

Ercros obtains a profit of EUR 9.42 million

Ercros has concluded the first quarter of 2018 with a profit of EUR 9.42 million, 2% higher than that obtained in the same period of the previous year.

After the cessation of the electrolytic plants operating with mercury technology, at the end of 2017, this has been the first quarter in which all chlorine-caustic soda production has been made using membrane technology from the existing plants and new ones that have come into operation between the end of 2017 and the beginning of 2018.

The capacity reduction as well as the calendar of entry into operation of these new plants has meant that in this first quarter of the year, as expected, less chlorine has been produced than in the same quarter of the previous year. Despite this, the benefit has increased thanks to the strength of most of our markets, which is especially noteworthy in the case of caustic soda. In 2018, this product is even managing to overcome the sharp rise in prices initiated last year (+75.5%). The reason for this increase is the good general economy performance but also due to the global decline in supply as a result of the reduction in capacity experienced in Europe as a result of the technological change.

In 2018 first quarter, Ercros' total sales have risen to EUR 165.47 million, practically the same figure as in 2017 (+0.1%). In order to evaluate this figure, it must be taken into account that, although having benefited from the expansion in the demand of most of its products, Ercros has been harmed by the devaluation of the dollar against the euro, which has lowered the turnover by EUR 3.28 million compared to the same period of the previous year.

In the income section, we should also highlight the performance of the "Delivery of services" heading, which shows a decrease by EUR 4.43 million, mainly due to the reduction in revenues from the service of power supply interruptibility provided by Ercros, due to both the reduction in the remuneration of the service from REE ("Red Eléctrica de España") and the lower electricity consumption. The lower production of chlorine and the greater efficiency of the new electrolytic plants have made it possible to reduce the electricity bill, which is reflected in the 26% decrease in the "Supplies" heading, which amounted to EUR 21.12 million.

Within the chapter of expenses also highlights the increase by 2.5% of procurements. The increase, in this case, is not that much due to an increase in prices –the two main raw materials (ethylene and methanol) have remained stable– as to the largest volume of products purchased (caustic soda, sodium chloride and EDC) as a result of the increase in the Company commercial activity due to the restructuring of the chlorine-caustic soda production after the phase-out of the mercury plants.

The Ercros' total expenses corresponding to the first three months of the year –which have risen to EUR 148.25 million– have experienced a contraction by 4.1%; higher than the 3.0% experienced by the revenues, reason whereby the gross operating profit ("ebitda") –amounting to EUR 19.04 million– has exceeded by EUR 1.16 million (6.5% more) than that obtained in the same period of 2017.

Amortizations have increased by 3.5%, as a result of the actions that have been performed under the ACT Plan, and financial expenses by 4%, as a result of negative exchange differences.

The profit of the quarter, after the income tax amounting to EUR 3.00 million, remains at EUR 9.42 million, an improvement by EUR 0.19 million (2% more) compared to the profit obtained in the first quarter of 2017.

The following items are worth mentioning in the balance sheet: First, the increase in working capital by 13%, mainly linked to the decrease in current liabilities. Second, the increase in net equity by 2.1%; regarding the 2017 ending, net equity increases by EUR 5.08 million, a figure lower than the result of the quarter due to the effect of the treasury shares purchase. And third, an increase by 10.8% in net financial debt, as a result of investments payment and the aforementioned treasury shares purchase. At the end of the quarter, the net financial debt amounted to EUR 98.89 million.

During the first quarter of 2018, the Company acquired 1.35 million treasury shares, amounting to EUR 4.34 million. Therefore, until April 30, 2018, the number of shares that Ercros holds in treasury shares is 2.97 million, amounting to EUR 9.47 million (2.7% of the share capital).

In the coming days, the Company will complete the repurchase of treasury shares corresponding to the 2017 payout until reaching an amount of EUR 10.02 million, which together with the payment of the proposed dividend –amounting to EUR 5.55 million– will imply a total remuneration by EUR 15.57 million, equivalent to the 35% of the EUR 44.49 million of the 2017 profit, which is the joint maximum payout established in the shareholder remuneration policy for 2017. The board of directors will propose to the next shareholders annual general meeting the amortization of these shares, as well as the payment of said dividend.

During the rest of 2018, with the new production plants already fully operational, Ercros expects to maintain the solidity of the demand as well as the restrain in the supplies and procurements prices. With regards to the average exchange rate euro/dollar, the Company estimates that it will remain in the area of 1.23, in line with its forecasts.

Given the current market tightness, which is expected to continue for about three years, the Company has decided to carry out a new expansion of the production capacity of chlorine-caustic soda –additional to the one already reported in the press release on March 5, 2018– that will optimize the operation of the equipment associated with membrane technology (and therefore will not require additional significant disbursements) and will be operational in the first half of 2019. Once this extension is completed, the total Ercros' chlorine production capacity will be 217,000 tons/year.

Barcelona, May 3, 2018

Statement of profit and loss

EUR thousand	1st quarter 2018	1st quarter 2017	Variation (%)
Revenue	167,289	172,541	-3.0
Sale of goods	165,465	165,365	0.1
Delivery of services	7,780	12,209	-36.3
Other income	1,284	808	58.9
Changes in inventories in finished and ongoing products	-7,240	-5,841	24.0
Expenses	-148,250	-154,664	-4.1
Procurements	-82,097	-80,095	2.5
Supplies	-21,120	-28,551	-26.0
Other operating expenses	-24,467	-25,523	-4.1
Employee benefit expenses	-20,566	-20,495	0.3
Ebitda	19,039	17,877	6.5
Amortizations	-4,640	-4,485	3.5
Ebit	14,399	13,392	7.5
Financial result	-1,986	-1,910	4.0
Profit before taxes	12,413	11,482	8.1
Income tax expense	-2,997	-2,253	33.0
Profit for the period	9,416	9,229	2.0

Economic analysis of the balance sheet

EUR thousand	31-03-2018	31-12-2017	Variation (%)
Non-current assets	322,256	318,507	1.2
Working capital	86,526	76,595	13.0
Current assets	208,142	218,282	-4.6
Current liabilities	-121,616	-141,687	-14.2
Capital employed	408,782	395,102	3.5
Equity	252,567	247,492	2.1
Net financial debt	98,887	89,257	10.8
Provisions and other debts	57,328	58,353	-1.8
Source of funds	408,782	395,102	3.5