

In 2008, Ercros workforce will be reduced by 200 people by the effect of EIP

The Efficiency Improvement Plan (EIP) ran on schedule in its first year of implementation. In this period, 127 people have left the firm, of which 62 in 2007 and 65 so far in 2008. The headcount is expected to have decreased by 200 employees by end-2008. As a result of implementing the EIP (2007-2010), a reduction of 325 jobs over the period is planned.

Although the workforce reduction is to be implemented gradually from 2007 to 2010, the 25 million euros expense in severance payments was recognised in full in 2007's accounts.

To settle the labour conditions of the employees concerned Ercros signed an agreement with industrial representatives in January. In addition, Spain's Ministry of Employment approved the workforce restructuring plan and granted the corresponding aid.

This year should see most of the steps in the Efficiency Improvement Plan (EIP) implemented. Ercros plans to invest more than 50 million euros in 2008, mainly in the Basic Chemicals, Plastics and Water Treatment businesses.

During the twelve first months, the Company invested 17 million euros in the Plan in this time, with 13 million euros invested in 2007 and the other 4 million euros so far this year.

The most relevant move to date has been the discontinuation and subsequent transfer of production at the Sant Celoni plant, plus the corresponding sale of land on which it is located, for 42 million euros.

The main activities planned for 2008 are:

- Adaptation of the PVC plant at the Vila-seca II plant, to absorb the production capacity freed up by closing the Monzón plant. This shall represent a 22 million euros investment and its entry into operation is expected at end-2009, at which time activity at Monzón is due to cease.
- The change from mercury to membrane technology at the Sabiñánigo electrolysis plant. As well as significantly bringing forward the date for substituting mercury cells, planned for 2020, this should generate around 30% in electricity savings. Total investment shall equal 17 million euros and the new plant is expected to enter operation in mid-2009.
- A capacity increase for the manufacture of water-treatment related products, also at the Sabiñánigo plant, in order to increase Ercros's presence in a market with considerable future scope. Total investment is expected to exceed 9 million euros and both plants are scheduled to enter into service in the second half of 2009.

Besides the 25 million euros expense in severance payments, also in this year, a 26.31 million euros provision was set aside for assets that shall cease operating due to implementation of the Plan. Combined with a slight change in other income, these items had a 50.48 million euros impact on 2007's income statement. Excluding them, the 27.86 million euros ebitda would have equalled 52.03 million and the 32.76 million euros loss for the period would have been a 17.72 million euros profit.

Thanks to the strategy undertaken with the EIP and the opportune timing of its implementation, Ercros is now in a well protected position, even in the current cyclical downturn. In addition, its healthy financial capacity places it in a comfortable position in the current period of tightening credit conditions.

This information is contained in the EIP progress report that Antonio Zabalza, the Chairman of Ercros, shall unveil to the Ordinary General Meeting of Shareholders to be held on 6 June on second call.

Shareholders attending this Meeting shall receive a gross attendance bonus of half a eurocent per share (0.005 euros), representing 1.8% of the price on the day before the meeting notice.

Barcelona, 3 June 2008