

ANNUAL  
REPORT | 2014







## Annual report 2014

This annual report contains the management report and the most relevant tables of Ercros group annual accounts for the year ended 31 December 2014, which was unanimously approved by the board of directors on 26 February 2015, following a favourable report from the audit committee meeting the same day.

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*Bearing those cases in which the comprehension of the text requires so, all references contained in this document using the male gender will be deemed as indistinctly referring to all persons, men or women, in order to avoid reiteration of terms to facilitate the reading thereof.*

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**Dear shareholders:**

Fiscal year 2014 was reasonably good for the first three quarters, but weak in the fourth, so much so that the EUR 2.9 million in profit at September 30, 2014 turned into a loss of EUR 6.3 million by the end of the year. Even so, it is important to emphasise that the three problems that led to this setback were to a large degree beyond our control and should not be repeated.

The first is that the central administration made a significant cutback on the remuneration for the electricity interruptibility service. This took effect in October.

Secondly, in the same quarter we also had to deal with a declaration of *force majeure* by one of our largest suppliers, which led to a major decrease in production, and thus in sales.

The third is that up to the close of the year we have not had the information we need to quantify a series of environmental costs mainly related to soil decontamination at the Flix factory and landscape restoration in Cardona, which have been provisioned for a total of EUR 5 million.

The impact of these factors, together with the decrease in the average price of caustic soda and PVC over last year, explain why turnover decreased by 3.4% and the ebitda from normal operations dropped from EUR 27.9 million in 2013 to EUR 19.4 million in 2014.

The chapter on expenditures shows a gradual decrease in labour costs due to the actions taken since the start of the crisis to streamline the company's structure and make it more efficient. Taking these actions has trimmed payroll by 600 employees, with fixed costs dropping by 26% from 2007 to 2014. Unfortunately, the electricity-heavy nature of Ercros's industry and the significant increase in the cost of electricity in Spain over the last seven years (in spite of the economic crisis and decreased energy demand) has neutralised much of the positive impact of the huge restructuring effort the company made.

The crisis's long duration and the credit restrictions imposed by financial institutions has also affected our financing capacity. Fortunately, since 2011 we have had a factoring line with a syndicated recourse debt facility that provides us with EUR 102.2 million in current asset funding which we just renewed with improved conditions for the next three years. At the same time, we also renewed with the Spanish credit institute ICO another EUR 10 million credit line for five years, repayable annually.

Another improvement in our cash situation that has strengthened our equity assets has been the capital increases that we undertook as part of our 2012 agreement with the USA investment fund Yorkville Advisors. In 2014 we undertook four capital increases for a total of EUR 2.6 million, and thus far in 2015 we have already done another increase for EUR 0.8 million.

These resources, plus those obtained from collection of the deferred credit for El Hondón property, the free cash flow from ordinary operations and the sale of non-strategic assets, have provided Ercros with the financing it needs to keep the company operating and paying its current debts. Thus last year its net financial debt was under EUR 100 million for the first time in recent years.

In 2014 Ercros continued with its strategy of selling non-strategic assets. In April, the sale of its Fosfatos de Cartagena subsidiary and the business of phosphates for animal food was completed; and in February 2015 it signed an agreement to sell its Palos de la Frontera factory and the concession to exploit the Salina of Huelva, which should be concluded in the coming months.

Meanwhile, we are developing major R&D activities. In plastics we launched the ErcrosBio® and patented our ErcrosFlex® technology, which makes it possible to manufacture and market PVC without external plasticisers. We have also patented our technology for adding ATTC tablets to treat pool water and improve user safety.

Lastly of note in the field of sustainability are the facts that the Almussafes centre passed its audit for registration in the European EMAS environmental registry; that the Sabiñánigo and Tarragona factories obtained 50001 energy management certification, and that the entire organisation has maintained its ISO 14064 certification on calculating carbon footprints.

The outlook for 2015 calls for sustained improvement over the course of the year in comparison to the results of 2014. The company is forecasting better results due firstly to the upward trend in the price of our main product, caustic soda; secondly due to the appreciation of the dollar over the euro, with significant effects on our general activities and particularly in areas with more exports, such as intermediate chemicals and pharmaceuticals; and lastly, due to lower prices for raw materials, especially natural gas, pushed down by the fall in the price of oil. Even so, it is important to point out that once again in 2015 we will have to increase the items included on electric bills and assume that we will receive lower remuneration for the interruptibility service. In view of all of this, our challenge for the fiscal year will be to consolidate the recovery of our economic activities in line with our notable improvement in the beginning of 2014.

**Antonio Zabalza Martí**  
*Chairman and CEO of Ercros*

Barcelona, February 26, 2015

## 1. Organizational structure

The company's governing bodies are the general shareholders meeting and the board of directors and, within this, the audit committee and the appointments and remuneration committee. The management body is the management team.

### a) General shareholders meeting

It is the ultimate decision-making body of the company, it represents all the owners and the agreements reached at the meetings must be complied with. All the shareholders holding at least ten shares may attend the general shareholders meeting. According to the Capital Companies Law (Ley de Sociedades de Capital), the company has a regulation of the general shareholders meeting which strengthens the exercise of the information right of shareholders and facilitates the proxy and remote voting, and the communication with and between shareholders of the company.

The ordinary general shareholders meeting took place in Barcelona on June 27, 2014 upon second call. The shareholders approved all the agreements proposed by the board of directors. Highlights include: the modification of some articles of the bylaws, for adapting them to new legislation, and the consultative vote of the annual report on remuneration of directors. In attendance at the general meeting were 12,671 shareholders of 67.01 million shares, representing 61% of the subscribed voting capital, of which 5.3% was present and the remaining 55.7% was represented. The shareholders that attended the general meeting received a premium of 0.50 cent gross per share.

### b) Board of directors

It is the ultimate decision-making body of the company, except for issues reserved to the general shareholders meeting. It governs the company and supervises its management. Its performance criterion is to preserve the interest of the stakeholders related to the company: shareholders, employees, suppliers, customers, public administrations, funders, and social environment.

The structure and number of members of the Ercros's board of directors have remained unchanged since April 9, 2010. Of the five members comprising the board, four belong to the category of external directors and, of them, three are independent.

In 2014 the board of directors held 10 meetings, four of which were attended by all the directors, and in the other six the absent director delegated their vote.

The chairman of the board of directors is also the CEO, and therefore the top executive of the company. On May 11, 2010, the board appointed from among its members a coordinator who is authorized to exercise the powers under article 529 septies of the Capital Companies Law and article 10 of the regulations of the board, in case of that the same person holds the positions of chairman and CEO, as is the case.

### (i) Audit committee

On April 30, 2014, the board appointed as a chairman of the audit committee the independent director, Luis Fernández-Goula Pfaff, replacing Eduardo Sánchez Morrondo for having completed the term for which he was appointed.

On January 22, 2015, the board approved the change in the composition of the commission in accordance with the provisions of Law 31/2014, of December 3, amending, among the other, the article 529 quaterdecies of the Capital Companies Law.

Antonio Zabalza Martí, executive director, ceased as a member of this committee and the board appointed in his place Eduardo Morrondo Sánchez, independent director. After this change, the audit committee is composed by three members appointed by the board, two of whom are independent, including its chairman.

Throughout 2014, the audit committee held four meetings, attended by all its members. Of the audit committee depends the internal audit service.

### (ii) Appointments and remunerations committee

On April 30, 2014, the board appointed as a chairman of the appointments and remunerations committee the independent director, Eduardo Sánchez Morrondo.

On January 22, 2015, the board approved the incorporation as a member of the appointments and remunerations committee the independent director Luis Fernández-Goula Pfaff and thereby increased to three the number of members of this committee, in accordance with the provisions of Law 31/2014, of December 3, amending the article 529 quindecies of the Capital Companies Law.

After this change, the appointments and remuneration committee is composed by three members, all of them independent directors.

In 2014, the committee held two meetings attended by all members.

### Structure of the board of directors

Director	Position	Type	Committees	Date of renewal
Antonio Zabalza Martí	Chairman and CEO	Executive	–	9-04-10
Laureano Roldán Aguilar	Director	External	Audit	9-04-10
Ramón Blanco Balín	Director	Independent	Appointments and remunerations	9-04-10
Eduardo Sánchez Morroondo	Director	Independent	Audit and appointments and remunerations	9-04-10
Luis Fernández-Goula Pfaff	Director	Independent	Audit and appointments and remunerations	9-04-10
Santiago Mayans Sintes	Non-voting Secretary			

### c) Management team

It is the body that ensures that the agreements reached by the board of directors are put into practice and followed up, and periodically monitors business evolution.

It consists of the chairman-CEO, the general managers, the managers of the four divisions and the managers of the general secretariat, administration, finance, sustainable development, human resources and information systems. Several other managers of the company are invited to the meetings of the management team, including the sales managers of the main business segments.

On July 1, 2014, Agustín Blasco Franco was appointed new director of the basic chemistry division replacing Francisco García Brú, who left the company after spending 40 years linked to it.

In 2014 the management team held 11 meetings.

## 2. Industrial structure

Ercros is an industrial group diversified into three areas of activity: the chlorine related business group, which includes the divisions of basic chemicals and plastics and which is presented as a business strategic unit with chlorine as its common link; the intermediate chemicals division, which focuses on the formaldehyde chemistry, which is the product from which the other products composing its portfolio are manufactured, and the pharmaceuticals division, which engages in the manufacture of active pharmaceutical ingredients (APIs).

The main changes on the perimeter of the group, from January 1, 2014 until the adoption of this report, February 26, 2015, are as follows:

- On April 10, 2014, Ercros sold to the company Timab Ibérica, subsidiary of the French group Roullier, 100% of Fosfatos de Cartagena, S.L.U. and the business of phosphates for animal food, totalling EUR 1.24 million.
- On February 11, 2015, Ercros signed an agreement with Salinas del Odiel by which this company agrees to acquire from Ercros the subsidiary Electroquímica Onubense, at which production plants of the factory of Palos de la Frontera and the concession to exploit the Salina of Huelva will be transferred.

The group has 13 production centres distributed throughout Spain.

**Industrial structure**

Divisions	Centres	Products	Applications
Basic chemicals	Cardona, Flix, Palos de la Frontera, Tarragona, Sabiñánigo, Salina of Huelva and Vila-seca I	Caustic potash Caustic soda Chlorine Chloroisocyanurates Hydrochloric acid Sodium chlorate Sodium chloride Sodium chlorite Sodium hypochlorite	Chemical industry Industry Derivatives manufacturing Swimming pools Industry Paper pulp bleaching Chemical industry Water treatment Water treatment
Plastics	Monzón and Vila-seca II	EDC PVC VCM	VCM manufacturing Construction PVC manufacturing
Intermediate chemicals	Almussafes, Cerdanyola and Tortosa	Formaldehyde Glues and resins Moulding compounds Paraformaldehyde Pentaerythritol Sodium formate	Derivatives manufacturing Wood industry Electrotechnics Resins Paints Tanning industry
Pharmaceuticals	Aranjuez	Erythromycin Fosfomicin Fusidic acid	Antibiotic Antibiotic Skin infections

**3. Operation****a) Mission and principles**

The general purpose of the Ercros group is the consolidation of a solid and long-lasting industrial group, that contributes toward the wealth and wellbeing of the company in response to the trust placed in it by its shareholders and which enable it to fully develop the personal and professional capacity of those who form a part of it.

The action of Ercros, aimed at increasing the value of the company, is guided by three basic principles: maximum security for its employees, neighbours and installations; absolute respect for the environment, and satisfying the needs of its clients and the total quality of its products.

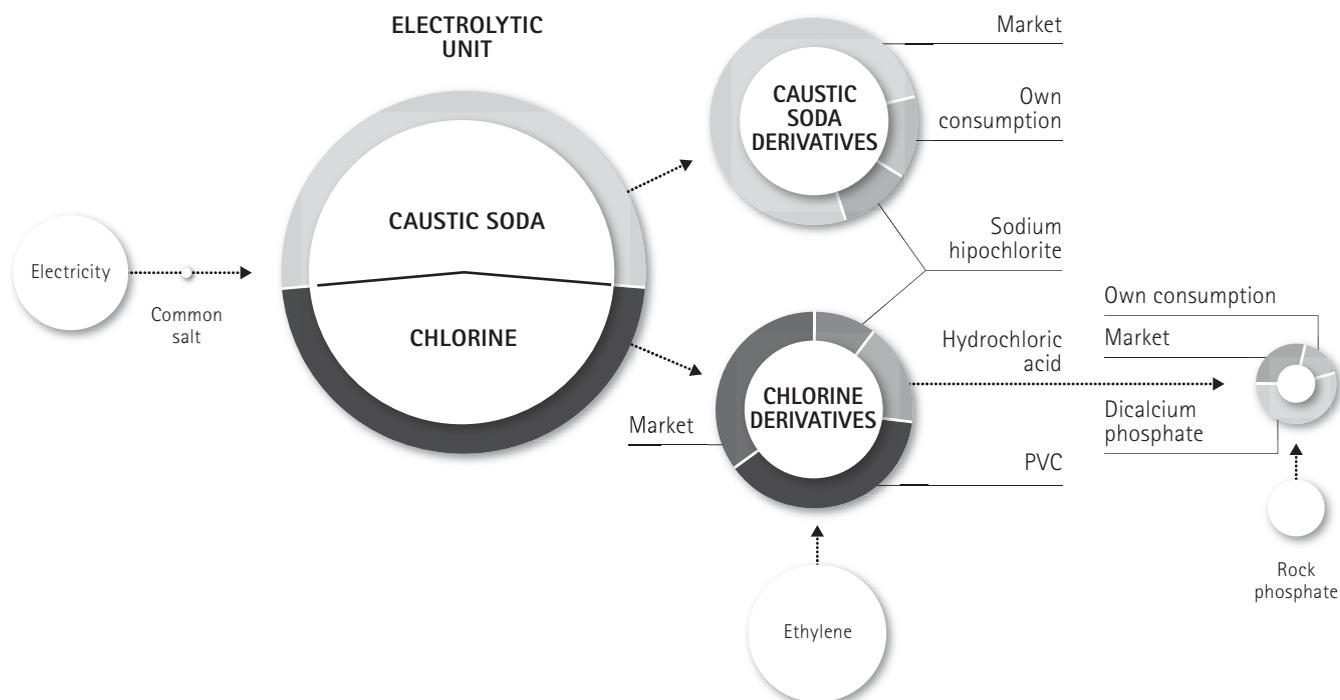
**b) Corporate strategy**

The group defines its business strategy according to multiannual plans that establish the measures to be adopted in order to increase productivity and efficiency of the company's resources.

The three major strategic objectives of the group are:

- To create an efficient, healthy and profitable chemical group with international presence.
- To achieve productive, industrially-integrated installations, of a European dimension and located at efficient sites.
- To specialize its commercial portfolio in products with which it may obtain higher performance, those that present the greatest comparative advantages for the group and offer the highest growth expectations.

## Chlorine-caustic soda chemistry



### c) Business model

#### (i) Chlorine-caustic soda chain

Chlorine is the common link of the basic chemicals and plastics divisions, which constitutes a strategic business unit. Chlorine and caustic soda are obtained simultaneously during the same production process from sodium chloride (common salt) dissolved in water (brine) and electricity, in a proportion of 1 ton of chlorine to 1.1 tons of caustic soda. This assembly is known as the electrolytic unit (ECU).

