

Slowing the decline of operating margin in third quarter

In third quarter 2009, Ercros's revenues were 458.67 million euros. This figure represented a 32% decline versus the same period last year due to the continued decline in demand the company has been experiencing since last quarter 2008.

In order to deal with this situation, the company has sharply cut costs, which has permitted it to slow the erosion of ordinary EBITDA margin, (-10.50% in the first quarter to -1.32% in the third quarter) and apply a strict management of working capital, which has strengthened its financial position.

Fixed cost containment achieved under the Efficiency Improvement Plan has yielded savings of 16.49 million euros in the first nine months of 2009 versus the same period in 2008. The launch in late July of the Cost Containment Plan, whose effects were not apparent until third quarter, will make it possible to further cut costs over the rest of the year.

Year-to-date variable costs have also declined by 29% versus figures for the first three quarters of 2008. This reduction was generated in part by the decline in activity, but it was also due to the decline in raw materials prices, particularly for electricity, as a result of the renegotiation of the supply contract. Therefore, variable costs as a percentage of revenues declined from 81% in the first quarter 2009 to 72% in the third quarter.

Cutting costs further than the decline in sales over the course of the year has permitted a recovery of the company's operating margin. Ordinary EBITDA, which stood at -16.67 million euros in the first quarter, was -4.22 million euros in the second quarter and -1.91 million euros in the third quarter. This trend is expected to gather momentum in the last quarter of the year, since ordinary EBITDA was positive in September.

Nonetheless, cumulative ordinary EBITDA for the year is still -22.79 million euros, versus the positive ordinary EBITDA of 38.04 million euros obtained in the first nine months of 2008.

The recognition of the employment regulation file included in the Cost Containment Plan implied a non-recurring provision in the amount of -9.01 million euros on the income statement for third quarter 2009. The income statement also showed a 1.75 million euros decline in the company's assets.

On the other hand, there is the positive impact of the reversal of a 12.47 million euros provision as a result of several favourable rulings, including in the Marina Badalona litigation.

Other significant aspects of the income statement as of September 2009 are the decline in depreciation and amortization expense, down by more than half (-56%), and the 45.8% decline in net financial costs due to reduced indebtedness and interest rates.

Given the foregoing, Ercros ended third quarter 2009 with net earnings of -37.48 million euros, versus the 5.01 million euros obtained the prior year.

The most notable items on the balance sheet are the significant reduction in working capital, which dropped from 155.16 million euros as of December 31, 2008 to 52.81 million euros as of September 30, 2009, and net borrowings, which declined from 129.59 million euros as of yearend 2008 to 115.40 million euros as of month end September 2009.

For the rest of the year, the company expects to further cut fixed costs as a result of the measures included in the Cost Containment Plan. This effect, added to the recovery in activity, and better prices and sales volumes for caustic soda and the leading products of the Intermediate Chemical Division, should halt the decline in earnings in the third quarter of the year and strengthen the change in trend in fourth quarter toward recovery of the company's margins.

Barcelona, 13 November 2009

Main Income Statement Items

Million euros

	Accumulated 3Q 2009	Accumulated 3Q 2008
Sales	458.67	677.11
Supplies	-346.35	-487.47
Fixed Costs	-135.11	-151.60
Ordinary ebitda	-22.79	38.04
Provision for redundancy procedure	-9.01	-2.21
Other non-recurring ebitda	11.45	7.29
Ebitda	-20.35	43.12
Depreciation and amortisation	-12.75	-28.78
Asset impairment	-1.75	-4.81
Ebit	-34.85	9.53
Net finance income	-2.31	-4.26
Income taxes and minority interests	-0.32	-0.26
Profit (loss) for the period	-37.48	5.01

Economical Analysis of Balance Sheet

Million euros

	30-09-2009	31-12-2008
Non-current assets	326.56	305.69
Working capital	52.81	155.16
Current assets	251.56	337.92
Current liabilities	-198.75	-182.76
Utilisation of resources	379.37	460.85

Equity	216.50	257.20
Net financial debt (NFD)	115.40	129.59
Provisions and other financial liabilities	47.47	74.06
Total liabilities and equity	379.37	460.85