

Ebitda improvement in the third quarter of 2019

The gross operating result («ebitda») obtained by Ercros in the third quarter of 2019 was EUR 16.75 million, 11.7% higher than in the same period of the previous year, and slightly higher than ebitda of the second quarter of 2019 (+1.7%). Even despite the fact that, for seasonal reasons (inclusion of the summer vacation period), the third quarters tend to have a lower ebitda than the second ones.

Behind this improvement in ebitda we have, on the one hand, the increase in sales volume and, on the other, the largest contribution due to the sharp fall in the price of the main procurements and supplies (EDC, electricity and methanol) compared to a more moderate fall in the price of final products (caustic soda, PVC and polyols).

Regarding to the overall first nine months of the year, ebitda –amounting to EUR 46.46 million– has been 24.1% lower than that achieved in the same period of 2018.

The first nine months sales amounted to EUR 503.68 million and exceed by 2.6% of those achieved in the same period last year. The reason for this increase is the greater volume of products sold after the productive capacity expansions and occurs despite the decrease in the sale price of the main products. The currency effect has also contributed to increasing the billing amount.

In the reference period, procurements have increased by 5.9% and supplies by 6.6%. The increase in both items is not due to prices, since, as noted above, the price of raw materials and electricity has continued falling, but at the higher level of production.

Despite the reduction in the workforce, personnel expenses increase by 6.5% due to the greater reversal of restructuring provisions made in 2018; while the other operating expenses increased by 11.7%, mainly due to the higher logistic expenses derived from the greater volume of products shipped.

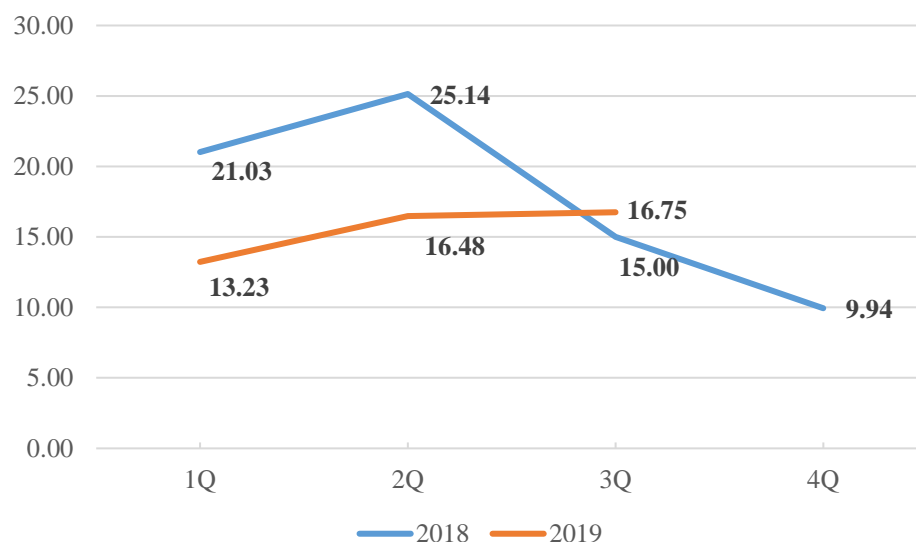
From the rest of income statement items, it is worth noting the financial result, which is reduced by 16.5% despite the higher debt, due to the its lower financial cost and the positive balance of exchange differences; and the income tax, which increases by EUR 4.84 million. Thus, the result of the period was EUR 17.31 million compared to EUR 36.12 million in the first nine months of the previous year.

Regarding to the balance sheet, between December 31, 2018 and September 30, 2019, non-current assets have increased due to investments made, while working capital has decreased mainly due to the reduction in inventories. Net financial debt has grown by EUR 12.62 million, reaching EUR 139.16 million mainly due to the payment of provisions and other debts, which in turn have been reduced by EUR 11.83 million.

Ercros expects the ebitda of 2019 fourth quarter to be better than that achieved in the fourth quarter of last year, a fact that will reduce the annual fall compared to 2018.

