Meetings</th>
<th>Drills</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertiberia</td>
<td>492</td>
<td>338</td>
<td>475</td>
<td>278</td>
<td>1413</td>
<td>69</td>
<td>3065</td>
</tr>
<tr>
<td>Ancillary Companies</td>
<td>374</td>
<td>181</td>
<td>170</td>
<td>0</td>
<td>241</td>
<td>0</td>
<td>966</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>866</strong></td>
<td><strong>519</strong></td>
<td><strong>645</strong></td>
<td><strong>278</strong></td>
<td><strong>1654</strong></td>
<td><strong>69</strong></td>
<td><strong>4031</strong></td>
</tr>
</tbody>
</table>
Specific intensity of the preventive activity

<table>
<thead>
<tr>
<th>Nº tools per 100 thousand hours worked</th>
<th>Hours worked, in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>130</td>
<td>150</td>
</tr>
<tr>
<td>150</td>
<td>151</td>
</tr>
<tr>
<td>188</td>
<td>168</td>
</tr>
</tbody>
</table>

Years: 2014, 2015, 2016, 2017, 2018
Accident rates

The number of accidents recorded in 2018 increased compared to the previous year. All accidents and incidents were subject to investigation, which also tried to identify their deepest root causes. Corrective actions derived from the aforementioned investigations were subject to monitoring of their execution and efficacy.

From the analysis carried out by the different Safety Commissions, it was deduced that the increased accident rate was generally associated with problems of ergonomics and/or due to over confidence. This gives rise to a higher number of accidents, but that are less serious.

In order to reverse the trend, an index that measures workers’ risk tolerance has been established, and instructions were handed out such that all factories would review their ergonomic risk assessments, particularly those linked with the use of tools.

The frequency index measures the number of accidents with sick leave for every million of worked hours. In 2018, this index, for our own staff, was 5.45. For the second year running this indicator incurred an increase, sitting at a slightly higher value than the average for companies in the sector for the first half of 2018 (FEIQUE).

The severity index measures the number of working days lost to accidents for every thousand hours worked. In 2018, this index reached a value of 0.28, compared to the industry average, which was 0.46 days.
Environmental friendliness

For another year, Fertiberia’s staff can feel satisfied by the results achieved in environmental matters.

The inclusion of best environmental practice across all its operations, not only as a result of compliance with legal requirements, but as genuine objectives of continuous improvement, is a fact and this is reflected in all facilities’ good results concerning the environment.

The factories are not only meeting the strictest regulations laid down by the Autonomous Communities where they operate, but are also showing a continual improving trend.

Thanks to Fertiberia products, such as AdBlue or high purity ammonia and urea solutions, have an essential role to play in the eradication of NOx gasses, with major producers being both the automotive industry and other industries in sectors as varied as cement manufacturing, thermal power stations, ceramics, etc.

Fertiberia products around 90,000 tons of NO\textsubscript{2}/year are saved, which equates to more than 10% of the total NO\textsubscript{2} emissions recorded in Spain.
Climate change

Fertiberia continues to be committed to reducing its Greenhouse Gas (GHG) emissions. This commitment is evidenced once again this year in the emission levels of N₂O gas from its nitric acid plants. This nitric gas, which has a greenhouse effect that is 300 times greater than CO₂, is reduced to a minimum by applying the latest technology in catalytic networks and specific secondary catalysts.

Despite the significant investments made in energy efficiency, especially in its ammonia plants, Fertiberia has again missed out on free CO₂ credit assignments for the 2018 year.

The Fertiberia facilities included in the ETS III regime are the ammonia and nitric acid plants and boilers. The ammonia plants are the only ones that present a shortfall of credits in relation to those assigned, which means that it is necessary to go to the market to acquire them. This situation is the same for all European ammonia producers, a sector that is recognised as being the most exposed to the risk of carbon leakage.

Fertiberia has the Carbon Footprint of all of its products available. This has been calculated using the calculator developed by Fertilizers Europe.

