

Ercros results for the first half of 2009

Over the first half of 2009, the Company's business continued to be impacted by the knock-on effects of the international economic crisis, which has caused sales to fall by 30.5% compared to the first half of 2008. To June 2009, revenue amounted to 313.91 million euros and was dragged down not only by lower volumes but also by the lower price of products sold.

Expenses amounted to 326.04 million euros, down 25.5% on the same period the previous year. This decline was due to the containment of fixed costs following the implementation of the Efficiency Improvement Plan (EIP) and lower variable costs, which were down 27.4%.

In terms of the impact of the EIP on fixed costs, over the first half of the year the Company's average headcount was 1,862, 121 down on the same period in 2008, explaining the 12.8% reduction in payroll and employee benefit expenses.

As regards variable costs, they were impacted by both lower production capacity usage and the reduction in raw material prices, which are also feeling the impact of the crisis. This decline was not, however, enough to offset the fall-off in sales, for which reason the ratio of variable costs to revenue rose from 73% in the first half of 2008 to 77% to June 2009.

As a result, Ebitda over the first half of 2009 amounted to -8.43 million euros (22.38 million euros over the same period in 2008). This performance was largely due to the lower margin resulting from the sale of products manufactured with raw materials recognised at 2008 prices and reflects the positive impact of the reversal of a provision following a favourable ruling in the Marina Badalona case.

Depreciation & amortization in the first half of the year amounted to 8.17 million euros (19.40 million euros in 2008), bringing Ebit to -16.60 million euros (-1.28 million euros to June 2008).

Net finance income went from -4.21 million euros in the first half of 2008 to -1.25 million euros in the same period in 2009. This improvement was due to lower interest payments incurred by the Company on the back of its reduced debt levels.

Net of minority interests, the attributable loss for the first half of 2009 was 18.03 million euros compared to 4.61 million euros in 2008.

The two highlights with regard to the balance sheet were the lower working capital requirement, down from 155.16 million euros as of December 2008 to 68.29 million euros as of June 2009, and, partly as a result of this, the fall in net financial debt over the same period from 133.90 million euros to 104.95 million euros. Net financial debt as of the end of June represented 44.2% of equity, compared to 52.1% as of the end of December.

An analysis of the results by quarter shows a seasonal upturn in business, which should continue at least through the third quarter. In addition, the second quarter benefited from the cut in electricity prices following the renegotiation of the supply contract.

Similarly, in the second half, the Company's results should benefit from the impact of the measures set out in the EIP (shutdown of PVC production at the Monzón plant) and in the Adjustment Plan that has just been implemented. The goal of this Plan is to achieve monthly savings of between 2 to 4 million euros in order to bring the Company's structure into line with current demand. Compared to the first half, the second half of the year should also reflect a further reduction in the cost of electricity following the aforementioned new contract.

Consolidated Income Statement

	Million euros	
	2Q 2009	2Q 2008
Revenue	317.61	459.74
Sales	313.91	451.85
Other operating income	3.70	7.89
Costs	-326.04	-437.37
Payroll and employee benefit expense	-51.73	-59.34
Variable costs	-274.31	-378.02
Ebitda	-8.43	22.38
Depreciation and amortisation	-8.17	-19.40
Asset impairment	-	-4.26
Ebit	-16.60	-1.28
Net financial income	-1.25	-4.21
Profit (loss) before tax	-17.85	-5.49
Income tax expense	-	-
Minority interests	0.09	0.88
Profit (loss) for the period	-18.03	-4.61

Economical Analysis of Consolidated Balance Sheet

	30-06-2009	31-12-2008
	Million euros	Million euros
Non-current assets	314.04	305.69
Working capital	68.29	155.16
Current assets	267.03	337.92
Current liabilities	-198.74	-182.76
Utilisation of resources	382.33	460.85
Equity	237.72	257.20
Net financial debt (NFD)	104.95	133.90
Provisions and other financial liabilities	40.56	69.75
Total liabilities and equity	383.23	460.85
<i>NFD/Equity</i>	<i>44.2%</i>	<i>52.1%</i>

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