

# QUARTERLY STATEMENT

## 1st Quarter 2018



# ALZCHEM AT A GLANCE

~ € 95

mn

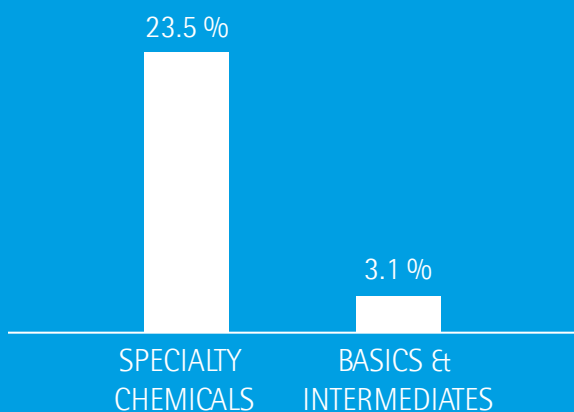
sales generated by AlzChem within the first three months of 2018

~ € 15

mn

EBITDA achieved by AlzChem from January to March 2018

## EBITDA MARGIN BY MAIN SEGMENTS



## MARKETS



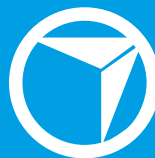
FOOD



FINE CHEMISTRY



AGRICULTURE



METALLURGY



RENEWABLE ENERGIES

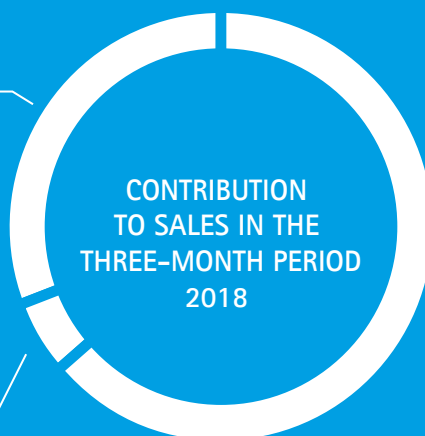
## THREE REPORTING SEGMENTS

### 36.1 % BASICS & INTERMEDIATES

Production of chemical intermediates for direct sale or refinement as specialty chemicals products

### 6.8 % OTHER & HOLDING

Other activities, mainly services related to the chemical parks Trostberg and Hart



### 57.0 % SPECIALTY CHEMICALS

Production and distribution of highquality chemical

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## KEY FIGURES

	Unit	1st Quarter 2017	1st Quarter 2018	Delta
Sales	EUR thousands	91,161	94,522	3.361
EBITDA	EUR thousands	13,408	15,057	1.649
EBITDA margin	%	14.7	15.9	1.2% points
EBIT	EUR thousands	10,028	11,337	1.309
		12/31/2017	03/31/2018	Delta
Inventory assets	EUR thousands	71,382	74,902	3.520
Group equity ratio	%	20.7	21.9	1.3% points
Group debt-equity ratio <sup>1</sup>	ratio	0.75	0.74	-0.01

## DEVELOPMENT OF THE GROUP

### EARNINGS POSITION

In the first quarter of 2018, **total sales** increased by 3.7% or EUR 3,361 thousand to EUR 94,522 thousand compared to the first quarter of 2017. The increase in sales resulted mainly from the **Specialty Chemicals** segment, which more than compensated for the slight decline in sales in the other segments. In Europe and Asia in particular, AlzChem participated very successfully in overall market growth. Demand continued to develop in line with the previous year's trend at a high to at times very high level; only the slightly lower delivery of the specialty fertilizer **Perlka**<sup>®</sup> due to weather was slightly below the previous year's level.

**Changes in inventories** of finished goods and work in progress increased by EUR 4,255 thousand to EUR 5,337 thousand in the first quarter of 2018 compared to the first quarter of 2017. This is in line with planned development, increasing in line with the overall steady growth. In connection with significantly increasing plant utilization, AlzChem is working on concepts to further increase technical plant availability.