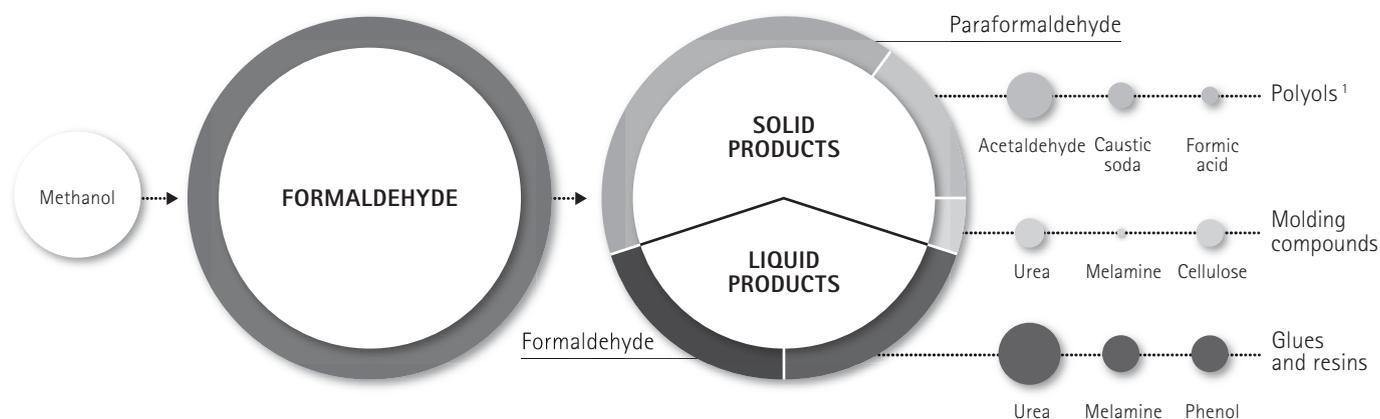
Caustic soda is a basic chemical product that is broadly used in the industry, which shows growth equal to 1.5 times GDP growth. The margin on caustic soda is determined by the price of electric power, which comprises 50% of its total costs.

For reasons of safety and efficiency, it is advisable that the chlorine be used in the same place of production. The Ercros group itself uses 2/3 parts of the chlorine produced in the manufacture of derivative products, the major one being PVC, which is in turn the major chlorine consumer in the world.

The evolution of PVC is tied to the progress of construction, its main market. The margin on PVC is determined by the price of ethylene, which entails 52% of its total costs. However, in order to understand the ultimate profitability of PVC, the electrolytic unit should be considered overall. In other words, it is necessary to consider the income and expenses deriving from PVC, as well as those of its co-product caustic soda.

The main challenge facing the chlorine related businesses group is to increase the overall margin on PVC with associated soda, within a context of the increased price of electricity, and to address by December 11, 2017 the change in technology of electrolytic plants, as explained further below.

### Formaldehyde chemistry



<sup>1</sup> Pentaerythritol, dipentaerythritol and sodium formate.

#### (ii) Formaldehyde chain

Formaldehyde is the key product of the intermediate chemical division, from which paraformaldehyde, pentaerythritol, glues and resins, and moulding compounds are manufactured, by means of the addition of urea, acetaldehyde, melamine and phenol.

Methanol, main raw material in intermediate chemistry division, entails 50% of the raw material costs of the division.

75% of formaldehyde that is produced is used in the manufacture of liquid as well as solid derivatives. The latter, which comprises 69% of the billing for the business, has greater added value than the liquids and its market is global, attaining an export percentage of 91%.

Solid products are used in the manufacture of high-performance resins, lubricants, varnishes and lacquers, as well as in the manufacture of electric and sanitary components. The margin on this group of products, which is determined by the difference between the cost of methanol and the selling price of finished products, benefits from the market's recognition of the product quality and the know-how applied in their production.

The challenge of this business is to maintain global leadership based on qualitative differentiation with respect to the products of the competition, mainly of Asian origin, maintaining competitiveness. Currently, this business is favoured by rise of the dollar/euro exchange rate and the impact of low oil prices on the cost of natural gas.

#### (iii) Active pharmaceutical ingredients

The pharmaceuticals division focuses on the production of raw materials and intermediate pharmaceutical products, from the family of antibiotics, antiulceratives and antifungals. The division also specializes in the preparation of active and intermediate principles specially tailored for the customer.

Exports account for 86% of its sales, and therefore, the margin on these products is highly dependent on the euro/dollar exchange rate.

The major challenge for this business is to meet the quality demands of the customers and regulatory agencies, develop new products and face competition from China and India.

#### d) Competition <sup>1</sup>

The Ercros group maintains a leadership position in the main markets in which it is present, and supplies a wide range of sectors: chemical industry, construction, wood industry, paints, food industry, pharmaceuticals, electric material, water treatment, etc.

The products of the intermediate chemicals and pharmaceuticals absorb a significant percentage of worldwide market. With paraformaldehyde, the group is ranked first in the worldwide market. It is also a leader in fusidic acid and fosfomycin.

<sup>1</sup> Data provided in this caption are extracted from calculations made by the group itself.

In Europe, it is the leader in sales of trichloroisocyanuric acid (TCCA). In Spain, it is first in the national ranking in sales of caustic soda, sodium hypochlorite, sodium chlorate, dicalcium phosphate and moulding compounds, and is the second agent on the PVC market and glues and resins.

The size of the company's competition changes depending on the division and the type of marketed product. The group sells its products to over 2,000 customers.

As for the group of businesses associated with chlorine, Ercros represents 2% of the European soda market and competes with operators that are much larger than it. The same is true in the PVC market, where Ercros also has a 2% market share and competes with operators who not only have shares in the 40% range, but are also more vertically integrated.

In this business segment, electricity is the main raw material, determining how competitive the company is. The price of electricity is in turn determined by the competitiveness of the Spanish electric power generation system, where high subsidies for renewable energies lead to average electricity costs that are higher than most other countries in the region.

Technology is another key factor for this business group's competitiveness. This is a result of producing chlorine using technology that are free of mercury, because the mercury technology will be illegal as of December 11, 2017. A significant portion of the group's chlorine production uses mercury technology. This may make it necessary to make an investment effort to migrate to membrane technology, or alternatively to alter the group's future industrial structure.

#### e) Seasonal trends

Higher activity has generally been noted in the markets in which the group operates between the second and third quarter of the year, except for the month of August. In recent years the customer's trend towards a reduction in order has accentuated at the end of the year, related to the Christmas holidays and a generalized will to decrease stocks in warehouses at year end.

The products that have suffered a seasonal trend the most are the ones used in water treatment (sodium hypochlorite, sodium chlorite and chloroisocyanurates), due to the summer peak consumption, and PVC, which shows greater apathy in the coldest months as a result of the stoppage in construction. The rest of the products show a regular demand throughout the year.

#### f) Regulatory environment

The key legal requirements, specific to the sectors in which the group operates, that have a greater impact on its activity and results are those related to the energy market, prevention and protection of the environment.

#### (i) Energy market reform

Once the Spanish Government has modified the legal framework for the energy market. Within this context, several initiatives have been proposed that may have a significant impact on the group:

- The changes made to the interruptibility demand management service under Order IET 2013/2013 introduced an auction mechanism for accessing the service, and this has entailed adjusting the subsidy paid thus far for providing the service. This has created an element of uncertainty regarding future subsidies, since they would depend on the results of each yearly auction, the bases for which are not known until they are published. This makes medium and long term planning of the group's investments and activities more difficult.
- The changes to the regulatory framework for cogeneration have made the Vila-seca II factory's cogeneration plant less profitable, although a regulatory proposal is being developed that will allow it to return to its previous level of profitability.

Meanwhile the Tortosa cogeneration plant (in which Ercros holds a majority stake), which supply's nearly all of the factory's steam demands, has had its operating system changed to adapt it to the situation of the electricity market. As a result, the Tortosa factory now produces a specific part of the steam in its own boilers using external gas, an additional cost.

In 2014, 3.5% of the group's electricity consumption came from electrical cogeneration plants and its own steam, for a total of 79.8 GWh: 20% less than the figure from 2013 due to the shut down of the Flix and Sabiñánigo cogeneration plants, and as a result of decreased production from the Vila-seca II cogeneration plants.

No new developments are expected in the regulations for the energy market that might have a relevant impact on the company's activities.

**(ii) Contaminated soil**

Royal Decree 9/2005, which establishes the list of potentially soil polluting activities and the criteria for the definition of contaminated soil, requires industries to submit a preliminary situation report, based on which the relevant authority may request the performance of supplementary studies of the soil status and, where applicable, the approval of the corresponding remediation project.

In 2014 the group continued with the soil characterization of Flix, Vila-seca I, Vila-seca II and Palos de la Frontera factories and ended remediation projects in Tarragona. On November 28 began operating a water treatment plant in Flix factory, in accordance with the provisions of the remediation project subsoil and groundwater of this factory approved by the competent authorities.

On July 30, 2014, Ercros presented to the regional administration a new draft for the recovery and restoration into the landscape of the land released by the operation of the mine waste tip Terrera Nova of Cardona. At present moment, the company is awaiting the approval of the project.

The remediation project of El Hondón property, where the old factory of Cartagena was located, is under review by the administration.

The cost of implementing these projects is entirely provisioned, together with the cost of liability for pollution Flix dam.

**(iii) Industrial emissions**

Directive 2010/75/UE on industrial emissions (integrated prevention and control of pollution), transposed to the Spanish legislation through Law 5/2013, requires to adapt integrated environmental authorizations in all affected centres and applied the best available techniques (BAT) in production processes within four years after the date of issue of the conclusions of on the best available techniques reference document (BREF) applicable.

To date, this regulation affects the electrolysis plants that use mercury electrolyzes (Flix, Palos de la Frontera and Vila-seca I), which must implement the BAT technology before December 11, 2017.

**(iv) Registration and authorization of chemicals**

European regulations on registration, evaluation, authorization & restriction of chemicals (Reach) and classification and labelling substances (CLP) require companies to register the manufacture and marketing of certain chemicals, and to provide information about hazards related to them through safety data sheets (SDS).

These regulations affect most of the products manufactured and sold by the group. To date, the implementation of the Reach regulations in the group has cost EUR 1.65 million and 503 SDS have been issued in Spanish, and translated to several EU languages.

**(v) Greenhouse gas emissions**

Law 1/2005, regulating the greenhouse gas emission allowance trading, establishes a maximum amount of emissions for companies based on their production processes and assigns them their share of free rights. Thus, if a company exceeds the maximum amount assigned to it, it has to buy the corresponding rights.

On November 18, 2014 the Sub secretariat for Environment (Sempa) assigned Ercros 1.98 million of tons of free greenhouse gas emission rights for the period 2013-2020, of which 256,500 tons correspond to 2014 (281,791 tons in 2013) gas emission.

In 2014, Ercros had income from grants relating to gas emission allowances amounting to EUR 1.41 million (EUR 1.82 million in 2013).

**(vi) Major-accident hazards involving dangerous substances**

Royal Decree 1254/1999 and subsequent updates, the last one known as Seveso III, approve measures to control major-accident hazards involving dangerous substances.

This Royal Decree requires the affected production centres to prepare an updated safety report, perform periodical prevention inspections and major-accident drills, implement an internal emergency plan and investigate accidents and report them to the authorities.

## 1. Analysis of the business evolution and results

### a) Production

In 2014 the group's plants manufactured 2.21 million of tons of products, 3.8% more than in the prior year.

This increased activity of the production plants is related to the volume of sales in terms of units, given that in monetary terms, as will see below, the evolution has been negative due to the impact of the price effect.

Above the average are located the business of intermediate chemicals and basic chemicals. The increased of the production of this latter business (4.2%) is more relevant when one considers that in 2014 did not produce monocalcium phosphate, because of the sale of the activity of animal feed. Instead, Ercros has continued to manufacture dicalcium phosphate under a maquila regime according to the agreement reached with the buyer of this activity.

In the fourth quarter, production fell significantly due to the force majeure declared by one of the leading suppliers of the company, as well as scheduled maintenance activities.

### b) Sales

In 2014, the turnover of Ercros amounted to EUR 603.67 million, 3.4% lower than that achieved in 2013, when they amounted to EUR 624.97 million.

The main reason behind this decline is the lower price for caustic soda and PVC, in line with the observed downward trend in commodities prices. The turnover for the fourth quarter was also affected by a substantial cut in the compensation received for the remuneration for the electricity interruptibility service provided by the company to the electricity system operator and by a lower production in some plants due to the force majeure declared by one of the leading suppliers.

These circumstances have affected mainly in plastics division, whose turnover has fallen by 7.2% between the two years, and the basic chemistry, which has scored a decrease of 5.5% over the same period, while the other two businesses, intermediate chemicals and pharmaceuticals, have increased their sales by 1.5% and 1.4%, respectively.

As in 2013, also in 2014 PVC was the most sold product in the group's portfolio, followed by caustic soda and paraformaldehyde. These three products account for 37% of total consolidated sales.

The main variation in the main products of the company between the two years is the disappearance of phosphates from the sale of this activity.

### c) Expenses

In 2014, expenses amounted to EUR 592.36 million and were 0.6% lower than previous year.

Within this item, procurements fell by 2.7%, driven by lower raw material costs, while supplies –which are disclosed as part of "Other operating expenses" – remained virtually unchanged (-0.5%).

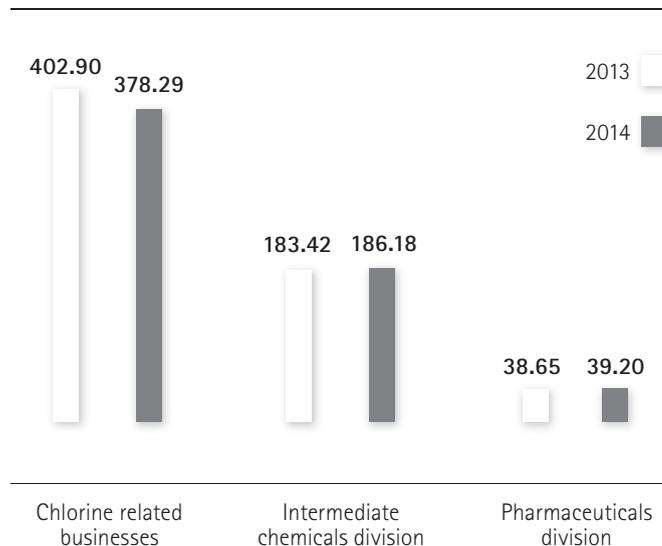
The three main procurements and supplies –electricity, ethylene and methanol– account by 55% of the total amount of consolidated purchases, and exceed 50% of total costs of the manufacturing processes of chlorine-soda, PVC and formaldehyde, respectively.

Labour cost fell 1.7%. Between 2013 and 2014, the work force of Ercros was reduced by 80 people as a result of the implementation of the downsizing plan applied in 2013 and the sale of the phosphates for animal feed activity in 2014. The execution of that downsizing plan also explains the difference in the amount of labour compensation between the two years. At 31 December 2014, Ercros workforce was 1.377 people.

