

## **Ercros closes the first half with a profit of EUR 2.4 million**

The first half of 2014 has confirmed the recovery of Ercros's business activities. During this period, the company achieved a profit of EUR 2.36 million compared to a loss of EUR 3.70 million suffered in the first half of 2013.

This improvement of some EUR 6.06 million was focused in the second quarter, with results that rose to EUR 5.14 million, an improvement of EUR 7.92 million over the loss of EUR 2.78 million in the first quarter.

### **Information for the Second Quarter**

Having overcome the first months of the year which are seasonally weak, the strength of the second quarter can be seen particularly in the trend of business turnover which has grown by 8.4% over the previous quarter.

These higher sales were more than enough to offset the increased costs (+6.2%) for the period, which explains first, the positive ebitda performance, increasing from EUR 4.42 million in the first quarter to EUR 10.98 million in the second (2.5 times higher), and second, the company's entering into an overall profit for the first half of the year.

### **Biannual Information**

In biannual terms, the comparison between 2014 and 2013 leads to the same conclusions as those drawn from the quarterly analysis: there has been a marked improvement in margins and results.

This improvement has been achieved thanks to the actions taken to reduce fixed costs and increase productivity through the restructuring plan launched last year.

Turnover amounted to EUR 311.90 million in the first half of 2014, compared to EUR 328.92 million in the same period of 2013. This decrease of 5.2% can be explained by the fall in the price of some end products, mainly caustic soda, but also the elimination of unprofitable productions under the 2013 restructuring plan.

The benefits of this plan are reflected primarily in the reduction of fixed costs by 7.5%, and total costs by 6.7%. Specifically, total expenditures for the period were EUR 298.13 million compared to EUR 319.70 million in the first half of 2013.

The largest change in the expenditures heading falls under employee termination benefits, as a result of the EUR 3.74 million for the downsizing program associated with this plan, which sum was allocated in the profit and loss account for 2013. Personnel costs, meanwhile, have kept in line with recent years with a decline of 3%. The average workforce of Ercros in the first half consisted of 1.406 people, 106 people less than a year earlier.

Between the two half years, the bill for procurements and supplies has maintained a downward trend (-5.9%), consistent with the reduction in sales but also with the lowered costs of the average prices for the main raw materials.

This circumstance has led to an improvement in ebitda of 25.4%, which from EUR 12.28 million in the first half of 2013 has risen to EUR 15.40 million in the first half of 2014, a difference of EUR 3.12 million. In terms of sales, the ebitda margin increased from 3.7% to 4.9%.

This favourable figure, along with the reduction of amortizations (-7.9%), financial expenses (-13.6%) and the results from discontinued operations, explains the shift in the biannual results of the company, which from a loss of EUR -3.70 million in 2013 have turned into a profit of EUR 2.36 million, a situation that had not occurred since the first half of 2011.

On 10 April 2014, Ercros sold the subsidiary Fosfatos de Cartagena and the goodwill associated with marketing phosphates for animal feed, to the firm Timab Ibérica for a sum of EUR 1.60 million, turning a capital gain of EUR 1.20 million. The profit from these activities is reflected under the heading "Profit/loss from discontinued operations" in the income statement, at an amount of EUR 0.81 million in the first half of 2014 compared to EUR -0.63 million in the same period last year.

### **Biannual Balance Sheet**

In the economic analysis of the balance sheet, which is presented below, a decrease can be seen of EUR 5.83 million in non-current assets between 31 December 2013 and 30 June 2014, due to the low amount of investment made in connection with amortizations.

The results obtained, the amount of capital increases carried out, the reduction of inventories and the collection of the deferred debt from the lands in El Hondon, have greatly contributed to the improvement of the equity of the company, which has been increased by EUR 3.81 million between 31 December 2013 and 30 June 2014, as well as its reduction of current assets and liabilities, and the improvement of the debt position of the company. At the end of the biannual term, the net financial debt stood at EUR 127.80 million.

Ercros has reached an agreement with the company's creditor banks, signatories of the factoring agreement with syndicated funds, to extend the maturity of this agreement until 22 September 2014, when the parties estimate that the negotiation process for the renewal of this financial instrument will be concluded.

### **Forecast for the Rest of the Year**

For the rest of 2014, Ercros hopes to deepen and consolidate the improved profitability of the company in light of the gradual recovery in demand for its major products, in addition to the impact of the productivity improvements undertaken. An important factor looking toward the second half of the year will be the improvement in the price of soda, which in May reversed its downward trend from the last 16 months. On strength of these circumstances, Ercros anticipates a continuation of the recovery scenario shown in the first half of the year.