**Cost of materials** rose by EUR 7,232 thousand compared to the first quarter of 2017 to EUR 40,876 thousand. This represented a disproportionate increase of 21.5% compared to the increase in sales. This is due primarily to higher output and the resulting increase in inventory assets.

The very high demand for raw materials also means that AlzChem is sometimes confronted with high to very high material price increases, which also raises costs. Plant closures in China, some of which are only temporary, must also be taken into particular account. Extensive controls in connection with environmental regulations therefore also have an impact on the short and medium-term availability of raw materials for AlzChem. The cost of materials also reflects higher sales volumes, production and the growth trend in the **Specialty Chemicals** segment. Despite the changed situation on the raw materials market, it has remained consistently possible to secure supplies.

The increase in **personnel expenses** by EUR 894 thousand compared to the first quarter of 2017 reflects the wage increases of May 1, 2017, (0.25%) and September 1, 2017 (1.75%). The **AlzChem Group** also recorded a slight increase in the number of employees compared to the same period last year due to its continuous growth and the continuing increase in plant utilization.

<sup>1</sup> Debt-equity ratio = ratio of net debt to total capital. Net debt is defined as the sum of all liabilities less existing cash and cash equivalents.

**Other operating expenses** were reduced by EUR 2,474 thousand to EUR 17,392 thousand compared to the same period of the previous year. The first quarter of the previous year was burdened by the costs of the cancelled IPO. Expenses for various individual items were also lower than in the prior-year period.

Overall, earnings before interest, taxes, depreciation and amortization (**EBITDA**) increased by EUR 1,649 thousand to EUR 15,057 thousand in the first quarter of 2018. Earnings before interest and taxes (**EBIT**) increased by EUR 1,309 thousand to EUR 11,337 thousand.

The positive earnings development is attributable to the **Specialty Chemicals** and **Other & Holding** segments, whereas the **Basics & Intermediates** segment recorded a slight decline in both key figures.

With an almost identical **tax rate**, **consolidated net profit for the year** increased by EUR 908 thousand compared to the first quarter of 2017 to EUR 7,887 thousand

Earnings per share improved from EUR 0.07 per share to EUR 0.08 per share.

## FINANCIAL POSITION

**Equity** increased by EUR 6,871 thousand to EUR 64,765 thousand as of March 31, 2018, compared to December 31, 2017, which led to an increase in the Group equity ratio from 20.7% to 21.9%. The increase in Group equity due to the consolidated net profit for the year was offset by the reduction in retained earnings due to the recognition of the liability from the compensation payment to the minority shareholders of AlzChem International GmbH following the profit and loss transfer agreement (see Significant events section, p. 6).

Overall, **non-current liabilities** remained stable compared to December 31, 2017. **Current liabilities** increased by EUR 8,197 thousand compared to December 31, 2017, and amounted to EUR 84,206 thousand as of March 31, 2018. This was due in large part to the increase of EUR 7,458 thousand in liabilities to banks compared to December 31, 2017. The scheduled repayment of long-term loan liabilities was offset by short-term financing lines. Short-term financing lines are primarily serving to finance further growth. Inventories were expanded according to plan. Trade receivables increased for seasonal and reporting date reasons and the first investments in the construction of the new **CreAMINO®** plant were also made from current funds to optimize interest rates.

**Cash and cash equivalents** as of March 31, 2018, were almost unchanged compared to December 31, 2017, and amounted to EUR 12,926 thousand as of the reporting date, while cash inflow from operating activities fell sharply by EUR 7,243 thousand to EUR -126 thousand compared to the first quarter of 2017. This again reflects the effects of further growth combined with the scheduled increase in inventories and trade receivables.

There are still no significant overdue receivables or risks to be identified in the **receivables portfolio**.

Compared to the first quarter of the previous year, **investment activities** increased by EUR 1,964 thousand to EUR 5,715 thousand. This was mainly due to the initial investments in the construction of the new **CreAMINO®** plant.

