

COLEGIO UNIVERSITARIO DE ESTUDIOS FINANCIEROS

**GRADO EN ADE BILINGÜE/DEGREE IN BILINGUAL BUSINESS
ADMINISTRATION**

Trabajo de Fin de Grado/ End of Degree Project



**ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL
RATIOS OF *LECHE PASCUAL* AND *CENTRAL LECHERA
ASTURIANA***

Autor/Author: Álvaro Torres Rufas

Tutor: Marta Martínez Moure

Madrid, 8 de abril de 2019/Madrid, April 8th, 2019

INDEX TFG

1. INTRODUCTION	3
1.1. AIM OF THE PROJECT	3
1.2. WHY THE DAIRY SECTOR?	3
1.3. WHY <i>LECHE PASCUAL</i> AND <i>CENTRAL LECHERA ASTURIANA</i> ?	4
1.4. METHODOLOGY AND PERIOD OF ANALYSIS	4
2. THE SPANISH DAIRY SECTOR	4
2.1. MAIN CHARACTERISTICS OF THE INDUSTRY	4
2.2. <i>LECHE PASCUAL</i> AND ITS HISTORY	9
2.3. <i>CENTRAL LECHERA ASTURIANA</i> AND ITS HISTORY	10
3. STRUCTURE OF THEIR FINANCIAL STATEMENTS	11
3.1. VERTICAL ANALYSIS	11
3.2. HORIZONTAL ANALYSIS	13
4. ANALYSIS AND COMPARISON OF THE FIRMS, ECONOMIC AND FINANCIAL SITUATION	14
4.1. LIQUIDITY ANALYSIS	14
4.1.1. Working Capital	15
4.1.2. Current Ratio	16
4.1.3. Quick Ratio	16
4.1.4. Cash Ratio	17
4.1.5. Average Collection Period	18
4.1.6. Average Payment Period	19
4.2. SOLVENCY ANALYSIS	20
4.2.1. Debt Ratio	20
4.2.2. Debt-to-Equity Ratio	21
4.2.3. Equity Ratio	22
4.3. PROFITABILITY ANALYSIS	23
4.3.1. Return On Assets (ROA)	23
4.3.2. Return On Equity (ROE)	24
5. CONCLUSIONS	25
5.1. ABOUT THE DAIRY SECTOR	25
5.2. ABOUT <i>LECHE PASCUAL</i>	26
5.3. ABOUT <i>CENTRAL LECHERA ASTURIANA</i>	26
6. REFERENCES	28
7. APPENDIX	30

INDEX OF DIAGRAMS AND TABLES

List of figures:

Spanish Dairy Sector

Figure 1. Evolution of Total Annual Sales	5
Figure 2. Number of Workers	6
Figure 3. Number of Firms in the sector	6
Figure 4. Type of Firms in the sector	7
Figure 5. Consumption of Spanish households	8
Figure 6. Spanish Exports of dairy products	8

List of tables:

Table 1. Vertical Analysis <i>Leche Pascual</i> Balance Sheet	12
Table 2. Vertical Analysis <i>Central Lechera Asturiana</i> Balance Sheet	12
Table 3. Horizontal Analysis <i>Leche Pascual</i> Balance Sheet	13
Table 4. Horizontal Analysis <i>C. Lechera Asturiana</i> Balance Sheet	14
Table 5. Working Capital	15
Table 6. Current Ratio	16
Table 7. Quick Ratio	17
Table 8. Cash Ratio	19
Table 9. Average Collection Period	18
Table 10. Average Payment Period	19
Table 11. Debt Ratio	20
Table 12. Debt-to-Equity Ratio	21
Table 13. Equity Ratio	22
Table 14. Return on Assets (ROA)	23
Table 15. Return on Equity (ROE)	24

1. INTRODUCTION

1.1. AIM OF THE PROJECT

The aim of this project is to research, analyze, study and draw conclusions from the current economic and financial situation of *Central Lechera Asturiana* and *Leche Pascual*, two of the main Spanish companies of the dairy sector.

In order to reach these goals, I will give a first view of the Spanish milk sector, then I will expose the situation of each firm alongside with their history, thirdly I will use different ratios to analyze both companies, and I will finish with some outcomes, my personal conclusions and the references of the bibliography used for this project.

The main reason that has motivated me to do the end of degree project on the economic and financial analyses of companies is because Accounting is one of my favourite subjects since it is very useful and it is eminently practical.

In addition, I have done my curricular internship at the Central of Balances of the Banco de España. My job was to obtain and debug data from large non-financial companies, which were then recorder in a database, from which information can be extracted to perform sectorial and individual analyzes. So I am used to working and analyzing balance sheets and income statements.

This project can be useful for different groups of stakeholders, not only for the financial directors of both companies but also for potential investors, for suppliers, for banks that must make a decision about financing these firms; as well as for any analyst who intends to make a recommendation about investing or not in these companies.

1.2. WHY THE DAIRY SECTOR?

The dairy sector is quite important in Spain and in my opinion it is an interesting industry to study since in recent years it is growing again, after the years of recession due to the economic crisis of 2008.

So, although milk consumption continues decreasing significantly in Spain, one of the challenges to which Spanish companies fail to find the right solution and it is that both, its production and its level of exports are growing at a very good pace especially in the European Union. These

data and others of great importance will be explained within the analysis of the dairy sector.

1.3.WHY *LECHE PASCUAL* AND *CENTRAL LECHERA ASTURIANA*?

I have chosen these two companies because of the similarities that exists between them. First of all, they are direct competitors since they belong to the same industry and the products they offer are very similar. Both are leading brands in Spain, which are committed to quality and have refused to produce for third parties, rejecting the manufacture of own brands.

And in addition, they were created at the end of the 60's decade so they have gone through related paths to get to the top positions of the Spanish dairy industry, just with the difference of their strategies.

1.4.METHODOLOGY AND PERIOD OF ANALYSIS

To carry out this study and be able to draw conclusions from this comparison, I have used the data obtained from its Balance Sheets and Income Statements so that I can establish through the method of ratios a logical comparison between them from which valid conclusions can be drawn since you will be comparing identical accounts.

For this research, I have studied the data from their Balance Sheets and Income Statements for a period that goes from 2012 to 2017, both included, and I have also taken into consideration some relevant facts that allow me to explain the situation between those years in the milk industry, which is an important contributor for the Spanish GDP and gives employment to thousands of people.

2. THE SPANISH DAIRY SECTOR

2.1.MAIN CHARACTERISTICS OF THE INDUSTRY

According to the sectorial classification, the economic activity developed by *Leche Pascual* and *Central Lechera Asturiana* is "the wholesale trade of dairy products, eggs, oils and edible fats" and "the preparation of milk and other dairy products", being its CNAE codes 4633 as primary code and 1054 as secondary code, respectively.

In order to study the Spanish Dairy sector, it is important to study and analyze some relevant numbers, which will help to explain the situation of this industry from 2012 to 2017. These relevant data are: total annual sales, number of workers, number of firms in the sector, type of firms in the sector, dairy consumption in Spanish households and Spanish exports of dairy products.

I have consulted the general information offered by the Economic Development Institute of the Principality of Asturias (IDEPA- Instituto de Desarrollo Económico del Principado de Asturias) and by the National Federation of Milk Industries (FENIL- Federación Nacional de Industrias Lácteas).

