

Ercros achieves EUR 45 million profit, 38 million higher than 2015 profit.

The EUR 45.16 million profit represents, more than six times that obtained in 2015, an improvement of EUR 37.92 million.

This profit has been possible thanks to the reduction of fixed costs and productivity improvements achieved by the Company in recent years, which have allowed the company to take advantage of the economic recovery and the favourable price situation of the energies and the main supplies.

In light of the result, the Board of Directors has agreed to carry out, for the first time in the history of Ercros, a shareholder remuneration plan consisting of: (i) a share repurchase program, for a maximum amount of EUR 9 million provided that the number of shares purchased does not exceed 5% of the share capital; and (ii) a dividend payment of EUR 4 cents per share, which represents a pay-out of 10% t.

Results

The turnover for the year amounted to EUR 602.54 million, 2.5 % lower than that achieved in the previous year. This decrease is due, on the one hand, to the sale of the Palos de la Frontera facility in June 2015 and, on the other, to lower price of methanol which implies lower sales for the intermediate chemicals division, without affecting margins.

48.9 % of sales were made in the foreign market, amounting to EUR 294.85 million. The pharmacy division generated abroad 90.4 % of its turnover; the intermediate chemical division, 66.4 %; and the chlorine derivatives division, 36.1 %. A strong dollar has also helped to consolidate the competitiveness of the Company.

Expenses amounted to EUR 561.34 million, 5,6 % lower than in the previous year. In this item, the most significant decrease was that of energy and other supplies (-18.0 %) and, to a lesser extent, raw materials and consumables used (-3.3 %). Raw materials and supplies, which accounted for 65.3 % of sales in 2015, represented 61.8 % in 2016, an improvement of 3.5 percentage points.

Employee expenses amounted to EUR 81.82 million, an increase of 2.5 % over 2015. This increase was due to the combined effect, on the one hand, of the reduction in the average workforce by 12 people, mainly due to the sale of the Palos de la Frontera facilities already mentioned, and, on the other hand, the 3.5 % salary increase, which includes the recovery of the purchase power lost in 2010-2012. In 2016, the average workforce of Ercros was 1,357 people.

In line with the Company's efficiency improvement policy, excluding personnel costs, the remaining fixed expenses decreased by 6 % in 2016.

"Other operating expenses", amounting to EUR 107.45 million, includes the costs incurred and planned for the dismantling of obsolete plants and for the cleaning of soils, as well as those incurred in the maintenance, renting of facilities and equipment. This item also includes the contribution to the Public Treasury, amounting to EUR 4.17 million, which Ercros will have to make in 2017, after having obtained profits for a second year in a row, and as a consequence of the workforce reduction carried out in 2013 which affected workers over 50

years. This contribution is mandatory in accordance with the Royal Decree Law 5/2013, of March 15, that establishes measures to promote the continuity of working life of older workers and promote active aging.

As a consequence of what has been said above, in 2016 the company has shown a significant improvement in margins and results: ebitda reached EUR 58.25 million, 78.6 % higher than EUR 32.62 million in 2015. The ebitda margin has risen from 5.3 % in 2015, to 9.7 % in 2016, an improvement of 4.4 percentage points. In 2016, Ercros has practically achieved the 10 % ebitda margin targeted by the Efficiency improvement plan ("Plan Act"), an achievement that is in line with the significant cost savings (a reduction of more than EUR 60 million) thanks to the restructuring plans implemented between 2007 and 2016.

Depreciation and amortisation expense for an amount of EUR 19.37 million, together with a reversal of the impairment loss of certain assets of EUR 11.99 million, has led to a significant improvement in Earnings before interest and taxes ("ebit"), which represents four times 2015 ebit, rising from EUR 12.75 million to EUR 50.87 million. The reversal of the impairment loss corresponds to the Vila-seca II plant and is a consequence of the profitability improvement in the PVC business that is expected to continue in the near future.

Financial expenses decreased by 28.9 %, from EUR 7.65 million in 2015 to EUR 5.44 million in 2016, as a result of: (i) the reduction of debt; (ii) the lowest average cost of the aforementioned debt; and (iii) higher share of profit of associates. During 2016, there were no significant positive exchange rate differences, as occurred in 2015.

After the income tax expense of EUR 0.15 million (EUR -0.49 million in 2015), the profit for the year amounted to EUR 45.16 million, more than six times the 2015 profit that amounted to e EUR 7.24 million.