As no **dividend payments** were made in the first quarter of 2018, cash inflow from financing activities improved significantly compared to the same period of the previous year, rising by EUR 11,473 thousand to EUR 5,965 thousand.

## ASSET POSITION

**Assets** increased by EUR 15,300 thousand to EUR 295,481 thousand since December 31, 2017. Besides the expanded investment activity, this is due in large part to the increase in inventory assets and trade receivables.

The increase in inventory assets by EUR 3,520 thousand to EUR 74,902 thousand results mainly from the increased business volume, a planned increase in **CreAMINO**<sup>®</sup> inventories and changes in the campaign sizes of the multi-purpose plants to optimize set-up and cleaning times.

The increase in trade receivables by EUR 10,814 thousand to EUR 45,849 thousand is due to the increase in revenues, is seasonal in certain areas and in some cases also related to the reporting date.

## OUTLOOK

The global upturn is expected to continue in the coming months. In the industrialized countries, many indicators point to a positive overall trend. The outlook is shaped by increasing employment, rising incoming orders, a positive economic environment and higher investment dynamics. Prospects for the emerging markets are also good. China's economy is growing steadily, commodity prices are recovering and world trade is gaining momentum.<sup>2</sup>

In its interim report from March 2018, the OECD (Organization for Economic Cooperation and Development) expects stronger global economic expansion based on robust investment growth, a revival in trade and higher employment. The pace of expansion in 2018-19 is expected to be faster than in 2017, but tensions are arising that could jeopardize strong and sustainable medium-term growth.

The OECD continues to expect the global economy to grow by 3.9 percent in both 2018 and 2019, with private investment and trade picking up as a result of strong economic and domestic confidence.<sup>3</sup> The following GDP growth forecasts are expected with regard to the main sales markets of the AlzChem Group.

Country <sup>4</sup>	Change from 2017	Forecast 2018	Forecast 2019
Germany	2.5 %	2.4 %	2.2 %
EU	2.5 %	2.3 %	2.1 %
China	6.9 %	6.7 %	6.4 %
USA	2.3 %	2.9 %	2.8 %
<b>India</b>	6.6 %	7.2 %	7.5 %

In line with this global trend and based on successful market development, the AlzChem Group confirms the statements made in the Annual Report as of December 31, 2017, regarding expected business development in fiscal year 2018. AlzChem continues to expect sales growth in the mid-single-digit percentage range as well as a EBITDA of EUR 49 to 54 million and is aligning its business activities to achieve these goals.

There have also been no material changes in the **opportunities** and **risks** of the AlzChem Group as described in the Annual Report since December 31, 2017. In connection with the spin-off of grid operations on January 1, 2018, AlzChem Trostberg GmbH is now also subject to the provisions of Section 64 (4) EEG with regard to the application for the special compensation regulation. This has resulted in a significant change in the application process, so that an inherent process risk with a very low **probability of occurrence**, but a very large impact on the business, net assets, financial position and results of operations, must be reported.

<sup>2</sup> <https://www.chemanager-online.com/themen/konjunktur/weltweite-chemie-mit-schwung-07.02.2018>

<sup>3</sup> <http://www.oecd.org/eco/outlook/economic-outlook/Interim-Economic-Outlook-13.03.2018>

<sup>4</sup> <http://www.oecd.org/eco/outlook/economic-outlook/Interim-Economic-Outlook-13.03.2018>

## SIGNIFICANT EVENTS

AlzChem Trostberg GmbH and AlzChem International GmbH concluded a **profit transfer agreement** effective January 1, 2018. It calls for AlzChem International GmbH to transfer all future profits to AlzChem Trostberg GmbH, while AlzChem Trostberg GmbH also assumes any losses that may occur. The agreement was set for a period of five years and cannot be terminated during this period.

As a result of the agreement, the entire annual result of AlzChem International GmbH has flowed into the Group since January 1, 2018. Consequently, the non-controlling interests will not receive any further annual results for the period of the profit transfer agreement. For the loss of their variable profit claim, the minority shareholders of AlzChem International GmbH (6% of the Company's capital) were granted a compensation payment of EUR 2.85 (gross) per share per year for the duration of the profit transfer agreement.

