

**Ercros obtained EUR 30 million of ebitda
and a profit of EUR 10.5 million in the first half of the year**

In line with the guidance disclosed on 2019/12/06 for the first half of 2019, Ercros has reached an ebitda of EUR 29.7 million and a net profit of EUR 10.5 million. These figures are lower than those obtained in the same period of 2018 (35.7% and 62.7%, respectively), however, we must note that in the first half of 2018, results were particularly high.

Profit declined due to the downward trend of the cycle in the chlorine-alkali sector, which began in mid-2018. Sales were up reaching EUR 345,446 thousand, 3.2% higher than in the same period of 2018, due to higher volumes after the addition of new capacity in chlorine and caustic soda, PVC, polyols and synthesis and fermentation of pharmaceutical products despite falling sales prices.

Margins narrowed because sales prices fell while the cost of the main raw materials increased. Procurements increased 9.7% and supplies increased 12.2%. The increases in the prices of EDC (43%) and electricity (12%) were the most relevant.

With regard to expenses, the 7.3% increase in labour costs was not a result of an increase in total salaries paid which, in fact, fell 4% due to a 42-workforce reduction, rather it was caused by an increase in Social Security contributions and the reduction in the use of restructuring provisions.

By segments, the pharmaceuticals division performed best thanks to an increase in the prices and volumes and only a moderate increase in raw material prices. Revenue increased 5.5% and ebitda increased 75.4%. Sales for the intermediate chemicals division increased 4.7% due to higher volumes of polyols and the appreciation of the dollar against the euro. Despite that, ebitda fell 21.8% attributable to an increase in competitive pressure and the impairment loss on inventories of methanol and other finished goods. Lastly, like in the rest of the businesses, sales in the chlorine derivatives division increased, in this case by 2.2%, despite a reduction in the price of caustic soda and, to a lesser extent, of PVC. Nevertheless, the increase in the prices of EDC, electricity and gas led to a drop in the ebitda, which fell 49.8%.

With respect to the balance sheet, between 31 December 2018 and 30 June 2019, non-current assets increased by EUR 8.5 million due to investing activities, while working capital decreased by EUR 11.6 million, mainly because of a reduction in inventories. Payments for investments, provisions and shareholder remuneration (dividend and shares repurchases) explain the 7% increase in net financial debt which stood at EUR 135,446 thousand. Meanwhile, provisions and other debts decreased by EUR 11.2 million caused by the payments made in the first half of the year.

It is difficult to provide a year-end forecast because of the ongoing uncertainties, which are at the heart of the downward trend of the cycle experienced by the industrial sector and, therefore, the chemical industry. These include: the trade dispute between the US and China; Brexit and its effect on the European economy; the tensions between the US and Iran and its upward pressure on the price of oil; and the US's decision to increase tariffs on EU goods, particularly those related to the automotive industry, which has a particular impact on German economy and, as a result, on the rest of Europe.

Nonetheless, we would also like point out some positive signs of recovery as the drop in the price of caustic soda is easing, while main raw material prices are falling, like EDC, and electricity, at least in Q3 2019. Furthermore, over the second half of the year, the last two capacity increases will enter into operation -the electrolysis plant and the tablets for treating swimming pools water plant- and the new volumes will contribute to improve margins.

Any case, we anticipate that for seasonal reasons, the results for the second half of 2019 (which include the months of August and December) will foreseeably be lower than those of the first half of 2019, but we expect Q4 2019 to be stronger than Q4 2018.

Barcelona, 2019 July, 29

Consolidated statement of profit and loss

EUR thousand	H1 2019	H1 2018	Variation (%)
Income	353,590	344,265	2.7
Sales of goods	345,446	334,678	3.2
Services rendered	14,011	15,781	-11.2
Other income	4,671	2,726	71.3
Changes in inventories	-10,538	-8,920	18.1
Expenses	-323,882	-298,092	8.7
Procurements	-181,353	-165,379	9.7
Supplies	-49,637	-44,221	12.2
Employee benefit expenses	-41,865	-39,000	7.3
Other expenses	-51,027	-49,492	3.1
Ebitda	29,708	46,173	-35.7
Amortisation and procurements	-13,047	-12,831	1.7
Ebit	16,661	33,342	-50.0
Financial results	-3,789	-4,083	-7.2
Profit before tax	12,872	29,259	-56.0
Income taxes	-2,379	-1,153	106.3
Profit for the period	10,493	28,106	-62.7

Segments results

EUR thousand	H1 2019	H1 2018	Variation (%)
Chlorine derivatives division			
Sales	214,014	209,359	2.2
Ebitda	16,925	33,698	-49.8
Intermediate chemicals division			
Sales	102,135	97,540	4.7
Ebitda	7,329	9,367	-21.8
Pharmaceuticals division			
Sales	29,297	27,779	5.5
Ebitda	5,454	3,108	75.4

Economic analysis of the balance sheet

EUR thousand	2019-06-30	2018-12-31	Variation (%)
Non-current assets	366,300	357,747	2.4
Working capital	80,266	91,865	-12.6
Current assets	211,583	217,044	-2.5
Current liabilities	-131,317	-125,179	4.9
Resources employed	446,566	449,612	-0.7
Total equity	271,525	272,256	-0.3
Net financial debt ¹	135,446	126,541	7.0
Provisions and other borrowings	39,595	50,815	-22.1
Origin of funds	446,566	449,612	-0.7

- ^{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 2019-06-30: EUR 9,616 thousand and at 2018-12-31: EUR 9,078 thousand). The section B non-recourse of the syndicated factoring, which amounted to EUR 24,410 thousand at 2019-06-30 and to EUR 17,482 thousand at al 2018-12-31, is not included.