### Development of N₂O emissions

Nitric acid production

% emission per ton. base 100 = year 2007

![Graph showing development of N₂O emissions](image)

### Development of CO₂ emissions

Ammonia production. Puertollano factory

% emission per ton. base 100 = year 2012

![Graph showing development of CO₂ emissions](image)
Energy efficiency

In 2018 the projects to improve energy efficiency at the ammonia plants at Palos de la Frontera and Puertollano were consolidated. These projects have managed to achieve a significant reduction in energy consumption, with this reduction equating to 60,000 tons CO2/year at the Palos plant and 30,000 tons CO2/year in the one at Puertollano. These reductions, together with those already achieved for N2O, give an annual reduction figure of 1,170,000 tons CO2, which is equivalent to a 48% reduction on the emissions levels from 2008.

Fertiberia, committed as it is to the Environment and to energy efficiency, continues its work to implement projects to improve energy consumption in all its production plants.

Environment-related investments

In 2018 the company approved investments aimed at improving the Avilés Factory’s energy efficiency to an amount of €693,600.

In addition, other environment-related investments were made in all facilities to the tune of over €482,000, among which the environmental investments in the ammonia terminal at Avilés stand out.
Commitment to quality

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 industrial 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 this end, the Integrated Management System (IMS) was developed and is kept up-to-date, in accordance with the requirements of the international standard UNE-EN ISO 9001:2015 - Quality Management, which structures and drives the activities of design, production, marketing and after-sales service of the products, and provides the necessary information to facilitate its continuous improvement.

According to the Management System High Level Structure, the Company identifies the relevant aspects that affect it using the DAFO tool, also analysing the needs and expectations of its Stakeholders and their derived requirements, maintaining the focus on the risks and opportunities of all its processes, so that they can be applied and controlled.

The leadership and commitment of the senior Management of Fertiberia are evidenced by the definition and dissemination of its Integrated Management Policy; the setting of annual Targets that fit with the strategic direction and the context of the organisation, providing the company with the resources required to ensure the proper functioning and maintenance of the Integrated Management System; and regularly monitoring it to ensure it achieves the forecast System results.

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 79.5%, thus enabling us to consider our customers as “Very Satisfied”.

Customer satisfaction performance index
The Quality Management System is audited every year by AENOR, maintaining certification across all factories. 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 meeting all of the associated requirements, Fertiberia is guaranteeing the continuous improvement of its Quality System, achieving the involvement of all staff in developing their activities and offering a quality product, safely, respecting the environment and contributing to sustainable development.

The main body for ensuring the analysis and improvement of the Quality Management System is the Quality Management Committee. During the meetings of the various committees, the Quality Policy is reviewed, among others, the meeting of the Quality Objectives, Goals and Indicators is checked, the result of audits and the performance of processes and the conformity of products are commented on, the customer satisfaction data are studied, the status of corrective and preventive actions is reviewed, any changes that could affect the Quality Management System are advanced, and the quality of the Training Plan is ensured.

In 2018, true to its commitment to continuous improvement, Fertiberia achieved:

- Technical advances in the operation of the facilities, improving manufacturing performance and energy efficiency.
- Appropriate Maintenance of all the facilities, which means that their availability can be guaranteed.
- Appropriate Knowledge Management, ensuring generational renewal.
- Improvements in the physical quality of the fertilisers, with the resulting reduction in the number and magnitude of complaints.
REACH

Registration, Evaluation, Authorisation, and Restriction of Chemicals

All the requisite activities have continued to be undertaken throughout 2018 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 Grupo Villar-Mir and is managed by Fertiberia, 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. After the 2017 audit, Fertiberia’s work regarding the application of the programme, of its commitments and the continuous improvement of it is ongoing.
The most noteworthy occurrence in labour matters in 2018 was the negotiation and signing of a new Collective Agreement, which will apply throughout the Company, and will be valid for four years, coming to an end on 31 December 2021.

In December 2018 the development of the Partial Retirement Plan-Relief Contract was completed - this has been in use since 2004. In the current Collective Agreement we consider the possibility of negotiating a new partial retirement plan.

Some 455 relief contracts have been signed in the 2004-2018 period which, along with covering 128 vacancies, has made it possible to renew 77% of the staff, the average age of which is currently 40.6 years of age.