In the fourth quarter, the company has accrued environmental costs for the soil decontamination, mainly, in the factory of Flix and landscape restoration in Cardona. These non-recurring costs are disclosed as part of "Other extraordinary expenses" and explain the difference in this item between 2013 (EUR 0.50 million) and 2014 (EUR 5 million).

### Sales by divisions

EUR MILLION



Coinciding with the first signs of economic crisis, the company has been implementing several restructuring plans oriented to reduce fixed costs and to improve profitability of the company. Between 2007 and 2014, fixed costs have decreased by 25.9%, equivalent to EUR 52.86 million. However, the effect of this great effort made has been nullified by the strong increase of the total cost of electricity during this period.

### d) Results

#### (i) Consolidated results

As noted above, the fourth quarter has been significantly affected by the lower remuneration for the electricity interruptibility service, lower industrial activity and extraordinary costs linked to environmental remediation in several factories.

As a result of the impact of these facts, the ebitda has decreased from EUR 28.45 million in 2013 to EUR 14.44 million in 2014. Non-recurrent items have amounted to EUR -4.93 million (0.57 million in 2013), while ebitda from ordinary operations has reached EUR 19.37 million compared to EUR 27.88 million in the previous year.

Once regarded depreciation and impairment of assets, the ebit amounts to EUR 5.01 million loss compared to a positive ebit of EUR 9.14 million in 2013.

The net result from asset impairment was EUR -0.56 million. This figure is the result of a EUR 16.18 million impairment from the Vila-seca complex and a EUR 15.62 million reversal of the previous impairment of the assets of the Aranjuez factory.

The working hypothesis that was used to estimate the impairment of the Vila-seca complex is that it will continue to produce chlorine and caustic soda at its current capacity until late 2017, when plants that operate using mercury cells will be required by law to migrate to membrane technology or cease their activities.

Given the elevated cost of migration, such an investment would only be justified if the price of soda improves over the levels seen in 2014, and if chlorine sales remain steady at their current level. There is currently insufficient visibility regarding these two aspects to provide a basis for such a decision. With all of this in mind, it is important to note how hypothetical both this scenario and the changes that might occur would be if the implicit situations were to change.

The financial result has amounted to EUR -7.50 million, compared to EUR -10.14 million in the previous year, as a result of interest rates reduction and less indebtedness.

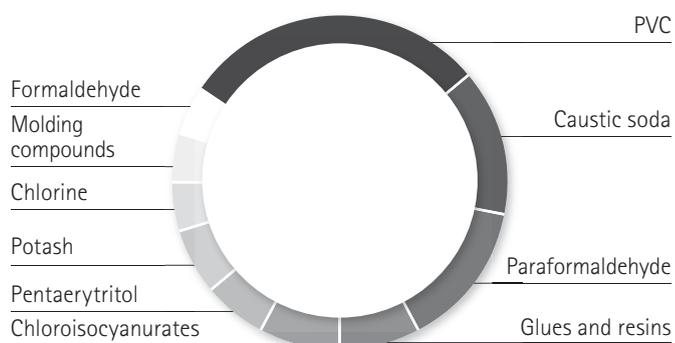
The item "Result from discontinued operations" comprises the result obtained in the sale of the animal feed phosphates manufacturing and selling activity, that took place last year in April, which had an impact of EUR 0.81 million in 2014 accounts and EUR 3.43 million in 2013.

The income tax rate reduction (from 30 to 25%) has resulted in the recognition of an income tax of EUR 5.41 million and the consequent reduction in deferred tax liabilities booked in the business combination of group Aragonesas and group Derivados Forestales.

This scenario leads to a loss of EUR -6.29 million euros for 2014, compared to EUR -3.75 million loss for 2013.

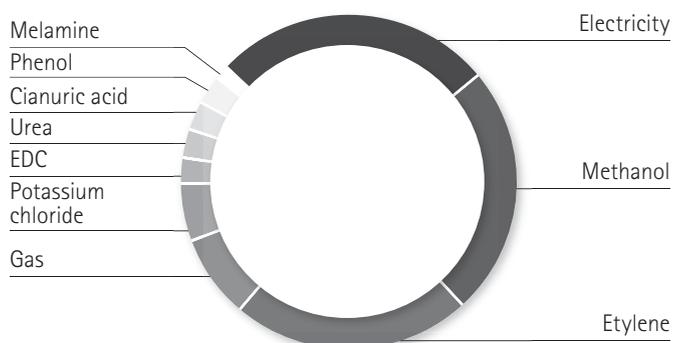
#### Top 10 products

% OVER TURNOVER IN 2014



#### Top ten supplies and procurements

% OVER TOTAL AMOUNT OF PURCHASES IN 2014



## Income statement

EUR MILLION

	Year 2014	Year 2013	Change (%)
<b>Income</b>	<b>606.80</b>	<b>624.21</b>	<b>-2.8</b>
Revenue	603.67	624.97	-3.4
Other operating income and change in inventories	2.93	-6.06	—
Other extraordinary income	0.20	5.30	-96.2
<b>Expenses</b>	<b>-592.36</b>	<b>-595.76</b>	<b>-0.6</b>
Cost of sales	-311.04	-319.66	-2.7
Employee benefits expense	-78.81	-80.14	-1.7
Other operating expenses <sup>1</sup>	-197.38	-191.23	3.2
Severance payments	-0.13	-4.23	-96.9
Other extraordinary costs	-5.00	-0.50	900.0
<b>Ebitda</b>	<b>14.44</b>	<b>28.45</b>	<b>-49.2</b>
Ebitda from ordinary activities	19.37	27.88	-30.5
Non-recurring ebitda	-4.93	0.57	—
Amortization expense	-18.89	-19.31	-2.2
Impairment of assets	-0.56	0.00	—
<b>Ebit</b>	<b>-5.01</b>	<b>9.14</b>	<b>—</b>
Finance costs	-7.50	-10.14	-26.5
<b>Profit/loss before tax</b>	<b>-12.51</b>	<b>-1.00</b>	<b>1,151.0</b>
Profit/loss from discontinued activities	0.81	-3.43	—
Taxes	5.41	0.68	695.6
Non-controlling interest	0.00	0.00	—
<b>Profit/loss for the year</b>	<b>-6.29</b>	<b>-3.75</b>	<b>67.7</b>

<sup>1</sup> Includes supplies by an amount of EUR 93.76 million in 2014 and EUR 94.20 million in 2013.

### (ii) Group results from chlorine associated business

The low price of caustic soda and PVC throughout 2014, the reduction in the remuneration for the electricity interruptibility service, and the decrease in production due to the *force majeure* declared by one of our main suppliers in the third quarter had their greatest effect on the chlorine-associated companies, which saw a 6.1% decrease in turnover from 2013 to 2014.

In addition to this significant decrease in revenue, this business unit also ended up bearing the brunt of the provisions for environmental restoration projects –for a total of EUR 5 million– and EUR 16.18 million in impairments of several of its assets.

All of this is reflected in the chlorine-associated business group's results in the following way: from 2013 to 2014, ebitda dipped from EUR 17.67 million to EUR 2.22 million, and its fiscal year losses went from EUR -13.91 million to EUR -27.71 million.

### (iii) Results of the intermediate chemicals division

After a 2013 that was notable for its weakness, 2014 was a year of recovery for the intermediate chemicals division.

The positive evolution of the price of our main supply, methanol, and an increase in sales volume meant that in spite of profits improving only modestly (+1.5%), margins recovered significantly.

Ebitda, which amounted to EUR 9.29 million, increased by 16.9% over the previous year and as such the result for the year increased from EUR 1.36 million in 2013 to EUR 4.64 million in 2014.

### (iv) Results of the pharmaceuticals division

The pharmaceuticals division showed good progress for the second straight year. In 2014 it consolidated the positioning of its products with greater value added, and it implemented changes to optimise the use of its production plants, especially in the area of fermentation.

This led to a 1.4% increase in turnover and a 3.5% increase in ebitda. The reversal of the impairment from the business area's plants, however, was decisive in the improvement, accounting for EUR 15.62 million (EUR 7.08 million in 2013). Thus the pharmaceutical division's results jumped from EUR 8.80 million in 2013 to EUR 16.78 million in 2014.

The reversal of the previous impairment was based on one hand on the significant improvement in this area's ebitda over the last few years, and on the other hand on its excellent commercial outlook due to the imminent launch of a new sterile products plant. The notable appreciation of the dollar over the euro in 2015 will bolster these positive growth factors even further, contributing to a business scenario that is based on improved results from this activity.

## Statement of comprehensive income by divisions

EUR MILLION

	Chlorine related businesses			Intermediate chemicals division			Pharmaceuticals division		
	Year 2014	Year 2013	Change (%)	Year 2014	Year 2013	Change (%)	Year 2014	Year 2013	Change (%)
Total income	378.29	402.90	-6.1	186.18	183.42	1.5	39.20	38.65	1.4
<b>Ebitda</b>	<b>2.22</b>	<b>17.67</b>	<b>-87.4</b>	<b>9.29</b>	<b>7.95</b>	<b>16.9</b>	<b>2.93</b>	<b>2.83</b>	<b>3.5</b>
Depreciation & amortization expense	-13.42	-15.21	-11.8	-3.86	-3.61	6.9	-1.61	-0.49	228.6
Income from asset impairment	-16.18	-7.08	128.5	0.00	0.00	–	15.62	7.08	120.6
<b>Ebit</b>	<b>-27.38</b>	<b>-4.62</b>	<b>492.6</b>	<b>5.43</b>	<b>4.34</b>	<b>25.1</b>	<b>16.94</b>	<b>9.42</b>	<b>79.8</b>
Finance costs	-4.59	-6.54	-29.8	-2.41	-2.98	-19.1	-0.50	-0.62	-19.4
<b>Profit/loss before tax</b>	<b>-31.97</b>	<b>-11.16</b>	<b>186.5</b>	<b>3.02</b>	<b>1.36</b>	<b>122.1</b>	<b>16.44</b>	<b>8.90</b>	<b>86.8</b>
Profit/loss from discontinued operations	0.81	-3.43	-123.6	0.00	0.00	–	0.00	0.00	–
Taxes	3.45	0.68	407.4	1.62	0.00	–	0.34	0.00	–
<b>Profit/loss for the year</b>	<b>-27.71</b>	<b>-13.91</b>	<b>99.2</b>	<b>4.64</b>	<b>1.36</b>	<b>241.2</b>	<b>16.78</b>	<b>8.80</b>	<b>90.7</b>
Assets	289.10	318.37	-9.2	181.50	188.89	-3.9	50.12	57.03	-12.1
Liabilities	230.81	275.31	-16.2	82.27	68.42	20.2	39.45	48.35	-18.4
Investments in fixed assets	2.38	6.15	-61.9	1.83	1.10	66.4	1.53	0.61	150.8

## e) Markets

49% of Ercros's sales in 2014 (EUR 294.06 million) were made out of Spain, 0.6% more than in the prior year. On the contrary, sales in Spain, which amounted to EUR 309.61 million, decreased by accounted for 47% of sales and amounted to EUR 292.24 million, decreased by 6.9% compared to the prior year.

The thrust of intermediate chemicals and pharmaceuticals divisions, which conducted outside the 63% and 86% of sales, respectively, and the sluggish domestic market, which is the main destination of the products of basic chemicals and plastics divisions, explained that exports have gained ground in the overall sales of Ercros.

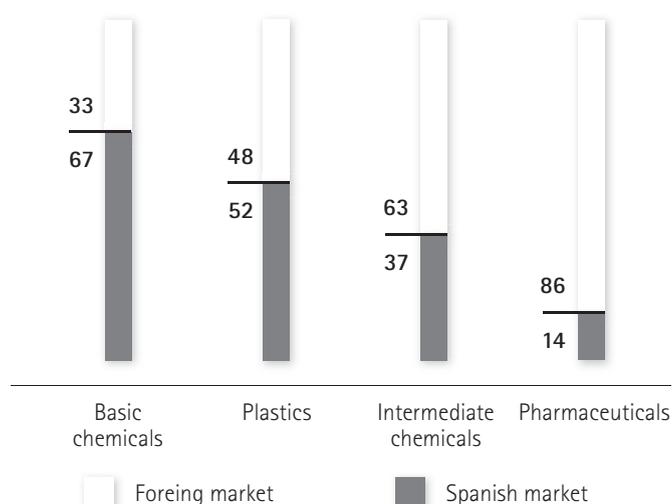
The EU continues to be the main destination of Ercros's exports (28% of turnover), although by second consecutive year loses participation fee. But it was in the rest of OECD countries where sales increased the most, by 14%. Finally, exports to countries in the rest of the world, mainly China, India and Russia, continued to show an upward trend, since they increase by 3%.

The other OECD countries, led by the USA and Turkey, represent 7% of exports, one percentage point more than in 2013.

But, as has been happening in the last three years, the area where the company is expanding the most is the rest the world, especially in India, China, Russia and Brazil. In this countries is located 14% of company turnover.

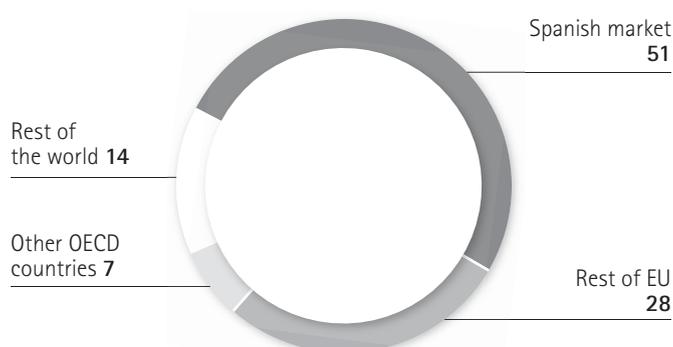
## Market business

% OVER EACH DIVISION'S SALES IN 2014



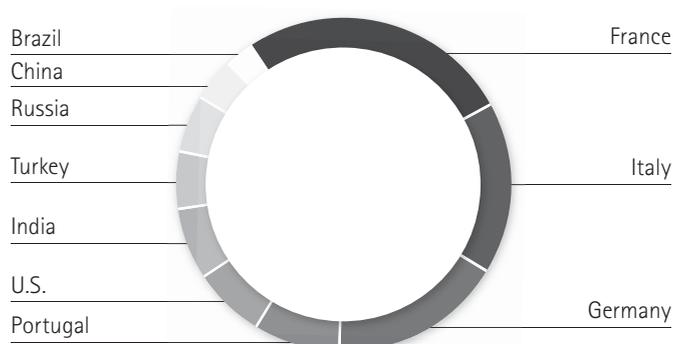
## Sales by markets

% OVER TOTAL SALES IN 2014



## Top ten destinations

% OVER EXPORTS IN 2014



## f) Exchange rate

Between 2014 and 2013 the euro/dollar exchange rate showed a positive evolution for the company, and specifically, for the pharmaceuticals and intermediate chemicals divisions, the sales of which are traditionally made in greater proportion to foreign markets.

Although the average exchange rate remained in 2014 at 1.33 dollar/euro in the second half of the year there was a strong appreciation of the dollar, which increase between June and December from 1.36 dollar/euro to 1.21 dollar/euro. This caused a twofold effect: an increase of dollar sales, by improving the relative competitiveness in the area of the dollar, and a positive impact on exchange differences.

