Summary

- As reported to the CNMV (Spanish Securities and Investment Board) in April 5, 2011, and it was stated in the Management Report of February this year, the lenghtening of the real estate crisis and the worsening for the conditions of borrowing credit in the market, lead the Company to consider a new approach to the financial entities at the beginning of this year, in order to achieve a new agreement to adapt the debt to the most predictable development of the Company and the real estate market and, at the end, to help the Company to develop the Business Plan.
- The key issues of the agreement with the financial entities are:
    - Debt amount reduction with the sale of assets to the financial entities or those designated by them.
    - Adjustment of the current syndicated loan conditions regarding maturity date, interest accrual and payment and other terms and conditions.
    - Strengthening of the Group equity and their subsidiaries.
- The good relationship with the financial entities, the fulfillment of all requirements stablished in the current syndicated loan and an initial agreement that considered a substantial reduction of debt through the sale of assets to the financial entities, lead the Company to give a high probability to the fact of reaching an agreement in a short period of time at the date when the Annual Accounts were drawn up.
- On April 29, 2011 the Group decides to redraw its year 2010 Annual Accounts due to the lack of agreement with all the financial entities.
- The new agreement still in negotiation differs from the originally proposed mainly due to the lower reduction in the debt amount through the sale of assets to the financial entities
- The results of this situation are reflected in the redrawn Annual Accounts:
    - Decapitalization of the tax credit with a direct impact in Equity, which becomes negative
    - Transfer of all the debt to short term
    - Decapitalization of May 2009 refinancing process expenses
- The Group redraws its Annual Accounts under the going concern principle, on the understanding that it is possible to achieve a new agreement with all the creditor entities, in the near future, due to the current support from the majority of them (which represents a 93.73% of the total amount of the negotiated debt).
- In case of reaching an agreement in the terms it stands, it would allow:
    - The Company equity rebalancing
    - A decrease in the Company debt and inventories
    - The reclassification into long-term of an important percentage of the outstanding debt
    - Debt repayment and interest expense commitments in line with the Business Plan of the Company

Consolidated profit and loss account

(M €)	FY10 redraw	% Sales	FY10	% Sales	FY09	% Sales	% var
Sales	58.2	*100%*	58.2	*100%*	360.2	*100%*	**-84%**
Other revenues	3.0	*5%*	3.0	*5%*	12.3	*3%*	-75%
TOTAL INCOME	**61.2**	***105%***	**61.2**	***105%***	**372.4**	***103%***	**-84%**
Cost of sales	-58.1	*-100%*	-58.1	*-100%*	-377.8	*-105%*	-85%
GROSS MARGIN (1)	**0.1**	***0%***	**0.1**	***0%***	**-17.6**	***-5%***	**-101%**
Sales, admin and payroll expenses	-21.5	*-37%*	-21.5	*-37%*	-30.0	*-8%*	-28%
EBITDA	**-18.3**	***-31%***	**-18.3**	***-31%***	**-35.4**	***-10%***	**48%**
Depreciation, Provisions & Other	-2.0	*-3%*	-2.0	*-3%*	-16.8	*-5%*	-88%
EBIT	**-20.3**	***-35%***	**-20.3**	***-35%***	**-52.2**	***-14%***	**61%**
Net financial income	-18.5	*-32%*	-18.5	*-32%*	-16.6	*-5%*	-12%
Equity accounting and others	0.0	*0%*	0.0	*0%*	-0.1	*0%*	-148%
PROFIT BEFORE TAX	**-38.8**	***-67%***	**-38.8**	***-67%***	**-68.8**	***-19%***	**44%**
Taxes	-46.1	*-79%*	10.9	*19%*	14.3	*4%*	n.a.
NET PROFIT	**-84.9**	***-146%***	**-27.9**	***-48%***	**-54.5**	***-15%***	**-56%**

