MANGO[1]

MANGO is an international clothing brand specialized in the production and sales of clothing for women and for men. It is now one of the leading retail companies in Spain, with 2200 stores in 109 different countries.

1. HISTORY

1984: *THE BEGINNINGS*

The company was founded in 1984 by the Turkish Isak Andic, current president of the brand. Initially, he started selling in a small retail shop in the Balmes market together with his spouse. After a while, and thanks to the success of the shop, they officially founded the company in *Passeig de Gràcia* in Barcelona (1984). The brand easily gained a name and one year later they already had 5 selling points around the city. Shortly after, the company opened the first shop outside Barcelona in Valencia and by 1988 they had shops in 13 cities around Spain.

In order to better organize the company's activities, the founder then adopted the philosophy of "just in time", focusing his resources on product logistics and distribution.

[1] Case written by Laura Alboquers, Anna Bellot, Laia Ollé, Gal·la Sisquella and Olga Triay with the supervision of Professors Oriol Amat and Raffaele Manini, UPF Barcelona School of Management, 2019-2020.

1992: INTERNATIONAL EXPANSION

In 1992, having already 99 shops in Spain, the company decided to become international by opening two shops in Portugal. With this expansion, the company had to develop new methods of management and organization, including the creation of MANGO MNG Holding in 1999 and more specialized team-work methods.

2000: THE ARRIVAL OF THE INTERNET

The 2000's brought MANGO to start focusing on the online sector, being one of the pioneers of online shopping. From then on, Information Technologies (IT) have become one of the pillars of the company's growth.

2008: THE CRISIS

Even though the Spanish economy was starting to feel the effects of the recession, MANGO was not heavily affected by the situation. In fact, it could easily obtain positive profits during the crisis, although the rentability worsened.

As the company had already opened stores in other markets and only a 23% of their sales were in Spain, they could maintain and even increase the level of sales. Online selling and markets as Asia, Middle East and the old Soviet Union helped to do so.

Over this period, the MANGO MNG Holding grew with the incorporation of new lines such as of MANGO Men, MANGO Kids and Violeta by MANGO and implemented the "megastore" concept in order to have all the collections available in the same space.

2016: THE BEGINNING OF RED NUMBERS

During this period, important changes in the organization chart were made. Firstly, Jonathan Andic, son of the founder of the company, was progressively promoted to CEO. On top of that, the role of Managing Director, held by Enric Casi until that moment, was removed. Instead, the direction duties were split into Toni Ruiz and Carlos Costa, director and responsible for operations.

The new Board of Directors decided to invest in the opening of 24 new "megastores" in 2016. Together with the organization issues and the decline in sales between 2015 and 2017, MANGO reached negative numbers for the first time in its history.

2017: REFINANCING OPERATIONS AND RECOVERY MEASURES

During 2017, the following actions took place in order to overcome the situation:

- Investment in new technological systems to boost online demand.
- Sale-and-leaseback operations of 150,000 square meters of real estate infrastructures during thirty years.
- Renegotiation and extension of the debt; repayment in 2023.
- Engaging Corporate Social Responsibility Actions under the project MANGO Take Action.
- Diversification of collections, such as the new maternity line, to reach a wider range of clients.

At the end of the year, MANGO's EBITDA had increased by 50% with respect to the previous year, though still having negative results.

2018: RESTRUCTURING POLICIES AND FUTURE PERSPECTIVES

Given that the previously-mentioned organizational structure proved not to be successful, the company decided to re-establish the original one: the role of Managing Director was reincorporated and assigned to Toni Ruiz in September 2018. Meanwhile, Jonathan Andic was given the position of Executive Vice-Chairman of the company.

On the other hand, MANGO intends to keep their 2012 initiative to transform its store network, which has meant, until today, a 54% increase of its stores average size. Aside from this, for 2019, MANGO aims for its online sales to represent the 20% of its total turnover; while improving its operating results through a decrease in expenses. The company has also taken multiple steps to strengthen its management team, with the incorporation of different experts in the sector.