The present value of the future compensation payments to be made has already been recognized in full (EUR 855 thousand) in the consolidated balance sheet under Other current and non-current liabilities. The controlling interests' balance sheet profit was reduced by the same amount.

# DEVELOPMENT OF THE SEGMENTS

## SEGMENT SPECIALTY CHEMICALS

in EUR thousands	Q1 2017	Q1 2018	Delta
External sales	48,745	53,917	5.172
<b>EBITDA</b>	<b>10,945</b>	<b>12,649</b>	<b>1.704</b>
Depreciation	-1,234	-1,305	-71
<b>EBIT</b>	<b>9,720</b>	<b>11,344</b>	<b>1.624</b>
Inventories	40,293	46,304	6.011
<b>EBITDA margin [%]</b>	<b>22.5</b>	<b>23.5</b>	<b>1.0% points</b>

The sustained growth in the **Specialty Chemicals** segment continued with sales growth of +10.6%. Sales in the first quarter of 2018 amounted to EUR 53,917 thousand compared to EUR 48,745 thousand in the first quarter of 2017.

The successful transfer of products from the chemical laboratory to large-scale production contributed significantly to growth in the first quarter of 2018. Almost all chemical plants were operating close to their technical capacity limits, so that in addition to the continued strong increase in **CreAMINO®** and **Creapure®** volumes, the **multi-purpose plants** also contributed to the positive development.

Demand for our solutions (**Dyhard®**) in the area of alternative power generation (wind) and the automotive sector is also developing extremely well. The enormous drop in prices for photovoltaic modules<sup>5</sup> on the other hand is weighing on the development of the **Silzot®** business unit. At the same time, new areas of application are being identified so that volume losses can be compensated for as far as possible, and even overcompensated for when possible.

Inventories at **CreAMINO®** were increased as planned in order to be able to keep pace with the expected market growth from the existing production plant. A new production plant for **CreAMINO®** will go into operation in 2019. The high level of plant utilization makes it necessary to simultaneously increase inventories while increasing economies of scale.

<sup>5</sup> Average module prices have fallen by 74% since 2010. While investment costs at that time were still at EUR 1.77 per watt peak, they are now around EUR 0.49. Source: pvxchange



## SEGMENT BASICS & INTERMEDIATES

in EUR thousands	Q1 2017	Q1 2018	Delta
External sales	35,660	34,155	-1.505
<b>EBITDA</b>	<b>2,179</b>	<b>1,060</b>	<b>-1.119</b>
Depreciation	-1,023	-1,193	-170
<b>EBIT</b>	<b>1,156</b>	<b>-132</b>	<b>-1.288</b>
Inventories	24,674	27,043	2.369
<b>EBITDA margin [%]</b>	<b>6.1</b>	<b>3.1</b>	<b>-3.0% points</b>

Sales in the **Basics & Intermediates** segment decreased by EUR 1,505 thousand (4.2%) to EUR 34,155 thousand compared to the same period of the previous year.

The very successful first quarter of the previous year could not quite be achieved in 2018. Volumes in the area of direct agricultural applications (**Perlka**<sup>®</sup>) were below the previous year's level due to weather conditions. The segment's basic chemical products, mainly **NITRALZ**<sup>®</sup>, allowed AlzChem to continue growing in line with the forecast, but the decline in volume could not be fully compensated for. Raw material prices, which had already been forecast but were still rising above this level, also had a significant negative impact on operating earnings.

The punitive tariffs on steel deliveries to the American market are dampening the picture of positive volume growth. Although the business volume of metallurgical products was maintained at the high level of the previous year, the effects of punitive tariffs can certainly be seen as a risk. However, due to the European focus of our customers, a weaker effect is to be expected. Parallel to the metallurgical volume business, our special applications such as **CalciPro**<sup>®</sup> are establishing themselves very positively and are showing very promising results in a large number of application tests.