Balance sheet

As shown in the table below, the item non-current assets, has increased by EUR 18.93 million, due to the investments carried out, and the working capital has also increased by EUR 12.94 million, due to lower balance with suppliers and higher inventories.

In 2016, investments amounting to EUR 21.03 million were executed, compared to EUR 10.37 million in 2015. Likewise, the investment commitments at December 31 amounted to EUR 14.09 million compared to EUR 10.40 million from the previous year. The largest investments are related to the implementation of the Plan Act.

The equity increased by EUR 43.95 million as a result of the profits of the year. On the other hand, the reduction of EUR 17.77 million of the net financial debt is due to the strong operating cash generation in 2016. As at December 31, 2016, the net financial debt amounted to EUR 73.46 million.

Ercros' solvency ratio (net financial debt to equity plus net financial debt) improved from 0.34 in 2015 to 0.25 in 2016. The leverage ratio (net financial debt to ebitda) also improved: from 2.80 to 1.26. In 2016 Ercros has significantly improved its solvency and capability to meet all its financial obligations.

2017 Outlook

Ercros expect to maintain a growing industrial output in 2017, given the strong demand of its main products and its greater capacity to meet the required volumes. The foreseeable strength, of the US dollar will also help to improve its competitiveness boosting profitability. As far as costs are concerned, some headwinds are expected in 2017 as raw materials, electricity and natural gas are showing an upward trend that can harm the profit of the company.

The main challenge that Ercros is facing in 2017 is that of halting and dismantling the chlorine production facilities operating with mercury technology and the simultaneous start of the new membrane capacity, meeting at any time the demand of those products that are produced in the affected facilities (caustic soda and chlorine derivatives). Ercros will book in 2017 the provision needed to meet the costs of restructuring, dismantling and remediation resulting from the closure of plants

Barcelona, February 28, 2017

Erratum:

The present version of the income statement for 2016 differs from that referred to as a material fact to the CNMV on February 28 in the following terms:

- The revenue figure amounts to EUR 619.59 million instead of EUR 620.11 million, and represents a reduction of 1.2% instead of 1.1% compared to the revenue figure achieved in 2015.
- Expenditure amounted to EUR 561.34 million instead of EUR 561.86 million, 5.6% instead of 5.5% lower than in the previous year.
- In 2016, fixed costs, excluding staff costs, decreased by 6% instead of 5.2%.
- The amount of "Other operating expenses" is EUR 107.45 million instead of EUR 107.97 million.
- In 2016 the investments amounted to EUR 21.03 million instead of EUR 20.86 million.

Statement of profit or loss

EUR million	FY 2016	FY 2015	Variation (%)
Revenue	619.59	627.21	-1.2
Sale of goods	602.54	618.27	-2.5
Other income	4.90	6.37	-23.1
Changes in inventories	12.67	2.57	×4.9 ¹
Expenses	-561.34	-594.59	-5.6
Raw materials and consumables used	-270.22	-279.41	-3.3
Energy and other supplies	-101.85	-124.22	-18.0
Employee benefit expenses	-81.82	-79.86	2.5
Other operating expenses	-107.45	-111.10	-3.3
Ebitda	58.25	32.62	78.6
Depreciation and Amortisation expense	-19.37	-19.87	-2.5
Reversal of impairment loss	11.99	0.00	-
Ebit	50.87	12.75	×4.0¹
Finance costs	-5.44	-7.65	-28.9
Exchange rate differences	-0.12	1.65	-
Earnings before tax	45.31	6.75	×6.7¹
Income tax expense	-0.15	0.49	-
Profit for the year	45.16	7.24	×6.2¹

¹. Number of times the 2015 figure is included in the 2016 figure.

Economic analysis of the balance sheet

EUR million	12/31/16	12/31/15	Variation (%)
Non-current assets	274.79	255.86	7.4
Working capital	63.53	50.59	25.6
Capital employed	338.32	306.45	10.4
Equity	219.83	175.88	25.0
Net financial debt ¹	73.46	91.23	-19.5
Provisions and other debts	45.03	39.34	14.5
Source of funds	338.32	306.45	10.4

¹. All financial debts with non-banks entities are included in the net financial debt. In addition to cash and cash equivalents, those deposits guaranteeing debt commitments have also been considered as lower financial debt (in 2016: €26.43 million, and in 2015: €28.29 million).