The net balance of sales less purchases in dollars in 2014 amounted to EUR 31.81 million (EUR 13.60 million in 2013). This difference between both two years is explained by the increased sales in dollar countries and the reduction of purchases in those countries due to the sale of the activity of phosphates, whose purchases in dollars had a significant importance.

Sales in dollars amounted to EUR 107.79 million (EUR 96.39 million in the prior year), which accounts for 13.6% (11.6% in the prior year) of consolidated sales.

Purchases paid in dollars amounted to EUR 75.98 million (EUR 82.79 million in the prior year), accounting for 11% (12.3% in the prior year) of total supplies made by the group.

Below there is a table attached summarizing the purchases and sales in dollars made by Ercros:

	Year 2014	Year 2013
<b>Sales in dollars (million)</b>	<b>107.79</b>	<b>96.39</b>
<i>Dollar/euro exchange</i>	1.32	1.33
Equivalent in euros (million)	81.87	72.65
<b>Purchases in dollars (million)</b>	<b>75.98</b>	<b>82.79</b>
<i>Dollar/euro exchange</i>	1.34	1.32
Equivalent in euros (million)	56.72	62.56
<b>Transactions net balance in dollars</b>	<b>31.81</b>	<b>13.60</b>
Equivalent in euros (million)	25.15	10.09

## 2. Key indicators

Indicators <sup>1</sup>	Year 2014	Year 2013
<b>Financing</b>		
Liquidity	0.90	0.95
Solvency	0.92	0.96
Indebtedness	0.59	0.78
Debt coverage	5.15	4.79
ROCE (%)	-1.65	2.76
Average collection period (days)	79	79
Average payment period (days)	78	82
<b>Operating</b>		
Production (millions of tons)	2.21	2.40
Added value (EUR million)	98.18	108.02
Productivity (EUR/person)	70,990.60	69,243.59
Gross margin/sales (%)	48.74	48.78
Ebitda margin/sales (%)	3.21	4.46
<b>Stock exchange</b>		
Quoted market value (EUR/share)	0.39	0.47
Capital value (EUR million)	44.12	50.27
BPA (EUR)	-0.06	-0.05
CFA (EUR)	0.25	0.23
PER	—	—
PVC	0.26	0.30
<b>Social</b>		
IF	3.24	1.54
Global IFG	4.80	2.87
Absenteeism	3.11	2.88
Emission index	1,133.28	1,167.18
Direct emissions of CO <sub>2</sub> (millions of tons of equivalent CO <sub>2</sub> )	0.28 <sup>2</sup>	0.31
Quality certification activity (%)	100.00	100.00
Environmental certification activity (%)	100.00	100.00
Prevention certification activity (%)	100.00	100.00

<sup>1</sup> The calculation formula and purpose of each indicator are described at the end of this section.

<sup>2</sup> Estimation.

## 3. Environmental issues

### a) Objective

The objective of environmental management in the group is the prevention of pollution, gradually reduce emissions and solid waste generated, reduce the environmental impact caused by its activities, through innovation in production processes, and achieve a more rational use of energy by implementing the latest technologies and incorporating improvements in production systems. This entails:

- To reduce discharges into water and emissions into the air, especially greenhouse gas emissions, because of its effects on climate change.
- To reduce and rationalize consumption of energy supplies and natural resources.
- To decrease industrial waste, giving priority to its reduction and ensuring it is appropriately treated.
- To preserve biodiversity in the protected areas belonging to the environment of the industrial plants.

### b) Available tools

The main tools to reach these objectives are: the company's sustainable policy, and the manual developing it, as well as procedures and plans derived from it, voluntary agreements, mainly the Responsible Care program of the chemical industry; training and sustainability committees.

Ercros's sustainability policy is based on the protection of people and environment, as well as other essential pillars such as prevention, product responsibility and its customers' satisfaction.

The body responsible for ensuring sustainability is Ercros's committee for sustainable development.

The group has several procedures to regulate, among others, the training of the people working in the company's installations, internal communication, awareness, consultation and participation, and filing of claims on the violation of the ethical code of conduct of the group's personnel (ethics channel). In relation to the external stakeholders, the group has a procedure regulating the filing of claims, complaints and suggestions for improvement.

### c) Management systems and certifications

The group applies environmental management systems in its factories, which are certified and verified annually by an accredited company, and based on:

- UNE-EN ISO 14001:2004 standard on environmental management systems. Since April 2009 all the group's industrial plants have received this certification.
- UNE-EN ISO 14064-1:2012 standard on specifications for the quantification and reporting of greenhouse gas emissions. This standard has been maintained in 2014 and from its adoption derives the calculation of the carbon footprint of the group as an organization.
- UNE-EN ISO 50001 standard on energy management systems is implanted in Vila-Seca I and Vila-Seca II, Tarragona and Sabiñánigo factories. It will be gradually implemented in the rest of the factories.
- The registration in the European Eco-Management and Audit Scheme (EMAS). At present all the factories are registered in EMAS, except Almussafes, which in 2014 passed the audit and is pending registration, and Flix. Factories in Cerdanyola and Aranjuez have suspended registration pending some deficiencies to be correct.

### d) Achievements

Data presented below, corresponding to 2014, confirm the group's commitment to the continuing improvement in environmental objectives.

- The emission rate decreased by 2.4% compared to the prior year. Direct greenhouse gas emissions decreased by 7.2 % between both years.
- Compliance with the Responsible Care program reached 99.7%.
- The improvement in 11% of the score in the CDP ranking which assesses the quality and completeness of the information provided by listed companies regarding their greenhouse emissions. The score obtained in the CDP questionnaire in transparency of measurement and public communication techniques was 82 out of 100 (74 in 2013), six points over the average of its sector.

### e) Litigation and risks

The following developments occurred in 2014 related to litigation pending resolution:

- On February 11, 2014 Ercros filed a claim in the High Court of Justice of Catalonia against the ruling of the Generalitat de Catalunya –the Regional Government of Catalonia– imposing a limit on the formaldehyde emissions from the Cerdanyola factory, even though the state and autonomous community regulations have no such limit. The evidence proceedings have not begun yet.

As part of this proceeding, on October 29, 2013 Ercros requested an injunction that was denied by the court on March 10, 2014. On April 2, 2014 Ercros appealed for the denial to be reversed or reviewed.

In connection with this case, Ercros also initiated an administrative-contentious proceeding in the High Court of Justice of Catalonia against a resolution by the Secretariat of Environment and Sustainability of the Generalitat, which was issued on October 10, 2014 regarding the non-substantial modification of the integrated environmental authorisation for the Cerdanyola factory, consisting of unifying the sources of emission of gases into the atmosphere. As in the previous case, we challenged the cap on formaldehyde emissions specified in the resolution.

- On February 26, 2014, Ercros filed an appeal in the High Court of Justice of Catalonia against the resolution regarding the renewal of the integrated environmental authorisation for the Tortosa factory issued by the Environmental Control Directorate of the Generalitat on January 21, 2014. This renewal resolution requires a bond for managing the waste from the factory and imposes new limits on total organic carbon (TOC) for two emission sources. The review appeal was partially denied by a resolution on June 16, 2014. Therefore, Ercros has turned to the judicial-contentious jurisdiction to try to overturn the TOC emissions limit. On January 22, 2015 Ercros filed the corresponding claim.
- In regard to the challenges Ercros presented against the provisional settlements of the water fee for the Flix factory for the period from the fourth quarter of 2011 to the second quarter of 2013, Law 2/2014 of the Generalitat defined a new adjustment coefficient for the tax rate applied to the fee as of the last quarter of 2012, in accordance with Ercros' claims. In regard to the challenged settlements from the period prior to this date, the company has reached an agreement with the Catalan Water Administration (*Agència Catalana de l'Aigua*) to make payment of the corresponding settlements.

- The formalities are being completed regarding a cassation appeal that the environmental group Fundación Oceana has filed against the against a ruling issued by the High Court of Justice of Catalonia in September of 2013 that was favourable to the company's interests in regard to the concession of integrated environmental authorisation to the Flix and Vila-seca I factories to use mercury technology in chlorine production. Another suit from the same group with an identical claim for the Palos de la Frontera factory was rejected in 2012.

On January 7, 2015, Ercros filed its opposition to this cassation appeal.

- On November 25, 2014, Ercros filed an appeal in the High Court of Justice of Andalusia against the rejection of an appeal against the resolution of August 7, 2014 regarding an extraordinary extension of three public domain land sea concessions affecting the Salina of Huelva. The Administration of Andalusia did not adjust the periods of validity defined in the Spanish Coastal Law (*Ley de Costas*), and issued a temporary six-month extension that was tacitly renewable. The challenge claimed that the period of validity that had been granted was insufficient and illegal, challenging the administration's having opened a tender bid process for more concessionaires.
- On February 3, 2015, Ercros filed a claim in Barcelona Court of the First Instance no. 36, claiming damages from an agreement signed with Acuamed and the Municipality of Flix under which Ercros assigned the use of its landfill site to the city.
- In November 2014, Ercros initiated proceedings in the contentious-administrative chamber of the National Appellate Court, lodging a claim against the resolutions of the Secretariat of State for Energy of the central government of August and October 2014, which approved the competitive auction procedures for assigning the electricity interruptibility demand management allocation. The High Court has yet to set a date for presenting the claim.

Environmental risks inherent to the group's activity are described in section 5.1 a) (i) of this report.

#### **f) Government incentives, subventions and tax deductions**

In 2014 expenses incurred by the group whose purpose is to protect and improve the environment amounted to EUR 16.42 million (EUR 1.82 million in 2013).

In 2014 the group received subsidies for greenhouse gas emission allowances amounting to EUR 1.41 million (EUR 1.82 million in 2013).

At 2014 year end, the group has unused incentives and tax deductions for investments in the protection of the environments, arisen between 2002 and 2006, amounting to EUR 1.36 million.

## 4. Human resources

### a) Management model

The group has developed and consolidated a management model for the human team approved for all its factories and consistent with the industrial reality and the business environment in which it operates.

The objectives of this model is to allow the men and women that work for the group to be able to unlimitedly develop their human potential and adapt their training level to the business needs.

### b) Headcount evolution

Between 2013 and 2014, the average headcount number in Ercros was reduced by 80 people, from 1,462 employees to 1,383 employees, this decrease is due to the implementation of a labour force adjustment plan approved in 2013 and the sale of phosphates activity in 2014. On December 31, Ercros headcount consisted of 1.377 employees.

### c) Headcount structure

The decrease in headcount has not resulted in a change in the headcount's structure, which has hardly changed compared to 2013, whether analysed by professional categories or by gender.

Operators and junior officers account for 43% of the average headcount, technicians 42%, and administrative personnel 15%.

13.6% of the headcount are women, representing a slight increase over 2013, and who mostly carry out administrative and technical work.

### d) Gender diversity and equal opportunity

The group does not discriminate anyone on the basis of gender in selection processes, nor in wage and functional policies. However, the presence of women in the group is lower than desired. It is expected that the implementation of the gender equality plan and generational shift will facilitate getting closer to gender parity.

The gender equality committee, comprising representatives of the company's Management and social agents, is the body responsible for fostering equality and non-discrimination within the company and watch over compliance with the gender equality policy.

The group complies with the 2% objective of hiring discriminated groups, including people with some disability. In 20134 the average number of employees with a disability greater than or equal to 33% was nine people, one less than in the previous year.

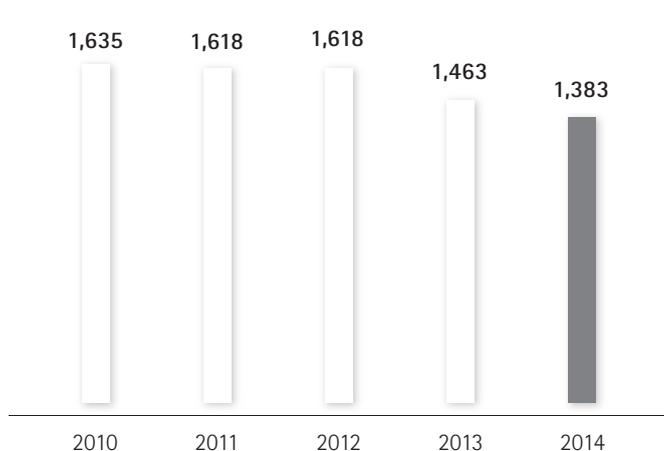
### e) Development, promotion and training

Training plays a major role in the group's activity. The areas that receive greater focus are prevention, environment and personal and professional development.

In 2014 79 courses were credited through the Tripartite Foundation for On-the-job Training (FTFE), which were attended 742 people, with a total of 11,369 teaching hours, which means an average

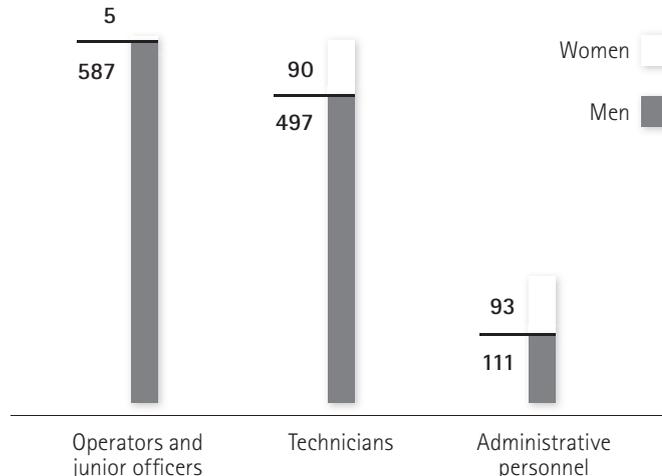
### Evolution of the average headcount

NUMBER OF EMPLOYEES



### Distribution of the headcount by gender

NUMBER OF EMPLOYEES



of 8.22 training hours per person. The credit available for training amounted to EUR 175,852.80.

The group has signed agreements with teaching centres to offer internship programs in its work centres. 60 professional training students, graduates and postgraduate students took this chance in 2014 (47 students in 2013).

#### f) Prevention

On 2014 the group's general accident frequency rate, which measures the number of accidents –with or without leave– among own and external employees per million of worked hours was a 4.8. This result is a rise in accidents over the previous year. In this regard, the company has launched a series of corrective measures and has taken steps to raise awareness among staff.

Absenteeism for non-occupational sickness was 3.1% compared to 2.9% in 2013.

#### Calculation formula and purpose of each indicator

##### Liquidity:

- Calculation: current assets ÷ current liabilities.
- Purpose: evaluate the capacity to meet payment commitments in the short term.

##### Solvency:

- Calculation: (equity + non-current assets) ÷ non-current liabilities.
- Purpose: evaluate to which extent non-current assets are financed with permanent resources.

##### Indebtedness:

- Calculation: net debt ÷ capital used.
- Purpose: evaluate the level of non-group financing.

##### Debt hedging:

- Calculation: net debt ÷ ordinary ebitda.
- Purpose: evaluate the capacity to repay third-party financing in number of years.

##### ROCE (return on capital employed):

- Calculation: operating profit/loss ("ebit") ÷ resources used.
- Purpose: evaluate the capacity of assets in operation to generate operating gains.