2. INDUSTRY

Nowadays, the fashion industry in Spain is prestigiously recognised from all over the world and the sector holds an important part of the Spanish economy: its value in the domestic market amounts to 406 billion dollars and it employs about 1.9 million people.

The industry is characterized by the division of the production in seasons, so as to adapt the clothing lines to the weather conditions, which requires the industry a constant adaptation.

2.1 SALES EVOLUTION IN THE INDUSTRY

The industry follows an increasing trend, and expects to keep improving in 2019, but it has suffered some fluctuations. For example, the crisis of 2008 drove to a huge decline in sales, due to the fact that fashion is not a basic need of society. On the other hand, the liberalization of sales by law in 2012 fostered the recovery of the industry.

Figure 1. *Sales Evolution in the Spanish Fashion Industry, from 2007 to 2019*
Source: https://www.modaes.es/indicador-comercio-moda-es.html

2.2 BARRIERS TO ENTRY AND MAIN COMPETITORS

The fashion retail industry is characterized by having fewer barriers to entry than other areas, which is a problem for the company as it implies that it is easier for new competitors to arise.

One of the reasons why the fashion industry has fewer barriers is the government implication, which applies a light regulation. Moreover, the start-up cost are not very high as the initial investment does not necessary have to be huge before obtaining profits.

Nevertheless, although it is easy to enter the market, it is also difficult to survive in it due to the fact that there are some important firms already established in this market and competitiveness is fierce among them. This fact is potentiated because of how easy it is to copy the innovations in the sector, supposing little investment when it comes to new designs.

The fashion industry in Spain is headed basically by 4 major companies which reach the 25% of all the clothes sales of the country: Inditex, H&M, Primark, and MANGO. Inditex is the leader, getting the 67% of this fourth part of the market, being MANGO's main competitor.

As Figure 2 illustrates, with the rise of these big companies, there has been an important decline in the number of textile firms over the years.

Figure 2. *Evolution of the number of companies in the Fashion Industry (2000-2017)*

Sources: https://www.idepa.es/detalle-oportunidad/-/asset_publisher/pZrNYOpxJB8w/content/sector-textil-el-sector-en-espana-informacion-general

2.3 SALES RANKING

According to the sales rankings of 2018 (see figure 3) of the major fashion companies in Spain, the leading company is Zara, followed by MANGO, Bershka, Pull & Bear, Stradivarius and Tendam Retail.

It can be seen that Inditex remains being the leader with 4 out of the 6 companies mentioned above being owned by it and that the fast fashion phenomena (capturing the current fashion trends) has been highly successful: selling high amounts at low cost is proving to be an unbeatable strategy, allowing the companies to have high turnover rates.