2.1.1. Total Amount of Sales

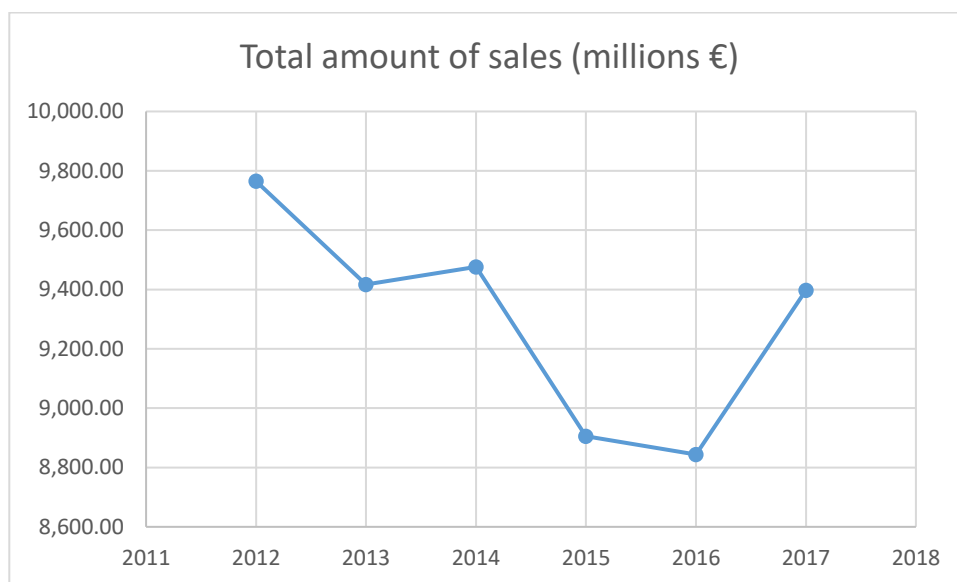


Figure 1- Evolution of Total Annual Sales in Milk Sector
Source: Own elaboration based on data from IDEPA

Regarding the evolution of the total amount of sales we can see the negative effects of the economic crisis in Spain as well as the reduction of the consumption of dairy products by the Spanish households. These two factors explain the downward trend of the sector's total sales.

The recovery of 6.26% during 2017 compared to the previous year is probably explained by the increase in exports of Dairy Spanish companies.

2.1.2. Total Number of Workers

Another good way to measure and analyze a sector is to take into consideration the total number of people working in it. After some years of certain instability with small decreases and increases, we can observe

the increase of 4% consecutively during the years 2016 and 2017, from 23,491 to 26,186 workers. This fact is probably related to the increase in sales that has enabled companies to hire more workers for their factories.



Figure 2- Number of Workers in the Spanish Milk Sector
Source: Own elaboration based on data from IDEPA

Next two indicators are number of firms and type of firms in the sector. They are both correlated and they follow the positive progress from the previous data.

2.1.3. Number of Firms in the sector



Figure 3- Number of Firms in the Spanish Milk sector
Source: Own elaboration based on data from IDEPA

Since 2012 the total number of companies, as well as the total number of workers, have had a period until 2015 of small growths and decreases that since 2016 have been strengthened by a large increase of 13% between 2015 and 2017, reaching almost at the levels of the beginning of the 2000s, when the Spanish economy, in general, was moving in a good direction and growing at a great pace.

2.1.4. Type of Firms in the sector

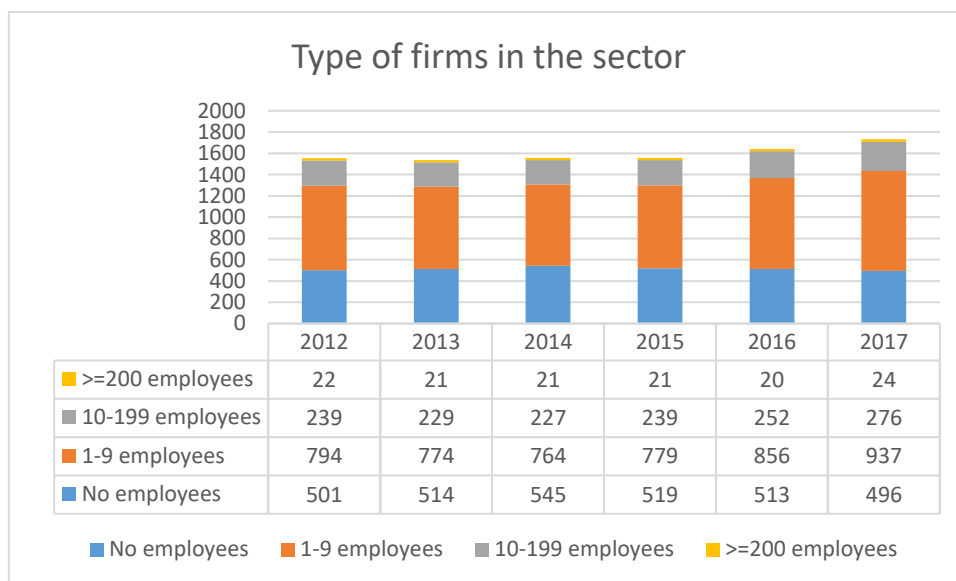


Figure 4- Type of firms in the Spanish Milk sector
Source: Own elaboration based on data from IDEPA

This diagram shows what type of firms are in the industry. Seeing the progress in the last years helps to understand why the sector is getting stronger. The firms without employees are getting shrunk while the other 3 types are in really good numbers:

- The micro-companies (from 1 to 9 employees) have increased in almost 10% for the last two years;
- The small and medium companies (from 10 to 199 employees) have gained 173 companies since 2014;
- In the large big firms, the ones with at least 200 employees, although the change has not been considerable in the last years, a big increase have occurred in 2017, 20% variation.

2.1.5. Consumption of dairy products in Spanish households

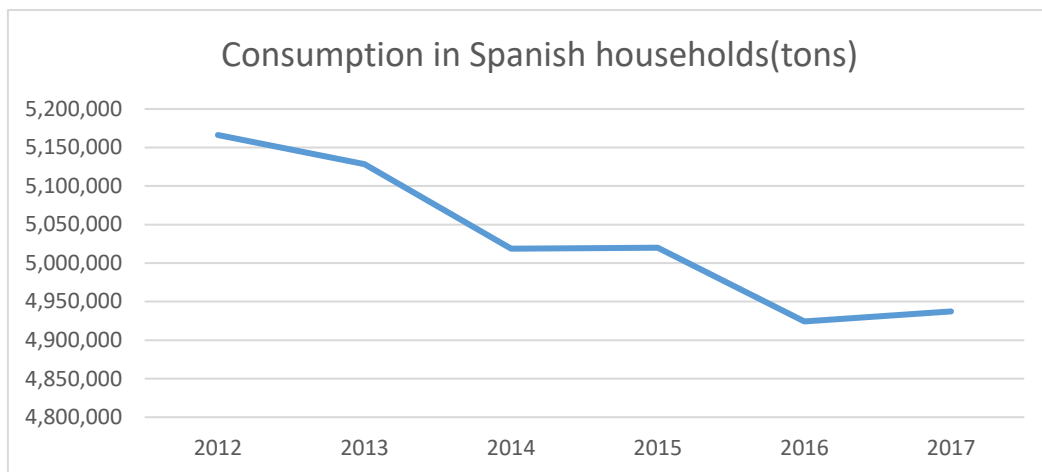


Figure 5- Consumption of dairy products in Spanish households
 Source: Own elaboration based on data from FENIL

This graph shows the consumption of dairy products in Spanish households, expressed in tons, and shows a constant fall during the last years. The great decrease occurs in the consumption of milk and yoghurt, which are the two most important products in the sector.

On the other hand, the respective consumption of cheese, cream, milkshakes and butter are raising. The consequence of these changes is for example, that *Leche Pascual* has changed its name to *Calidad Pascual* not to be directly associated with milk, which is no longer such a popular product in Spain.

