

Ercros obtains profit of EUR 24 million

Ercros ended the first half of 2017 with profit of EUR 23.96 million, up 22% on the same period last year.

The increase in the profit obtained in the first half of 2017 in comparison to that obtained in the same period in 2016 is particularly relevant because it occurred against the backdrop of a sharp increase in the price of the raw materials and is indicative of the boom our markets are experiencing.

During the first six months of 2017, revenue amounted to EUR 355.86 million, 13.2% more than that obtained in the first half of 2016. This increase can be explained by the strong demand, especially in the domestic market, and improved margins.

Sales increased in general: the chlorine derivatives division grew 11.3 %, mainly due to the increase in the prices of caustic soda and PVC; the intermediate chemicals division grew 17.0 %, in part due to the increase in the price of methanol; and the pharmaceuticals division grew 10.2 %, due to the increase in the volume of sales, in large part as a result of the entry into service of the new sterile fosfomycin plant.

Expenses amounted to EUR 311.13 million, an 11.6% increase with respect to this first half of 2016. The main reason for this increase is the rise in the price of supplies which became 26.4% more expensive due to the increased cost of electricity, and procurements which grew 16.3% due to the increased cost of raw materials.

It is also important to highlight the 7% rise in staff costs due to the salary increase provided for in the collective agreement of the chemical industry and the cancellation of the obligations acquired with the company's inactive staff. The average headcount in the first half of 2017 was 1,366 people, 13 more than in the same period in 2016.

Ebitda increased from EUR 34.72 million in the first half of 2016 to EUR 38.54 million in the first half of 2017, representing an 11.0% increase.

Amortization expense, which amounted to EUR 8.98 million, fell 6.7%, while finance costs and exchange differences, which stood at EUR 2.96 million, dropped 9.8%. Income taxes increased to EUR 2.21 million, compared to EUR 1.48 million in the first half of 2016.

As a result of the foregoing, Ercros' profit in the first six months of 2017 amounted to EUR 23.96 million, compared to EUR 19.64 million in the same period in 2016 representing a 22.0% increase.

With regard to the balance sheet, the Company's working capital is of particular note, increasing 34.0% between 2016 year-end and June 30, 2017, mainly due to the increase in customer receivables. In this period, total equity increased by EUR 10.15 million: this change is less than the profit generated due to the EUR 13.81 million reduction corresponding to the total amount of the shareholder remuneration measures applied:

the share repurchase, the dividend payment agreement and the bonus for attending the shareholders' annual meeting.

At the end of the first half of the year, net financial debt was EUR 93.27 million, 27.0% more than at December 31, 2016 as a result of the investments made pursuant to the Act Plan. At June 30, 2017, investments had been made amounting to EUR 20.66 million (EUR 9.15 million at June 30, 2016).

Given the continued strength of demand, particularly in the domestic market which offers better returns, as well as the consolidation of the economy's recovery, the trend seen in the first half of the year is expected to continue throughout the remainder of 2017; although it is important to bear in mind that the second half of the year includes August and December, months in which business drops off significantly for seasonal reasons. Furthermore, throughout the second half of the year, Ercros must address the stoppage and dismantling of the chlorine production plants which operate with mercury technology and the simultaneous entry into service of the expansion of the facilities which operate with membrane technology.

Barcelona, July 27, 2017

Consolidated income statement for the first half of 2017

EUR million	1H 2017	1H 2016	%
Income	349.67	313.59	11.5
Revenue	355.86	314.42	13.2
Other income	2.67	3.26	-18.1
Changes in inventories of finished goods and work in progress	-8.86	-4.09	116.6
Expenses	-311.13	-278.87	11.6
Procurements	-159.39	-137.04	16.3
Supplies	-57.68	-45.65	26.4
Other operating expenses	-51.38	-56.31	-8.8
Staff costs	-42.68	-39.87	7.0
Ebitda	38.54	34.72	11.0
Amortisation expense	-8.98	-9.62	-6.7
Ebit	29.56	25.10	17.8
Finance costs and exchange differences	-2.96	-3.28	-9.8
Share profit of associates	0.48	0.24	100.0
Impairment on financial instruments	-0.91	-0.94	-3.2
Profit before tax	26.17	21.12	23.9
Income taxes	-2.21	-1.48	49.3
Profit for the period	23.96	19.64	22.0

Economic analysis of the balance sheet

EUR million	30-06-2017	31-12-2016	%
Non-current assets	284.88	274.79	3.7
Working capital	85.12	63.53	34.0
Current assets	217.82	184.71	17.9
Current liabilities	-132.70	-121.18	9.5
Resources used	370.00	338.32	9.4
Total equity	229.98	219.83	4.6
Net financial debt²	93.27	73.46	27.0
Provisions and other borrowings	46.75	45.03	3.8
Origin of funds	370.00	338.32	9.4

^{1.} For enhanced analysis and comparison, as a management tool, Ercros conducts an economic analysis of the balance sheet, which is obtained by reclassifying certain figures on the consolidated statement of financial position in order to reduce the number of operating aggregates.

^{2.} All financial debts with non-banking entities are included in the net financial debt. Likewise, in addition to its cash and cash equivalents, deposits securing debt obligations have been subtracted from its financial debt (at 30-06-2017: EUR 12.63 million and 31-12-2016: EUR 26.43 million).