##### Average collection period:

- Calculation: (average receivables in the year ÷ sales) × 365.
- Purpose: evaluate the average of days between sales and total collections in the year.

##### Average payment period:

- Calculation: (average payables in the year ÷ operating costs) × 365.
- Purpose: evaluate the average of days between purchases and total payments in the year.

##### Production:

- Calculation: volume of produced units.
- Purpose: measure the number of physical units produces.

##### Added value:

- Calculation: ordinary ebitda + personnel costs.
- Purpose: measure the wealth generated by the group.

##### Productivity:

- Calculation: added value ÷ number of employees.
- Purpose: measure each employee's contribution to the generation of the group's added value.

##### Gross margin ÷ sales:

- Calculation: (income – supplies) ÷ sales.
- Purpose: evaluate the profitability of the group's product portfolio.

##### Ebitda/sales (earnings before interests, taxes, depreciation and amortization):

- Calculation: gross ordinary operating profit/(loss) ÷ sales.
- Purpose: measure the proportion between shares and operating gains obtained.

##### Quotation:

- Calculation: Ercros share quoted price at year end.
- Purpose: know the quotation value at the end of the reporting period.

##### Capital value:

- Calculation: quoted price at year end × number of issued shares.
- Purpose: know the company's value in the stock exchange.

##### EPS (earnings ÷ share):

- Calculation: profit/(loss) for the year ÷ number of shares.
- Purpose: measure the earnings corresponding to each share.

##### CFA (cash flow ÷ share):

- Calculation: operating cash flow ÷ number of shares.
- Purpose: measure the generated cash flow corresponding to each share.

##### PER (price earnings ratio):

- Calculation: market capitalization ÷ profit/(loss) for the year.
- Purpose: know how many times the profit/(loss) is included in the company's value in the stock exchange.

##### PVC or P/BV (price ÷ book value):

- Calculation: market capitalization ÷ equity.
- Purpose: relate de company's value in the stock exchange to its underlying net book value.

##### IF (accident frequency rate):

- Calculation: number of accidents with leave of own personnel × millions of worked hours.
- Purpose: measure the rate of accidents suffered by own personnel.

##### Global IFG (global accident frequency rate):

- Calculation: number of accidents with or without leave of own and third-party personnel × millions of worked hours.
- Purpose: measure the rate of total accidents, with or without leave, suffered by all the people working in the group's factories, whether they belong to the group or not.

##### Absenteeism:

- Calculation: percentage of lost days ÷ total theoretical days to be worked in the year.
- Purpose: know the percentage of lost days due to non-occupational sickness.

##### Emission rate:

- Calculation: volume of most significant pollutants (air, water and waste), × a factor that varies based on their danger.
- Purpose: measure the evolution of the company's environmental behaviour.

##### CO<sub>2</sub> emissions:

- Calculation: in accordance with standard UNE-EN ISO 14064-1:2012 guidelines.
- Purpose: measure the impact of the activity on climate change.

##### Activity with quality certification:

- Calculation: percentage of centres with the ISO 9001 certification ÷ total centres
- Purpose: know the stage of implementation of a quality management system in the group.

##### Activity with environmental certification:

- Calculation: percentage of centres with the ISO 14001 certification ÷ total centres.
- Purpose: know the stage of implementation of an environmental management system in the group.

##### Activity with prevention certification:

- Calculation: percentage of centres with the OHSAS 18001 certification ÷ total centres.
- Purpose: know the stage of implementation of an occupational risk prevention management system in the group.

+ = added   - = subtracted   × = multiplied   ÷ = divided

## 1. Economic analysis of the balance sheet

As a management tool, Ercros uses the economic analysis of the balance sheet, which is obtained from certain presentation reclassifications of the consolidated statement of financial position in order to reduce the number of operating magnitudes and achieve a better analysis and comparison.

The table below shows a decrease of non-current asset of EUR 8.20 million due to depreciation expense and lower investments, and to the reclassification to "Non-current assets held for the sale" of Palos de la Frontera factory assets, for which the company has signed a sale agreement.

Working capital has decreased by EUR 21.10 million mainly due to the collection of the deferred credit arising from the sale years ago of a part of El Hondón property amounting to 18.23 million euros.

The change in company equity, which has decreased by EUR 4 million, is due to the negative impact of the loss recognized and the positive effect of the four capital increases carried out the past year, which partially offset the losses.

As at December 31, 2014, the net financial debt stood at EUR 99.52 million, EUR 24.32 million less than in 2013 after the repayment of most of the financial debt with suppliers and other financing facilities. To calculate the net financial debt, the company has deducted all the deposits used as collateral of debts.

### Economic analysis of the balance sheet

EUR MILLION

	31-12-14	31-12-13	Change (%)
<b>Non-current assets</b>	<b>263.50</b>	<b>271.72</b>	<b>-3.0</b>
<b>Working capital</b>	<b>39.80</b>	<b>61.19</b>	<b>-35.0</b>
Current assets	180.86	211.61	-14.5
Current liabilities	-141.06	-150.42	-6.2
<b>Applied funds</b>	<b>303.30</b>	<b>332.91</b>	<b>-8.9</b>
<b>Equity</b>	<b>168.19</b>	<b>172.21</b>	<b>-2.3</b>
<b>Net financial debt <sup>1</sup></b>	<b>99.52</b>	<b>123.84</b>	<b>-19.6</b>
Non-current borrowings	42.33	53.53	-20.9
Current borrowings	57.19	70.31	-18.7
<b>Provisions and other borrowings</b>	<b>35.59</b>	<b>36.86</b>	<b>-3.4</b>
<b>Origin of funds</b>	<b>303.30</b>	<b>332.91</b>	<b>-8.9</b>

<sup>1</sup> All financial debts with non-bank entities are recognized in net financial debt. Additionally, apart from cash and cash equivalents, those deposits that guarantee debt commitments have been recognized as a decrease in the financial debt (EUR 29.10 million in 2014 and EUR 29.57 million in 2013).

## 2. Liquidity

The group uses financial planning techniques to manage liquidity risk that take into consideration cash inflows and outflows relating to operating, investment and financing activities.

The group's objective is to keep a balance with the flexibility, terms and conditions of the financing sources registered, based on expected needs at short, medium and long-term.

The group's financing is subject to meeting several obligations and financial ratios, which the directors of Ercros consider will be appropriately fulfilled. Otherwise, the corresponding exemptions will be obtained on time.

At December 31, 2014 current liabilities, amounting to EUR 252.25 million, exceeded current assets, amounting to EUR 228.15 million, in EUR 24.10 million (EUR 13.31 million in December 31, 2013).

However, considering that the company have classified as a current liability (i) the debt corresponding to the syndicated factoring, amounting to EUR 69.50 million, valid until October 31, 2017, and (ii) the loan with ICO, amounting to EUR 8.50 million, valid until September 2019, being both long-term operations, the directors consider that the cash flows included in its business plan, plus the availability of the financing lines above commented, will allow to face up to the current liabilities, to finance the operating activities and investment and to pay the service of debt.

### a) Major financing sources

In 2014 the group has used the following financing sources:

#### (i) External

- Capital increases within the framework for the agreement with the American fund Yorkville Advisors LLC. Over 2014, four capital increases have been made for an overall amount of EUR 2.60 million.
- Provisions of the syndicated factoring line that anticipates trade accounts receivables, under the agreement signed on October 31, 2014 between Ercros and a pool of financial institutions, for the next three years. This agreement, that renews the one signed in 2011, allows the company to obtain financing lines for the working capital amounting to EUR 102.15 million. This renewal agreement was improved financing conditions by increasing the number of clients included therein and the percentage of payment of invoices financed. The interest rate is the monthly euribor plus 3.5 points. At December 31, 2014, the balance drawn of this line was EUR 68.60 million (EUR 69.93 million in the previous year).

- New loans by the Ministerio de Industria, Energía y Turismo to promote competitiveness and efficiency, and allow the company to finance part of its investments.
- Agreements with Seguridad Social to defer payment of the group debts.

#### (ii) Internal

- Free cash flows from operating activities of business.  
In 2014, cash flow obtained by group operating activities was EUR 28.05 million (EUR 23.86 million in 2013). This cash flow include the deferred credit from the sale of part of El Hondón property, amounting to EUR 18.23 million, and the effect of the reduction of inventories amounting to EUR 4.98 million.
- Sale of non-strategic assets:
  - On April 10, 2014, Ercros sold to the company Timab Ibérica, a subsidiary of the French group Roullier, 100% of Fosfatos de Cartagena, S.L.U. and the business of phosphates for animal food, totalling EUR 1.24 million.
  - On February 11, 2015, Ercros signed an agreement with Salinas del Odiel by which this company agrees to acquire from Ercros the subsidiary Electroquímica Onubense, at which the production plants of the factory of Palos de la Frontera and the concession to exploit the Salina of Huelva will be transferred.

With the financial resources obtained, the company has amortized debts and has taken care of the payment of interest, for an aggregate amount of approximately EUR 30 million in 2014. Thus, net debt has been significantly reduced, standing at December 31, 2014 below EUR 100 million.

#### b) Limitations on the distribution of dividends

The syndicated factoring agreement, renewed October 31, 2014, maintains certain limitations, that were already included from the beginning in July 2011, such as the obligation for the group not to approve or distribute any amounts to its shareholders, whether through dividends, refund of contributions in the event of a capital decrease, distribution of any kind of reserves or any other kind of remuneration or payment, even by means of repayment of the principal or payment of interest, commissions or any other kind of debt held with its shareholders. Instead, the new contract allows the payment of premium amount for attending the general shareholders meeting that in the previous contract was restricted.

Such agreement also includes a series of obligations, including the compliance with certain financial ratios (on minimum equity, maximum volume of investments and the ebitda/financial debt relationship), which at December 31, 2014 are adequately met or it is estimated that the corresponding exemptions from compliance with those that are not met to date.

#### c) Level of indebtedness

Between 2013 and 2014 year end, the ratio obtained from dividing the net financial debt by the sum of equity plus net financial debt, which allows measuring the company's level of indebtedness regarding available resources, improved from 0.42 to 0.37 as a result of the significant reduction in net debt in 2014.

In this same period, the ratio obtained from dividing the net financial debt by ordinary ebitda increased from 4.44 to 5.14 for the decrease in ordinary ebitda between 2013 and 2014, mainly due to the lowest prices of caustic soda and PVC and other not operating factors related to this sector. For 2015, Ercros expects to improve the ebitda as recover the markets in which it operates.

The group also expects to reduce the level of indebtedness in the next years thanks to:

- The sale of the factory of Palos de la Frontera and the Salina of Huelva.
- The increased cash flow generation of its ordinary transactions to the extent to which the economic recovery, the dollar/euro exchange rate and the low price of oil will yield results.
- New capital increases within the framework for the agreement signed with Yorkville Advisors. Since 2012 until the date of approval of this report, the board of directors has approved 11 capital increases, for an overall amount of EUR 6.31 million.

#### d) Bad debts

With respect to Law 15/2010 of July 5, modifying Law 3/2004 of December 29, which establishes measures to be taken in combating arrears in commercial transactions, the company informs that at December 31, 2014, the overdue payments to suppliers exceeding the legal payment period is EUR 47.32 million (39.69 million in 2013), although in 2014 was significantly increased the percentage of payments made in the legal term over the total payments made, which went from 49.5% in 2013 to 75.1% in 2014.

In 2014, bad debt reached 24.9% of all payments made (50.5% in 2013).

### 3. Capital resources

The group manages capital resources by applying a prudent financial policy and maintaining a high level of solvency.

The group's equity showed a variation of EUR -4 million between 2013 and 2014 year end mainly due to the allocation of the losses for the year and the capital increases carried out, that have cushioned the impact of losses.

#### a) Firm commitments to obtain capital resources

- The agreement with the fund Yorkville Advisors to make capital increases, for an overall amount of EUR 25 million, is valid until 2017. At the date of approval of this report the remaining amount is EUR 18.69 million.
- The agreement with Salinas del Odiel for the sale of the factory of Palos de la Frontera and the Salina of Huelva, that is expected to be completed in the next months.

#### b) Investment commitments or obligations

Ercros has not taken any significant, voluntary or obligatory, investment commitment.

The most important investment, but not committed, for the group was the migration of technology in electrolytic processes, which legal term ends on December 11, 2017. However, such investment effort would only be justified if the price of soda improves on the levels observed in 2014 and chlorine demand maintains unchanged. Ends on which, at present, there is insufficient visibility to base a final decision. It is important to note that although this is the baseline scenario with which the company works, it is predictable that events may occur that lead eventually to a different scenario.

The significant investments made in prior years have reduced the need to invest in tangible assets (capex), and therefore, the volume of investments in 2014 as remained low (EUR 5.28 million compared to EUR 7.96 million in 2013). As from 2015, and during the next four years, the volume of investments is expected to be around EUR 9 million annually.

The investments made in 2014 were destined to increase capacity and improve production lines of some of the group's factories. On December, 31 last year, there were investment commitments amount to EUR 6.65 million euros (EUR 6.44 million in the previous year).

The group expects that, just like it has happened until now, if new investment opportunities in production plants to meet its growth expectations arise, financing from suppliers or customers of favoured products may be available.

### 4. Contractual or out-of-balance obligations

The group has not assumed any contractual or out-of-balance obligations that require significant financial resources.

## 1. Main risk for the group

The Ercros group's activity involves several kinds of risks, classified under the criteria that the group considers most appropriate to manage them efficiently. In this regard, not all businesses entail the same risks, although sometimes they may share some of them. In general, the group takes operational and financial risks.

The group has the governance bodies necessary to supervise the development of the organization general strategy and carry out its duties with adequate efficiency, objectivity and independence. It also has procedures to identify measure, assess, control and prioritize the risks it is exposed to, as well as management systems that define the control, follow-up and reduction or elimination of these risks.

Relevant risks are those which may compromise the goals of the group's business strategy, maintenance of financial flexibility and solvency.

Many of the risks that the group is subject to are inherent in the development of its activities or the result of external factors. Thus, the group can try to avoid them, but it is not possible to eliminate them completely.

The main risks that may affect the group's performance are as follows:

### a) Operational risks

In the development of its activities, the group is exposed to the following operational risks:

#### (i) Environmental risk

Although all the group factories have implemented environmental management systems to reduce the environmental impact derived from the industrial activity, these factories are subject to risks that may cause environmental damages, such as accidental emissions of harmful substances or fires.

Ercros carries out official test controls on its management systems and develops its activity in line with emission limits provided in the applicable legislation, the corresponding authorizations and prevailing voluntary agreements. Additionally, the group has implemented indexes to assess global emissions, to water and atmosphere, and generation of waste, in order to check the evolution of environmental management.

Ercros periodically informs of the reductions in emissions achieved in its industrial activity.

#### (ii) Risk from changes in regulations

In recent years, legal requirements have become more demanding and have caused significant changes in chemical sector in both the Europe and Spain and its autonomous communities. The group makes significant efforts to adapt to this new legal framework, and carries out the necessary activities and actions to comply with legislation requirements, and in particular, with regulations on installations and people's safety, occupational health, environment protection, and transport, packaging and manipulation of dangerous goods.