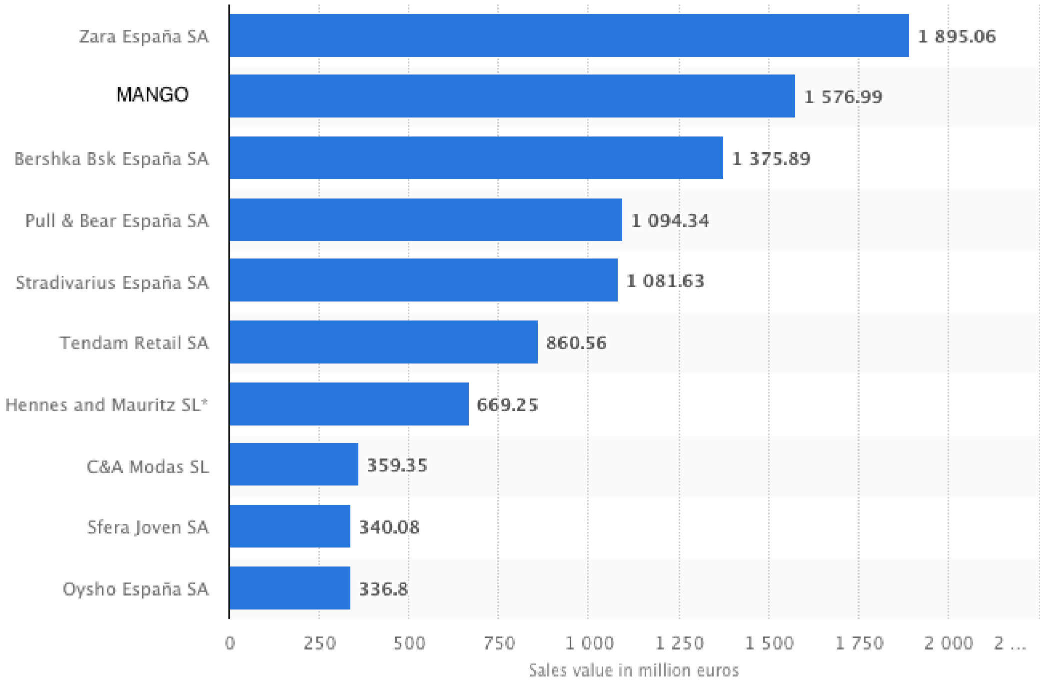

Figure 3*. Sales ranking of the Spanish Fashion Industry of 2018 (expressed in millions of Euros)*

Source: https://www.statista.com/statistics/750940/leading-spanish-clothing-retailers/ NG

2.4 INDUSTRY SWOT

In accordance with a recent study of 2018[2], MANGO sells a 70% of its production to European countries, from which Spain supposes only a 30%. America is the second most important market, accumulating a 19% of sales, followed by Asia (10% of sales), where there has been a rapid expansion of the company, and Africa (barely a 1% of sales).

As MANGO concentrates its sales in Europe and Spain, it is convenient to focus the SWOT analysis on this area.

[2] Almagro Bernal, C. (2018) Análisis de la estrategia de internacionalización de MANGO. *Dipòsit UB.* *http://diposit.ub.edu/dspace/bitstream/2445/123716/1/TFM-MOI_Almagro_2018.pdf*

STRENGTHS	*WEAKNESSES*
• Global leading in fashion design and branding; with the EU being the 2nd world exporter of textile and fashion goods. • Efficient production and logistics networks. • Innovative industry, having been adaptable through all the times. • Efficient product management systems. • Enjoying a loyal community of consumers. • Skilled labor force and professional designers. • Globally recognized Spanish market for its innovative business model of "Fast Fashion".	• Seasonal changes give uncertainty regarding the level of sales. • According to a research carried out by José L. Calvo[3], 98% of the Spanish fashion firms are small businesses with no interest in R&D. • Saturation of the market, too many fashion companies. • Exploitation lowers the value of the goods produced due to the morality of consumers.
OPPORTUNITIES	*THREATS*
• Online shopping keeps increasing. • Opening to the ecologic market can allow companies to put higher prices, therefore increase their profits. • Further development of online sales services and social media, as well as a major use of technologies in the fashion production.	• Well-established and strong competitors, both nationally and internationally. • Emergence of many new designers worldwide, especially in emerging countries. • Many consumers are adopting a more sustainable behaviour: they prefer quality and honesty rather than quantity -affecting many low-cost chains-. • Foreseeable increase in the cost of raw material due to its decreasing availability.

Table 1. *SWOT analysis*

[3] L. Calvo, J. (2006). Innovation behaviour of Spanish fashion manufacturing industry: size differences. UNED. *https://www2.uned.es/dpto-analisis-economico1/fichprof/jcalvo/articulos/Irlanda2006III.pdf*

3. QUALITATIVE ANALYSIS

3.1 WHO

The Managing Team

The main figure of MANGO's managing team nowadays is Toni Ruiz. Nevertheless, the company cannot be studied without mentioning the founder, Isak Andic, or previous managers such as Carlos Costa or Enric Casi. Most of the workers agree that they are always available if you show your interest in learning and that, in general, working for the company is a good professional experience.