The training plans carried out at company work centres, and which focus on the continuous improvement of personnel skills, enabled 61,000 training hours to be given. This represents an average of 80 hours of training per person.

As of 31 December 2018, there were a total of 761 fixed-term staff.

Staff distribution by professional groups

<table>
<thead>
<tr>
<th>Professional Group</th>
<th>Percentage</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives and qualified technicians</td>
<td>29.2%</td>
<td>222</td>
</tr>
<tr>
<td>Operating staff</td>
<td>13.3%</td>
<td>330</td>
</tr>
<tr>
<td>Administrative staff</td>
<td>8.7%</td>
<td>66</td>
</tr>
<tr>
<td>Non-qualified technicians</td>
<td>18.8%</td>
<td>143</td>
</tr>
</tbody>
</table>
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
Fertiberia La Mancha, 100% subsidiary of Fertiberia, is headquartered in Motilla del Palancar, in Cuenca. The company is dedicated to the marketing of solid and liquid fertilisers, all produced by the parent company, in its area of operation, which encompasses the provinces of Cuenca, Albacete, Ciudad Real, Guadalajara, Toledo, Madrid, Alicante and Valencia.

At the Motilla del Palancar facilities, the warehousing capacity is greater than 30,000 tons. The two packaging lines, one for sacks and the other for big-bags, make it possible to supply product to customers with great flexibility. The company also has other strategically located warehouses in the Castilla la Mancha Community, in Buenache de Alarcón, Tarancón and Belmonte, in the Cuenca province; Chinchilla de Montearagón, in the Albacete province; Manzanares, in the Ciudad Real province, and Brihuega, in the Guadalajara province. Also in Sagunto, and thanks to agreements reached with customers, we can rely on additional capacity.

Fertiberia La Mancha also functions as a transport operator, which allows it to optimise logistics, with direct, fast and more profitable control over the transport between Fertiberia’s production centres and the warehouses.
Fertiberia La Mancha continued to place an emphasis on marketing the special product ranges. These products generate greater added value and are more efficient, which is also true from an environmental point of view. From these products we can highlight, within the range, Olivo Plus, Especial Viña, and the whole SulfActive line to be employed deep down on cereals and other crops. Similarly, emphasis was placed on marketing the ASUre product, used to cover cereals and many other agricultural products.

Throughout the year, numerous discussions with customers were held, eight field tests were carried out, and the company was present at three agricultural fairs at different places in the community. All of these activities were carried out with the support of the Fertiberia Agricultural Service.

Fertiberia La Mancha maintained its market share in its area of influence, which amounts to 60%, and this is in spite of the strong competition from imported products and the increasing number of operators in the region.

Sales development was positive, with a 35% increase in the volume placed on the market, which rose to 20,000 tons.

During the first four-month period, the sales turnover was similar to forecasts, and around 15% lower than that recorded in the previous financial year, due to problems that occurred in the urea market and to the prolonged drought that had been having an impact since 2017.

Sales during the second four-month period, both because of the characteristics of the crops in the area where Fertiberia Castilla la Mancha operates, and because the cereal basal dressing season was brought forward, were 56% higher than forecast and also similar to those recorded for the same period the previous year.

Nonetheless, in the last four months, the drop in sales compared to forecast volumes was 30%, meaning that sales remained at similar levels to those recorded in the same period in 2017. The reason for not having met expectations is primarily to do with the land, which was sown without deep fertiliser in the planting season.

The performance of sales for the new special product lines, which give greater added value and generate better sales margins, was very positive. It is noteworthy that certain products were very well received by the market, including Sulfactive, Olivo Plus, and those aimed at basal dressing of cereals, horticultural crop bases and oilseed bases.

Sales margins achieved in the financial year were 8% higher than estimated. Looking to the current financial year, our goal is to continue to promote the marketing of this range of special products.
8.2 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. Like all of Grupo Fertiberia’s subsidiary companies, Fertiberia Castilla-León offers the services of the company’s Agricultural Service, providing technical support and also information about matters related to market developments, which undoubtedly contributes a great deal to making the customer loyal.