The only slight increase in **inventories** in the segment reflected higher purchase prices and high capacity utilization of chemical plants.

## SEGMENT OTHER & HOLDING

in EUR thousands	Q1 2017	Q1 2018	Delta
External sales	6,772	6,450	-322
<b>EBITDA</b>	<b>-570</b>	<b>759</b>	<b>1,329</b>
Depreciation	-1,094	-1,296	-202
<b>EBIT</b>	<b>-1,664</b>	<b>-537</b>	<b>1,127</b>
Inventories	2,790	3,149	359
<b>EBITDA margin [%]</b>	<b>-8.4</b>	<b>11.8</b>	<b>20.2% Points</b>

The business volume at the **chemical parks** in Trostberg and Hart remained essentially at the level of the first quarter of 2017 and only recorded a slight decline of EUR 322 thousand (4.7%) to EUR 6,450 thousand. Demand for the site services power generation, warehousing and logistics services as well as waste disposal services was thus essentially stable.

The year-on-year increase in EBITDA and EBIT is mainly due to the absence of the previous year's project costs. The restructuring measures already carried out in the first quarter of the previous year in the area of plant infrastructure will now have a positive effect in this segment in the first quarter of 2018.

The increase of EUR 359 thousand in segment inventories to EUR 3,149 thousand is to be seen, among other things, in connection with regular fluctuations in consumables and supplies.



# SELECTED FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER OF 2018 (IFRS, UNAUDITED)

in EUR thousands	01/01-03/31/2017	01/01-03/31/2018
Sales revenue	91,161	94,522
Changes in finished goods and work in progress	1,082	5,337
Other operating earnings	2,903	2,589
Costs of materials	-33,644	-40,876
Personnel expenses	-28,229	-29,123
Other operating expenses	-19,866	-17,392
<b>EBITDA</b>	<b>13,407</b>	<b>15,057</b>
Depreciation	-3,380	-3,720
<b>EBIT</b>	<b>10,027</b>	<b>11,337</b>
Other interest and similar earnings	13	93
Interest and similar expenses	-643	-697
<b>Financial result</b>	<b>-630</b>	<b>-604</b>
<b>Result from ordinary business activities</b>	<b>9,397</b>	<b>10,733</b>
Taxes on income and profit	-2,419	-2,846
<b>Consolidated result</b>	<b>6,978</b>	<b>7,887</b>
Of which non-controlling shareholdings in the consolidated result	90	-16
Of which shareholdings of the shareholders of AlzChem AG in the consolidated result	6,888	7,903
<b>Earnings per share in EUR (undiluted and diluted)</b>	<b>0.07</b>	<b>0.08</b>

## CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2018 (IFRS, UNAUDITED)

### ASSETS

in EUR thousands	12/31/2017	03/31/2018
<b>Non-current assets</b>		
Intangible assets	1,009	946
Fixed assets	115,131	117,060
Financial assets	20	20
Other receivables and assets	1,071	1,102
Deferred tax claims	25,433	25,381
<b>Total non-current assets</b>	<b>142,664</b>	<b>144,509</b>
<b>Current assets</b>		
Inventories	71,382	74,902
Trade receivables	35,035	45,849
Other receivables and assets	16,308	13,235
Income tax claims	1,990	4,060
Cash and cash equivalents	12,802	12,926
<b>Total current assets</b>	<b>137,517</b>	<b>150,972</b>
<b>Total ASSETS</b>	<b>280,181</b>	<b>295,481</b>

