

Ercros' profits reach EUR 28.3 million, 18% more than in the first half of the previous year

Ercros has concluded the first half of 2018 with results that exceed those obtained in the same period of the previous year. Specifically, the company has obtained profits of EUR 28.27 million, 18% more than in the first half of 2017, and a gross operating result ("ebitda") of EUR 42.12 million, 9.3% more. Regarding the forecasts announced in mid-June, the result exceeds by EUR 1.27 million the forecast and the ebitda, by EUR 1.12 million.

These results are mainly attributable to the sharp increase in the prices of caustic soda and chlorine derivatives (sodium hypochlorite and hydrochloric acid), which have hit record highs owing to strong demand and the reduced production capacity of chlorine and caustic soda in the sector following the European ban on mercury technology in late 2017.

This also explains Ercros' sales of goods of EUR 334.68 million in the first six months of the year, an increase of 1% from the same period in 2017.

As expected, the rhythm of entry into operation of the new production capacity of chlorine-caustic soda plants with membrane technology has led to a temporary reduction in Ercros' production of these products, which will be offset by the sale of external caustic soda and the acquisition of intermediate products (EDC and VCM) to manufacture PVC.

The lower chlorine production and higher efficiency of membrane electrolysis plants facilitate the achievement of one of Ercros' main operational objectives: reducing its dependency on electrical energy. Consuming less electricity has cut the cost of supplies by EUR 13.46 million, down 23.3% from the same period in 2017, despite the considerable increase in the price of electricity so far this year. The opposite effect has been the 35.7% reduction in revenues for the service of uninterrupted electricity and other services provided by Ercros included in the "Services rendered" item.

In the chapter on costs, the restructuring of the chlorine business has also had an impact on the evolution of procurements -which increase of 3.8% is primarily due to the larger volume of products purchased (caustic soda, EDC, potash and sodium chloride)- and on personnel costs, which have decreased EUR 3.68 million owing to cutbacks in the workforce and the cancellation of certain obligations to retired staff. As of 30 June 2018, the workforce amounted 1,302, 90 fewer employees than on the same date the previous year.

Ercros' total expenses for the first half of the year -which amount to EUR 302.15 million- have contracted 2.9%, higher than the 1.6% in sales of goods- which explains the EUR 3.58 million improvement in ebitda from the same period last year. Specifically, ebitda rose from EUR 38.54 million in the first half of 2017 to EUR 42.12 million in the first half of 2018.

Amortisations increased 6.6% on investments made under the Act Plan and the operating result ("ebit") stands at EUR 32.55 million, up 10.1% from the same period in 2017.

After income taxes amounting to EUR 1.15 million, half-year profits totalled EUR 28.27 million, an increase of EUR 4.31 million from the first half of last year.

In the balance sheet, it is worth noting the increase in net assets, from EUR 247.49 million at the close of 2017 to EUR 261.25 million at the close of June 2018. The EUR 13.76 million increase in this item is lower than the result for this six-month period owing to the EUR 8.77 million allocated to the purchase of treasury stock, EUR 5.37 million in dividend payments, and EUR 0.38 million in AGM meeting attendance premium.

Net financial debt, meanwhile, declined 1.4% to EUR 87.98 million. In the first half of 2018, investments reached EUR 16.49 million, compared to the EUR 20.66 million invested in the first half of 2017, EUR 8.75 million of which corresponds to Act Plan investments.

At the end of June, Ercros met the three conditions established for shareholder remuneration: the EPS (half-year profit/number of shares) reached EUR 0.26 (must be at least EUR 0.10 for the year); the solvency ratio (net financial debt/ebitda for the last 12 months) stood at 1.13 (must be less o equal than 2); and the leverage ratio (net financial debt/total assets) stood at 0.34 (must be less o equal than 0.5).

The forecast for the whole of 2018 includes maintaining the growth patterns of the first six months, though it is important to bear in mind that the second half of the year includes the months of August and December, periods of lower activity for seasonal reasons. According to sector expectations, the market for caustic soda and other chlorine derivatives will remain tense at least until the end of 2020, which is the estimated period necessary for Europe to rebalance the supply and demand of these products.

Barcelona, 30 July 2018

Consolidated statement of profit and loss

EUR thousand	1 H 2018	1 H 2017	%
Income	344,265	349,669	-1.6
Sales of goods	334,678	331,310	1.0
Services rendered	15,781	24,547	-35.7
Other income and provisions reversal	2,726	2,673	-1.3
Changes in inventories	-8,920	-8,861	0.7
Expenses	-302,147	-311,134	-2.9
Procurements	-165,379	-159,392	3.8
Supplies	-44,221	-57,683	-23.3
Employee benefit expenses	-39,000	-42,679	-8.6
Other operating expenses	-53,547	-51,380	4.0
Ebitda	42,118	38,535	9.3
Amortisation expense	-9,571	-8,975	6.6
Ebit	32,547	29,560	10.1
Financial expenses and exchange differences	-2,912	-2,955	-1.5
Share profit of associates	465	480	-3.1
Impairment of financial assets	-675	-909	-25.7
Profit before tax	29,425	26,176	12.4
Income taxes	-1,153	-2,217	-48.0
Profit for the period	28,272	23,959	18.0

Economic analysis of the balance sheet

EUR thousand	30-06-18	31-12-17	%
Non-current assets	329,395	318,507	3.4
Working capital	75,586	76,595	-1.3
Current assets	214,237	218,282	-1.9
Current liabilities	-138,651	-141,687	-2.1
Resources employed	404,981	395,102	2.5
Total equity	261,249	247,492	5.6
Net financial debt ¹	87,984	89,257	-1.4
Provisions and other borrowings	55,748	58,353	-4.5
Origin of funds	404,981	395,102	2.5

¹ All financial debts with non-bank entities are recognized in net financial debt. Likewise, in addition its cash and cash equivalents, deposits securing debt obligations have been subtracted from its financial debt (at 30-06-18: EUR 9.862 thousand and at 31-12-17: EUR 12.633 thousand). The section B non-recourse of the syndicated factoring, which amounted to EUR 17.482 thousand at 30-06-18 and to EUR 8.410 thousand at 31-12-17, is not included.