

Ercros obtains an ordinary ebitda of 19.4 million euros

In 2014, the turnover of Ercros amounted to EUR 603.67 million, 3.4% lower than that achieved in 2013.

The main reason behind this decline is the lower price for caustic soda and PVC, in line with the observed downward trend in commodities prices. The turnover for the fourth quarter was also affected by a substantial cut in the compensation received for the interruptibility services provided by the company to the electricity system operator and by a lower production in some plants due to the force majeure declared by one of the leading suppliers and to scheduled maintenance activities.

These circumstances have affected mainly the chlorine related businesses, whose turnover has fallen by 6.1% between the two years, while the other two businesses, intermediate chemicals and pharmaceuticals, have increased their sales by 1.5% and 1.4%, respectively.

The thrust of these two businesses has pushed up exports, amounting to EUR 294.06 million, representing 49% of total sales (two per cent higher than in 2013). So while sales in Spain were down by 6.9%, sales abroad have increased by 0.6%.

The European Union is the main market abroad (28% of turnover), while the areas with fastest growing sales are, for third consecutive year, the rest of the World and to a lesser extent, the OECD countries.

In 2014, expenses amounted to EUR 592.36 million and were 0.6% lower than previous year.

Within this item, cost of sales fell by 2.7%, driven by lower raw material costs, while supplies -which are disclosed as part of "Other operating expenses" remained virtually unchanged (-0,5%).

Employee benefits expense fell 1.7%. Between 2013 and 2014, the work force of Ercros was reduced by 80 people as a result of the implementation of the downsizing plan applied in 2013 and the sale of the phosphates for animal feed activity in 2014. The execution of that downsizing plan also explains the difference in the amount of labour compensation between the two years. As at 31 December 2014, Ercros workforce was 1.377 people.

In the fourth quarter, the company has accrued environmental costs for the cleaning of soils, mainly, in the factory of Flix and landscape restoration in Cardona. These non-recurring costs are disclosed as part of "Other extraordinary expenses" and explain the difference in this item between 2013 (EUR 0.50 million) and 2014 (EUR 5 million).

As noted above, the fourth quarter has been significantly affected by the lower compensation for interruptibility services, lower industrial activity and extraordinary costs linked to environmental remediation in several factories.

As a result of the impact of these facts, the ebitda has decreased from EUR 28.45 million in 2013 to EUR 14.44 million in 2014. Non-recurrent items have amounted to EUR -4.93 million (0.57 million in 2013), while ebitda linked to the ordinary activities of the company has reached EUR 19.37 million compared to EUR 27.88 million in the previous year.

Once discounted depreciation and impairment of assets, the ebit amounts to EUR 5.01 million loss compared to a positive ebit of EUR 9.14 million in 2013.

The financial result has amounted to EUR -7.50 million, compared to EUR -10.14 million in the previous year, as a result of interest rates reduction and less indebtedness.

The item "Result from discontinued operations" comprises the result obtained in the sale of the animal feed phosphates manufacturing and selling activity, that took place last year in April, which had an impact of EUR 0.81 million in 2014 accounts and EUR -3.43 million in 2013.

The income tax rate reduction (from 30 to 25%,) has resulted in the recognition of an income tax of EUR 5.41 million and the consequent reduction in deferred tax liabilities booked in the business combination of group Aragonesas and group Derivados Forestales.

This scenario leads to a loss of EUR -6.29 million euros for 2014, compared to EUR -3.75 million loss for 2013.

The balance sheet shows a decrease of non-current asset of EUR 8.20 million due to depreciation expense and lower investments, and to the reclassification to "Non current assets held for the sale" of Palos de la Frontera factory assets, for which the company has signed a sale agreement.

Working capital has decreased by EUR 21.10 million mainly due to collection of an account receivable arising from the sale year ago of a piece of land in El Hondón amounting to 18.23 million euros.

The change in company equity, which has decreased by EUR 4 million, is due to the negative impact of the loss recognized and the positive effect of the four capital increases carried out the past year, which partially offset the losses.