Barcelona, 30 July 2014

**Income Statement by Quarter**

<b>EUR million</b>	<b>2<sup>nd</sup> Q 2014</b>	<b>1<sup>st</sup> Q 2014</b>	<b>%</b>
<b>Income</b>	<b>166.01</b>	<b>150.47</b>	<b>10.3</b>
Sale of goods	162.21	149.69	8.4
Other income	0.85	0.78	9.0
Variation in inventories	2.95	0.00	-
<b>Costs</b>	<b>-155.03</b>	<b>-146.05</b>	<b>6.2</b>
Cost of sales	-87.29	-74.91	16.5
Other operating expenses <sup>1</sup>	-47.65	-43.37	9.9
Employee benefits expense	-19.96	-19.69	1.4
Severance payments	-0.13	0.00	-
Variation in inventories	0.00	-8.08	-
<b>Ebitda</b>	<b>10.98</b>	<b>4.42</b>	<b>148.4</b>
Depreciation and amortisation expense	-4.69	-4.65	0.9
<b>Ebit</b>	<b>6.29</b>	<b>-0.23</b>	<b>-</b>
Finance costs	-2.07	-2.45	-15.5
<b>Profit/loss from continued operations</b>	<b>4.22</b>	<b>-2.68</b>	<b>-</b>
Profit/loss from discontinued operations	0.91	-0.10	-
<b>Profit/loss before tax</b>	<b>5.13</b>	<b>-2.78</b>	<b>-</b>
Taxation and non-controlling interests	0.01	0.00	-
<b>Profit/loss for the period</b>	<b>5.14</b>	<b>-2.78</b>	<b>-</b>

<sup>1</sup> Includes supplies of EUR 24.13 million in the second quarter of 2014 and EUR 17.49 million in the first quarter of 2014.

**Income Statement for the First Half of the Year**

<b>EUR million</b>	<b>1<sup>st</sup> H 2014</b>	<b>1<sup>st</sup> H 2013</b>	<b>%</b>
<b>Income</b>	<b>313,53</b>	<b>331,98</b>	<b>-5,6</b>
Sale of goods	311,90	328,92	-5,2
Other income	1,63	3,06	-46,7
<b>Costs</b>	<b>-298,13</b>	<b>-319,70</b>	<b>-6,7</b>
Cost of sales	-162,20	-174,39	-7,0
Other operating expenses <sup>1</sup>	-91,02	-96,89	-6,1
Employee benefits expense	-39,65	-40,89	-3,0
Severance payments	-0,13	-3,74	-96,5
Variation in inventories	-5,13	-3,79	35,4
<b>Ebitda</b>	<b>15,40</b>	<b>12,28</b>	<b>25,4</b>
Depreciation and amortisation expense	-9,34	-10,14	-7,9
<b>Ebit</b>	<b>6,06</b>	<b>2,14</b>	<b>183,2</b>
Finance costs	-4,52	-5,23	-13,6
<b>Profit/loss from continued operations</b>	<b>1,54</b>	<b>-3,09</b>	<b>-</b>
Profit/loss from discontinued operations	0,81	-0,63	-
<b>Profit/loss before tax</b>	<b>2,35</b>	<b>-3,72</b>	<b>-</b>
Taxation and non-controlling interests	0,01	0,02	-50,0
<b>Profit/loss for the period</b>	<b>2,36</b>	<b>-3,70</b>	<b>-</b>

<sup>1</sup> Includes supplies of EUR 41.62 million in the first half of 2014 and EUR 42.26 million in the first half of 2013.

**Economic Analysis of the Balance Sheet<sup>1</sup>**

<b>EUR million</b>	<b>30-06-2014</b>	<b>31-12-2013</b>	<b>%</b>
<b>Non-current assets</b>	<b>265,89</b>	<b>271,72</b>	<b>-2,1</b>
<b>Working capital</b>	<b>71,71</b>	<b>71,00</b>	<b>1,0</b>
Current assets	209,85	221,42	-5,2
Current liabilities	-138,14	-150,42	-8,2
<b>Capital employed</b>	<b>337,60</b>	<b>342,72</b>	<b>-1,5</b>
<b>Equity</b>	<b>176,02</b>	<b>172,21</b>	<b>2,2</b>
<b>Net financial debt</b>	<b>127,80</b>	<b>133,65</b>	<b>-4,4</b>
Non-current debt	45,12	53,53	-15,7
Current debt	82,68	80,12	3,2
<b>Provisions and other liabilities</b>	<b>33,78</b>	<b>36,86</b>	<b>-8,4</b>
<b>Source of funds</b>	<b>337,60</b>	<b>342,72</b>	<b>-1,5</b>

<sup>1</sup> 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.

<sup>2</sup> 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 30-06-2014: EUR 19.49 million and on 31-12-2013: EUR 19.93 million).