The fact that the entrepreneur, Isak Andic, occupies the position of director nowadays and does not have any managing position, shows the aim of the founder to transmit his initial values to the managers. He shows full-time participation and interest in the company by supervising the activity of his son and returning to the company when the latter started to experience decreases in rentability.

It is important to stand out that all the participants of the managing team have a lot of experience in the fashion and economic sector, which helps them adapt easily to the changes in the environment and design proper strategies to face the adversities.

The Working Team

When it comes to the working team, the company has achieved a good working environment thanks to the enforcement of its three main values: harmony, humbleness and affection. MANGO's personnel team is formed by people from different nationalities, which gives a wider and more open perspective to the company. Employees are expected to have a positive personal and professional attitude, while being motivated, flexible and capable of adapting to changes. The use of Internal Labor Market serves as an incentive to achieve so.

3.2 WHAT

As previously mentioned, MANGO is part of the fashion industry which has an important role in the Spanish economy. Not only that, but also the Spanish fashion industry is prestigiously recognised all over the world.

Geographic Markets

MANGO is present in more than 109 countries, around 1,000 shops and 1,500 franchise. The company has shops is emblematic places such as Passeig de Gràcia (Barcelona), Gran Via (Madrid) or in Oxford Street (London).

Although the shops are located all over the world, its main markets are Europe and some countries of Asia such as Turkey or Russia. Figure 4 shows the worldwide presence of MANGO.

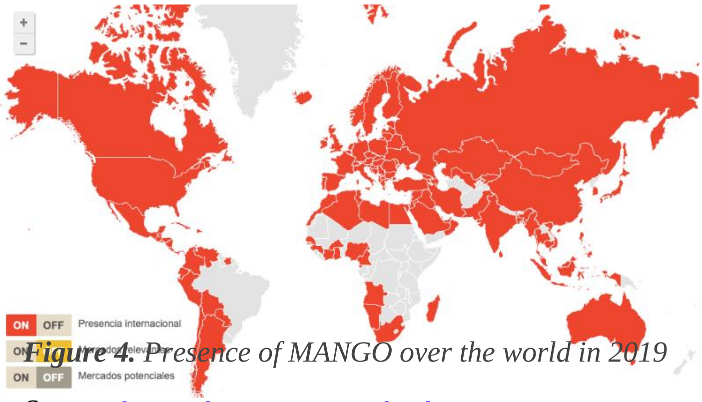

Figure 4. *Presence of MANGO over the world in 2019*

Source: http://atlas.marcasrenombradas.com/marcas/mango/

Products and Strategies

The company offers a wide range of products with diversified lines that include MANGO, MANGO Kids, MANGO Man, MANGO Baby, MANGO Sports & Intimates, MANGO Touch and Violeta by MANGO. With all these different collections, the brand tries to reach as many consumers as possible.

The firm has a short timeline from the design of their products until the moment they show them up for sale. Therefore, so as to keep up with the fast fashion phenomena, it needs a huge capacity of adaptation and renovation. That is why R&D is a department of crucial importance.

MANGO's main strategy consists in selling at low prices while keeping in mind the *boutique* format. This has allowed the business to go through periods of recession without being too affected, even though the textile industry is not part of the basic necessities of the population.

On the other hand, the fashion sector is becoming more and more conscious of the global warming situation, forcing MANGO to take action. The company has engaged in measures such as reducing water use, using organic cotton (MANGO Committed), etc. under the line of MANGO Take Action.

HOW

Financing

Hitherto, MANGO has been resistant of entering in the stock market. This is explained by the fact that it is a family owned business and that it finances itself through debt. Their last important indebtedness transaction consisted in acquiring 500 millions of euros on credit through their banks so as to strengthen the balance sheet from their 2016's downfall[4]. Despite this, they do not need to spend as much for opening shops as a big part of them are franchises.