Fertiberia Castilla-León distributes products manufactured in the Group’s production centres, specifically those from Huelva, Sagunto, Avilés, Setúbal and Puertollano, and has warehouses with a capacity for 40,000 tons, receiving up to 1,000 tons per day.

The company also has screen facilities for product reconditioning and, where necessary, can count on the support of Pancorbo and Port of Bilbao logistics centres, which ensures supply to its area of influence at all times.

The company reaches all echelons of the market: large agricultural businesses, retailers, wholesalers, private businesses and Cooperatives, with a product portfolio that covers all of its customers’ fertilisation needs, primarily distributing NAC 27%, Nitramón, NSA 26%, and NPK compound fertilisers.
Performance over the financial year

During 2018 Fertiberia Castilla y León consolidated the growth that began in the second quarter of the previous year, with an increase in the volume of fertilisers placed on the market of 18%, which meant a 21% increase in sales turnover.

Even so, the result was affected by the various agrarian circumstances that arose both at the end of the 2017-2018 agricultural season, and at the beginning of the next season.

The scarcity of rains in Castilla y León impacted on the evolution of agricultural work during the first months of the year, meaning that the application of the first covering of nitrogen fertilisers was delayed, which put pressure on reducing the price of NAC 27%. The results of the operations carried out during these months were negative, although the subsidiary sold off all stocks.

The beginning of the 2018-2019 agricultural season was characterised by the total absence of rains. Soil preparation and planting work was delayed due to lack of moisture in the fields, and as a result, the consumption of NPK compound fertilisers during sowing saw a notable downturn. Once the rains began in November, they were constant until the end of the year, which meant that it was not possible to access the fields on many days to make up for the long delay from autumn planting.

With this adverse situation, the company increased its marketing of NPK compound fertilisers by 41% compared to the year before, but they did not meet the high expectations that there had been at the beginning of the season for the consumption of NPK compound fertilisers, which meant that stocks held by the subsidiary ended up being 57% higher than those of the year before.

The goals for the current financial year are to continue increasing the business’ market share through loyal and repeat customers, and to boost the marketing of more differentiated, higher added value products, which generate better margins.

Despite the adverse weather of the second half of 2018, farmers managed to plant an area that can be considered normal, which, together with the good harvest of 2018, and in terms of cereal prices, means that we foresee a recovery of the fertiliser market during the first few months of the current financial year. In addition, the current level of reservoir water could produce a good irrigation season, with high consumption of NPK compound fertilisers.
Agralia, the main office of which is in Altorricón (Huesca), is a subsidiary that deals in the fertigation subsector and has two of the biggest and most cutting-edge liquid fertiliser factories in Europe: the factory at Altorricón, opened in 2005, and the one at Villalar de los Comuneros (Valladolid), opened in 2015.

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. The company 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 the 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

As the annual accounts show, the year 2018 has again seen positive results. It was a year in which in the first four months the weather situation had two distinct periods, with a first half during which there was a total lack of rainfall, and, conversely, a second period in which the abundance of rains made work in the fields very difficult and caused setbacks. The upward trend that prices had experienced at the beginning of the year changed direction, beginning a downward trend at the end of the first four-month period. Generally speaking it was an intensive season, with purchases being concentrated at the time of consumption.

In the second four-month period, the rains that occurred, and the thaw, caused a historical swelling of the river Ebro, which damaged thousands of hectares in the area where Agralia operates. Because of low prices in agriculture, the surface area dedicated to growing corn was reduced, which affected sowing and top-dressing fertilisation. The winter cereal harvest was medium-high in the northern area, and the price level for cereals was acceptable, in a pricing environment where raw material prices for fertilisers were on the rise.

The third four-month period was influenced by abundant rains that fell across the region, which impeded both the preparatory work for fertilising and planting work. Similarly, the rain, which continued until the end of the year, made it tricky to harvest corn and meant that planting work was given priority over fertilising.

Despite all of these factors, Agralia ended the year with an impressive sales volume, particularly with products that it produces itself, exceeding forecasts.

For another year, a strong performance of liquid products stands out, representing over 70% of Agralia’s total sales.

