

Ercros earns EUR 3 million up to September and renews financing agreement

Ercros profits in the first nine months of 2014 have risen to EUR 2.88 million, up by EUR 6.54 million on the loss of EUR 3.66 million incurred in the same period of the previous year.

At the end of October, the company reached an agreement with banks to renew the financing contract for the next three years, for an amount of EUR 102.15 million.

Profit and loss account

In the third quarter of 2014, Ercros has continued on the path of recovery started in the first part of the year, but at a more moderate pace than in the second quarter mainly owing to the incidence of the month of August, affected by seasonally low industrial activity.

The actions undertaken to reduce fixed costs and increase productivity, implemented in 2013, have enabled the consolidation of improved margins and results in a context of decreasing sales.

Turnover at Ercros declined 3.6% in the first nine months of 2014 compared to the same period in 2013, falling from EUR 482.26 million to EUR 465.07 million. The slight increase in the price of the main product, caustic soda, observed in the third quarter was not enough to offset the decline that had built up in the preceding months.

Expenditures, for their part, have been reduced by 1.7%. The greatest variation under this heading corresponds to labour compensation, amounting to EUR 3.90 million, charged to the profit and loss account for 2013. The downsizing plan and salary cutbacks implemented last year have also prompted lower personnel costs (-2.1%), while the bill for materials and supplies has remained stable.

This scenario has brought about an improvement of 8.9% in the gross operating result (ebitda), which compared to the EUR 20.08 million registered up to 30 September 2013 has risen to EUR 21.86 million in the first nine months of 2014, an increase of EUR 1.78 million.

The improvement in ebitda, together with the reduction of 4.6% in depreciation and 27.1% in financial results - bolstered by the revaluation of the dollar against the euro and the results of discontinued operations, all help to explain the shift in the company's results in the first nine months of the year, which from a loss of EUR 3.66 million euros in 2013 has turned to a profit of EUR 2.88 million euros in 2014.

Income from discontinued operations, amounting to EUR 0.81 million in the third quarter of 2014 and EUR -1.17 million in the corresponding period in 2013, can be attributed to the phosphate business between January and April, and the amount received for the sale of the Fosfatos de Cartagena subsidiary along with the goodwill associated with the marketing of phosphates, which was completed on 10 April.

Quarterly balance sheet

The balance sheet shows no significant variations with respect to events in the first half. Noteworthy events between 31 December 2013 and 30 September 2014 include:

- The reduction of working capital by EUR 14.99 million, owing to inventory write-downs and the collection of the deferred debt from the plots of land in El Hondón.
- The increase in EUR 4.91 million in the company's assets, stemming from the impact of the result obtained and the amount of the capital increases carried out.
- The reduction of net financial debt by EUR 18.23 million euros. At the end of the third quarter, net financial debt stood at EUR 115.42 million.

Renewal of the syndicated financing agreement

On 31 October 2014, Ercros and a pool of financial institutions reached an agreement over the next three years, whereby the company obtained working capital financing lines amounting to EUR 102.15 million, implemented through a syndicated factoring agreement that forwards accounts receivable from customers. The interest rate applied is Euribor plus 3.5 points.

This line of factoring is a renewal of one already held by the company since 2011 and that expired last September. The financial institutions in the new agreement are the same as those who signed the previous one (Banco Popular, BBVA, Catalunya Banc, Banco Santander, HSBC Bank, Banco de Sabadell and Caixabank) in addition to Eurofactor Hispania, a subsidiary of the French bank Crédit Agricole.

The company also renewed the loan EUR 10 million from the state-owned bank ICO for a period of five years, redeemable yearly.

Income statement

Million euros	3Q 2014	3Q 2013
Income	465.07	482.26
Ebitda	21.86	20.08
Depreciation and amortization expense	-14.02	-14.69
Ebit	7.84	5.39
Finance costs	-5.76	-7.90
Profit/loss from interrupted activities	0.81	-1.17
Profit/loss before tax	2.89	-3.68
Taxation and non-controlling interests	-0.01	0.02
Profit/loss for the period	2.88	-3.66

Economic analysis of the balance sheet¹

Million euros	31-09-2014	31-12-2013
Non-current assets	268.29	271.72
Working capital	56.01	71.00
Current assets	207.14	221.42
Current liabilities	-151.13	-150.42
Capital employed	324.30	342.72
Equity	177.12	172.21
Net financial debt²	115.42	133.65
Non-current debt	43.69	53.53
Current debt	71.73	80.12
Provisions and other borrowings	31.76	36.86
Source of funds	324.30	342.72

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.

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 (on 30-09-2014: EUR 19.43 million and on 31-12-2013: EUR 19.93 million).