2.1.6. Spanish Exports of Dairy Products

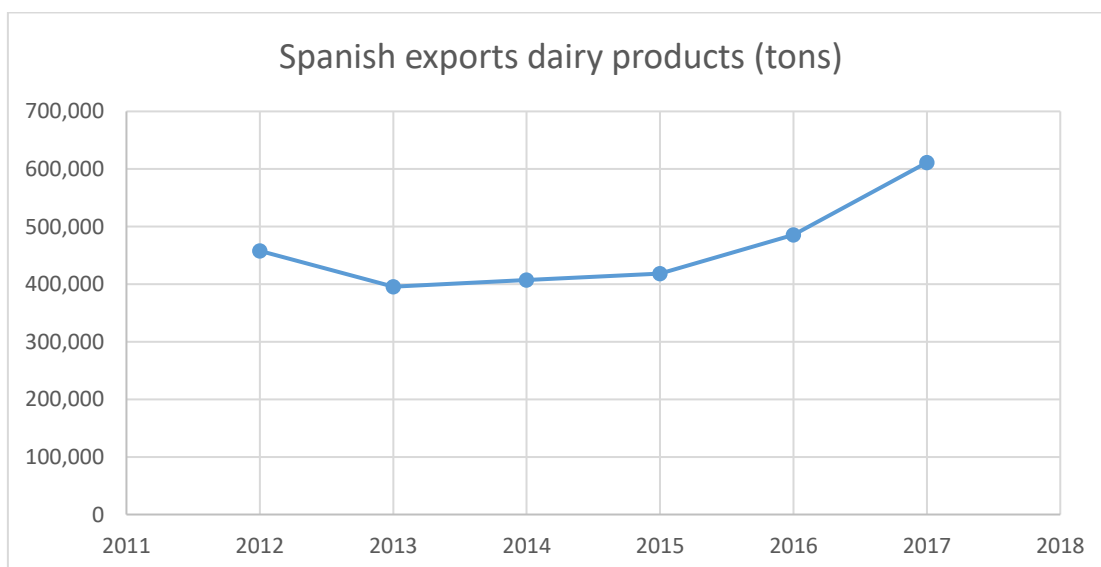


Figure 6- Spanish exports of dairy products
 Source: Own elaboration based on data from FENIL

Having reduced the consumption of dairy products in Spain, companies in the sector have been forced to look for other ways to continue carrying out their commercial activity. In this way the total number of exports, in tons, of dairy products has increased very considerably, in 2016 and 2017 they have increased by 16% and 25% respectively.

This factor explains why the production of the dairy sector continues growing while as we have seen in the previous graphs, the national consumption of dairy products is in a descending rhythm. Exports are quite diversified and only 15% of the total exports are to countries outside the European Union.

2.2. LECHE PASCUAL AND ITS HISTORY

Grupo Leche Pascual was set up in 1969 by Tomas Pascual in Aranda de Duero, Burgos. He was the leader of a dairy small cooperative formed by some of his siblings. In 1971, they were the first ones to sell their milk in a “tetrabrik” so the product could be well-preserved for a longer period of time. Then, in 1980, they started selling low-fat milk (semi-skimmed and skimmed milk), being again innovative in the products offered to their consumers.

During the next decades, they continue researching for new and healthier types of milks, “Leche Baja en Materia Grasa” (1980), “Leche Pascual Calcio” (1998), “Leche Pascual sin Lactosa” (2010). They also started investing in other industries like the mineral water by selling Agua Mineral Bezoya, the fruit juices ones with the well-known brand Zumosol, or the creation of Bifrutas in 1997 being the first company in the market that combined milk and fruit juices, since never before had such beverages mixed together.

In the same way, they continue working on the dairy sector and in 1989, they launched in the market their own cream and butter. With all these movements along with their strong marketing campaigns by sponsoring different programs or the Spanish Olympic Swimming Team, during the 1990s decade, they were the leader in the national dairy sector.

In 1995, *Leche Pascual* was the first Spanish company to receive permission from the European Economic Commission (EEC) to market milk throughout the European Community. This was a great impulse to become the leader of the dairy sector in Spain and to have an influential role within the companies of the sector in Europe.

On February 2006, the founder died and his son took the leadership of the firm. After having some rough moments with lower amount of sales, reorganizing the workforce and having been passed by *Central Lechera*

Asturiana and *Puleva* (another Spanish competitor of the dairy sector), they decided, in 2014, to change their brand name to “*Calidad Pascual*”.

The change of the corporate name to *Calidad Pascual* was the result of the decline in milk consumption in Spain. Given the variety of dairy products offered to their customers, the firm decided to take a step forward to not be uniquely identified by *Leche Pascual* and so the wide variety of products sold could be represented by the new company name.

2.3. CENTRAL LECHERA ASTURIANA AND ITS HISTORY

Due to the abuse of power of the dairy firms, the Grupo Sindical de Colonización de Asturias is created in 1969 by Jesús Sáenz de Miera y Zapico whose main goal is to build up in Asturias a milk producer company in a massive way. This is how *Central Lechera Asturiana* is founded.

In 1970, they started selling their own brand milk in a non-returnable plastic bottle, which was a great innovation and a turning point. They also began to offer their consumers a wide range of products such as yoghurts, cheese and butter thanks to the enlargement of their facilities.

During the 1970s, they continued with the investment in order to improve the working conditions of the farmers and helping to preserve the milk thanks to an innovative cooling system that made *Central Lechera Asturiana* to reduce their losses almost to zero, start the exports of products, boost their manufacturing size, and thereupon boosts the firm's earnings.

During the decade of the 80s, there were a series of changes and improvements that help *Central Lechera Asturiana* to continue growing. In 1980, they began to market their milk in Tetra Brik and their logo was redesigned. The main achievement took place in 1982. *Central Lechera Asturiana* became *Agrarian Society of Transformation* (SAT) and therefore began to promote agricultural services among livestock partners.

In 1998, *Central Lechera Asturiana* merged with *Lacto Agrícola Rodríguez, S.A. (LARSA)* y *Celbasa Ato, S.A. (ATO)* being the first Spanish dairy group looking for the leadership of milk industry. The new brand is *CAPSA (Corporación Alimentaria Peñasanta, S.A.)*.

Other innovations were:

- In 1998, the launching of the pack of six units with a handle;

- In 2003, they began to produce their first products with soy. Nowadays they are leaders in sales of milk with soy;
- In 2005, they began to market their products in containers with different capacities, 1.5l and 200ml;
- In 2006, a new cream spray with 40% less fat and the range "Asturiana Hosteleria", special for coffee shops and bars.

In the last decade *Central Lechera Asturiana* have continued working to achieve more natural products, betting firmly to respond to the different needs of the consumer, getting various prizes and awards, such as the "Sello de Garantía Ganadera" for their dedication and commitment during its 50 years of history.

3. STRUCTURE OF THEIR FINANCIAL STATEMENTS

In order to carry out an analysis of the structure of the main financial accounts and how they have changed between 2012 and 2017, I am going to use the Vertical and the Horizontal Analysis methods.

The Vertical and the Horizontal Analysis method are used to observe which accounts have the most weight in each company and which accounts have experienced greater variation during the period of study.

3.1. VERTICAL ANALYSIS

Balance Sheet analysis

The central issue when creating a vertical analysis of a balance sheet is what to use as the denominator in the percentage calculation. The usual denominator is the Total Assets, but one can also use the Total of all Liabilities when calculating all liability line item percentages, and the Total of all Equity accounts when calculating all equity line item percentages.

Leche Pascual

Thousands of euros	2012	2013	2014	2015	2016	2017
1.- Non Current Assets	76.96%	75.66%	79.45%	80.85%	79.78%	78.86%
2.- Current Assets	23.04%	24.34%	20.55%	19.15%	20.22%	21.14%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

1.- Equity	33.51%	33.02%	33.54%	36.45%	33.17%	33.10%
2.- Non Current Liabilities	24.06%	39.02%	37.64%	31.26%	34.83%	32.51%
3.- Current Liabilities	42.43%	27.96%	28.82%	32.29%	32.00%	34.40%
TOTAL EQUITY + LIABILITIES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table 1- Vertical Analysis *Leche Pascual*

Source: Own elaboration based on data from their financial accounts

After doing the Vertical Analysis to analyze the average weight of each Balance Sheet account, the results in the Assets show a very similar ratio between Non-Current Assets and Current Assets, of 78% and 22% respectively. The greater weight of Non-Current Assets can be explained because *Leche Pascual* is a company with a large investment in machinery and different types of Fixed Assets, as it is a firm where industrial processes have a great weight.