2018 was the third year of manufacturing at the Villalar facilities, where the whole range of products was produced, like nitrogen solutions, neutral undiluted solutions, acids, and suspensions, with manufacturing output having increased and the forecast volumes having been reached.

The 2019 financial year starts with trying to sow the short cycle winter cereal and, where the land allows it, harvesting the corn. A positive season for sowing fertilisers for winter cereals is forecast, although application is expected to be delayed.
8.4 Fercampo

Fercampo, a subsidiary belonging to Grupo Fertiberia, operates in the autonomous communities of Andalusia and Extremadura, serving customers and farmers, supplying products manufactured by its parent company and others that bring added value to the offering of nutritional solutions.

Under one roof, Fercampo brings together all the nutritional needs of agriculture, such as traditional solid and liquid fertilisers, latest-generation foliar and gel products, organic fertilisers, phyto-nutrients, and new specialist soluble fertilisers. (WSF)

It has four branches, in Malaga, Mengíbar (Jaén), Villafranca de Córdoba (Cordoba) and Utrera (Seville), offering its customers, particularly retailers and cooperatives, a friendly, fast and reliable service.

At the same time, the company has 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. Fercampo also has various dedicated warehouses throughout its area of influence, which makes it possible to meet demand at all times. It can also rely on the support of a fleet of its own trucks, as well as subcontracted ones.

As per the other subsidiary companies of Grupo Fertiberia, Fercampo, through Fertiberia’s Agricultural Service, offers technical advisory services to its customers, via a strong technical-sales team of agricultural engineers, who have a great deal of experience.
Performance over the financial year

From an agricultural point of view, the year was very important with regard to cereal production, as record volumes were reached in Andalusia, with an average yield per hectare of 4.1 tons, compared to 2.7 tons achieved in 2017. Generally speaking, the financial health of agriculture has improved, with the increase in Agricultural Income sitting at 3.4% across Spain.

The result of the year was influenced by a context of lower consumption, and because 2018 was a year of transition towards a business model based on promoting products that give greater added value to consumers, and generate better sales margins. Therefore, pre-tax profits were €229,000, compared to €635,000 achieved in 2017, whilst the gross margin of 7.8% was in fact maintained at the same level as the year before.

In terms of volume, the amount of product placed on the market fell by 10.5%, with the drop of 12% in nitrogen fertilisers, and 10% for NPK compound fertilisers, being particularly noteworthy. The main reasons were the lack of rain at the beginning of the year, and poor consumption in the pre-sowing period of cereal crops.

The development of soluble fertiliser sales was very positive, growing 18%, which meant that billings corresponding to these product ranges went over €17 million, compared to 2017’s €14.8 million, an increase that helped to absorb the lower gross margin in other areas. This product range has performed very strongly in recent years, showing 42% growth since 2015.

Given the complicated circumstances, with still very low price levels for the most part of the year, and the transition towards a new production and sales strategy, the end result can be considered acceptable. Once again this year, the wide diversification of the company’s product portfolio has been key, responding to all the needs of new agriculture.

Lastly, we should point out the very significant improvement in the company’s balance sheet, with a reduction in debt of around €2,300,000, with all the assets belonging to Fercampo now unencumbered.

We should highlight the strong performance of the range of foliar products, sales volumes of which rose by 24%, and also that of plant protection products, which increased by 20%.
Intergal, a subsidiary of ADP Fertilizantes, is the company that markets the products manufactured by ADP Fertilizantes in Spain, distributing a wide range of products: conventional solid and liquid fertilisers, specifics, foliar and bio-stimulants; crystalline fertilisers for fertigation, and chemical products for agriculture. Intergal is also responsible for the road distribution logistics for products made in Portugal, and sold in Spain.

Integral has two of its own warehouses, located in Coreses (Zamora), and in Paredes de Nava (Palencia), the latter with access to the railways. 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 transport from Portugal.

Intergal has a large highly-qualified sales team, which is supported by a series of distributors and cooperatives. These salespeople advise farmers directly on the product best suited to meet their needs.
Performance over the financial year

The volume sold by Intergal in 2018 amounted to 254,000 tons, the highest amount of the last four years, and 7% above that recorded for 2017.