By December 11, 2017 ends the legal deadline for the use of mercury technology in the manufacturing processes of chlorine and caustic soda, so the production of chlorine from that date should be done only with BAT technology (best available technology). Ercros is currently in production mercury electrolysis plants in Flix, Vila-seca I and Palos de la Frontera, the last one currently in the process of sale.

The hypothesis on which the company works, estimates that the production of chlorine and caustic soda will continue in his current capacity until the end of 2017.

In view of the high cost of changing the technology in these plants, such investment effort would only be justified if the price of soda improves on the levels observed in 2014 and chlorine demand maintains unchanged. Ends on which, at present, there is insufficient visibility to base a final decision. However, it is important to note that although this is the baseline scenario with which the company works, it is predictable that events may occur that lead eventually to a different scenario.

#### (iii) Risk of claims

Ercros is a group with a vast record of industrial activity and some of its production centres were created over 100 years ago. The group has always complied and come to terms with the legislation prevailing in each moment. Nevertheless, more demanding legal requirements in recent years, which in some cases are applied retrospectively, entail the risk that the group could be currently affected by claims for equity liability regarding costs of cleaning and remediation of polluted land and environment, or professional illnesses.

Specifically, the company has open claims for environmental pollution or has submitted to the competent administration soil remediation projects and regeneration of the landscape. It also has raised demands for former employees, or their heirs, by way of damages for asbestos exposure, as well as accidents that occurred in their installations.

In such cases, the group recognizes a provision for the claims for which the company considers reasonable that it may be held liable by the courts.

**(iv) Risk of losing competitiveness**

The group carries out its activity within a global environment that sees new competitors each year, who benefit from more lax regulations in their countries of origin, the euro/dollar exchange rate, lower labour and energy costs and measures to encourage development.

This situation is worsened by the fact that the group's main products are commodities, which are subject to a strong competition from the pressure of emerging countries such as India or China.

In these countries the labour costs differential becomes a decisive competitive factor to set the products' final price. On the other hand, these countries do not usually have as demanding environmental requirements as Europe, which results in cheaper final products. These countries competition is one of the main risk factors for the businesses of intermediate chemicals and pharmaceuticals.

In this environment, the group focuses its strategy on improving productivity, reducing costs to the maximum, increasing efficiency in operations, diversifying activity to include innovative products with greater added value and fostering its growth through acquisitions that improve its position in the market.

**(v) Risk of concentration and cyclical nature of products**

Overall, it is observed more activity in the markets in which the group operates in the second and third quarters of the year, except August. In recent years there has been a tendency to reduce customer orders at the end of the year, associated to Christmas holidays and the widespread desire to reduce stocks of its stores at year end.

The products that show a seasonal trend are those used in the treatment of water –sodium hypochlorite, sodium chlorite and chloroisocyanurates–, with a peak of consumption in summer, and PVC, which maintains a greater slackness in the coldest months of the year by the halt in construction. The rest of products have a regular demand throughout the year.

63% of the group's activity hinges around the production of chlorine and its derivatives.

Chlorine and caustic soda are manufactured in the same process, but whereas for safety and efficiency reasons almost all chlorine is consumed in the production centre in order to manufacture derivatives, caustic soda is traded at global level. The most significant product made from chlorine is PVC, the evolution of which is related to the construction sector. Consequently, the price of soda (a co-product of chlorine) is volatile, affecting the projection of results.

As previously mentioned, from the end of 2017, Ercros could see significantly reduced its production capacity of chlorine and caustic soda, which would affect the profitability of the company.

**(vi) Risk of dependence on raw materials**

The company has a strong dependence on certain raw materials, the prices of which are subject to cyclical variations and, on occasion, may not be available in the amounts required or in the right timeframe.

The three main supplies –electricity, ethylene and methanol– account by 55% of the total amount of consolidated purchases, and exceed 50% of total costs of the manufacturing processes of chlorine-soda, PVC and formaldehyde, respectively.

The group tries to reflect all these cost variations in the selling price of its products, but it cannot always fully achieve it or, in some cases, it needs time to do so.

Ercros tries to mitigate this effect by signing stable contracts with suppliers of higher volatile raw materials and conducting an efficient stock management. Additionally, it tries to negotiate stable agreements with its clients, linking prices to the cost of raw materials.

The reform of the energy framework conducted by the central government in 2014 was a major change in the system of remuneration of the electricity interruptibility service, whereby Red Eléctrica Española pays to terminate, under certain conditions, the power supply to large electricity consumers. Under the system implemented with effect from 2015, the remuneration that each point of consumption will receive is fixed before the start of each calendar year through an auction mechanism. This means that the company does not know the amount to be received by the interruptibility service in subsequent years since this will be determined in the auctions. The conditions of these auctions are also unknown.

As stated above, this uncertainty has a deep effect in electrolysis plants due to its high energy demand and as a result of the importance of this service in their income. Overall, Ercros consumes about 1.3 million MWh per year.

On the other hand, the price of MWh consumed in electrolysis plants is determined from the daily auction of electricity, which are strongly influenced by the structure of electric generation, so the price is reduced when renewable generation is high (wind and hydro power) and increases when the renewable generation is low. This adds an element of uncertainty and variability in energy the company endures.

**(vii) Risk of customer concentration**

Although no customer accounts for more than 5% of the group's turnover, the importance of Bayer should be noted, as it consumes half of the chlorine produced in Vila-seca I factory. The group has a contract with Bayer to supply chlorine ending November 30, 2017.

**b) Financial risks**

In the normal course of operations, the company is exposed to the credit risks, marked risk (interest rate risk and exchange rate risk) and liquidity risk.

The group's main financial instruments, other than derivatives, comprise the syndicated factoring arrangement, loans granted by public financial institutions, bank loans, credit facilities, finance leases, cash and short-term deposits.

The group has also arranged interest rate derivatives. Their purpose is to manage any interest rate risks that arise in respect of certain financing sources.

The group's policy, maintained during recent years, is not to trade with financial instruments.

**(i) Credit risk**

Ercros has established a credit policy and the exposure to default risk is managed in the normal course of business. Solvency evaluations are carried out for all customers who require a limit greater than a determined value.

Furthermore, the company has taken out insurance on certain accounts receivable.

For the remaining financial assets of the company such as cash and cash equivalents, credits and financial assets available for sale, the maximum exposure to credit risk is equivalent to the book value of these assets at year end.

**(ii) Market risk***Interest rate risk*

External financing is obtained through the syndicated factoring, loans granted by public finance institutions, credit lines with finance institutions, and, to a lesser extent, loans subsidized by public bodies. Interest rates are variable for credit lines and loans (the risk thereof has been partially covered using hedging instruments) and is mainly linked to the evolution of Euribor plus a spread. In the current situation of low interest rates, no risks arising from increases in interest rates.

*Exchange rate risk*

In order to mitigate the exchange rate risk, Ercros aims to equal the amount of sales in dollars to its purchases in that currency.

Sales in dollars amounted to DOL 107.79 million (DOL 96.39 million in 2013), which represents 13.6% (11.6% in 2013) of total consolidated sales.

Regarding purchases, those made in dollars amounted to DOL 75.98 million (DOL 82.78 million in 2013), meaning 11% (12.3% in 2013) of total Ercros supplies and procurements.

Ercros believes that in the current economic environment, euro will continue to depreciate against dollar, so do not consider it necessary to make any coverage in the net exposure to the dollar.

**(iii) Liquidity risk**

Ercros manages liquidity risk by using financial planning techniques which take into consideration cash inflows and outflows relating to operating, investment, and financing activities. Company's aim is to keep a balance with the flexibility, terms and conditions of the financing sources registered, based on expected needs at short, medium and long-term.

The company's financing, through the syndicated factoring, is subject to meeting several obligations and financial ratios, which at the end of 2014, were adequately fulfilled. Otherwise, the corresponding exemptions will be obtained on time. Additionally, in the event of need, Ercros considers that could take other complementary mechanisms for obtaining liquidity, such as selective and partial sale of assets non operatives or capital increases.

With respect to Law 15/2010 of July 5, modifying Law 3/2004 of December 29, which establishes measures to be taken in combating arrears in commercial transactions, the company informs that at December 31, 2014, the overdue payments to suppliers exceeding the legal payment period is EUR 47.32 million (39.69 million in 2013), although in 2014 was significantly increased the percentage of payments made in the legal term over the total payments made, which went from 49.5% in 2013 to 75.1% in 2014.

## 2. Risks presented in 2014

Type of risk	Causes	Practise of control systems
Risks from changes in regulations and due to dependence on supplies.	Increase in energy costs in daily auctions and due to reductions in the remuneration of the interruptibility service.	The company has evaluated the impact on the profitability of its business and on its cash flows in order to take the appropriate measures for reducing costs and improving financing. The impairment of industrial assets has been evaluated and recorded.
Risks from changes in regulations.	Law 5/2013 has specified Desember 11, 2017 as the due date for ceasing use of mercury technology in electrolysis plants.	The evaluation of the impairment in the affected plants and the posting thereof in its financial statements, and the inclusion of measures in the strategic plan to address the required adjustments to its industrial assets and the financial needs derived therefrom. The company is focusing on other lines of business to compensate for the loss that this change will cause as of 2018.
Risk of loss of competitiveness.	Fall in the price of the company's main products.	The company has evaluated the impact on the profitability of its business and on its cash flows in order to take the appropriate measures for reducing costs and improving financing.
Risk from concentration of clients.	The current contract for supplying chlorine to Bayer will expire on November 30, 2017.	Evaluation of the impairment of the affected plants and recording this in the financial statements.
Environmental risk.	Determination of the company's obligation to restore the contaminated land.	After determining the quantity of the obligation and the expected dates of the cash flows, the corresponding provision was allocated.
Risks from changes in regulations.	Asbestosis claims.	The corresponding provisions have been allocated.

**a) General extraordinary shareholders meeting**

On January 7, 2015, a group of shareholders who credited owning a 5.43% of the share capital requested the board of directors to convene an extraordinary general meeting of shareholders to vote several proposed relating to the delegation to the board of power to increase share capital and issue bonds, excluding pre-emptive rights, and increasing the number of board members and the appointment of directors.

This meeting is scheduled to take place on March 5, 2015 on first call and, if there is no quorum, on March 6, 2015.

**b) Capital increase**

On January 20, 2015, Ercros recorded a capital increase, which had been agreed by the board of directors on December 11, 2014 under the delegation of power to the board by the ordinary general shareholders meeting on June 27, 2014.

In the capital increase were issued 1.80 million shares for a total amount of EUR 0.75 million (EUR 0.54 million of nominal value and EUR 0.21 million of share premium). The new shares began trading on January 26, 2015.

Following this transaction, the social capital has an amount of EUR 34.23 million and is represented by 114.09 million of shares.

**c) Sale of the factory of Palos de la Frontera and the Salina of Huelva**

On February 11, 2015, Ercros signed an agreement with Salinas del Odiel by which this company agrees to acquire from Ercros the subsidiary Electroquímica Onubense, at which the production plants of the factory of Palos de la Frontera and the concession to exploit the Salina of Huelva will be transferred

This operation is subject to the transfer of the activities of those assets to the new subsidiary and the segregation of the land on which the production plants are located from the rest of the factory Palos de la Frontera.

Ercros considers that what has happened in the fourth quarter of 2014 has been due to extraordinary events mostly beyond the control of the company, which need not be repeated.

In fact, the outlook for 2015 is much more promising as a result of the continuing recovery of the economic activity already seen in 2014.

There are several facts that give support to the expected improvement of the results: the strengthening of the dollar against the euro, which is already having a significant impact on the overall activity of the company in the first months of the year and, especially in export oriented businesses, such as intermediate chemicals and pharmaceuticals, and the dramatic reduction in oil prices, which impact the price of natural gas.

On the other side, we should note the risk of higher electricity prices fixed by the market in daily auctions, and the lower compensation for the interruptibility service.

The company's research and development activity focuses on the development of new products with high added value, the search of new applications for already existing products and the improvement in production processes in order to reduce the environmental impact generated in the industrial activity and achieve optimal energy efficiency with the best techniques available.

The group has four R&D centres in Aranjuez, Monzón, Sabiñánigo and Tortosa, that provide service to the pharmaceuticals, basic chemicals and intermediate chemicals divisions, respectively, and establishes collaboration agreements with universities and innovation centres.

In 2014 innovation and technology investments and expenses amounted to EUR 4.60 million (EUR 4.59 million in 2013).

### Most relevant projects

Regarding the development of new products, we should note:

- We obtained a European technology patent for producing self-plastified PVC polymers and co-polymers under the ErcrosFlex® brand, which is currently in the client standardisation phase for commercialisation.
- Pilot plant tests for manufacturing new oxidants and products for treating water with substances that contain active oxygen.
- Studies for producing new solid peroxides.
- ATTC tablets with new additives and new functions. Currently in the patent application phase.
- New urea formaldehyde resins with improved properties.

Regarding the processes and new applications for already existing products we should note:

- The ongoing project to increase the productivity of the micro-organisms used to produce various active ingredients for pharmaceuticals using fermentation and to increase the productivity of fusidic acid.
- A 10% reduction in electricity consumption in the potassium chloride electrolysis pilot cell, thanks to new zero-gap technology.
- A 13% reduction in the variable cost of the raw materials for the PVC process, due to having diversified suppliers.
- The preparation of new resin qualities with new highly specific properties, making it possible to supply new market segments.
- Increased productivity and quality in the production processes of moulding powders, pentaerythritol and dipentaerythritol.
- The new project for developing new catalysts, in collaboration with the Institut Català d'Investigació Química (ICIQ). This project has been provided with a grant from the Nuclis d'Innovació Tecnològica programme of the Generalitat de Catalunya.

Ercros does not own any treasury shares, either directly or through a third party, nor has it acquired treasury shares in 2014.

The company does not have any share option plan (stock options) for its directors or employees, nor has it established any legal or by-law limitation on the exercise of voting rights, nor for the acquisition or transfer of shares.

Additionally, the company is not aware of the existence of agreements between shareholders that limit or condition the free transfer of shares.

In the annual general meeting held on June 27, 2014 the shareholders authorized the company to acquire treasury shares, directly or through the group companies, during 18 months and within the limits and requirements established by the law, in accordance with article 146 and other articles in concordance of the Spanish Capital Companies Law. Throughout 2014 until the adoption of this report (February 26, 2015), the board has not made use of this option.

## 1. Stock market information

### a) Evolution of share capital

In 2014 the company recorded four capital increases for an overall amount of EUR 2.60 million: EUR 157 million of nominal value and EUR 1.03 million of share premium. Through these capital increases a total amount of 5.25 million shares were issued .

As a result of these transactions, the company's share capital at December 31, 2014 amounted to EUR 33.68 million and consisted of 112.28 million shares with a par value of EUR 0.30 each.

On January 20, 2015 another capital increase, which was approved by the board of directors on December 11, 2014, was recorded. Such capital increase amounted to EUR 0.75 million (EUR 0.54 million of nominal value and EUR 0.21 million of share premium), and 1.80 million shares were issued, which began trading on January 26, 2015.

After this transaction, share capital amounts to EUR 34.23 million and consists of 114.09 million shares.

### b) Share evolution

The average share quotation in 2014 was EUR 0.49 and closed the year at EUR 0.39.

