Ercros

Ercros doubles ordinary EBITDA in the first six months

The second half of 2013 confirmed the improvement in Ercros' activity which began at the start of the year. Specifically, the Company made a profit of EUR 3.52 million in this second quarter compared to the loss of EUR 7.22 million in the first quarter an increase of EUR 10.74 million.

Part of this substantial improvement is a result of the recognition in the first quarter of a provision of EUR 4 million for the termination benefits associated with the redundancy procedure implemented in March. However, even if we exclude this effect, there is still a considerable improvement of EUR 6.74 million, which is attributable to the sound performance of the Company's activity. In particular, revenue was up 8.7% while the cost of procurements and supplies increased by just 2.3% and labour costs by 1.1%. These events gave rise to a significant increase in gross operating profit (EBITDA), which was up from EUR 0.48 million in the first quarter to EUR 11.17 million in the second.

The change in trend can also be observed when comparing it with the same period in the prior period. While the loss in the first half of 2012 was EUR 5.70 million, the loss for the first six months of 2013 was EUR 3.70 million, EUR 2 million less. In terms of the results for the first half of the year, it must be noted that a loss would become a profit and the difference between both years would rise to EUR 6 million if we excluded the provision of EUR 4 million for the termination benefits mentioned earlier.

The improvement observed also occurred despite the virtual lack of activity at the Flix and Cartagena plants in March due to the industrial conflict that arose as a result of the redundancy procedure.

This redundancy procedure is a result of the restructuring plan that the company implemented to end non-profitable sales and their corresponding structure. The application of the plan and the effects of the industrial conflict explain the 4% reduction in revenue between the first half of 2012 and the first half of 2013, as well as a good part of the 8.9% reduction in costs in this period.

The improved margins led to ordinary EBITDA of EUR 15.91 million for the first six months, which is almost double the EUR 8.02 million in the same period for the prior year. Total EBITDA, due to the aforementioned provision for the redundancy procedure, was EUR 11.65 million as opposed to EUR 8.60 million in the prior year.

With respect to the balance sheet, particularly noteworthy is the increase in working capital by EUR 26.36 million, since the end of the prior year, as a result of the agreements with various creditors to reclassify the short-term payables to long-term payables. The balancing entry is the increase of EUR 29.65 million in net financial debt. Ercros expects that, despite the inevitable volatility that continues to dominate the general economic landscape, this change in trend in the company's activity, which began in the first quarter of the year, and consolidated in the second, will be sustained for the remainder of the year.

Income statement by quarter

EUR Million	2nd Q 2013	1st Q 2013
Income	**173.86**	**166.33**
Sale of goods	176.77	162.65
Variation in inventories	-4.23	3.68
Other extraordinary income	1.32	-
Costs	**-162.69**	**-165.85**
Cost of sales	-91.79	-93.68
Other operating expenses[1]	-48.71	-47.16
Employee benefits expense	-20.70	-20.92
Severance payments	-0.03	-4.00
Other extraordinary expenses	-1.46	-0.09
Ebitda	**11.17**	**0.48**
Ordinary ebitda	11.34	4.57
Non-recurring ebitda	-0.17	-4.09
Depreciation and amortisation expense	-5.08	-5.06
Ebit	**6.09**	**-4.58**
Finance costs	-2.57	-2.66
Profit/loss before tax	**3.52**	**-7.24**
Taxation and non-controlling interests	-	0.02
Profit/loss for the period	**3.52**	**-7.22**

[1] Includes supplies of EUR 20.77 million in the second quarter of 2013 and EUR 21.49 million in the first quarter of 2013.

Income statement for the first half of the year

EUR Million	1st H 2013	1st H 2012
Income	**340.19**	**369.42**
Sale of goods	339.42	353.43
Variation in inventories	-0.55	14.69
Other extraordinary income	1.32	1.30
Costs	**-328.54**	**-360.82**
Cost of sales	-185.47	-205.02
Other operating expenses[1]	-95.87	-113.18
Employee benefits expense	-41.62	-41.90
Severance payments	-4.03	-0.58
Other extraordinary expenses	-1.55	-0.14
Ebitda	**11.65**	**8.60**
Ordinary ebitda	15.91	8.02
Non-recurring ebitda	-4.26	0.58
Depreciation and amortisation expense	-10.14	-8.94
Ebit	**1.51**	**-0.34**
Finance costs	-5.23	-5.55
Profit/loss before tax	**-3.72**	**-5.89**
Taxation and non-controlling interests	0.02	0.19
Profit/loss for the period	**-3.70**	**-5.70**

[1] Includes supplies of EUR 42.26 million in the first half of 2013 and EUR 55.79 million in the first half of 2012.

Economic analysis of the balance sheet[1]

EUR Million	30-06-2013	31-12-2012
Non-current assets	**291.11**	**291.18**
Working capital	**69.82**	**43.46**
Current assets	228.43	244.24
Current liabilities	-158.61	-200.78
Capital employed	**360.93**	**334.64**
Equity	**171.07**	**173.87**
Net financial debt	**153.30**	**123.65**
Non-current debt	64.73	52.32
Current debt	88.57	71.33
Provisions and other liabilities	**36.56**	**37.12**
Source of funds	**360.93**	**334.64**

[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.

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