However we can see the situation in the Equity and Liabilities if some changes are shown. The percentage of Equity is fairly constant with a single variation of 3% in 2015; Non-Current Liabilities and Current Liabilities have some changes between 2012 and 2013, due to the increase in long-term debt and the reduction of short-term debt. During the following years, this situation becomes more stable and there are small variations but not very significant.

Central Lechera Asturiana

Thousands of euros	2012	2013	2014	2015	2016	2017
1.- Non Current Assets	51.13%	46.31%	52.13%	69.63%	68.76%	68.79%
2.- Current Assets	48.87%	53.69%	47.87%	30.37%	31.24%	31.21%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1.- Equity	39.46%	37.24%	33.55%	46.60%	47.82%	48.50%
2.- Non Current Liabilities	19.12%	16.55%	18.39%	21.13%	19.75%	17.91%
3.- Current Liabilities	41.42%	46.22%	48.06%	32.27%	32.43%	33.59%
TOTAL EQUITY + LIABILITIES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table 2- Vertical Analysis *Central Lechera Asturiana*

Source: Own elaboration based on data from their financial accounts

In the case of *Central Lechera Asturiana*, there are more changes in the proportion of their accounts after performing the Vertical Analysis.

In Assets, there is a variation of around 17% between 2012 and 2017. In 2012, the percentage of Non-Current Assets was 51% and it varies

up to 68% in 2017 due to the large increase in the amount invested by companies which belong to the business group. The situation of the Current Assets are the opposite. Their weight in the Total Assets fall from 49% to 31% in the period studied because there are no changes and their values remain constant and lose weight with respect to Non-Current Assets. This transformation makes more sense since in 2017 its proportion is similar to that of *Leche Pascual*.

For Equity and Liabilities from 2012 to 2014 there are small changes that do not significantly affect the company. As of 2015, due to the increase in the Results of the year and the increase in Reserves, the weight of Equity has increased significantly. Regarding Liabilities, we have two different performances. Non-Current Liabilities increase as well as Equity and their percentage remains the same while Current Liabilities remain stable and in consequence, lose part of their weight.

3.2. HORIZONTAL ANALYSIS

Horizontal Analysis is used in financial statement analysis to compare historical data, such as ratios, or line items, over a number of accounting periods. Horizontal Analysis can either use absolute comparisons or percentage comparisons, where the numbers in each succeeding period are expressed as a percentage of the amount in the baseline year, with the baseline amount being listed as 100%. This is also known as base-year analysis.

Leche Pascual

Thousands of euros	2012	2013	2014	2015	2016	2017
1.- Non Current Assets	100.00%	97.92%	100.31%	100.40%	90.41%	89.47%
2.- Current Assets	100.00%	104.54%	79.02%	89.84%	98.86%	98.88%
TOTAL ASSETS	100.00%	98.98%	93.58%	96.42%	93.61%	94.60%
1.- Equity	100.00%	97.52%	95.05%	104.80%	85.17%	94.40%
2.- Non Current Liabilities	100.00%	160.56%	90.27%	80.08%	104.29%	88.29%
3.- Current Liabilities	100.00%	65.23%	96.47%	108.03%	92.78%	101.68%
TOTAL EQUITY + LIABILITIES	100.00%	98.98%	93.58%	96.42%	93.61%	94.60%

Table 3- Horizontal Analysis *Leche Pascual*
Source: Own elaboration based on data from their financial accounts

As for the horizontal analysis, taking 2012 as a base year, *Leche Pascual*, in general it can be seen that in Total numbers of Assets,

Liabilities and Equity, the company has been losing continuously during the last 6 years, so the increases that there are, for example of 4% in 2013 with respect to the previous year, is useless since in 2015 with respect to 2014 there is a decrease of 10%.

For example Non-Current Liabilities are quite affected by the 60% increase that occurs from 2013 to 2012 and hence the following years, however much they fall to 20% in 2015, fail to recover this important increase.

Central Lechera Asturiana

Thousands of euros	2012	2013	2014	2015	2016	2017
1.- Non Current Assets	100.00%	101.19%	98.02%	211.71%	99.50%	100.46%
2.- Current Assets	100.00%	122.73%	77.64%	100.59%	103.60%	100.36%
TOTAL ASSETS	100.00%	111.72%	87.07%	158.52%	100.74%	100.43%
1.- Equity	100.00%	105.42%	78.46%	220.16%	103.38%	101.86%
2.- Non Current Liabilities	100.00%	124.66%	90.55%	106.44%	101.24%	104.02%
3.- Current Liabilities	100.00%	115.40%	96.21%	108.71%	110.89%	99.41%
TOTAL EQUITY + LIABILITIES	100.00%	111.72%	87.07%	158.52%	100.74%	100.43%

Table 4- Horizontal Analysis *Central Lechera Asturiana*
Source: Own elaboration based on data from their financial accounts

The Horizontal Analysis of *Central Lechera Asturiana* shows the constant changes that have taken place in recent years, which in general are positive except in 2014 that there is a decrease of 13%.

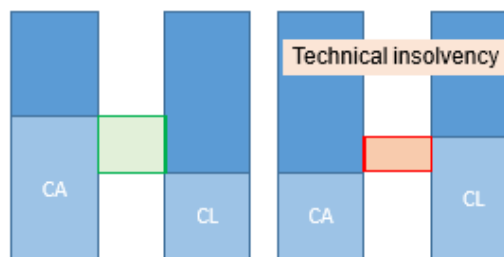
I must highlight the increases of 11% and 58% in 2013 and 2015, respectively, since they indicate that the path the company is taking is correct and accordingly will be much more attractive for investors.

4. ANALYSIS AND COMPARISON OF THE FIRMS ECONOMIC AND FINANCIAL SITUATION

4.1. LIQUIDITY ANALYSIS

The liquidity ratios are used to study the economic situation of a company and its ability to pay its debts and other short-term obligations with their Current Assets, whether it is cash or any type of trade receivables.

- **LIQUIDITY:** Short-term equilibrium
- Current assets > Current liabilities
- or, equivalently, Working capital > 0



4.1.1. Working Capital

Working capital is a way of measuring the liquidity of a company and its short-term financial capacity. The way to find it is to calculate the difference between Current Assets, in which are included Inventories, trade and other receivables or Cash, and Current Liabilities, in other words, different types of payables.

A company that sets out a positive Working Capital will be an attractive company for different investors and therefore with good growth expectations. In contrast, companies that set out working capital below zero will not enjoy a good financial situation and hence will show a higher risk.

Working Capital

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

Working Capital	2012	2013	2014	2015	2016	2017
Leche Pascual	-141,081	-26,080	-55,755	-85,433	-71,693	-76,337
CL Asturiana	4,613	5,167	-116	-1,810	-1,150	-2,295

Table 5- Working Capital
Source: Own elaboration based on data from their financial accounts

The results of Working Capital show the economic difficulties that both companies are suffering. In the overall both companies in 2017 have the negative indicator but its evolution is completely different.

Leche Pascual demonstrates having many more problems in order to meet its short-term Liabilities, but manages to reduce its short-term debts in a very significant way during 2013 and also thanks to long-term debts, which increase in 2013, and helps to reduce short-term debts but from then on, works to reduce both debts one at a time and consequently Working Capital goes from -141,081 thousand euros in 2012 to -76,337 thousand euros in 2017. Other factors that help to understand the situation is the number of companies from the group that is investing in

a short-term frame that was 68,700 thousand euros in 2012 and 83,686 thousand euros in 2013 and then goes down to 57,230 thousand euros in 2017.

On the other hand, *Central Lechera Asturiana* during the years 2012 and 2013 has a more solid situation since it shows positive results, but as of 2014 the situation changes and each year that passes its situation is weaker since Working Capital increases from -116 thousand euros in 2014 to -2,295 thousand euros in 2017, explained only by the increase in short-term debts and their debts with commercial creditors.

4.1.2. Current Ratio

The Current Ratio is a liquidity ratio that is calculated by dividing Current Assets by Current Liabilities. This ratio demonstrates the ability of the company to pay its Current Liabilities with just Current Assets, which demonstrates if there are any liquidity issues in short-term for a firm.