The record in annual trading was reached on January 16, with 1.84 million of traded securities a day. The average daily volume of transactions amounted to 0.25 million shares, which is very similar to that of 2013.

At December 31, 2014 the company's market capitalization amounted to EUR 44.12 million (EUR 50.27 million in 2013). Over the year, Ercros capital had a turnover of 0.57 times.

### Main share-related parameters

	31-12-14	31-12-13	31-12-12	31-12-11	31-12-10
<b>Shares on the stock market (million)</b>	<b>112.23<sup>1</sup></b>	<b>107.03<sup>2</sup></b>	<b>101.50<sup>3</sup></b>	<b>100.62</b>	<b>100.62</b>
<b>Capital value (EUR million)</b>	<b>44.12</b>	<b>50.27</b>	<b>40.60</b>	<b>68.42</b>	<b>71.84</b>
<b>Traded shares (million)</b>					
In the course of the year	63.72	65.49	34.55	63.43	73.46
Maximum in one day	1.48	1.66	1.21	2.31	2.68
Minimum in one day	0.01	0.02	0.01	0.03	0.03
Daily average	0.25	0.26	0.13	0.25	0.29
<b>Traded volume (EUR million)</b>					
In the course of the year	31.35	32.13	18.62	56.81	78.78
Daily average	0.25	0.13	0.07	0.22	0.31
<b>Share price (EUR)</b>					
Highest	0.58	0.61	0.74	1.15	1.64
Lowest	0.37	0.35	0.36	0.66	0.66
Average	0.49	0.49	0.53	0.89	1.07
Last	0.39	0.47	0.40	0.68	0.71
<b>Frequency rate (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Liquidity rate (%)</b>	<b>56.76</b>	<b>61.89</b>	<b>34.04</b>	<b>63.04</b>	<b>73.00</b>

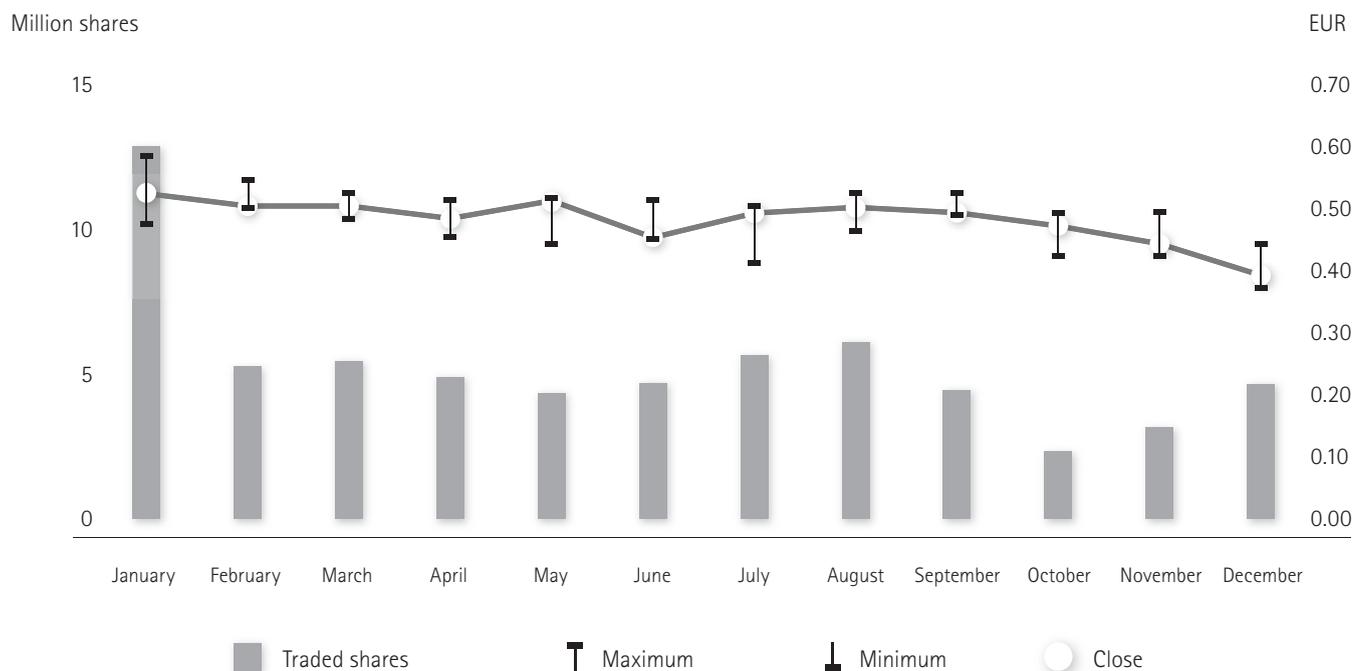
<sup>1</sup>Yearly average 2014 = 110.17 million shares.

<sup>2</sup>Yearly average 2013 = 103.52 million shares.

<sup>3</sup>Yearly average 2012 = 100.77 million shares.

## Share price and traded volume evolution

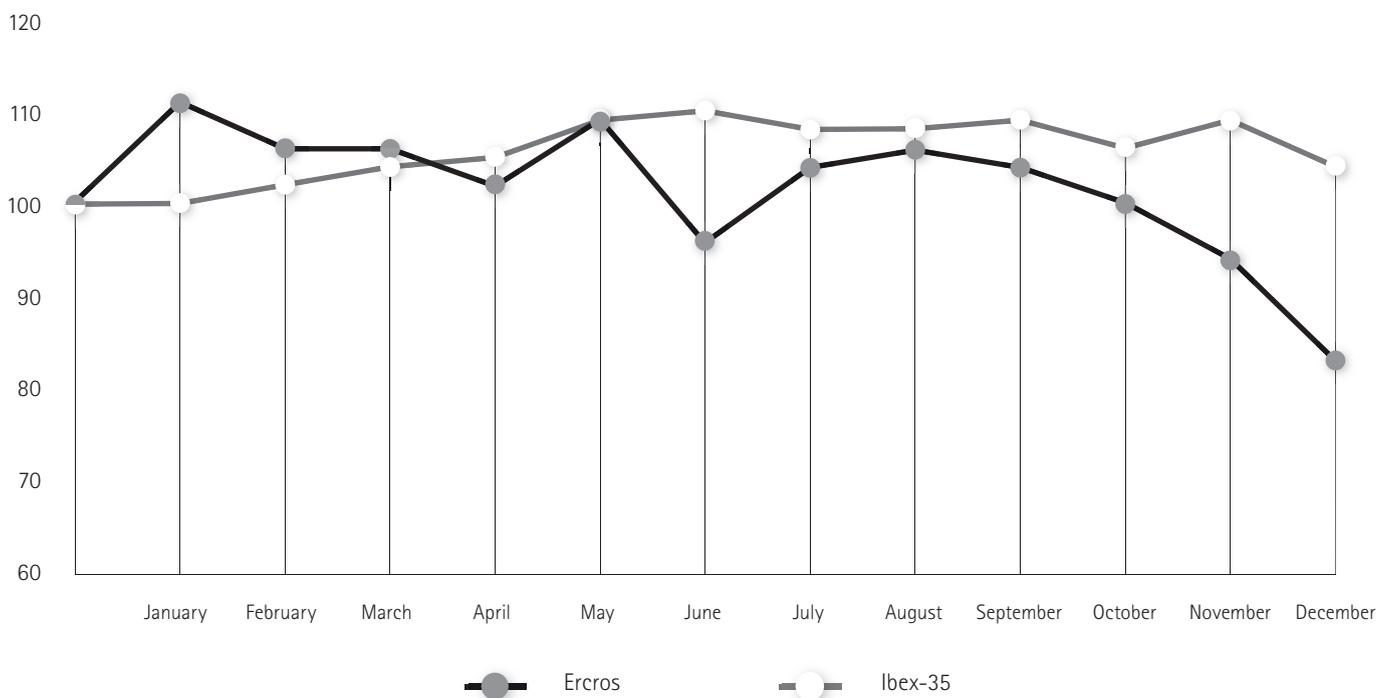
2014



## Comparison between Ercros share price and Ibex-35

2014

BASE 100= 31-12-13



**c) Stock indexes evolution**

Throughout 2014, Ercros share was below the levels of the previous year. Major indexes experienced a slight improvement in particular, the Ibex-35 rose 4% and the General Index of the Madrid Stock Exchange rose a 3%.

**Stock indexes evolution**

	Ercros	General	Ibex-35
31-12-10	100.00	100.00	100.00
31-12-11	95.77	85.45	86.89
31-12-12	56.34	82.16	82.84
31-12-13	66.20	100.82	100.58
31-12-14	54.93	103.86	104.26

**d) Dividend policy**

Ercros does not have a dividend policy. At December 31, 2014 the company shows losses, so no dividends can be distributed. Additionally, the financing agreements currently in force do not allow distributing dividends.

**e) Credit rating**

Ercros is aware of an unsolicited credit rating by the agency Axesor in 2013.

**2. Significant events in 2014****a) Ordinary general shareholders meeting**

The ordinary general shareholders meeting took place in Barcelona on June 27, 2014 upon second call. The shareholders approved all the agreements proposed by the board of directors, including the modification of some articles of the bylaws for adapting them to new legislation, the consultative vote of the annual report on remuneration of directors and other customary agreements, and the delegation to the board of power to increase share capital, were approved.

Attending at the general meeting were 12,671 shareholders of 67.01 million shares, representing 61% of the subscribed voting capital, of which 5.3% was present and the remaining 55.7% was represented. The shareholders that attended the general meeting received a premium of 0.50 cent gross per share.

**b) Capital increase**

Under the delegation to the board of directors granted by the general shareholders meeting in 2013 and 2014 of power to increase share capital, excluding pre-emptive rights, for a period of five years, during 2014 were approved four capital increases which were fully subscribed by the American fund YA Global Dutch, BV, according to the contract signed with the parent company of this fund, Yorkville Advisors, on March 9, 2012 and amended on May 8, 2013.

Together, these four operations issued 5.25 million of shares, for a total amount of EUR 2.60 million (EUR 1.57 million of nominal value and EUR 1.03 million of share premium).

Following these transactions, the social capital of the company had an amount of EUR 33.68 million euros and was represented by 112.28 million of shares.

**c) Renewal of syndicated factoring agreement**

On October 31, 2014, Ercros renewed the syndicated factoring line for the next three years, which allows the company to obtain financing lines for the working capital amounting to EUR 102.15 million. In this renovation was improved financing conditions by increasing the number of clients included therein and the percentage of payment of invoices financed.

Two days before this date, October 29, Ercros renewed the ICO Corporate Line, amounting to EUR 10 million, for a period of five years, amortized annually.

**d) Sale of the animal feed activity**

On April 10, 2014, Ercros sold to the company Timab Ibérica, a subsidiary of the French group Roullier, 100% of Fosfatos de Cartagena, S.L.U. and the activity associated with the marketing of phosphates for animal feed, totalling EUR 1.24 million.

The agreement provides that Ercros continue producing dicalcium phosphate, under a maquila regime in the factory of Flix for Timab Ibérica.

**e) Collection of El Hondón**

During 2014, Ercros has collected EUR 18.23 million of the deferred credit held with Reyal Urbis of an account receivable for the sale in 2004 of undivided half of the property where the old factory of El Hondón, in Cartagena, was located.

Related to this land, Ercros has submitted to the competent authority the draft for the decontamination of the area, along with the other owners, including the city council of Cartagena. When the necessary authorizations and formalities were made, an implementation period of the project of two to three years is estimated. The company has fully provisioned the estimated cost of its corresponding part.

**f) Environmental sanitation**

On November 28, 2014, became operating a water treatment plant in the Flix factory, in accordance with the provisions of the remediation project subsoil and groundwater of this factory approved by the competent authorities.

On July 30, 2014, Ercros presented to the regional administration a new draft for the recovery and restoration into the landscape of the land released by the operation of the mine waste tip Terrera Nova of Cardona. At present moment, the company is awaiting the approval of the project.

The cost of implementing these projects is entirely provisioned, together with the cost of remediation of the land of El Hondón, above mentioned, the marsh of Flix and the land of Vila-seca II factory.

**g) Sentence by asbestosis**

Throughout 2014, were dismissed the appeals made by Ercros related to two sentences, reported on January 2014, in favour of the heirs of the complainant employees for damages for asbestos exposure.

Over the past year, the company was convicted of paying an amount EUR 92,882 for a similar case to the previous.

By contrast, Ercros was absolved of responsibility regarding two other demands raised, amounting to EUR 120,746 and EUR 182,498, respectively.

Finally, the company was acquitted to pay a surcharge of benefits for absence of security measures by exposure to asbestos in a procedure that was co-defendant along with two other companies.

Ercros has provisioned the amounts that could be enforceable by legal proceedings still pending of resolution, derivatives of action for damages for asbestos exposure.

**h) Affected by accident of the factory of Aranjuez**

On July 17, 2014, the insurance company and Ercros signed an economic agreement to compensate the families of the three people killed in the work accident occurred at the factory in Aranjuez, on April 10, 2008. At the time of the approval of this report (February, 26 2015), is pending formalizing a definitive agreement in Getafe (Madrid) criminal court.

**3. Information on social responsibility**

Ercros has voluntarily adopted a social commitment because believes that its success and permanence depends on the prosperity of society and the balance between market logic and the social engagements. Therefore, the principles of social responsibility are part of the value system of the company.

The company assumes these principles in its corporate social responsibility (CSR) policy, that sets forth the rules of conduct to be followed regarding sustainable growth, gender equality, information and transparency, involvement in the social, work, environmental and economic reality in which it operates, among others.

To supplement such policy, the company has adopted specific policies, internal codes of conduct, plans and procedures, which specify in their respective field the Ercros's rules of conduct. Among the most relevant include:

- The code of ethical conduct that defines the rules of ethical conduct that all the company's employees must follow, including employees of contracted companies over the time they render services to the company. The rules of ethical conduct address such matters as non-discrimination and equal opportunities, conflict of interest, gifts and amenities, prevention of bribery and corruption, safeguard of confidential information, data protection, etc.

Over 2014, the clause of acceptance of this code was extended to the contracts with general suppliers and to the orders to local suppliers and training on equality and ethical code was given in internal meetings of the improvement dialog plan.

- The procedure, ethics channel, which establishes the mechanisms through which alleged non-compliance with the rules included in the code of ethical conduct can be reported.

In 2014, no complaint was submitted. On January 26, 2015, a complaint was filed and resolved under the established procedure.

- The audit committee, and the internal audit service by delegation, that is the body responsible for watching over compliance with the ethical code and manage the ethics channel.
- The ethics and social responsibility committee (CERS), which was established in 2012. This committee acts as a collegial and consultative body, with internal and permanent character. It is composed of the responsible of the areas directly involved in social responsibility. Its functions include: to advise the management on initiatives related to social responsibility; to identify risks related to such matter and to edit the CSR report.

The social responsibility policy is also in line with the programs and agreements that the company has voluntarily signed and that established more ambitious objectives than those have current regulations, such as:

- The Responsible Care program, of the chemical sector. In 2014, the degree of compliance with the six codes of management practices by the company was 99.7%.
- The Global Compact program, sponsored by the UN.
- The sustainability management systems (ISO 14001, ISO 14064, ISO 50001, ISO 9001 and OHSAS standards).
- The unified good governance code for listed companies.
- The XVII the collective agreement of the chemical industry for the period 2013-2014.

