Ercros obtains an ebitda of EUR 28.5 million

The recovery of activity that began in the second quarter of 2013 has enabled Ercros to close the fiscal year with a gross operating profit (ebitda) of EUR 28.45 million, up EUR 11.80 million from 2012 and representing an increase of 71%.

This achievement occurred in a context of reduced turnover resulting from measures adopted to increase the Group's returns by eliminating its least profitable activities.

Although Ercros closed fiscal year 2013 with losses (EUR -3.75 million), revenues rose by EUR 8.40 million in comparison to 2012, up 69%.

In 2013, sales reached EUR 624.97 million, down 2.3% from the previous year. The decline in billing is attributed to the lower volume of products sold, given that prices, on the whole, maintained a modest upward trend. Over the course of the fiscal year, production volume reached 2.13 million tonnes, 12% less than the previous year.

Spain accounted for 53% of Ercros' sales, up 2.4% from 2012. By contrast, exports, which accounted for the remaining 47%, fell 7.1% compared to 2012. This represents a turning point in the trend of recent years, since –given the reduced availability of products– it is advisable to concentrate sales in the Spanish market, which offers higher margins.

In 2013, costs reached to EUR 596.79 million, down 7.3% from the previous fiscal year, due both to the reduced cost of procurements and supplies and decreased labour outlays.

The 13% reduction in the cost of procurements and supplies is due in part to a decline in product manufacturing, and in part to price moderations on procurements and supplies. Moreover, spending cuts have led to an improvement in the ratio that measures the weight of procurements and supplies over sales, which dropped from 69% in 2012 to 66% in 2013.

Labour costs, totalling EUR 80.14 million, fell 3.6% in 2013 resulting from wage restraints and downsizing following the redundancy procedure applied. As of 31 December 2013, the Group's workforce consisted of 1,475 employees, 145 fewer than in the previous fiscal year.

The strides taken by Ercros have made it possible to cut costs in greater proportion than revenues, subsequently improving operating margins.

Total ebitda reached EUR 28.45 million, compared to EUR 16.64 million in 2012, a difference of EUR 11.81 million, or an increase of 71%. Margin over turnover rose from 2.6% in 2012 to 4.6% in 2013. These results are due primarily to the progress of the ordinary ebitda –the best indicator of the company's performance– which reached EUR 27.88 million in 2013 compared to 15.84 million in 2012, representing an increase of 76%, or EUR 12.04 million.

In 2013, amortisations of EUR 19.31 million (+6.2%) and financial results of EUR -10.14 million (-8.3%) resulted in profits of EUR -3.75 million, compared to losses totalling EUR 12.13 million the previous year.

The amount of EUR -3.43 million allocated to the "Profit/loss from interrupted activities" item in 2013 corresponds to the results of the subsidiary Fosfatos de Cartagena and the branch of Ercros, S.A. dedicated to the manufacture and sale of phosphates for animal feed, the sale of which was agreed in January 2014. To draw a comparison between 2013 and 2012 figures, the results have been restated, isolating profits from interrupted activities for this fiscal year.

The balance sheet reflects an increase in working capital of EUR 26.36 million from the close of 2012 and the corresponding period in 2013.

Similarly, current liabilities fell EUR 50.36 million following agreements with various creditors to convert commercial debt into financial debt by extending repayment periods. The drawback is an increase in net financial debt, which rose from EUR 123.65 million at the close of 2012 to EUR 133.65 million as of 31 December 2013.

Over the course of both fiscal years, current assets plunged EUR 22.82 million due to a combination of factors, including better management of inventories, a reduction of client balances, and the reclassification of short-term receivables to long-term receivables.

Ercros expects to reduce debt levels in the coming years by: (i) collecting a deferred payment of EUR 19.9 million in 2014 for the sale of land; (ii) generating greater cash flows from ordinary operations, and (iii) implementing new capital increases under the framework agreement reached in 2012 with the American fund, Yorkville Advisors, through which seven capital increases, totalling EUR 3.96 million, have been underwritten and disbursed to date.

In 2014, Ercros must address the renewal of the syndicated line of factoring, which expires in July, as well as an ICO loan of EUR 10 million that expires in September. The company is currently negotiating the renewal of this funding and expects to reach a satisfactory conclusion.

Despite the inevitable volatility that continues to prevail in the economic environment, in 2014, Ercros expects to capitalise on the turnaround of activity that began in 2013 and continue to improve results with support from the cost cuts following the restructuring plan and the gradual recovery of demand for its key products.

Nevertheless, uncertainty persists about the potential impact that the energy market reforms being carried out by the Spanish Government may have on Ercros. Similarly, in the medium term, by legal mandate, membrane technology will replace mercury technology in Ercros' chlorine production.

Ercros

Income statement

Million euros	2013	2012	Variation %
Income	**624.21**	**660.14**	**-5.4**
Sale of goods	624.97	639.54	-2.3
Other operating income	-0.76	2.19	-
Costs	**-596.79**	**-643.50**	**-7.3**
Cost of sales	-319.66	-331.66	-3.6
Employee benefits expense	-80.14	-83.11	-3.6
Other operating expenses[1]	-191.73	-197.18	-2.8
Severance payments	-4.23	-1.50	182.0
Ebitda	**28.45**	**16.64**	**71.0**
Ordinary ebitda	27.88	15.84	76.0
Non-recurring ebitda	0.57	0.80	-
Depreciation and amortization expense	-19.31	-18.19	6.2
Ebit	**9.14**	**-1.55**	**-**
Finance costs	-10.14	-11.06	-8.3
Profit/loss before tax	**-1.00**	**-12.61**	**-92.1**
Profit/loss from interrupted activities	-3.43	-1.33	157.9
Taxation and non-controlling interests	0.68	1.55	-56.1
Profit/loss for the year attributable to owners of the parent	**-3.75**	**-12.13**	**-69.1**

1. Includes supplies to the value of EUR 94.19 million in 2013 and EUR 111.12 million in 2012.

Economic analysis of the balance sheet[1]

Million euros	31-12-13	31-12-12	Variation (%)
Non-current assets	**271.72**	**291.18**	**-6.7**
Working capital	**71.00**	**43.46**	**63.4**
Current assets	221.42	244.24	-9.3
Current liabilities	-150.42	-200.78	-25.1
Capital employed	**342.72**	**334.64**	**2.4**
Equity	**172.21**	**173.87**	**-1.0**
Net financial debt[2]	**133.65**	**123.65**	**8.1**
Non-current debt	53.53	52.72	1.5
Current debt	80.12	70.93	13.0
Provisions and other borrowings	**36.86**	**37.12**	**-0.7**
Source of funds	**342.72**	**334.64**	**2.4**

1. The company uses economic analysis of the balance sheet as a management tool. This is obtained from the consolidated balance sheet and making certain presentational restatements to reduce the number of operating figures for the sake of improving analysis and comparison.

2. All financial debts with non-banking entities are included in the item of net financial debt. In addition to cash and cash equivalents, deposits guaranteeing debt commitments have also been treated as a reduction in the item net financial debt (EUR 19.93 million in 2013 and EUR 21.92 million in 2012).

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