Current Ratio

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Current Ratio	2012	2013	2014	2015	2016	2017
Leche Pascual	0.5431	0.8705	0.7131	0.5930	0.6319	0.6145
CL Asturiana	1.1799	1.1617	0.9960	0.9412	0.9631	0.9293

Table 6- Current Ratio

Source: Own elaboration based on data from their financial accounts

The same comments made for the Working Capital ratio, previously explained, serve for the Current Ratio, since the same components are involved.

If this ratio is greater than 1, it will have more liquidity in order to be able to meet its payments to short-term obligations.

While *Leche Pascual* is only approaching the goal during 2013, due to the factors already explained above, *Central Lechera Asturiana* has a ratio greater than 1 during 2012 and 2013 and after that it is very close to 1 and hence its situation is not so worrisome like that of *Leche Pascual*.

4.1.3. Quick Ratio

The Quick Ratio or also known as Acid Test Ratio is a liquidity ratio that shows how capable a company is of paying its short-term debts only with Quick Assets. Quick Assets are those Current Assets that a company can convert into cash to meet its closer obligations.

To find out this ratio, all Current Assets except Inventories are added up and divided by the Total of Current Liabilities:

Quick Ratio

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$$

Quick Ratio	2012	2013	2014	2015	2016	2017
Leche Pascual	0.3850	0.6474	0.5083	0.4009	0.4173	0.4000
CL Asturiana	1.1799	1.1617	0.9960	0.9412	0.9631	0.9293

Table 7- Quick Ratio

Source; Own elaboration based on data from their financial accounts

The big difference between the Quick Ratio and the Current Ratio is that the first ratio does not include stocks or merchandise. Many times these accounts are the most difficult to transform Current Assets into immediate cash.

The results of *Leche Pascual* are around 20% lower than the results obtained in the Current Ratio, so it can be concluded that the company has an important dependence on the total amount of stocks. The ratio are still far from 1, a value that indicates sufficient liquidity.

In the case of *Central Lechera Asturiana*, we do not have information on the total quantity of stocks, so the Quick Ratio and the Current Ratio have the same results and we cannot draw any conclusion.

4.1.4. Cash Ratio

The Cash Ratio is a liquidity ratio whose objective is to measure the capacity of a company to pay its short-term obligations only with Cash and Cash Equivalents.

It is more stringent than the previous ratios, since you cannot use other Current Assets different from Cash and thereupon it is a ratio in which creditors pay special attention.

The way to calculate it is by dividing the sum of Cash and Cash Equivalents between Current Liabilities:

Cash Ratio

$$\text{Cash Ratio} = (\text{Cash} + \text{Cash Equivalents}) / \text{Current Liabilities}$$

Cash Ratio	2012	2013	2014	2015	2016	2017
Leche Pascual	0.0087	0.0270	0.0329	0.0389	0.0655	0.0432
CL Asturiana	0.0019	0.0018	0.0012	0.0017	0.0012	0.0013

Table 8- Cash Ratio

Source: Own elaboration based on data from their financial accounts

Leche Pascual has a more favorable situation than *Central Lechera Asturiana* based on the calculation of the Cash Ratio.

This is because the amount of Cash that *Leche Pascual* has is much higher and although it is far from 1, it would be a more than acceptable level, it can face a higher percentage of payments at the time that *Central Lechera Asturiana* whose amount of Cash it is practically nonexistent as its Current Assets depend almost entirely on commercial debtors.

4.1.5 Average Collection Period

The Average Collection Period measures the number of days that goes from the moment a sale is made until the payment is received by the firm.

The way to find this number is to divide the amount of different types of receivables among the total amount of sales, multiplying it next by the number of days in the calendar year, 365:

Average Collection Period

$$\text{Avr Collection Period} = (\text{Accounts Receivable} / \text{Total Sales}) \times 365$$

Avr Collection Period	2012	2013	2014	2015	2016	2017
Leche Pascual	23	21	14	13	4	6
CL Asturiana	71	74	59	72	78	66

Table 9- Average Collection Period

Source: Own elaboration based on data from their financial accounts

From the Average Collection Period we can see that the economic situation of *Central Lechera Asturiana* is better than the situation of *Leche Pascual* since it can afford to charge its sales less frequently.

On the other hand, *Leche Pascual* has been forced to reduce considerably its average term of collection of sales to be able to face the payments and its situation is not the most optimal in order to give a good image to investors.

4.1.6 Average Payment Period

Average Payment Period is defined as the amount of time, in number of days, which a company needs to pay off its payable credit accounts. It is calculated dividing Trade and Other Payables between Total Purchases multiplied by 365. This calculation can show some information about the cash flow of the company.

Average Payment Period

$$\text{Avr. Payment Period} = (\text{Accounts Payable} / \text{Total Purchases}) \times 365$$

Avr. Payment Period	2012	2013	2014	2015	2016	2017
Leche Pascual	157	158	153	170	181	182
CL Asturiana	33	38	33	34	35	37

Table 10- Average Payment Period

Source: Own elaboration based on data from their financial accounts

With the results of this ratio, the situation of *Leche Pascual* is more complicated than the situation of *Central Lechera Asturiana*. Their economic situation translates into a lack of confidence and in consequence, they are forced to delay their payments to their respective suppliers, exposing their liquidity problems.

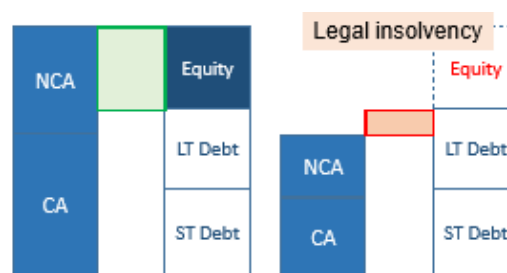
Central Lechera Asturiana maintains a stability that both in this ratio and in the previously explained, shows us its current situation in terms of liquidity and payments. To achieve more solid results a company should be able to get an Average Collection Period lower than its Average Payment Period.

4.2. SOLVENCY ANALYSIS

Solvency ratios are those ratios that show us the ability of a company to finance its different operations, generally in the long term. The levels of debt are compared with the Total amount of Assets and Equity and thus analyze the situation of the company. Better solvency ratios offer a more positive image of the company and therefore investors will be more interested in taking part in long-term operations.

This type of ratio should not be confused with the liquidity ratios, since, as I explained above, they measure the company's ability to pay in the long term instead of the short term in the liquidity ratios.

- **SOLVENCY:** Long-term equilibrium
- $Equity > 0 \Rightarrow Assets > Liabilities$



4.2.1. Debt Ratio

The Debt Ratio is a solvency ratio that shows the relationship between the Total number of Liabilities and the Total amount of Assets, that is, the ability of a company has to pay all its debts just with their Assets.

The higher the result of the ratio is, means that it will have to sell a greater number of their Assets to be able to deal with their Liabilities and thereupon the company will be considered as a greater risk for the lenders, since in difficult economic times there will be more uncertainty about the ability to pay.

Debt Ratio

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Debt Ratio	2012	2013	2014	2015	2016	2017
Leche Pascual	66%	67%	66%	64%	67%	67%
CL Asturiana	61%	63%	66%	53%	52%	51%

Table 11- Debt Ratio

Source: Own elaboration based on data from their financial accounts

The lower the Debt Ratio is, the better favorable situation for the company will be. The 0.5 coefficient being a figure well considered in terms of solvency.

Leche Pascual has a more complicated situation than *Central Lechera Asturiana*. Having, on average, between 2012 and 2017, a Debt Ratio of 0.66, means that it would have to sell 66% of their Assets to be able to meet the payment of all their debts, short and long term.

However, *Central Lechera Asturiana* has a more positive situation. From 2014 to 2015 it goes from 0.66 to 0.53, getting in 2017 to be close to the limit of 0.5, reaching having financed all its Debt with 51% of its Total Assets.

4.2.2. Debt-to-Equity Ratio

The Debt-to-Equity Ratio shows the relationship that exists between what part of a company's financing comes from debt, Total Liabilities, and what part comes from investors, Total Equity.