As at December 31, 2014, the net financial debt stood at EUR 99.52 million, EUR 24.32 million less than in 2013 after the repayment of most of the financial debt with suppliers and other financing facilities. To calculate the net financial debt, the company has deducted all the deposits used as collateral of debts. .

In 2015, Ercros expects to continue reducing indebtedness with the proceeds coming from: (i) the sale of the Palos de la Frontera factory and Salina of Huelva; (ii) the operating cash flow and (iii) the new capital increases.

On 31 October 2014, Ercros renewed the syndicated factoring for three additional years, which provides revolving financing for an amount up to EUR 102.15 million. With his

renewal, Ercros has improved the financing conditions by increasing the number of customers whose invoices can be advanced and by increasing the advance rate. Ercros has also extended the duration of a bilateral loan with ICO, amounting to EUR 10 million, for five additional years with yearly instalments.

Ercros considers that what has happened in the fourth quarter of 2014 has been due to extraordinary events mostly beyond the control of the company, which need not be repeated.

In fact, the outlook for 2015 is much more promising as a result of the continuing recovery of the economic activity already seen in 2014. There are several facts that give support to the expected improvement of the results: the strengthening of the dollar against the euro, which is already having a significant impact on the overall activity of the company in the first months of the year and, especially in export oriented businesses, such as intermediate chemicals and pharmaceuticals, and the dramatic reduction in oil prices, which impact the price of natural gas. On the other side, we should note the risk of higher electricity prices fixed by the market in daily auctions, and the lower compensation for the interruptibility services.

Statement of profit or loss

Million euros	FY 2014	FY 2013	Variation (%)
Income	606.80	624.21	-2.8
Sale of goods	603.67	624.97	-3.4
Other operating income and changes in inventories	2.93	-6.06	-
Other extraordinary income	0.20	5.30	-96.2
Costs	-592.36	-595.76	-0.6
Costs of sales	-311.04	-319.66	-2.7
Employee benefits expense	-78.81	-80.14	-1.7
Other operating expenses ¹	-197.38	-191.23	3.2
Severance payments	-0.13	-4.23	-96.9
Other extraordinary expenses	-5.00	-0.50	900.0
Ebitda	14.44	28.45	-49.2
Ordinary ebitda	19.37	27.88	-30.5
Non-recurring ebitda	-4.93	0.57	-
Depreciation and amortization expenses	-18.89	-19.31	-2.2
Loss on impairment of assets	-0.56	0.00	-
Ebit	-5.01	9.14	-
Financial costs	-7.50	-10.14	-26.0
Profit/loss before tax	-12.51	-1.00	1.151.0
Profit/loss from discontinued activities	0.81	-3.43	-
Income tax	5.41	0.68	695.6
Loss for the year	-6.29	-3.75	67.7

1. Includes supplies amounting to 93.76 million euros in 2014 and 94.20 million in 2013.

Economic analysis of the balance sheet¹

Million euros	31-12-14	31-12-13	Variation (%)
Non-current assets	263.50	271.72	-3.0
Working capital	39.80	61.19	-35.0
Current assets	180.86	211.61	-14.5
Current liabilities	-141.06	-150.42	-6.2
Capital employed	303.30	332.91	-8.9
Equity	168.19	172.21	-2.3
Net financial debt²	99.52	123.84	-19.6
Non-current debt	42.33	53.53	-20.9
Current debt	57.19	70.31	-18.7
Provisions and other debts	35.59	36.86	-3.4
Source of funds	303.30	332.91	-8.9

^{1.} Ercros uses as a management tool the economic analysis of the balance sheet, which is obtained after some reclassifications reducing the number of items for a better analysis and comparison.

^{2.} All financial debts with non-bank institutions are included as net financial debt. Also, in addition to cash and cash equivalents, those deposits guaranteeing debt obligations are discounted to calculate the net financial debt (2014: EUR 19.19 million, and 2013: EUR 19.93 million)

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