The main reason for this increase is due to how well the range of specific fertilisers performed, which the company is promoting, in accordance with the strategy outlined for the whole Grupo Fertiberia. This has been possible thanks to efforts made in the R+D+I sphere, which are translating as the innovation of new very high quality products, and also the reinforcement of the sales area.

The expansion of the product portfolio and the sales team has very significantly increased Intergal’s presence in areas where it did not traditionally operate, or only did so minimally.

The importance of nitrogen fertilizers from Fertiberia factories, which are in the Intergal product portfolio, and which positively reinforce the company’s sales activity, should be emphasized.

To the increase of volumes placed on the market, should be added the increase in sales prices, meaning that billings have risen quite considerably, with a figure of more than €68 million, with a good balance between nitrogen products and NPK compounds.

Industrial product sales were similar to those made the previous year, and were essentially sales of ammonia and nitric acid for the manufacture of liquid fertilisers.

The pre-tax result of the financial year was €966,573.59.
8.6 Fertiberia France and 2F Ouest

Grupo Fertiberia operates in France through two companies: Fertiberia France, which was created with the aim of developing sales of Fertiberia products in the French market, which is the largest in Europe, and 2F Ouest. Fertiberia France owns 50% of the share capital of 2F Ouest, having Fertinagro France as a partner, a fertiliser wholesaler located in Brittany, the most agriculturally active area of western France.

2F Ouest has two mixing plants, where product is received in bulk, and using the formulae that are most appropriate for local customers, they make the end product, which is packaged and sent to the strategically located warehouses, which have a capacity of 25,000 tons.
Performance over the financial year

Generally speaking, the 2018 financial year has been positive. The prices of agricultural products and fertilisers began a certain recovery, after a few years in which they have remained at levels much lower than those considered "normal". Thus, similarly to other Western European markets, nitrogen fertilisers rose around 20% compared to the year before.

With regard to fertiliser consumption, across the year three distinct periods were identified: during the first four-month period, demand remained weak as there was some degree of uncertainty about the evolution of prices, with few operations being carried out, which meant that stocks remained at very high levels, similar to the previous year.

The market began to become animated during the second four-month period, with solid demand, which meant that prices began a clear upward movement, a rise which, for some product families, was 20%. In particular, nitrate products performed well and so did nitrates with sulphur.

However, during the last months of the year the market slowed down, with a fall in demand as a result of sales having been concentrated in the previous months. The concentration of sales in a short period of time begins to be somewhat structural, which throws up situations in which there may be a lack of availability, followed by periods in which there is no demand.

The market for industrial products is much newer than the agricultural market, and so the growth percentage is much higher. Since Fertiberia France began operating, sales have grown year on year, and 2018 was no exception, with a 58% increase in billings.

Fertiberia France grew its sales by 20%, almost reaching the figure of €20 million, and also improving the gross margin.

As well as the AdBlue market performing well and an appropriate sales policy being in place, the French subsidiary’s sales were boosted by the definitive production shut down at the plants at Secofert, in September, and Pardies, belonging to Yara, in October. These two producers, very successful in the French market, were direct competition for Fertiberia France. So, the end of production at Secofert meant that we were able to double the sales of products made at the Avilés factory, whilst the closure of the Yara Pardies plant facilitated Fertiberia France’s penetration of the market for industrial products in the south of France.

In accordance with the policy designed by Group Management, Fertiberia France continued to diversify its activity, promoting the marketing of specific products, which are high quality, and which generate higher added value and better margins.

This increase is primarily down to the good performance of both the industrial products markets and those for specific fertilisers.

For its part, the sales turnover for 2F Ouest, which was over €16 million, remained stable compared to the previous year, but also increased profitability.

The total volume of products placed on the market by the two companies rose to more than 160,000 tons, which represents a 15% increase compared to 2017. The distinct commitment to promoting specific products, with the accompanying sales and marketing efforts involved, made it necessary to increase the workforce of both companies.
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 Grupo Fertiberia’s diversification policy and its increasing presence in different sectors.