If the ratio is very high it means that within the financing of the firm, the creditors have a greater weight than the shareholders and in consequence, the company finds it more expensive to finance itself.

To calculate this ratio, Total Liabilities are divided by Total Assets:

Debt-to-Equity Ratio

$$\text{Debt-to-Equity Ratio} = \text{Total Liabilities} / \text{Total Equity}$$

Debt-to-Equity Ratio	2012	2013	2014	2015	2016	2017
Leche Pascual	1.9838	2.0287	1.9819	1.7435	2.0152	2.0216
CL Asturiana	1.5341	0.6276	0.6645	0.5340	0.5218	0.5150

Table 12- Debt to Equity Ratio

Source: Own elaboration based on data from their financial accounts

The lower the ratio is, the better the situation of the company is, since it will mean that the shareholders have more weight than those who have granted loans.

Leche Pascual returns to be in a quite compromised situation due to the fact that its Debt-to-Equity Ratio goes up from 1.98 in 2012 to 2.02 in 2017, so it does not transmit good feelings and its debt will be much more expensive to finance.

Although in 2012 *Central Lechera Asturiana* has a coefficient of 1.53, due to the increase in power of its shareholders, especially since 2014, it manages to reduce the Debt-to-Equity Ratio by one third, positioning it at 0.51, which is why the owners of the company have around 2 / 3 of the value of the company while the creditors keep the remaining third.

4.2.3. Equity Ratio

The Equity Ratio is a solvency ratio that measures the ability of a company's Equity to finance its Total Assets. This ratio shows that part of the Total amount of Assets of a company belong directly to the Equity owners and is related to the Debt Ratio, previously seen.

The way to find out this ratio is to divide Total Equity by Total Assets:

Equity Ratio

$$\text{Equity Ratio} = \frac{\text{Total Equity}}{\text{Total Assets}}$$

Equity Ratio	2012	2013	2014	2015	2016	2017
Leche Pascual	34%	33%	34%	36%	33%	33%
CL Asturiana	39%	37%	34%	47%	48%	49%

Table 13- Equity Ratio

Source: Own elaboration based on data from their financial accounts

The higher the Equity Ratio is, the more positive the situation will be for the company, since it will depend on a lower proportion of debt to be able to finance themselves and accordingly have a greater solvency capacity to face moments of crisis.

Leche Pascual maintains a coefficient of 0.34 in the Equity Ratio, maintaining no significant changes in the period studied between 2012 and 2017, with only 34% of the company's Assets being financed by the company's shareholders, so in hard economic times it will be more difficult to compensate losses with own resources.

Central Lechera Asturiana has a better ratio than *Leche Pascual* reaching almost half of its financial Assets for its own Equity, having a lower dependence on debts and demonstrating a lower risk to investors who want to finance them.

4.3. PROFITABILITY ANALYSIS

Profitability Ratios are indicators that are used to analyze the company's ability to generate profits from its different financial accounts and investments.

These ratios are often used to compare with companies in the same sector and accordingly obtain higher values than its competitors is an advantage that can be translated into a larger group of interested investors willing to invest in your company.

4.3.1. Return on Assets (ROA)

The Return on Assets ratio, more commonly known as ROA, is a profitability ratio that measures the return obtained after the Total Result of its operations together with the Financial Income. It is used to see the efficiency of the investment made in the Assets and realize if they have been able to produce profit or there have been losses at the end of the period.

The Return on Assets ratio formula is calculated by dividing EBIT plus Financial Income by average Total Assets:

Return on Assets Ratio

$$\text{Return on Assets Ratio} = (\text{EBIT} + \text{Financial Income}) / \text{Total Assets}$$

Return Assets (ROA)	2012	2013	2014	2015	2016	2017
Leche Pascual	5.83%	5.53%	7.33%	6.10%	0.14%	2.60%
CL Asturiana	3.51%	2.92%	2.48%	26.30%	2.10%	2.05%

Table 14- Return On Assets (ROA)

Source: Own elaboration based on data from their financial accounts

The results of both *Leche Pascual* and *Central Lechera Asturiana* for the ROA are quite curious and simply seeing the results are quite different and confusing. Although normally the higher this ratio is, the better image is offered to investors, because the company uses its Assets more efficiently to produce more benefits, in this case it is not the case.

Leche Pascual proves to have quite acceptable results, except for the fall in 2016, due to a decrease in sales and an increase in depreciation of fixed Assets. *Central Lechera Asturiana*, however, has lower results except for the 2015 and 2016 periods. This is the consequence of having a negative Results from Operating Activities.

The two companies have this situation due to the weight of financial income and expenses (see epigraph 7. Appendix) *Leche Pascual* has very high financial expenses, not included in ROA's formula, and therefore its Net Finance result is always negative; while *Central Lechera Asturiana* has a significant amount Financial Income, included in ROA's formula), which transforms it into a positive result.

4.3.2. Return on Equity (ROE)

The Return on Equity is a ratio that serves to indicate how many benefits have been achieved from the investments of the shareholders.

The formula to calculate it is the Net Income divided by Total Equity, for what could be understood as the benefit generated by each euro invested by the shareholders. It is also used to analyze the effectiveness of the company's operations and the growth of the firm.

Return on Equity Ratio

$$\text{Return on Equity Ratio} = \text{Net Income} / \text{Total Equity}$$

Return Equity (ROE)	2012	2013	2014	2015	2016	2017
Leche Pascual	2.00%	1.23%	-3.36%	4.58%	-19.35%	-7.46%
CL Asturiana	8.32%	6.99%	6.50%	55.78%	5.27%	5.44%

Table 15- Return on Equity (ROE)

Source: Own elaboration based on data from their financial accounts

In general, it is observed that the values obtained for the Return on Equity Ratio are decreasing, figures that follow the same trend as in the case of the Return on Assets, the ratio previously explained, although with figures a little higher since the Total of the Assets is greater than the Total Equity.

The results of *Leche Pascual*, in this case, are explained by the reduction of both the Net Income and the Equity. The variations of its economic results in the last years are reflected in this ratio.

For *Central Lechera Asturiana*, there is a downward trend, except in 2015, due to the special financial income, explained by the decrease in Net Income and the rise in Total Equity.

This ratio does not fully reflect the economic reality of both companies because we are measuring the Net Income, which is what a company really gets at the end of the year, once it has paid all interests and taxes.

5. CONCLUSIONS

This end-of-degree project has covered the economic and financial comparative analysis between the companies *Leche Pascual* and *Central Lechera Asturiana*, both belonging to the Spanish dairy sector, for a period of 6 years, from 2012 to 2017. Throughout this work, different indicators that are significant to determine the economic and financial situation of the two companies, have been estimated, valued and interpreted.

The realization of an analysis of the dairy sector in Spain, first of all; as well as the subsequent realization of an analysis of the structure of the main accounting items and how they have evolved between 2012 and 2017, applying the Vertical and Horizontal Analysis; and the analysis of the liquidity, solvency and profitability ratios have allowed me to carry out a comparison between both companies and draw the following conclusions on the sector and on the two firms under study:

5.1. ABOUT THE DAIRY SECTOR

The Spanish dairy sector must continue with its positive growth trends, in number of sales, workers and companies, as in recent years, but must rethink its strategy for the next decade to face certain challenges:

- The consumption of milk in Spain is probably going to keep its decline and although they continue to investigate and introduce different types of milk, it seems that the consumer is still not satisfied and therefore keeps getting lower. Companies have to decide whether, instead of investing in their main product, milk, they focus their efforts on other products such as butter, smoothies or cream that seem to be more popular in the daily consumption of society.
- Take advantage of the good time that are going through the Spanish companies in the dairy sector in terms of exports. Keep growing and gaining market share, as much as they can, outside of Spain is going to be positive for the future, since we keep going towards a more globalized world every day.
That said, just as in Spain they have been trying to find the solution for a product that attracts to the consumer, they should start investing more in knowing the tastes and preferences of their European and global consumers.