Ebitda per quarter

EUR million



Consolidated statement of profit and loss

EUR thousand	9M 2019	9M 2018	Variation (%)
Revenue	532,236	519,221	2.5
Sale of goods	503,679	490,911	2,6
Delivery of services	21,572	24,201	-10.9
Other income	6,985	4,109	70.0
Expenses	-485,779	-458,050	6.1
Procurements	-263,016	-248,439	5.9
Decrease in inventories of finished goods	-8,974	-8,315	7.9
Supplies	-75,017	-70,353	6.6
Employee benefit expenses	-62,391	-58,575	6.5
Other operating expenses	-73,906	-66,164	11.7
Precautionary provisions	-2,475	-6,204	-60.1
Ebitda	46,457	61,171	-24.1
Amortizations	-19,678	-19,443	1.2
Ebit	26,779	41,728	-35.8
Financial result	-4,943	-5,922	-16.5
Profit before tax	21,836	35,806	-39.0
Income taxes	-4,531	310	-
Profit for the period	17,305	36,116	-52.1

Economic analysis of the balance sheet

EUR thousand	30-09-2019	31-12-2018	Variation (%)
Non-current assets	368,078	357,747	2.9
Working capital	88,403	91,865	-3.8
Current assets	211,270	217,044	-2.7
Current liabilities	-122,867	-125,179	-1.8
Resources employed	456,481	449,612	1.5
Total equity	278,334	272,256	2.2
Net financial debt¹	139,160	126,541	10.0
Provisions and other borrowings	38,987	50,815	-23.3
Origin of funds	456,481	449,612	1.5

- ^{1.} All debts of a financial nature with non-banking entities are included in the net financial debt. Likewise, in addition to cash and other equivalent liquid assets, those deposits that guarantee debt commitments have been considered as lower financial debt (as of 30-09-2019: EUR 9,797 thousand and as of 31-12-2018: EUR 9,078 thousand) . Section B is not included without recourse to syndicated factoring, which amounted to EUR 13,645 thousand as of 30-09-2019 and EUR 15,665 thousand, as of 31-12-2018.

EUR thousand

Reconciliation of adjusted ebitda	1Q 2019	1Q 2018	2Q 2019	2Q 2018	3Q 2019	3Q 2018	9M 2019	9M 2018	Variation (%)
Ebitda reported	13,232	21,034	16,476	25,139	16,749	14,998	46,457	61,171	-24.1
Atypical income items	-115	0	-1,314	0	-495	0	-1,924	0	-
Atypical expenditure items	475	351	2,964	4,477	1,243	866	4,682	5,694	-17.8
Ebitda adjusted	13,592	21,385	18,126	29,616	17,497	15,864	49,215	66,865	-26.4

Ebitda adjusted by business	1Q 2019	1Q 2018	2Q 2019	2Q 2018	3Q 2019	3Q 2018	9M 2019	9M 2018	Variation (%)
Chlorine derivatives	7,451	14,779	11,275	22,176	11,990	11,989	30,716	48,944	-37.2
Intermediate chemicals	2,969	4,292	4,444	4,995	3,068	2,361	10,481	11,648	-10.0
Pharmaceuticals	3,172	2,313	2,407	2,445	2,439	1,515	8,018	6,273	27.8
Total adjusted Ebitda	13,592	21,385	18,126	29,616	17,497	15,864	49,215	66,865	-26.4

Sales of products by business	1Q 2019	1Q 2018	2Q 2019	2Q 2018	3Q 2019	3Q 2018	9M 2019	9M 2018	Variation (%)
Chlorine derivatives	105,687	102,867	109,328	106,492	96,764	97,345	311,779	306,704	1.7
Intermediate chemicals	52,404	48,533	49,730	49,007	46,319	47,140	148,453	144,680	2.6
Pharmaceuticals	14,817	14,065	13,480	13,714	15,150	11,748	43,447	39,527	9.9
Total sales	172,908	165,465	172,538	169,213	158,233	156,233	503,679	490,911	2.6

Barcelona, November 6, 2019