

Ercros posts earnings of 5 million euros over the first 9 months of 2008

Ercros posted total earnings of 5.01 million euros over the first 9 months of 2008 (-33.94 million euros over the same period in 2007). EBITDA was up 39% to 43.12 million euros (30.94 million euros in 2007), on sales of 677.11 million euros, representing a rise of 5% on the 644.98 million euros in 2007.

The improved earnings were achieved despite a sharp rise in the cost of consumables and were attributable to two key factors: the absence in 2008 of major provisions compared to the provisions recorded in 2007 in respect of the Efficiency Improvement Plan (EIP), and the lower financial costs on the back of reduced debt.

The 5% rise in sales breaks down as follows: the chlorine related businesses (Basic Chemicals, Plastics, Animal Feed and Water Treatment) were up 6%, Intermediate chemicals 4%, Emulsions 6% with Pharmaceuticals down -2%, as a result of the weakness of the dollar.

The improved EBITDA meant a rise in the gross operating margin from 4.8% of sales to 6.4%, and came about primarily as a result of non-recurring items, which did not include the provisions for the EIP that were recorded in 2007.

Secondly, and on top of the impact of the provisions, profit from ordinary activities before tax was heavily impacted by net finance income, which went from -11.00 million euros over the first 9 months of 2007 to -4.26 million euros over the same period of 2008. This sharp fall was due to lower interest charges as a result of the company's lower debt levels in 2008 compared to 2007.

In the balance sheet, the key feature was the rise in working capital, which went from 141.98 million euros at December 31, 2007 to 173.69 million euros at the end of Q3 2008, impacted not only by the increase in the price of end products but also by the cost of consumables. In addition, the company's lower debt levels made it possible to improve the net financial debt to equity ratio, which went from 28% at December 31, 2007 to 27% at September 30, 2008.

The key factor underlying the outlook for the final quarter is the uncertainty associated with the performance of the Spanish and European economies. Against a background of likely macroeconomic slowdown in the final months of the year, the drop-off in the cost of consumables that can already be seen and the appreciation of the dollar are factors that may offset the negative impact of the economic climate.

Ercros continues to implement the EIP as planned. During Q3 2008 operations ceased at the Silla, Catadau and Huelva plants, dedicated to phytosanitary production. The company is also making investments of around 31 million euros over the financial year. One hundred and twenty employees will leave the company this year.

Consolidated Income Statement

Items	Results at	
	30-09-2008	30-09-2007
	Million €	Million €
Revenue	684.97	655.98
Sales	677.11	644.98
Other operating income	7.86	11.00
Costs	-641.85	-625.04
Payroll & Employee benefit expense	-83.45	-83.28
Compensation payments	-2.21	-26.28
Raw materials and consumables used	-554.41	-514.91
<i>Raw materials/sales %</i>	<i>-81.88</i>	<i>-79.83</i>
Other expenses	-1.78	-0.57
Ebitda	43.12	30.94
<i>Ebitda/sales %</i>	<i>6.37</i>	<i>4.80</i>
Ebitda from ordinary activities	39.25	46.79
Non-recurring Ebitda	3.87	-15.85
Depreciation & amortisation	-28.78	-31.52
Ebit	14.34	-0.58
<i>Ebit/sales %</i>	<i>2.12</i>	<i>-0.09</i>
Finance income	-4.26	-11.00
Asset write-off	-4.81	-22.64
Profit (loss) before tax	5.27	-34.22
Income tax expense	-0.40	-0.15
Minority interests	0.14	0.43
Profit (loss) for the period	5.01	-33.94

Economical Analysis of Consolidated Balance Sheet

	30-09-2008	31-12-2007
	Million €	Million €
Non-current assets	483.02	522.01
Working capital	173.69	141.98
Current assets	426.56	348.88
Current liabilities	-252.87	-206.90
Utilisation of resources	656.71	663.99
Equity	464.80	463.14
Net financial debt (NFD)	126.44	129.62
Provisions and other financial liabilities	65.47	71.23
Total liabilities and equity	656.71	663.99
<i>NFD/Equity</i>	<i>27.20</i>	<i>27.99</i>

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