- As we have seen, in 2017 in Spain there were more than 1,700 dairy companies, most of them of a small size. As has happened with other sectors, it is foreseeable that the sector will have to concentrate much more to gain dimension and be able to compete internationally.

5.2. ABOUT LECHE PASCUAL

The worsening of the economic situation of *Leche Pascual* in the last two years, 2016 and 2017, is due to the decrease in Current Assets and the increase in Current Liabilities. In 2017, the company's Assets consisted of 78.86% Non-Current Assets and in a 21.14% of Current Assets. These Total Assets were financed in a 33.10% with Equity, in a 32.51% with Long-Term Debt and in a 34.40% with Short-Term Debt.

These difficulties are directly reflected in the results of its liquidity ratios, where for example its Working Capital is negative equal to -76,337 thousand euros, which is equivalent to a proportion of -13.26% of the Total Assets of the company.

The only liquidity ratio that shows some hope along with its results is the Cash Ratio, in which having increased its Total Cash figures, which represents 1.48% of the company's Total Assets, it could face 4.32% of its Short-Term Debts.

The results obtained in the profitability ratios show the complicated situation that *Leche Pascual* is experiencing, as well as its uncertainty. With a negative trend, except for the year 2014 in the ROA and 2015 in the ROE, we can observe the economic difficulties of the company due to its great need for financing with debts and credits and thereupon very high interest rates that convert the quite acceptable Result of Operations, in a Net Income negative or very low.

In order to solve its three major problems: lack of liquidity, a high level of indebtedness and that Equity would have a greater weight in the company, *Leche Pascual* should proceed to make a capital increase or a merger with a company in the sector. With this strategy, the firm could get a larger amount of Cash that would result in a recovery in his liquidity level. In addition, it could help to pay certain debts, those that generate more interest payments, reducing the problem explained in the previous paragraph; and finally, it could control more the Balance Sheet structure, having a higher level of Equity most especially in Capital and Reserves.

5.3. ABOUT CENTRAL LECHERA ASTURIANA

The economic situation of *Central Lechera Asturiana* is more positive than the one of *Leche Pascual* although they have also suffered a worsening between 2016 and 2017 due to the increase in Current

Liabilities. In 2017, the Assets of the company consisted of 68.79% of Non-Current Assets and 31.21% of Current Assets. These Total Assets were financed in a 48.50% by Equity, in a 17.91% with long-term debt and in a 33.59% with short-term debt.

The result of this financial structure is reflected in a negative Working Capital equal to -2,295 thousand euros, which is equivalent to a proportion of -2.38% of the Total Assets of the company. Having increased the total amount corresponding to the Current Liabilities in the last two years, their liquidity ratios have been negatively affected since the company have not generated sufficient liquid resources, especially Current Assets, to cope with the debt and, as a result, it no longer reach the optimal levels of liquidity.

On the other hand, the results obtained in the solvency ratios are quite good especially since the year 2015, since it has managed to be able to pay more than 50% of its debt with its own Assets and hence the company the company transmits a greater sensation of security to potential investors.

The two most important facts that explain the change in the trajectory of *Central Lechera Asturiana* turning it into a more attractive company for investors are:

- The collection of extraordinary dividends of 26,238 thousand euros, which have been reflected in an increase in the value of Equity, more specifically, the total amount of Reserves and therefore in the percentage structure of Equity and Liabilities.
- The purchase of "Savencia" shares, a small French dairy firm, which up to that date belonged to CAPSA, their parent company, and helped to increase the total value of *Central Lechera Asturiana*. This operation was reflected in the increase of the Non-Current Assets and, accordingly, in the percentage structure of the Assets.

So we can conclude that the economic and financial situation of Central Lechera Asturiana is adequate and it should continue working in the similar business line as in recent years.

6. REFERENCES

For the completion of this project, the manuals consulted are:

My Accounting Course. (2019). Liquidity Ratios | Example | My Accounting Course. [online] Available at: <https://www.myaccountingcourse.com/financial-ratios/liquidity-ratios> [Accessed 24 Mar. 2019].

Bragg, S. and Bragg, S. (2019). *Vertical analysis*. [online] AccountingTools. Available at: <https://www.accountingtools.com/articles/2017/5/17/vertical-analysis> [Accessed 24 Mar. 2019].

Investopedia. (2019). Working Capital. [online] Available at: <https://www.investopedia.com/terms/w/workingcapital.asp> [Accessed 24 Mar. 2019].

The corporate websites examined during the period of work, have been:

Leche Pascual. (2019). *Historia Leche Pascual*. [online] Available at: <https://lechepascual.es/historia/> [Accessed 22 Mar. 2019].

Clasat.es. (2019). *Central Lechera Asturiana SAT*. [online] Available at: <http://www.clasat.es/conocenos-historia.asp> [Accessed 22 Mar. 2019].

Central Lechera Asturiana. (2019). *Historia*. [online] Available at: <https://www.centralecheraasturiana.es/es/conocenos/historia/> [Accessed 22 Mar. 2019].

In addition, the websites of the following associations related to the dairy sector have been consulted:

Idepa. (2019). *Sector lacteo, el sector en España, informacion general*. [online] Available at: https://www.idepa.es/detalle-oportunidad/-/asset_publisher/pZrNYOpxJB8w/content/sector-lacteo-el-sector-en-espana-informacion-general [Accessed 22 Mar. 2019].

Federación Nacional de Industrias Lácteas. (2019). *Sector lácteo en España*. [online] Available at: <http://fenil.org/sector-lacteo-espana/> [Accessed 22 Mar. 2019].

As well as the information of the Central de Balances of the Banco de España:

Bde.es. (2019). Banco de España - Central de Balances. [online] Available at: <https://www.bde.es/bde/es/areas/cenbal/> [Accessed 5 Apr. 2019].

Finally, I have consulted and analyzed a lot of news about the dairy sector and mainly about the two companies studied, highlighting the following articles published in a digital newspaper in the economic or financial section:

El Comercio. (2019). CAPSA ganó cerca de nueve millones el año pasado, un 154% más que en 2013. [online] Available at: <https://www.elcomercio.es/economia/201505/29/capsa-gano-cerca-nueve-20150529001929-v.html> [Accessed 1 Apr. 2019].

El Comercio. (2019). Savencia abandona Capsa y vende su participación a Central Lechera Asturiana. [online] Available at: <https://www.elcomercio.es/economia/empresas/201505/05/grupo-frances-savencia-abandona-20150505183301.html> [Accessed 5 Apr. 2019].

7. APPENDIX

7.1. LECHE PASCUAL

BALANCE SHEET (2012 to 2017)

