

Ercros generates EBITDA from ordinary activities of 52 million euros

Consolidated profit for the 2007 financial year was –32.76 million euros, compared to 4.46 million euros the previous year. These results were significantly impacted by the 50.48 million euros in provisions in respect of the Efficiency Improvement Plan (EIP) the company is implementing. Excluding the impact of the plan, profit for the year would have amounted to 17.72 million euros.

Sales amounted to 844.65 million euros, up 17.1% on those posted in 2006, highlighting the strength of the market in 2007. Leaving aside the 69.4% increase at the Intermediate Chemicals Divisions, stemming from the change in scope resulting from the acquisition of Derivados Forestales in May 2006, and apart from Pharmaceuticals, all the Company's divisions significantly increased their sales. Basic Chemicals grew 2.9%, which would be 4.1% if account were taken of the increase in internal supplies in 2007 as a result of the acquisition of Derivados Forestales. Plastics grew 4.9%; Animal Feed 22.7%; Water Treatment 14.3%; and Emulsions 14.6%. The exception Pharmaceuticals, which saw a 3% decline in sales, can be largely explained by the impact of the continued weakness of the dollar.

EBITDA from ordinary activities amounted to 51.81 million euros and EBIT from ordinary activities to 10.92 million euros. These are the indicators that best reflect the Company's operating performance. Both are up sharply on 2006 partly as a result of the change in scope but also the increase in productivity. The margin of EBITDA from ordinary activities came in at 6.1%, practically unchanged on 2006, while EBIT from ordinary activities rose from 0.6% to 1.3%, despite the company having to endure a substantial increase in the cost of energy and of the main raw materials.

With respect to ordinary activities, raw materials and consumables used and other expenses rose to 80.7% of sales in 2007 compared to 79.5% in 2006. In particular, the electricity price rose 18% and the average increase in ethylene, methanol and potassium chloride was 8%. On the other hand, payroll & employee benefit expense rose by a more restrained 2.5% to 111.19 million euros. The average workforce during 2007 was 2,100, down 62 following the closure of the Sant Celoni plant, in line with the EIP.

The most volatile line item in the income statement is non-recurring EBITDA, which was -23.95 million euros (11.12 million euros in 2006). The main component of this line item is a 25 million euros provision to cover the compensation payments stemming from the EIP, but it also contains other large positive and negative amounts that largely offset each other.

Of the positive provisions, which came to a total of 16.33 million euros, note should be taken of the reversal of two provisions following favourable decisions by the Supreme Court: the first, for 8.92 million euros, regarding a claim by a third party in respect of an insolvency debt dating from 1992 and the second, for 4.10 million euros, relating to an appeal lodged against the Spanish Treasury. The reversal of these provisions also resulted in interest accruing to the Company of 8.01 million euros and 9.86 million euros respectively, which were included in net finance income.

Of the negative amounts, which came to a total of 40.28 million euros, and excluding the above-mentioned 25 million euros in compensation payments in respect of the EIP, note should be taken of two provisions resulting from court decisions handed down against the Company: the first, from a Court of first instance in Barcelona, for 8.90 million euros following a claim filed by Marina Badalona S.A. and the second for 2.35 million euros, in respect of the civil liability of Ercros with regard to a portion of the cost of treating the sediment in the Flix reservoir. This provision is on top of the 8.11 million euros provision already recorded in 2006 with regard to the same issue, as a result of the increase in the anticipated cost of cleaning this reservoir. Both decisions are being appealed.

Another major change that should be mentioned is the net finance profit of 6.04 million euros compared to a loss of 13.42 million euros in 2006. The main reason for this change is the interest accruing as a result of the above-mentioned reversed provisions, which amounted to 17.86 million euros.

As indicated above, the provisions in respect of the EIP materially affect the 2007 financial statements, for which reason it is helpful to review the results without these provisions. Other than a slight change in the other operating income line item, the most material changes related to non-recurring EBITDA as already mentioned and the 26.31 million euros asset write-off stemming from the accounting write-off of the facilities and plants to be closed under the plan. As mentioned, without these provisions, profit for the year would have been 17.72 million euros in the black.

The most material feature of the balance sheet is the change in equity following the 144 million euros capital increase carried out to fund the EIP and the corresponding reduction in net financial debt from 256.06 million euros in 2006 to 129.62 million euros in 2007. In 2006, this debt was 5.7 times EBITDA from ordinary activities while it was only 2.5 times in 2007. Similarly, the debt ratio (net financial debt to equity) fell from 71% in 2006 to 28% in 2007.

