

Ercros implements a broad strategic plan to improve the Company's efficiency

Ercros today notified the CNMV [*Spanish Securities and Exchange Commission*] of a material fact, informing it of the implementation of a broad strategic plan for the coming four years which envisages: a) the closure of five plants; b) the discontinuing of four product lines; and c) a workforce reduction of 355.

The Efficiency Improvement Plan (EIP), which sets out the Company's strategy for the 2007-2010 period, contains 16 action items designed to improve the Company's efficiency. Once the whole plan has been implemented, it is estimated that annual expenses will have been cut by 30 million euros. The estimated cost of making good the planned investments and compensation amounts to some 123 million euros, with an internal rate of return of around 23%.

Share capital increase

To finance the EIP, the Ercros Board of Directors has approved a share capital increase of 144 million euros, with 104 million euros relating to the par value of the increase and 40 million euros to the issue premium. In total, 288 million new shares are to be issued with an issue price of 0.50 euros per share (0.36 euros per share in par value plus 0.14 euros per share in share premium). The exchange ratio will be two new shares for every five old shares with retention of preferential subscription rights.

In addition to providing the resources necessary to finance the EIP, the increase will allow the debt to be restructured resulting, in net terms, in a debt reduction of 21 million euros. Measured on 2006 data, this transaction will mean that at the end of the EIP in 2010, financial debt will represent less than 50% of net equity compared to 70% in 2006.

The increase will see the current share capital rising by a factor of 1.4, growing from 719 million shares to 1.006 billion shares. In monetary terms, the current share capital of 259 million euros will rise to 362 million euros.

The plan is to carry out the increase in June and will be done on the basis of the approval granted by the General Shareholders' Meeting of April 28, 2006 to increase the Company's share capital by up to 50%.

2007-2010 Ercros Efficiency Improvement Plan

Between 2005 and 2006, Ercros implemented an acquisitions strategy based on the acquisition of new businesses to achieve scale and move up the value chain. This strategy resulted in the acquisition of Aragonesas and Derivados Forestales. With these two deals, Ercros increased its sales threefold and generated major synergies, which represented savings of some 7 million euros in 2006.

This strategy, which paid off as planned, was implemented without making any changes to the production organisations that had previously been built up by each of the companies involved. There is, however, major scope for possible improvements in efficiency since the most significant synergies, namely those stemming from the reorganisation and streamlining of these organisations, have still to be achieved.

The EIP set out herein is based on a better understanding of the acquired assets and is made possible by the increased flexibility resulting from the broader industrial base. Through this plan, Ercros is undertaking a strategic process which, unlike the previous consolidation process, involves changing the industrial organisation with the goal of making the company more efficient and productive.

At 2006 values, and once the whole EIP has been completed and financed, Ercros's results will improve significantly with ordinary Ebitda representing 10% of sales compared to 6.3% in 2006.

The plan's strategic goals are as follows:

- a) Cut the number of plants to create European scale industrially integrated plants that are efficiently located.
- b) Specialise in more profitable product lines, that offer the Company better relative advantages and more growth potential, namely:
 - The chlorine/potash/soda/PVC line;
 - The oxidants and water treatment line; and
 - The formaldehyde and its derivatives line.
- c) Adapt production technology and processes to cut raw material and energy consumption and use them more efficiently, and
- d) Minimise chlorine shipping for cost, safety and environmental reasons.

The basic strategy set out above will be achieved through 16 specific action items including: a) the closure of the plants in Sant Celoni, Monzón, Silla, Catadau and Huelva; b) the discontinuing of the phytosanitary, potassium chlorate, potassium chloride and Erythromycin stearate lines, all of which are considered non-strategic; and c) a workforce reduction of 355, representing some 16% of the average workforce in 2006, and improvements in productivity across virtually all areas of the Company.

Summary of the action items in the EIP

The 16 action items in the plan are set out below, grouped together by goal:

Reorganise and streamline the chlorine/soda/PVC line, with the closure of the Monzón plant and the moving of PVC production to the Tarragona complex.

Reorganise and streamline the formaldehyde and its derivatives line, with the closure of the Sant Celoni plant and the moving of formaldehyde production to Tortosa and glues and resins to Almussafes.

Improve the productivity of the oxidants line in Sabiñánigo, with the expansion of the sodium chloride plant to double its current capacity; the expansion of the DCCNa plant to increase capacity by 16%; the switchover from mercury to membranes in potassium chloride electrolysis; and the discontinuing of recrystallised potassium chlorate and potassium chloride, both of which lack profitability.

Restructure non-strategic businesses, with the discontinuing of Erythromycin stearate because of competition from emerging markets; the discontinuing of phytosanitary production, because of a lack of profitability, and the closure of the Silla, Catadau and Huelva plants; and

A series of seven other action items designed to cut costs in that number of plants and corporate seats.

Barcelona, 18 April 2007