Yet, another financing future comes for Mango, as it is on the verge of starting to explore new avenues of growth: listing on the stock exchange and letting additional members join in[5].

Suppliers and production

MANGO's strategy focuses in near markets for obtaining the new trends in order to shorten the production process (Morocco, Tunisia, Turkey, etc.). However, as many other Spanish fashion industries, it obtains the major part of its basic supplies from the Asia market (India, Bangladesh, China, Vietnam, etc.), due to the low production costs that these countries offer.

Since the tragedy of *Rana Plaza (2013)*, the company committed to regularly control and visit all the stages in the production chain with the aim of recovering their lost reputation and to ensure that these suppliers enjoy better working conditions. Although MANGO is not transparent in disclosing information about their production location.

Commercialization

Isak Andic's stores are constantly expanding in venues of major influx of people. To give the customer the same experience regardless of whether he or she buys in the USA or in Spain, the company meticulously takes care of its image through design, storefronts, marketing, smell, etc., being the same in all its stores network.

Nonetheless, MANGO has not stopped investing in the networked market: online sales represent an increasing part of the annual turnover. However, in order to make the distributive process more efficient and reduce stocks, they are implementing a new strategy

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[4] Gastesi, A. (2018). Mango refinancia 500 millones de euros hasta el 2023. *La Vanguardia.*
[5] Marco, A. (2019). Mango emitirá deuda por primera vez para financiar su plan de modernización. *El Confidencial.*

which consists in making the stores logistic centres instead of using the Barcelona's logistic centre. Currently, the chain sells online a sum of 80 countries and it is able to distribute its purchase orders in big cities (just like in all Spain) in less than 24 hours.

4. PRESENT SITUATION

4.1 Manufactures, suppliers, distribution channels and products

	Value Chain						
	Design	Manufacture	Distribution	Advertisements	Shop Design	Real estate Management	Sales
Outsourcing		X	X				
Vertical Brand	X		X	X	X	X	X
Franchise Own stores							X

Table 2. *MANGO's Integral Logistic Model*

Source:
https://upcommons.upc.edu/bitstream/handle/2117/10505/jedee201011_rodriguez_casi_carbonell.pdf;jsessionid=BA07D3EDAC41ABBED2ED68F7B4052371?sequence=1

As it can be seen in Table 2, all tailoring activities are outsourced and MANGO makes constant improvements and changes in suppliers driven by the need of satisfying a constant increase in demand. The agreements between the company and the suppliers are usually reached in a long-term basis.

Although the designing is carried out inside the company, the process is divided into two production systems based on geographical factors, so as to adapt their production to the different localities and markets.

Some of the shops are vertically integrated, but an important part of them are also incorporated through franchises (around 1,000 shops and 1,500 franchises).

Regarding the real estate, MANGO has many premises (warehouses and offices) around the world in places such as New Jersey (US) and Hong Kong (China). However, the main headquarters are located in Palau-Solità i Plegamans. The company previously had a headquarter in Parets del Vallés but over the last year they have sold it to Jevaso, a company specialized in logistics and distribution.

When it comes to orders, the headquarters are the ones in charge of deciding which articles and accessories to allocate and distribute to each store. On the other hand, MANGO does not own its own transport fleet, but rather subcontracts with external logistic companies.

Regarding advertising, the retail company has been a pioneer in using celebrities to promote their products with the appearance of models such as Kendall Jenner or Miranda Kerr on their advertisements. They co-work with important marketing companies such as Criteo, Tradedoubler and Taboola to design the advertisement and the campaigns, which can be seen all over the world in places such as big screens, on television, magazines or on other applications.

4.2 KEY SUCCESS FACTORS

To start with, MANGO is well-known for having very efficient computer and logistics systems, which facilitate product distribution, reduction of transport costs and adaptation to environmental changes.

Moreover, the company enjoys a very efficient product management system that ensures a good quality control of its products, and has engaged in strong diversification strategies and dynamic product lines. Together with its affordable prices, its efficient "Megastores", by which clients can reach all its product lines within a single store, have attracted many different customers.