On the asset side, the most noteworthy changes were the decline in non-current assets, as a result of depreciation and amortisation and the write-off of assets resulting from the EIP, and the increase in working capital, primarily on the back of the growth in sales.

The outlook for 2008 is for a continuation in current sales growth rates, in particular in the first half of the year. The outlook for the second half is subject to a possible slowdown in the property sector, but also to the expected increase in public works tenders and the construction of subsidised housing, which should help to offset the former. On the other hand, there are signs of a significant easing in the price of raw materials and consumables, something that should strengthen the improvement in the Company's margins, which will begin to show as a result of the EIP.

Barcelona, 29 February 2008

Consolidated income statement

Million euros

(IFRS-compliant)

LINE ITEMS	2007 ¹	2007	2006 ^{1,2}
	Inc. the EIP	Ex. the EIP	
Sales	844.65	844.65	721.00
Other operating income	25.44	24.61	53.41
Revenue	870.09	869.26	774.41
Payroll & employee benefit expense	-111.19	-111.19	-108.46
Compensation payments	-25.00	0.00	0.00
Raw materials and consumables used and other expenses	-706.04	-706.04	-609.64
Costs	-842.23	-817.21	-718.10
EBITDA from ordinary activities	51.81	51.81	45.19
<i>EBITDA from ordinary activities /Sales %</i>	<i>6.13</i>	<i>6.13</i>	<i>6.27</i>
Non-recurring EBITDA	-23.95	0.22	11.12
EBITDA	27.86	52.03	56.31
Depreciation & amortisation	-40.89	-40.89	-40.48
EBIT from ordinary activities	10.92	10.92	4.71
<i>EBIT from ordinary activities / Sales %</i>	<i>1.29</i>	<i>1.29</i>	<i>0.65</i>
EBIT	-13.03	11.14	15.83
Net finance income	6.04	6.04	-13.42
Asset write-off	-26.31	0.00	0.00
Profit from ordinary activities before tax	-33.30	17.18	2.41
Income tax expense	-0.21	-0.21	2.44
Minority interest	0.75	0.75	-0.39
Equity holders of the parent	-32.76	17.72	4.46

¹ Audited.

² The 2006 scope includes the Intermediate Chemicals Division from the date of its acquisition on 19-05-06.

Consolidated balance sheet

Million euros

(IFRS-compliant)

ASSETS	31-12-2007 ¹	31-12-2006 ¹
Non-current assets	525.29	624.32
Property, plant and equipment	485.29	526.56
Other non-current assets	40.00	97.76
Current assets	423.74	381.46
Inventories	104.19	102.78
Trade and other receivables	215.91	212.23
Other current assets	103.64	66.45
Total assets	949.03	1,005.78
LIABILITIES AND EQUITY		
Equity	463.14	359.97
Equity holders of the parent	462.23	358.00
Minority interest	0.91	1.97
Non-current liabilities	193.67	232.22
Amounts owed to financial institutions	79.71	123.33
Provisions	68.76	62.77
Deferred tax and other non-current liabilities	45.20	46.12
Current liabilities	292.22	413.59
Amounts owed to financial institutions	85.32	174.68
Trade and other payables	147.45	160.88
Other current liabilities	59.45	78.03
Total liabilities and equity	949.03	1,005.78

¹ Audited.

Economic analysis of the balance sheet Million euros

	31-12-2007	31-12-2006
Non-current assets	480.87	542.18
Working capital	183.12	137.84
Current assets	390.02	376.75
Current liabilities	-206.90	-238.91
Utilisation of resources	663.99	680.02
Equity	463.13	359.97
Net financial debt	129.62	256.06
Other financial liabilities	71.23	63.99
Source of resources	663.99	680.02

Net turnover by divisions Million euros

	2007	2006	Variation %	Structure %
Chlorine and soda businesses	545,53	516,81	5,6	64,7
Basic Chemicals	290,18	282,05	2,9	34,4
Plastics	181,19	172,75	4,9	21,5
Animal Feed	47,89	39,03	22,7	5,7
Water Treatment	26,27	22,98	14,3	3,1
Intermediate Chemicals	222,44	131,31 ¹	69,4	26,4
Pharmaceuticals	44,36	45,73	-3,0	5,3
Emulsions	31,12	27,15	14,6	3,7
Corporate	1,20	0,00	-	0,1
Ercros	844,65	721,00	17,1	100,0

¹ Business integrated into the Ercros perimeter since 19-05-2006