

Ercros' consolidated results for year 2009

The effect of the international economic crisis on Ercros' business in 2009 led to a reduction in turnover of 31.7%. During that year, sales amounted to 569.81 million euros compared to 834.61 million euros in 2008.

The Company experienced a general fall in sales in all divisions. Sales in the Chlorine-Associated Businesses (group comprising the Basic Chemicals, Plastics, Animal Feed and Water Treatment Divisions) amounted to 401.32 million euros, 30.3% down on the previous year. The Plastics Division, the business most associated with the building and automotive sectors, was the division that had most impact on this fall, partly mitigated by the more favourable performance of the Basic Chemicals Division. With sales of 113.10 million euros, the Intermediate Chemicals Division fell by 39.1%, although in this case the effect on the margin of business was less pronounced as its lower sales were offset by the fall in price of raw materials. Finally, the Pharmaceuticals Division achieved sales of 35.39 million euros, a downturn on 13.2%.

In order to face this situation, the Company undertook a demanding Adjustment Plan (AP) which allowed expenses to fall by 21.3% last year. Moreover, as a result of the employment adjustment measures associated with the Efficiency Improvement Plan, which began in 2007, and with the AP, which was initially applied in the middle of 2009, employee costs fell by around 8%. The restructuring of the AP involved a net provision of 9.85 million euros in the overall income statement for 2009 to meet the indemnities provided for therein. In 2009 Ercros' average staff amounted to 1,819 persons, 135 fewer than in 2008.

The fall in business and the fall in the cost of the main raw materials led to a reduction in supplies of 38.2%, from the 476.42 million euros included in this item in 2008 to the 294.22 million euros in 2009. As a result of this change, the cost of supplies fell from 57% of sales in 2008 to 52% in 2009.

The reduction in costs was not enough to offset the fall in income, however, which led to a reduction in the Company's operating margin. In 2009, ebitda amounted to -29.78 million euros compared to ebitda of 41.79 million euros in 2008.

As a result of the lower balance of the average net financial debt for the year and the fall in interest rates, the net financial expense was reduced by more than half (-57.4%), falling from 7.63 million euros in 2008 to 3.25 million euros in 2009.

Another item to experience a significant change involved depreciation and amortization, which fell by 57% as a result of the fall in value of the assets applied in 2008, amounting to 198.29 million euros. In 2009, the Group simply had to calculate further losses under this item, which largely explains the difference between the result for the 2009 financial year, of -49.88 million euros, and that for 2008, of -203.33 million euros.

In the balance sheet, the most significant change was experienced by the working capital, which fell from 150.66 million euros in 2008 to 81.73 million euros in 2009, down 68.93 million euros. Non-current assets rose from 303.25 million euros in 2008 to 322.48 million euros in 2009, basically as a result of the SME associated investments.

In the liabilities, equity fell from 257.20 million euros in 2008 to 205.38 euros million in 2009, as a result of the Company losses that year. The net financial debt at the end of 2009 amounted to 130.99 million euros, 2.2% down on the debt at the end of 2008. Along with this reduction in debt, the change in structure of the net financial debt should also be mentioned, with a significant reduction in the relative weight of the short-term debt. The short-term financial debt, which amounted to 41.6% of the total in 2008, only amounted to 21.2% in 2009.

As a result of the decision taken by the Company to transfer during 2010 the Emulsions business, situated in Germany, to focus on the Chlorine-Associated Businesses and the Intermediate Chemicals business, in accordance with international accounting standards activities in the Emulsions Division are presented separately. The overall income statement includes the item “Profit for the year from interrupted activities”, amounting to 1.17 million euros. In the balance sheet, the assets of this business are shown in the item “Assets held for sale”, amounting to 9.73 million euros, and in the liabilities as “Liabilities directly associated with current assets held for sale”, for an amount of 2.17 million euros.

For 2010 the Company is hoping for a significant improvement in the market conditions. There are signs of recovery in the business, particularly on the external markets, which suggest that the worst of the crisis is now over. Moreover, after the great volatility shown by the prices of raw materials at the beginning of last year, greater stability is forecast this year.

Besides this expected improvement in external business conditions, the Company’s cost structure will fully reflect the result of the rigorous restructuring plans undertaken and affecting fixed charges in particular, and it should necessarily result in a more favourable performance of the Company’s margins.

Barcelona, 1 March 2010

Consolidated Income Statement

Million euros

ITEMS	31-12-09¹	31-12-08¹
Revenue	612.54	857.94
Sales	569.81	834.61
Other income	36.48	20.50
Other extraordinary income	6.25	2.83
Costs	-642.32	-816.15
Payroll&Employee benefit expense	-96.52	-104.87
Compensation payments	-9.67	-1.56
Other extraordinary costs	-2.51	-5.05
Other operating costs	-239.40	-228.25
Raw material	-294.22	-476.42
Ebitda	-29.78	41.79
Ebitda from ordinary activities	-31.32	40.54
Non-recurring ebitda	1.54	1.25
Depreciation&amortisation	-16.85	-39.20
Asset impairment loss	-	-198.29
Ebit	-46.63	-195.70
Finance income	-3.25	-7.63
Profit (loss) before tax	-49.88	-203.33
Profit for the year from interrupted activities²	1.17	0.28
Income tax expense	-1.11	0.03
Minority interests	0.34	-0.37
Profit (loss) for the period	-49.48	-203.39

¹ Audited.

² Correspond to the results of Emulsion Division, which the Company foresees to sale during 2010.

Sales by Divisions

Million euros

	31-12-09	31-12-08
Chlorinated Related Businesses ¹	401.32	575.36
Intermediate Chemicals	133.10	218.48
Pharmaceuticals	35.39	40.77
Ercros	569.81	834.61

¹This group is comprised of Basic Chemicals, Plastics, Animal Feed and Water Treatment business lines.

Economical Analysis of consolidated Balance Sheet

Million euros

	31-12-09	31-12-08
Non-current assets	322.48	303.25
Working capital	89.29	150.66
Current assets from ordinary activities	231.07	333.42
Assets held for sale ¹	9.73	-
Current liabilities from ordinary activities	-149.34	-182.76
Liabilities related to assets held for sale ¹	-2.17	-
Utilisation of resources	411.77	453.91
Equity	205.38	257.20
Net financial debt	130.99	133.90
Long-term debt	103.16	78.25
Short-term debt	27.83	55.65
Provisions and other financial liabilities	74.80	62.81
Total liabilities and equity	411.17	453.91

¹Correspond to the accounting of Emulsions Divisions, which the Company foresees to sale during 2010.