- The guide for application of CSR in the chemical and life sciences industry, promoted by the Spanish chemical industry federation (Feique) in collaboration with Forética. Ercros produces a biennial CSR report that follows the indicators included in this guide. This report is audited by Bureau Veritas, which has given it an excellent rating in the two editions published until now.
- The CDP questionnaire. This is an independent global organization that evaluates the efforts of companies to find solutions and mitigate the effects of global warming through disclosure and transparency. In the evaluation of Ercros reporting transparency in 2014, the company scored 82 points out of 100, eight more than in 2013 and six points above the average of its sector.
- The CSR rating of EcoVadis, which aims is to improve environmental and social practices of companies by leveraging the influence of global supply chains. In 2014, Ercros has maintained its gold ranking, with 62 points out of 100, which places it in 5% of companies with the best result among all submitted.

#### 4. Corporate governance report

Ercros corporate governance report for the year 2014, which is an integral part of this management report, is presented in a separate document and is also available at Ercros, S.A.'s webpage ([www.ercros.es](http://www.ercros.es)) and CNMV's ([www.cnmv.es](http://www.cnmv.es)).



# 11 Ercros group annual financial statements

<b>1</b>	<b>Consolidated statement of financial position</b>	<b>36</b>
<b>2</b>	<b>Consolidated statement of comprehensive income</b>	<b>38</b>
<b>3</b>	<b>Consolidated statement of changes in equity</b>	<b>39</b>
<b>4</b>	<b>Consolidated cash flow statement</b>	<b>40</b>

EUR MILLION

Assets	31-12-14	31-12-13
<b>Non-current assets</b>	<b>292.57</b>	<b>309.43</b>
Property, plant and equipment	245.69	264.37
Investment properties	30.92	27.98
Intangible assets	5.55	4.82
Investments in associated companies	6.35	6.13
Non-current financial assets	3.17	2.87
Deferred tax assets	0.89	3.26
<b>Current assets</b>	<b>228.15</b>	<b>254.86</b>
Inventories	55.53	60.51
Trade and other receivables	116.20	145.37
Other current assets	34.73	30.45
Cash and cash equivalents	19.89	16.20
Non-current assets held for sale	1.80	2.33
<b>Total assets</b>	<b>520.72</b>	<b>564.29</b>

EUR MILLION

<b>Equity and liabilities</b>	<b>31-12-14</b>	<b>31-12-13</b>
<b>Equity</b>	<b>168.19</b>	<b>172.21</b>
Equity of the parent company	168.19	172.21
<b>Total liabilities</b>	<b>352.53</b>	<b>392.08</b>
<b>Non-current liabilities</b>	<b>100.28</b>	<b>123.91</b>
Non-current loans	42.33	56.22
Deferred taxes	27.20	35.02
Provisions	25.92	27.57
Other non-current liabilities	4.83	5.10
<b>Current liabilities</b>	<b>252.25</b>	<b>268.17</b>
Current loans	85.53	87.36
Current portion of non-current loans	20.82	26.20
Trade and other payables	130.07	137.29
Provisions	4.84	2.16
Other current liabilities	10.99	13.00
Liabilities associated with non-current assets held for sale	–	2.16
<b>Total equity and liabilities</b>	<b>520.72</b>	<b>564.29</b>

EUR MILLION

	Year 2014	Year 2013
<b>CONTINUING OPERATIONS</b>		
<b>Income</b>	<b>606.80</b>	<b>624.21</b>
Income from ordinary operations	603.67	624.97
Other operating income	3.62	8.79
Changes in inventory of finished goods and work in progress	-0.49	-9.55
<b>Expenses</b>	<b>-592.36</b>	<b>-595.76</b>
Consumption of raw materials and other consumables	-311.04	-319.66
Personnel expenses	-78.81	-84.37
Other expenses	-202.51	-191.73
<b>Gross operating profit</b>	<b>14.44</b>	<b>28.45</b>
Depreciation/amortization expenses	-18.89	-19.31
Asset impairment loss	-0.56	-
<b>Operating profit/(loss)</b>	<b>-5.01</b>	<b>9.14</b>
Finance income	0.79	1.57
Finance expenses	-9.87	-11.45
Exchange differences (net)	1.35	-0.27
Share of gains from associated companies	0.23	0.01
<b>Loss before tax</b>	<b>-12.51</b>	<b>-1.00</b>
Corporate income tax	5.41	0.68
<b>Loss for the year from continuing operations</b>	<b>-7.10</b>	<b>-0.32</b>
<b>DISCONTINUED OPERATIONS</b>		
<b>Results of the year from discontinued operations</b>	<b>0.81</b>	<b>-3.43</b>
<b>Loss for the year</b>	<b>-6.29</b>	<b>-3.75</b>
<b>Other comprehensive income net of tax effect</b>	<b>0.11</b>	<b>0.18</b>
Captions to be reclassified to profit (loss) in subsequent periods:		
Cash flow hedges	0.14	0.26
Hedging deferred tax	-0.03	-0.08
<b>Consolidated comprehensive income</b>	<b>-6.18</b>	<b>-3.57</b>
<b>Loss for the year attributable to:</b>		
Non-controlling interests	-	-
<b>Equity holders of the parent</b>	<b>-6.29</b>	<b>-3.75</b>
<b>Other comprehensive income attributable to:</b>		
Non-controlling interest	-	-
Equity holders of the parent	0.11	0.18
<b>Profit/(loss) per basic and diluted share (EUR)</b>	<b>-0.0564</b>	<b>-0.0362</b>
From continuing operations	-0.0637	-0.0031
From discontinued operations	0.0073	-0.0331

## 3

## Consolidated statement of changes in equity

EUR MILLION

	Capital	Other reserves	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1-01-13</b>	<b>30.45</b>	<b>155.55</b>	<b>-12.13</b>	<b>—</b>	<b>173.87</b>
Transfer of 2012 accumulated gains	—	-12.13	12.13	—	—
Comprehensive income for 2013	—	0.18	-3.75	—	-3.57
Transactions with shareholders and owners:					
Capital increase	1.66	0.83	—	—	2.49
Meeting attendance bonus	—	-0.30	—	—	-0.30
Other concepts	—	-0.28	—	—	-0.28
<b>Balance at 31-12-13</b>	<b>32.11</b>	<b>143.85</b>	<b>-3.75</b>	<b>—</b>	<b>172.21</b>
Transfer of 2013 accumulated gains	—	-3.75	3.75	—	—
Comprehensive income for 2014	—	0.11	-6.29	—	-6.18
Transactions with shareholders and owners:					
Capital increase	1.57	0.68	—	—	2.25
Meeting attendance bonus	—	-0.34	—	—	-0.34
Other concepts	—	0.25	—	—	0.25
<b>Balance at 31-12-14</b>	<b>33.68</b>	<b>140.80</b>	<b>-6.29</b>	<b>—</b>	<b>168.19</b>

## 4

## Consolidated cash flow statement

EUR MILLION

	31-12-14	31-12-13
<b>A. Cash flow from operating activities (+/-1, +/-2, +/-3, +/-4)</b>	<b>28.05</b>	<b>23.86</b>
<b>1. Profit/(loss) before tax</b>	<b>-11.70</b>	<b>-4.43</b>
Continuing operations	-12.51	-1.00
Discontinued operations	0.81	-3.43
<b>2. Adjustments to profit</b>	<b>26.92</b>	<b>24.00</b>
Depreciation and amortization expense (+)	18.89	19.31
Impairment losses (+/-)	0.42	0.77
Changes in provisions (+/-)	2.85	-1.73
Grants released to income (+/-)	-1.41	-1.79
Gains (losses) from derecognition and disposals of property, plant and equipment and intangible assets (+/-)	0.04	-1.73
Gains (losses) from derecognition and on disposals of discontinued operations (+/-)	-1.24	-1.10
Finance income (-)	-0.79	-1.57
Finance costs (+)	9.87	11.45
Exchange gains (losses) (+/-)	-1.35	0.27
Other income and expenses (-/+)	-0.36	0.12
<b>3. Change in working capital</b>	<b>19.61</b>	<b>11.72</b>
Inventories (+/-)	5.21	14.81
Trade and other receivables (+/-)	29.08	12.40
Other current assets (+/-)	-3.79	4.02
Trade and other payables (+/-)	-9.70	-18.43
Other current liabilities (+/-)	-2.16	—
Other non-current assets and liabilities (+/-)	0.97	-1.08
<b>4. Other cash flows from operating activities</b>	<b>-6.78</b>	<b>-7.43</b>
Interest paid (-)	-7.15	-8.11
Interest received (+)	0.59	0.61
Dividends received (+)	0.07	0.07
Income tax payments (+/-)	-0.29	—
Other payments (+/-)	—	—
<b>B. Cash flows from investing activities (6-5)</b>	<b>-2.61</b>	<b>-1.67</b>
<b>5. Payments on investments (-)</b>	<b>-6.19</b>	<b>-4.35</b>
Intangible assets	-1.57	-0.13
Property, plant and equipment	-4.62	-4.22
Investment in subsidiaries	—	—
Other financial assets	—	—
<b>6. Proceeds from disposals (+)</b>	<b>3.58</b>	<b>2.68</b>
Intangible assets	0.01	0.30
Property, plant and equipment	—	—
Other financial assets	—	—
Divestment in discontinued operations	3.57	2.38

EUR MILLION

	31-12-14	31-12-13
<b>C. Cash flows from financing activities (+/-7 +/-8 -9)</b>	<b>-21.75</b>	<b>-17.58</b>
<b>7. Proceeds from and payments on equity instruments</b>	<b>2.25</b>	<b>2.49</b>
Proceeds from issuance of equity instruments	2.25	2.49
<b>8. Proceeds from and payments of financial liabilities</b>	<b>-23.66</b>	<b>-19.77</b>
Issues:	6.59	4.12
Loans (+)	6.59	2.81
Subsidies, donations and bequests received (+)	—	—
Other borrowings (+)	—	1.31
Repayment and redemption of:	-30.25	-23.89
Bonds and other marketable debt securities (-)	—	—
Loans (-)	-30.25	-23.89
Other borrowings (-)	—	—
<b>9. Dividends paid and payments on other equity instruments</b>	<b>-0.34</b>	<b>-0.30</b>
Shareholders meeting attendance bonus	-0.34	-0.30
<b>D. Net increase / decrease in cash and cash equivalents</b>	<b>3.69</b>	<b>4.61</b>
Cash and cash equivalents at January 1	16.20	11.59
Cash and cash equivalents at December 31	19.89	16.20





# 12 Ercros group financial statements historical data series

<b>1</b>	<b>Consolidated statement of financial position</b>	<b>44</b>
<b>2</b>	<b>Consolidated statement of comprehensive income</b>	<b>45</b>

EUR MILLION

Assets	31-12-14	31-12-13	31-12-12	31-12-11	31-12-10
<b>Non-current assets</b>	<b>292.57</b>	<b>309.43</b>	<b>331.21</b>	<b>334.77</b>	<b>347.47</b>
Property, plant and equipment	245.69	264.37	277.14	279.71	297.06
Other non-current assets	46.88	45.06	54.07	55.06	50.41
<b>Current assets</b>	<b>228.15</b>	<b>254.86</b>	<b>273.97</b>	<b>270.79</b>	<b>275.54</b>
Inventories	55.53	60.51	75.88	73.46	67.59
Trade and other receivables	116.20	145.37	151.02	155.80	156.80
Other current assets and cash and cash equivalents	54.62	46.65	45.10	41.53	51.15
Non-current assets held for sale	1.80	2.33	1.97	–	–
<b>Total assets</b>	<b>520.72</b>	<b>564.29</b>	<b>605.18</b>	<b>605.56</b>	<b>623.01</b>
<b>Equity and liabilities</b>					
<b>Equity</b>	<b>168.19</b>	<b>172.21</b>	<b>173.87</b>	<b>187.11</b>	<b>188.55</b>
<b>Non-current liabilities</b>	<b>100.28</b>	<b>123.91</b>	<b>128.81</b>	<b>144.08</b>	<b>134.02</b>
Non-current loans	42.33	56.22	56.50	65.06	50.56
Provisions	25.92	27.57	30.45	35.33	42.53
Deferred taxes and other non-current liabilities	32.03	40.12	41.86	43.69	40.93
<b>Current liabilities</b>	<b>252.25</b>	<b>268.17</b>	<b>302.50</b>	<b>274.37</b>	<b>300.44</b>
Current loans	106.35	113.56	100.66	86.64	120.09
Trade and other payables	130.07	137.29	169.86	153.26	139.45
Provisions and other current liabilities	15.83	15.16	31.98	34.47	40.90
Liabilities associated with non-current assets held for sale	–	2.16	–	–	–
<b>Total equity and liabilities</b>	<b>520.72</b>	<b>564.29</b>	<b>605.18</b>	<b>605.56</b>	<b>623.01</b>

## 2

## Consolidated statement of comprehensive income

EUR MILLION

Items	Year 2014	Year 2013	Year 2012	Year 2011	Year 2010
<b>Income</b>	<b>606.80</b>	<b>624.21</b>	<b>699.08</b>	<b>700.51</b>	<b>608.77</b>
Income from ordinary operations	603.67	624.97	677.53	686.04	609.28
Other operating income and changes in inventories	3.13	-0.76	21.55	14.47	-0.51
<b>Expenses</b>	<b>-592.36</b>	<b>-595.76</b>	<b>-683.77</b>	<b>-673.71</b>	<b>-598.10</b>
Consumption of raw materials and other consumables	-311.04	-319.66	-365.21	-370.32	-299.75
Personnel expenses	-78.81	-80.14	-86.10	-84.62	-88.70
Other expenses	-202.51	-195.96	-232.46	-218.77	-209.65
<b>Gross operating profit (ebitda)</b>	<b>14.44</b>	<b>28.45</b>	<b>15.31</b>	<b>26.80</b>	<b>10.56</b>
Ebitda from ordinary activities	19.37	27.88	14.51	21.80	9.25
Non-recurring ebitda	-4.93	0.57	0.80	5.00	1.31
Depreciation/ amortization expenses	-18.89	-19.31	-18.19	-18.01	-19.30
Asset impairment loss	-0.56	—	—	—	—
<b>Operating profit/(loss) (ebit)</b>	<b>-5.01</b>	<b>9.14</b>	<b>-2.88</b>	<b>8.79</b>	<b>-8.74</b>
Finance costs	-7.50	-10.14	-11.06	-9.85	-5.19
<b>Profit/(loss) before tax</b>	<b>-12.51</b>	<b>-1.00</b>	<b>-13.94</b>	<b>-1.06</b>	<b>-13.93</b>
Profit/loss for the year from discontinued operations	0.81	-3.43	—	—	1.61
Corporate income tax and non-controlling interests	5.41	0.68	1.81	0.25	-0.26
<b>Equity holders of the parent</b>	<b>-6.29</b>	<b>-3.75</b>	<b>-12.13</b>	<b>-0.81</b>	<b>-12.58</b>

## Corporation

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### Water treatment

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## Tarragona Industrial Complex

### Tarragona factory

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### Vila-seca I factory

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## Production facilities

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#### Vila-seca II factory

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