Another key asset for MANGO's success has been the people. MANGO has always been focused on workers and human relations, on the training and the consideration of the importance of teamwork. One of MANGO's missions is to be present in all cities in the world, for this reason, it has consolidated a team of professional, flexible and enthusiastic workers that include new ideas in line with that mission. Furthermore, the company's intense advertising strategy, with the collaboration of many famous celebrities, has turned MANGO into a marketing pioneer in the fashion industry.

As a result, MANGO has been able to transmit a unique brand concept around the world based on simplicity, dynamism and an urban image that reflects the trends in the present fashion market.

4.3 MAIN PROBLEMS THAT THE COMPANY IS FACING NOW

One of the main problems that the company has faced over the last few years is the implementation of a new organizational structure headed by Jonathan Andic. As mentioned above, the adaptation was not easy and the company faced difficulties that resulted in losses in 2016.

Moreover, the company faces other problems such as the fact that due to the wide variety of the sector and the high competitiveness of the industry, sometimes its products have been accused of plagiarism. Also, following the idea of innovation and research, MANGO has suffered with the adaptation to consumers' needs in foreign markets, particularly with introducing the Fast Fashion concept in the Asian market.

Regarding the company's brand name, as it started as a women's retailer, it has been difficult to gain a brand name in the other lines, which have made them less profitable.

5. APPENDIX: FINANCIAL STATEMENTS

In thousands of euros	2018	%	2017	%	2016	%	2015	%
Non-current assets	1,760,167	68.37	1,774,390	64.05	1,765,867	60.84	1,567,020	54.14
Intangible assets	65,383	2.54	68,181	2.46	57,015	1.96	41,047	1.42
Fixed assets	356,823	13.86	359,073	12.96	378,946	13.06	216,263	7.47
Other non-current assets	1,337,961	51.97	1,347,136	48.63	1,329,906	45.82	1,309,710	45.25
Current assets	814,385	31.63	995,949	35.95	1,136,615	39.16	1,327,373	45.86
Inventories	453,236	17.60	429,736	15.51	494,411	17.03	527,828	18.24
Debtors	228,958	8.89	210,455	7.60	252,134	8.69	266,150	9.20
Other current assets	132,191	5.13	355,758	12.84	390,070	13.44	533,395	18.43
Cash and cash equivalents	93,514	3.63	203,010	7.33	283,381	9.76	222,573	7.69
Total assets	**2,574,552**	**100.00**	**2,770,339**	**100.00**	**2,902,482**	**100.00**	**2,894,393**	**100.00**
Equity	477,690	18.55	521,191	18.81	604,075	20.81	610,054	21.08
Share capital	13	0.0005049	13	0.000469	13	0.00045	13	0.00045
Other equities	477,677	18.55	521,178	18.81	604,062	20.81	610,041	21.08
Non-current liabilities	1,345,152	52.25	1,509,580	54.49	1,587,341	54.69	1,645,600	56.85
Long term loans	1,326,568	51.53	1,492,686	53.88	1,561,875	53.81	1,622,323	56.05
Other long term liabilities	18,584	0.72	16,894	0.61	25,466	0.88	23,277	0.80
Long term provisions	6,531	0.25	6,106	0.22	5,665	0.20	6,086	0.21
Current liabilities	751,710	29.20	739,568	26.70	711,066	24.50	638,739	22.07
Short term loans	86,049	3.34	133,111	4.80	157,190	5.42	77,892	2.69
Accounts payable and other short term operating debt	302,467	11.75	283,285	10.23	230,832	7.95	272,778	9.42
Other current liabilities	363,194	14.11	323,172	11.67	323,044	11.13	288,069	9.95
Total equities and liabilities	**2,574,552**	**100.00**	**2,770,339**	**100.00**	**2,902,482**	**100.00**	**2,894,393**	**100.00**