Thousands of euros	2012	2013	2014	2015	2016	2017
1.-NON CURRENT ASSETS	560,100	545,074	535,620	525,595	485,450	453,965
1.1 Intangible assets	257,626	252,278	253,065	254,075	229,711	205,519
1.2 Property, plant and equipment	229,649	215,193	208,899	194,770	187,384	181,396
1.3 Investment property						
1.4 Non-current investments in group companies	60,666	60,668	6,762	8,398	9,033	17,479
1.5 Non-current investments	2,631	1,477	1,867	2,806	2,996	3,798
1.6 Deferred tax assets	9,528	15,458	65,027	65,546	56,326	45,773
2.- CURRENT ASSETS	167,710	175,330	138,548	124,465	123,050	121,672
2.1 Inventories	48,822	44,929	39,785	40,307	41,775	42,472
2.2 Trade and other receivables	44,536	38,957	26,198	22,298	6,292	10,569
2.3 Current investments in group companies	68,700	83,686	61,642	50,299	58,996	57,230
2.4 Current investments	2,070	2,019	4,504	3,137	2,664	2,349
2.5 Prepayments for current assets	888	306	29	265	572	501
2.6 Cash	2,694	5,433	6,390	8,159	12,751	8,551
TOTAL ASSETS	727,810	720,404	674,168	650,060	608,500	575,637
1.- EQUITY	243,919	237,862	226,083	236,944	201,813	190,508
1.1 Capital	238,830	236,458	226,986	237,586	198,539	186,795
1.1.1 Registered Capital	12,726	12,726	12,726	12,726	12,726	12,726
1.1.2 Share Premium						
1.1.3 Reserves	221,223	220,811	221,859	221,609	224,858	227,320
1.1.4 Prior periods' losses				-7,599		-39,045
1.1.5 Profit/loss for the period	4,881	2,921	-7599	10,850	-39,045	-14,206
1.2 Valuation adjustments	-1,775	-4,683	-6818	-5,989	-1,353	-1,039
1.3 Grants, Donations and bequest received	6,864	6,087	5915	5,347	4,627	4,752
2.- NON CURRENT LIABILITIES	175,100	281,132	253,782	203,218	211,944	187,118
2.1 Non current provisions	3,696	2,499	1,419			
2.2 Non current payables	167,571	275,183	249,976	201,090	210,073	185,253
2.3 Deferred tax liabilities	3,833	3,450	2,387	2,128	1,871	1,865
3.- CURRENT LIABILITIES	308,791	201,410	194,303	209,898	194,743	198,009
3.1 Current provisions		9	4	1		39
3.2 Current payables	137,218	20,009	24,189	40,469	20,960	25,892
3.3 Group companies and associates current liabilities	10,713	14,077	9,404	10,702	11,539	7,234
3.4 Trade and other payables	160,860	167,315	160,706	158,726	162,244	164,844
TOTAL EQUITY + LIABILITIES	727,810	720,404	674,168	650,060	608,500	575,635

7.2 LECHE PASCUAL**INCOME STATEMENT (2012 to 2017)**

Thousands of euros	2012	2013	2014	2015	2016	2017
1.- Revenues	720,563	665,285	678,421	642,163	615,886	622,157
2.- Changes in inventories of finished	-15,946	6,775	1,384	-126	876	194
3. Work carried out by the company for assets	2,085	1,888	6,864	1,648	2,088	1,942
4.-Supplies	-374,098	-387,472	-384,582	-340,012	-327,441	-331,203
5.- Other operating income	6,762	7,571	7,290	6,976	5,906	6,105
6.-Personnel expenses	-94,823	-74,312	-76,648	-80,091	-79,121	-80,105
7.-Other operating expenses	-173,290	-156,903	-168,287	-164,307	-166,544	-152,654
8.-Amortisation and depreciation	-28,538	-26,850	-25,407	-24,824	-48,530	-49,208
9.- Non financial and other capital gran	887	1,110	904	757	1,048	677
10.- Impairment and gains/(losses) on	-862	-995	-960	-3,593	-2,397	-3,962
11.-Other	-2,096	829	-1,084	-1,980	-2,852	-503
RESULTS FROM OPERATING ACTIVITIES	40,644	36,926	37,895	36,611	-1,081	13,440
12.-Finance Income	1,755	2,916	11,526	3,075	1,917	1,544
13.-Finance expenses	-26,324	-28,863	-33,620	-25,416	-31,176	-13,732
14.- Exchange gains/(losses)	9	-23	9	12	16	-35
15.- Impairment and gains/(losses) on	-6,368	-5,872	-2,289	1,348	2,370	-671
NET FINANCE	-30,928	-31,842	-24,374	-20,981	-26,873	-12,894
PROFIT/(LOSS) BEFORE INCOME TAX	9,716	5,084	13,521	15,630	-27,954	546
16.- Income tax expense	-4,835	-2,163	-21,120	-4,780	-11,091	-14,752
PROFIT/(LOSS) FOR THE PERIOD	4,881	2,921	-7,599	10,850	-39,045	-14,206

7.3 CENTRAL LECHERA ASTURIANA

BALANCE SHEET (2012 to 2017)

Thousands of euros	2012	2013	2014	2015	2016	2017
1.-NON CURRENT ASSETS	31,651	32,029	31,394	66,465	66,130	66,433
1.1 Intangible assets	145	165	108	56	23	4
1.2 Property, plant and equipment	2,727	2,477	2,460	2,373	2,102	2,156
1.3 Investment property						
1.4 Non-current investments in group cor	26,374	27,072	26,472	63,749	63,749	64,049
1.5 Non-current investments	2,183	2,016	2,005	5	5	5
1.6 Deferred tax assets	222	299	349	282	251	219
2.- CURRENT ASSETS	30,254	37,131	28,827	28,996	30,039	30,147
2.1 Inventories	0	0	0	0	0	0
2.2 Trade and other receivables	25,313	28,967	25,058	27,109	28,550	25,020
2.3 Current investments in group compan	4,871	7,928	3,579	1,106	1,335	4,953
2.4 Current investments	21	177	155	729	90	102
2.5 Prepayments for current assets	0	0	0	0	28	30
2.6 Cash	49	59	35	52	36	42
TOTAL ASSETS	61,905	69,160	60,221	95,461	96,169	96,580
1.- EQUITY	24,429	25,753	20,205	44,483	45,987	46,844
1.1 Capital	24,429	25,753	20,205	44,483	45,987	46,844
1.1.1 Registered Capital	93,452	93,320	93,320	93,843	98,297	98,129
1.1.2 Share Premium	1,206	1,206	1,206	1,206	1,206	1,206
1.1.3 Reserves	-72,260	-70,574	-75,634	-75,379	-55,938	-55,038
1.1.4 Prior periods' losses				0	0	0
1.1.5 Profit/loss for the period	2,031	1,801	1,313	24,813	2,422	2,547
1.2 Valuation adjustments	0	0	0	0	0	0
1.3 Grants, Donations and bequest receiv	0	0	0	0	0	0
2.- NON CURRENT LIABILITIES	11,835	11,443	11,073	20,172	18,993	17,294
2.1 Non current provisions	0	0	0	0		
2.2 Non current payables	11,835	11,443	11,073	20,172	18,993	17,294
2.3 Deferred tax liabilities	0	0	0	0	0	0
3.- CURRENT LIABILITIES	25,641	31,964	28,943	30,806	31,189	32,442
3.1 Current provisions	0	0	0	0	0	0
3.2 Current payables	13,407	15,472	14,886	16,182	17,944	17,839
3.3 Group companies and associates curre	0	0	0	1,488	193	0
3.4 Trade and other payables	12,234	14,560	14,057	13,136	13,052	14,603
3.5 Prepayments for current liabilities	0	1,932	0	0	0	0
TOTAL EQUITY + LIABILITIES	61,905	69,160	60,221	95,461	96,169	96,580

7.4 CENTRAL LECHERA ASTURIANA**INCOME STATEMENT (2012 to 2017)**

Thousands of euros	2012	2013	2014	2015	2016	2017
1.- Revenues	129,475	142,528	155,217	137,279	132,810	137,746
2.-Supplies	-134,171	-140,944	-154,977	-140,478	-137,634	-143,587
3.- Other operating income	9,026	4,813	4,806	6,508	6,487	6,767
4.-Personnel expenses	-1,061	-928	-890	-973	-972	-997
5.-Other operating expenses	-3,756	-3,190	-3,355	-3,174	-3,129	-2,998
6.-Amortisation and depreciation	-695	-642	-618	-524	-452	-373
7.- Impairment and gains/(losses) on disp	39	58	57	62	26	61
8.-Other	-22	18	33	-57	-15	
RESULTS FROM OPERATING ACTIVITIES	-1,165	1,713	273	-1,357	-2,879	-3,381
9.-Finance income	3,338	308	1,220	26,465	4,903	5,364
10.- Finance expense	-129	-203	-231	-280	-279	-238
11.- Impairment and gains/(losses) on dis	3	-94	0	53	0	0
NET FINANCE	3,212	11	989	26,238	4,624	5,126
PROFIT/(LOSS) BEFORE INCOME TAX	2,047	1,724	1,262	24,881	1,745	1,745
12.- Income tax expense	-15	77	51	-68	677	802
PROFIT/(LOSS) FOR THE PERIOD	2,032	1,801	1,313	24,813	2,422	2,547