Performance over the financial year

Química del Estroncio accumulated high stocks of strontium products, which meant that it was necessary to cease production temporarily, inevitably having a negative impact on the results. Despite this, the sales turnover increased slightly on the 2017 financial year, which was mainly as a result of bringing calcium nitrate into the product portfolio.

Total sales of strontium nitrate increased appreciably, and particularly in the LCD sector.

The substantial increase in sales of strontium carbonate, in line with budgets, was the result of increased demand from key customers of the business.

Forecasts for the current year are positive, with some optimistic estimates as regards the production and sale of both nitrate and strontium carbonate. Finally, the forecasts estimate a consolidation of the calcium nitrate market, both as a solution and in crystal form.
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

With regard to the progress of the company in 2018, the decrease in turnover in the fertiliser sector should be highlighted, as no new plants have been built.

On the other hand, the sales turnover for contracts in the Environment area increased by more than 35% compared to 2017, a year which already saw a 43% increase on the previous year.

During 2018, Incro was developing its activities in technology sales in the fertiliser field in the countries and companies that are listed below: Spain, Germany, India, Brazil, Israel, Hungary, Czech Republic, Slovakia, Turkey, Bulgaria, Vietnam, Saudi Arabia, Luxembourg and Morocco.

Fertilisers

Worthy of note among the contracts that have been actively worked on throughout the year are:

Supervisions, studies, spare parts supply
- Turkey: supervision of the commissioning of granular ammonium sulphate production.
- Bulgaria: supervision of the commissioning and reconditioning of the Incro process at the TSP/MAP to DAP/NPK plant.
- Vietnam: supervision of the commissioning of the new NPK plants 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 Igsas.
- Saudi Arabia: Supply of spare parts for existing Incro plants.
- Saudi Arabia: Reconditioning study 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 four plants: three DAP and one NPK.
- India: Reconditioning study for one of the plants built by Incro in 1995.
- Malaysia: Reconditioning study of the plant to increase NPK plant production.
- Egypt: Supervision of the detailed engineering of a plant under construction, with Incro technology.
- Serbia: Reconditioning study and change of formulae at existing plants.
Environment

Regarding Incro’s activities in the environment sector, the following new contracts deserve special mention:

New contracts and assets

Spain:
- FCC Montalbán: MSW leachate
- Quimi Romar: Wastewater. Cosmetics industry
- Ladercos: Wastewater. Cosmetics industry
- Wehrle Lloret: MSW leachate

Germany:
- Kaaserer: Coolant Manager
- Krieg: Wastewater. Surface treatment
- Tubex: Wastewater. Packaging manufacturing
- Böhm & Hempel: Wastewater. Surface treatment
- Remondis: Coolant Manager
- Autz & Hermann: Wastewater. Metalworking industry
- Hydac: Wastewater. Industrial equipment

Czech Republic:
- Siemens: Wastewater. Engine manufacturing

Luxembourg:
- Ceratizit: Wastewater. Metalworking industry

Sphere of activity

In 2018 Incro staff worked actively in fourteen countries: Spain, Germany, India, Brazil, Israel, Hungary, Czech Republic, Slovakia, Turkey, Bulgaria, Vietnam, Saudi Arabia, Luxembourg and Morocco

Promotion

In promoting Fertiliser-related technology for the current year, it is estimated that the offers presented, listed below, have a high probability of being allocated:
- New NPK plant in Indonesia.
- New NPK plant in India.
- Reconditioning project in Serbia.
- Reconditioning project in India.

R&D&I

Incro continued to expand its activity in the R&D area, and consolidated the technical developments already initiated in the treatment of high-load waste water through the use of mechanical steam compression.

Also during the financial year, Incro continued the process of continuous improvement and diversification of the waste water treatment engineering, which continues to grow in Spain and Germany and is getting more important on the European market, and it has already managed to have a presence in America and Asia.

This R+D+I project for new equipment, still in development, will allow Incro to initiate solid activities in new international markets and in hitherto unexplored industrial fields with enormous growth potential. 2018 was the first year in which sales in the field of R+D began.
sales network

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southern area
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