***Table 3**. Balance Sheet (2015-2018)*

In thousands of euros	2018	%	2017	%	2016	%	2015	%
Operating revenue	1,866,722.00 €	100%	1,767,408.00 €	100%	1,770,672.00 €	100%	1,849,427.00 €	100%
Sales	1,696,048.00 €	90.86%	1,576,988.00 €	89.23%	1,590,200.00 €	89.81%	1,599,150.00 €	86.47%
COGS	(964,646.00) €	51.68%	(951,994.00) €	53.86%	(958,961.00) €	54.16%	(996,632.00) €	53.89%
Gross Margin	**902,076.00 €**	**48.32%**	**815,414.00 €**	**46.14%**	**811,711.00 €**	**45.84%**	**852,795.00 €**	**46.11%**
Other expenses	(872,024.00) €	46.71%	(797,599.00) €	42.73%	(794,867.00) €	42.58%	(794,183.00)€	42.54%
EBITDA	**30,052.00€**	**1.61%**	**17,815.00€**	**1.01%**	**(16,844.00)€**	**0.95%**	**58,612.00 €**	**3.17%**
Depreciation	(58,203.00)€	3.12%	(48,524.00)€	2.75%	(40,274.00)€	2.27%	36,141.00€	1.95%
EBIT	**(28,151.00) €**	**1.51%**	**(30,749.00) €**	**1.74%**	**(57,118.00) €**	**3.23%**	**22,471.00 €**	**1.22%**
Financial revenue	12,223.00 €	0.65%	13,075.00 €	0.74%	41,889.00 €	2.37%	21,431.00 €	1.16%
Financial expenses	(51,994.00) €	2.79%	(48,676.00) €	2.75%	(36,235.00) €	2.05%	(70,169.00) €	3.79%
Financial P/L	(39,771.00) €	2.13%	(35,601.00) €	2.35%	5,654.00 €	0.32%	(48,738.00) €	2.64%
P/L before tax (EBT)	**(67,922.00) €**	**3.64%**	**(66,350.00) €**	**0.38%**	**(51,464.00) €**	**2.91%**	**7,322.00 €**	**0.40%**
Taxation	(2,549.00) €	0.14%	17,762.00 €	1.00%	28,054.00 €	1.58%	20,203.00 €	1.09%
P/L after tax	(70,471.00) €	3.78%	(48,588.00) €	2.75%	(23,410.00) €	0.13%	27,525.00 €	1.49%
Net Income	**(70,471.00) €**	**3.78%**	**(48,588.00) €**	**2.75%**	**(23,410.00) €**	**0.13%**	**27,525.00 €**	**1.49%**

Table 4. *Income Statement(2015-2018)*

	ROE	EBIT/Sales	Sales/Assets	(Asset/Equity) x (EBT/EBIT)	Net Profit/EBT
Average sector	0.268	0.067	1.32	4.99	0.85
Average sector with profits	0.37	0.093	1.625	2.89	0.84
2018	-0.15	-0.02	0.66	13.00	1.04
2017	-0.09	-0.02	0.575	11.47	0.73
2016	-0.04	-0.04	0.55	4.33	0.45
2015	0.05	0.01	0.55	1.55	3.76

