

Ercros and the unions reach agreement to implement a downsizing plan involving the loss of 195 jobs

Ercros today reached agreement with the representatives of the UGT and CC.OO. union federations to implement a downsizing plan that will enable the Company to bring its production base into line with the fall-off in demand triggered by the current international economic crisis.

The agreement involves the loss of 195 jobs and the temporary lay-off of up to 207.

Job losses

The 195 people potentially affected by the job losses are spread across the facilities as follows:

Facility	No. of people affected
Palos	112 ¹
Flix	34
Aranjuez	12 ²
Corporación	10
Almussafes	9
Tarragona	9 ³
Cerdanyola	4
Tortosa	3
Cartagena	2
Total	195

¹ Of the 112 people affected in Palos, 54 will leave the facility within four months. The position of the 58 remaining workers remains to be clarified pending ongoing discussions with the Regional Government of Andalusia (see separate section on this issue).

² Following the temporary lay-offs scheduled for Aranjuez, 12 people will be let go.

³ The nine job losses may rise to 23, depending on the requirements of the facility.

The agreement provides for severance pay of 40 days per year worked, up to a maximum of 24 months, for workers losing their jobs, except for employees over 62 years of age at facilities offering hand-over contracts and employees receiving government assistance who will receive severance pay of 20 days per year worked, up to a maximum of 12 months.

The job losses will occur based on the Company's operating requirements, although it is estimated that most of them will have taken place by the end of the summer.

In order to minimise the social impact of the 195 job losses, the agreement provides for the following measures:

- These people may take hand-over contracts as the 148 employees having turned 60 years of age by the end of 2011 (or by the end of 2012 at the Aranjuez plant) take partial retirement. At some facilities, the application of this measure will make it possible to absorb the full impact of the downsizing plan;
- They may fill any vacancies arising up to that date; and
- They may swap with workers wishing to take voluntary redundancy under the terms of the downsizing plan.

The Company also undertakes to offer training courses to affected employees and, in line with their expertise, help with their outplacement at other companies.

Temporary lay-offs

The 207 people who may potentially be affected by a temporary lay-off are spread across the facilities as follows:

Facility	No. of people affected
Aranjuez	12 ¹
Almussafes	96
Palos	54
Flix	26 ²
Cartagena	19
Total	207

¹Temporary lay-offs involving an average of 12 people a month, on a rotating basis over at most a year, affecting all employees. Following these temporary lay-offs, 12 jobs will be lost.

²Of the 26 people affected, nine have hand-over contracts.

The maximum period set for the temporary lay-offs is 12 months, except for Palos where the maximum period is four months.

The agreement provides for a supplementary payment for those affected by a temporary layoff, enabling them to receive 72% of their salary during the lay-off.

Special agreements for the Palos facility

Amongst the measures provided for in the Adjustment Plan that the Company has implemented is the closure of chloromethane and EDC units at the Palos plant. This will result in 54 being surplus to requirement.

With regard to its electrolysis unit, the Regional Government of Andalusia has offered to help the Company with the financing of the switchover from mercury cell to membrane technology, thereby preventing the closure of this unit.

The Company is currently in discussions with the Regional Government to finalise the terms of this aid. Until such discussions are complete, the Company will not be in a position to indicate the number surplus to requirement at that plant.

Today's agreement with the unions accordingly provides, in the event of the completion of the aforementioned technological switchover, for:

- The temporary lay-off of 54 people (these jobs will be permanently lost within at most four months).
- Maintaining the jobs of 36 people on a long-term basis and another 29 on a temporary basis for a period of two years.

Approval process for the downsizing plan and impact on the second half of 2009

The agreement has been reached in the course of the consultation period for the downsizing plan submitted by the Company to the Labour Ministry on 27 May. Once the agreement has been sent to the labour authorities, it is expected to get the green light within a week.

The Adjustment Plan supplements the Efficiency Improvement Plan (EIP) that the Company has been carrying out since 2007. The implementation of virtually the whole EIP and the continued decline in business have made it necessary to take additional measures, including those set out in the Adjustment Plan. The Company expects these measures will cut costs by between €2 to €4 million per month beginning in the second half of the year.

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