### EQUITY AND DEBT

in EUR thousands	12/31/2017	03/31/2018
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Subscribed capital	101,763	101,763
Capital reserve – adjustment item reverse acquisition	-88,128	-88,128
Capital reserve	24,981	24,981
Other cumulative equity	-31,993	-32,151
Net profit	49,047	56,094
	<b>55,670</b>	<b>62,559</b>
Non-controlling interests	2,224	2,206
<b>Total equity</b>	<b>57,894</b>	<b>64,765</b>
<b>DEBT</b>		
<b>Non-current debt</b>		
Pension provisions and similar commitments	107,234	107,807
Other provisions	17,443	17,823
Loan liabilities to credit institutes	19,203	17,803
Financing lease liabilities	223	223
Other liabilities	10	684
Deferred tax liabilities	2,165	2,170
<b>Total non-current debt</b>	<b>146,278</b>	<b>146,510</b>
<b>Current debt</b>		
Other provisions	1,209	1,015
Loan liabilities to credit institutes	22,122	29,580
Accounts payable trade	28,199	24,587
Other liabilities	23,421	25,716
Income tax liabilities	1,058	3,308
<b>Total current debt</b>	<b>76,009</b>	<b>84,206</b>
<b>Total debt</b>	<b>222,287</b>	<b>230,716</b>
<b>Total EQUITY and DEBT</b>	<b>280,181</b>	<b>295,481</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER 2018 (IFRS, UNAUDITED)

in EUR thousands	01/01-03/31/2017	01/01-03/31/2018
<b>Consolidated earnings before taxes</b>	<b>9,397</b>	<b>10,733</b>
(+) Depreciation on fixed and intangible assets	3,380	3,720
Decrease in pension provisions	-131	-165
Profit from the sale of non-current assets	-2	0
Other non-cash income (+) and expenses (-)	1,022	1,056
Financial result	630	604
Interest received	56	67
Interest paid	-154	-159
Income taxes paid	-3,630	-2,623
Increase in inventories	-2,614	-3,492
Increase in account receivables	-4,059	-7,875
Increase (+)/decrease (-) in liabilities arising from trade payables, other liabilities and other provisions	2,941	-1,949
Change in other balance sheet items	281	-43
<b>Cash inflow (+)/cash outflow (-) from ongoing operations (Net cash flow)</b>	<b>7,117</b>	<b>-126</b>
Cash outflows for investments in fixed assets	-3,753	-5,715
Cash inflows from the sale of fixed assets	2	0
<b>Cash outflow from investing activity</b>	<b>-3,751</b>	<b>-5,715</b>
<b>Free cash flow</b>	<b>3,366</b>	<b>-5,841</b>
Deposits from short-term financing lines	10,852	7,187
Repayment of bank loans	-1,400	-1,222
Dividend payments	-14,960	0
<b>Cash inflow (+)/cash outflow (-) from financing activity</b>	<b>-5,508</b>	<b>5,965</b>
<b>Net decrease (-)/increase (+) in cash and cash equivalents</b>	<b>-2,142</b>	<b>124</b>
Cash and cash equivalents at the beginning of the period (as of the reporting date of the previous year)	12,089	12,802
Changes due to changes in exchange rates	-9	0
Cash and cash equivalents at the end of the period	9,938	12,926
<b>Net decrease (-)/increase (+) in cash and cash equivalents</b>	<b>-2,142</b>	<b>124</b>

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## LIST OF ABBREVIATIONS

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€/EUR	Euro
AG	Aktiengesellschaft
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization

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Unless otherwise stated, all amounts are in EUR thousands. For mathematical reasons, rounding differences of  $\pm$  one unit may occur in tables.

# IMPRINT

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# FINANCIAL CALENDAR 2018

March 23, 2018	1st Annual General Meeting 2018
June 30, 2018	End of Abbreviated Fiscal Year 2018 2018
September 24, 2018	Financial Report Abbreviated Fiscal Year 2018 (1-6)
November 12, 2018	Quarterly Statement, 1st Quarter 2018 (7-9)
November 2018	2nd Annual General Meeting 2018

# REMARKS

This report may contain forward-looking statements based on current assumptions and forecasts made by the management of AlzChem AG / AlzChem Group AG. Such statements are subject to risks and uncertainties. These and other factors may cause actual results, financial position, development or performance of the Company to differ materially from the estimates made here. The company assumes no liability whatsoever to update such forward-looking statements or to conform them to future events or developments.

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