

Voting recommendation of the Board of Directors of Ercros, S.A. (“Ercros” or “the Company”) on the proposed resolutions 1st, 2nd and 3rd included in the agenda of the Extraordinary Shareholders’ Meeting scheduled to be held on November 14, 2016, on first call, and, if quorum is not met, on November 15, 2016, on second call, that are originated in the requirement sent on 27 July 2016 by a group of shareholders holding 3.28% of the share capital of the company, received by Ercros on July 29, 2016 (“the Requirement”)

For the purpose of facilitating the decision making on the direction of the vote for those shareholders who wish to participate in the Extraordinary General Meeting of Ercros convened on November 14, 2016, on first call, and, if quorum is not met, on November 15, 2016, on second call, the Board of Directors sets out below the reasons on which are based its recommendation to vote against the proposed resolutions 1st, 2nd and 3rd on the agenda, that are originated in the requirement sent on 27 July 2016 by a group of shareholders holding 3.28% of the share capital of the Company, received by Ercros on July 29, 2016.

Preliminary considerations.-

Through the Requirement, the aforementioned group of shareholders claimed that the Board of Directors of Ercros shall convene an Extraordinary General Meeting on whose agenda will include eight points. Following an examination of the Requirement, the Board of Directors agreed at its meeting on August 22, 2016 to convene the Extraordinary General Meeting held on September 29, 2016, in whose agenda five of the eight items of the Requirement were included. The Board of Directors based the non-inclusion in the agenda of the remaining three items, on that were subjects matters within the competence of the Board of Directors nor of the Shareholders’ General Meeting.

Despite the celebration of the Extraordinary General Meeting on September 29, 2016 and despite the explanations formally communicated to the authors of the Requirement on the reasons why these three of the eight items were not included, the aforementioned group of shareholders authors of the Requirement, filed at the *Registro Mercantil de Barcelona* (Barcelona’s Comercial Register) a request for convening the General Meeting to discuss and, if necessary, approve the three points on the agenda that were not included in the aforementioned Extraordinary Meeting.

The Board of Directors, in order to resolve the situation created in the internal framework of the Company and to avoid possible damages to the Company and its shareholders that the maintenance of a conflict may have, unanimously agreed to call the Extraordinary General Meeting referred to in this document, including in agenda the three points of the Requirement that were not included in the call of the previous General Meeting, despite the Board of Directors further considers that these subjects do not concerns the competence of the General Shareholders’ Meeting.

First item.-

The first item of the agenda introduced by the shareholder group proposes to limit the payment of a premium for attending to the Ordinary General Meeting of shareholders, excluding the extraordinary general meetings that could be held.

The attendance premium is an instrument instructed to encourage shareholders' participation in general meetings held by the Company, in order to maximize the number of shareholders involved, present or represented at the deliberation and adoption of resolutions submitted to approval. The attendance premium responds, ultimately, to the purpose that the decisions of the General Meeting are as representative as possible.

This objective of maximizing the number of shareholders attending in the General Meeting is predicable on both the Annual General Meeting and the Extraordinary General Meetings that may be held. The only difference in both meetings is that the Annual General Meeting must necessarily be held within the first six months of the year, while holding the Extraordinary is merely possible. However, once they are convened, in the two types of General Meetings decisions of great importance for the Company can be taken, so it is nonsense that there is only an incentive for attendance of shareholders in the case of Ordinary General Meetings and not the Extraordinary, as relevant to social life as the Ordinary are.

In this regard, the recommendation 11th of the Code of Good Governance of the National Stock Exchange Commission ("CNMV"), on February 18, 2015, refers to the attendance premium "to the General Meeting" meaning both the Ordinary and the Extraordinary. The same conclusion results from the premium attendance policy to the General Meetings approved by the Board of Directors of Ercros, which is available on the website of the Company (www.ercros.es).

Second item.-

On the second item on the agenda, a reduction of the annual remuneration of all directors is suggested in order "to adapt to the economic situation of the Company" so that maximum amount of the annual remuneration of all directors of the Company in their capacity as such, it is set in the amount of three hundred and fifty thousand (350,000.00) euros.

It should be noted that the policy of remuneration, which its maximum annual amount of all the Board of Directors is an important item, was approved by the Ordinary General Meeting of the Company held on 10 June 2016. Any new event in the life of the Company hasn't occurred, between that date and present, and there aren't any urgent reasons to justify the change a concept of the directors' remuneration policy, which has a vocation of permanence of four years, in accordance with the provisions of the Spanish Capital Companies Law, and that at the time of being fixed took into account the Article 28 a. of the Bylaws, which requires moderation in remuneration of the Directors and in proportion to the importance of the Company, its economic situation and market standards in comparable companies. In this direction expressed the Appointments and Remuneration Committee in its report prepared at the request of the Board of Directors on August 22, 2016.

In connection with the foregoing, it should be noted that the courts (the Provincial Court of Barcelona, among others) have considered abusive that a minority shareholder propose holding a General Meeting for a subject of recent debate and approval in another General Meeting, which it is exactly what happens in the present case, in which the question whose revision is arisen was subject matter of approval by the Ordinary General Meeting of the Company on June 10, 2016.

Moreover, it should be noted that, (i) the remuneration of the Board of Directors of Ercros has been experiencing a gradual reduction, so that in the last six years the whole amount has been

reduced by 18%, and (ii) the economic situation of the Company, that the Requirement invoked as a justification of the proposed reduction, is pointing exactly in the opposite direction, as its clear from the examination of the Society results that have been recently announced.

Third item.-

Finally, the authors of the Requirement, invoking Article 161 of the Spanish Capital Companies Law pose to instruct the Board of Directors so that, if profits in the current year 2016 are obtained, a distribution of a dividend should be proposed to the Ordinary General Meeting, paying for it up (pay-out) twenty percent of those benefits.

The Article 161 of the Spanish Capital Companies Law states that the General Meeting can instruct the Board on matters that, in principle, are within the jurisdiction of this (as is the proposed distribution of dividends), unless there is a “conflicting provision at the Bylaws” of the concerned Society.

In this sense, Article 22.2 of the Ercros Bylaws states that “the General Meeting cannot instruct the Board (nor subject to its authorization) to take decisions or agreements on certain management issues”.

It follows from the foregoing that the adoption of the agreement contained as third item on the agenda of the Extraordinary General Meeting would be the approval of an agreement contrary to the Ercros Bylaws, which therefore would be contestable, in accordance with provided by the Spanish Capital Companies Law.

Daniel Ripley Soria
The Secretary of the Board of Directors

Barcelona, 7 October 2016