(1) Gross margin is equal to Sales less Cost of sales, excluding Other Income

- The Group held the capitalization of deferred taxes corresponding to aplying a tax rate of 30% to the fiscal negative taxable bases of the company and its subsidiaries pending to offset, based on two facts with a reasonable probability of occurrence according to the Company:
    - Reaching a new agreement with the financial entities of the banking syndicate which would permit an important debt reduction through the sale of assets to the financial entities, and the restructuring of the syndicated loan conditions for the remaining debt.
    - A Business Plan based on the gradual recovery of the market from 2011 on, which would allow the Company to restore the taxable negative bases.
- At the time of the Annual Accounts redraw, April 2009, 2011, it has not been reached an agreement with all the financial entities. Moreover, the agreement currently in negotiation differs significantly from the initial one as it takes into account a substantial reduction in the asset sales to the financial entities. The results of these facts are: i) a lower reduction in debt amount ; ii) a higher exposure to interest rate evolution and financial expenses in general; and iii) permanence of the risk associated to the assets of the outstanding portfolio.
- The above reasons and following the accounting principle of prudence, the Company has decided to decapitalize the tax credit hold in its balance.
- Decapitalizing the tax credit has an impact of -56.8 M€ in the tax line of the consolidated profit and loss account, placing the Group net result in **-84.9 M€** compared to -27.9 M€ reported in the Management Report of February 2011.
- Furthermore, it has been included an extraordinry impact of -7.5 M€ in the net financial result due to the decapitalization of the financial expenses related to the 2009 debt refinancing agreement. This impact was already reported in the Management Report posted in Febrary this year.

Consolidated balance sheet

Assets *(€M)*	dec-10 redraw	dec-10	dec-09
Long term assets	**17.2**	**73.2**	**64.2**
Inventory	267.0	267.0	270.7
Debtors	8.8	8.5	31.9
Cash	21.7	21.7	22.0
Other current assets	2.3	2.4	3.3
Current assets	**299.8**	**299.6**	**328.0**
Total Assets	**317.1**	**372.8**	**392.3**

Equity and Liabilities *(€M)*	dec-10 redraw	dec-10	dec-09
Capital & Reserves	43.9	43.9	96.7
Period net profit	-84.9	-27.9	-54.5
Total Equity	**-41.0**	**16.0**	**42.2**
Long term debt		**279.3**	**258.7**
Long term creditors	**20.4**	**19.2**	**29.6**
Short term debt	**319.4**	**40.1**	**44.0**
Short term creditors	**18.3**	**18.2**	**17.7**
Equity and liabilities	**317.1**	**372.8**	**392.3**

- Tax credit decapitalization impacts the Company consolidated balance sheet as follows:
  - Long term assets decrease from 73.2 M€ reported in the Management Report of February this year, to 17.2 M€.
  - Equity becomes negative of -41.0 M€ after the decrease in year 2010 net result.
  - Reclassification of the long-term debt into short term-debt. Once the agreement with creditor entities is reached, an important amount of the short-term debt will be classified again to long-term debt.

Terms of the agreement under negotiation with the banking syndicate

- The proposed agreement divides the remaining debt after the sale of assets into:
  - Equity loan amounting to 54.5 M€ . This loan would be considered as equity and would rebalance this line of the consolidated balance sheet. It has a maturity period of 10 years and would be repayed through two means: i) a percentage of the Company consolidated annual net profit; ii) cash surplus generated in the sale of inventories previous to 2009 once the senior credit is completely repaid.
  - Senior credit amounting to 103.5 M€. It has a bullet maturity date of 8 years although mandatory repayments will occur with the sale of collateral assets.
- The key issues of the agreement proposed to the financial entities are :
  - Strengthening of the Group equity and their subsidiaries. Equity would rebalance because of the consideration of the equity loan as equity, which would represent avoiding company liquidation concern. Only taking into account this conversion impact, equity would increase from -41.0 M€ to **13.5 M€**.

(M €)	post-refinancing
Equity (1)	**-41.0**
Equity loan	**54.5**
Total Equity (2)	**13.5**

  - Debt amount reduction with the sale of assets to the financial entities or those designated by them. The impact in debt reduction of the asset sales to creditor entities is of 117.7 M€.
  - Adjustment of the current syndicated loan conditions regarding maturity date, interest accrual and payment and other terms and conditions.

(1) Equity under countable principles at 31st December 2010
(2) Equity for commercial purposes, which considers equity loan as equity

Outlook for the future

- The new agreement on debt restructuring and the asset sale to the financial entities, once fully implemented, would give the Company the stability and the balance needed to carry out its activity, a part from adjusting, in the middle and the long term, the debt amount and the cash flows to an environment characterized by the lengthening of the real estate crisis.

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