Table 5. *Profitability Ratio with industry averages (2015-2018)*

		2018	2017	2016	2015	Average Industry (2017)	Average industry with profits (2017)
DEBT AND CAPITALIZATION	Debt = liabilities / assets	0.81	0.81	0.79	0.80	**0.623**	**0.519**
	Debt quality = current assets / total liabilities	0.36	0.33	0.31	0.28	**0.612**	**0.708**
	Repayment Capacity = Cash flow / Loans	0.04	-0.09	0.12	0.10	**0.401**	**1.188**
	Cost of debt = Financial Expenses / Loans	0.04	0.03	0.02	0.04	**0.034**	**0.051**
	Financial Expenses = Financial Expenses / Sales	0.03	0.03	0.02	0.04	**0.025**	**0.006**
LIQUIDITY	Liquidity = Current Assets / Current Liabilities	1.08	1.35	1.6	2.08	**1.1022**	**0.98**
	Treasury = Debtors + Cash / Current Liabilities	0.43	0.56	0.75	0.76	**0.4593**	**0.42**
	Acid Test = Cash / Current Liabilities	0.12	0.27	0.40	0.35	**0.2801**	**0.27**
	Z (UPF) = -3,9 + 1,28 CA/CL+ 6,1 E/A+ 6,5 NI/A+ 4,8 NI/E	-2.28	-1.28	-0.68	0.2	**1.869**	**3.37**
	Working Capital (real) (euros) = Current assets – Current liabilities	379,727	356,906	515,713	521,200	**8,099**	**-1,208.41**
ASSET MANAGEMENT	Non-current assets turnover = Sales / Non-current assets	0.96	0.89	0.90	1.02	**2.138**	**2.57**
	Current assets turnover = Sales / Current assets	2.08	1.58	1.14	1.21	**3.47**	**4.41**
SALES	Sales growth = Last year's sales / Previous year sales	1.08	0.99	0.99	1.22	**1.09**	**1.16**
PROFITABILITY	ROI= EBIT / Assets	-0.01	-0.01	-0.02	0.01	**0.089**	**0.15**
	Return on equity (ROE) = Net Income / Equity	-0.15	-0.09	-0.04	0.05	**0.268**	**0.38**

Table 6. *Ratios with industry averages (2015-2018)*

In thousands of euros	2018	2017
1. EBT	-67,922	-66,350
2. Adjustments to earnings	95,746	80,065
Amortization of non-current assets	58,203	48,564
Depreciation	5,818	4,733
Earnings when tangible fixed assets are retired or disposed	-2,228	-4,100
Earnings when financial instruments are retired or disposed	36	536
Financial income	-12,223	-13,075
Financial expenses	36,569	37,512
Foreign currency variations	9,571	5,895
3. Changes in working capital	75,287	134,897
Inventories	-23,500	64,675
Debtors and other accounts receivable	-18,503	42,330
Other current assets	2,188	2,996
Creditors and other payables	107,159	28,153
Other current liabilities	7,518	-3,698
Other non-current assets and liabilities	425	441
4. Other cash flow from operations	-24,348	-24,447
Interest payments	-36,569	-37,512
Cash received from dividends	9,845	10,941
Interest received	2,378	2,134
Payments on income tax	0	-10,221
5. Cash flow from operations	78,765	113,954

Table 7. *Cash Flow from Operations (2017-2018)*

In thousands of euros	2018	2017
6. Payment on investments	-91,718	-139,510
Companies belonging to the group and associated companies	-15,933	-13,994
Intangible assets	-17,118	-16,301
Tangible assets	-31,832	-28,664
Other financial assets	-26,835	-80,551
7. Collections for disposal of assets	165,741	6,500
Companies belonging to the group or associates	1,370	6,391
Intangible assets	415	65
Tangible assets	25,555	9,143
Other financial assets	138,401	35,570
8. Cash flow from investment activities	74,023	-88,341

Table 8. *Cash Flow from Investment (2017-2018)*

In thousands of euros	2018	2017
9. Collections and payments for instruments of financial liabilities	-262,284	-105,984
- **Issue**	400,695	73,680
Stock and other similar securities	NA	NA
Debt with credit institutions	393,250	NA
Debt with companies from the group and other associated companies	7,445	45,432
Others	0	28,248
- **Repayment and amortisation of**	-662,979	-105,140
Debt with credit institutions	-662,979	-142,402
Others	0	37,262
10. Cash flow of financial activities	-262,284	-105,984
NET INCREASE/DECREASE OF CASH	-109,496	-80,371
Cash and equivalents at beginning of financial year	203,010	283,381
Cash and equivalents at end of financial year	93,514	203,010

Table 9. *Cash Flow from Financing and Cash and equivalents (2017-2018)*