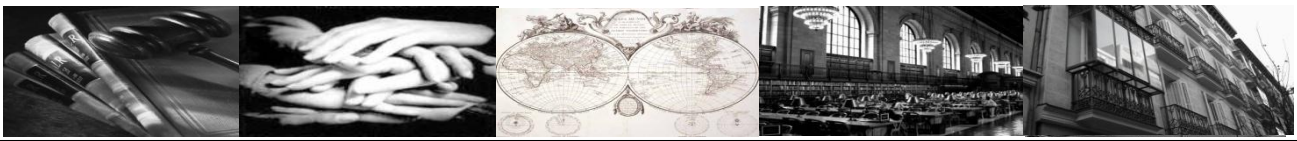


Summary

Royal Decree Law 3/2012, dated 10th February, of urgent measures to reform labor market.

Royal Decree Law 3/2012, dated 10th February, of urgent measures to reform labor market.

On 11th February 2012, it was published in the BOE the regulation of the measures agreed by the Ministers Committe held on 10th February, approving some measures intending to make more flexible the labor market.

These measures have affected several regulations of different nature, so we will try to explain them clearly, highligting only those considered more relevant:

1.- Reforms in relation to labor contracts: incentives and bonuses.

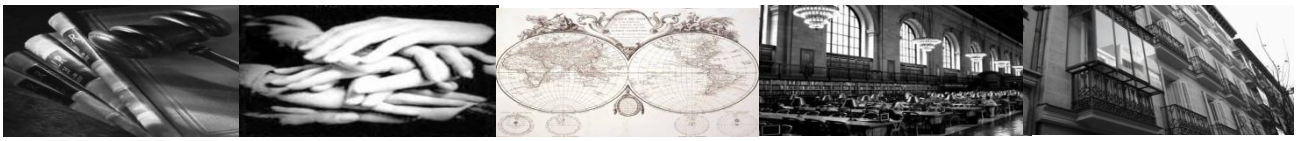
1.1 Formation and novice contract.

The main news in relation to these contracts are:

- It's duration may not exceed three years. I dissapears the possibility to extend it for 12 more months when formation requires it. The minimum term is reduced from one year to six months.
- Professional formation inherent to the contract can be received in the company, as long as the company has sufficient personal and material means. In any case, the employee will have, apart from the examinations assistance right, the right to choose the work shift and adaptation of the work, granting of permits to complete education with a reservation of the working post, and the education to adapt to the new circumstances in the working post.
- Employees with less than one year of seniorship will have the right to enjoy a 20 hours annual permit for formation, that can be accumulated during three years.
- Formation received as consequence of such contracts will be registered in a formation list linked to the social security affiliation number of the employee.

Formation contracts and learning will have the following bonuses:

- A reduction of 100% of the company's contingencies for labor disease and accident contributions as well as the salary waranty fund for companies with less than 250 employees, during the term of the contract.



Companies with equal or higher number of employees will have an bonus of 75%. The employees contribution is also reduced by 100%.

- Companies that transform formation contracts into indefinite contracts will obtain a reduction in the companies social security contribution of 1.500 € per year during three years. Such amount will be incresased to 1.800€ if the employees are females.

- Employees under this regulation must comply with the following requisites:

  (i) Age between 16 and 25 without professional formation. Transitorily and until unemployment rate does not fall below 15%, it will include employees until the age of 30.

  (ii) Employees must be registered in employment office before 1st january 2012.

1.2 Indefinite contract to support entrepeneurs.

A new type of contract is created, with the following characteristics:

- Company must have less than 50 employees.

- Contract must be indefinite and full time.

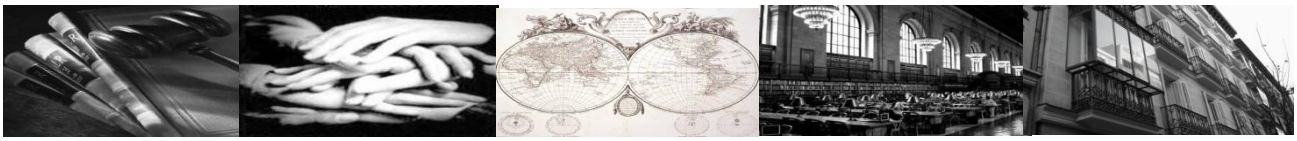
- Needs to be formalized in written, according to the official form.

- Time on proof will be 1 year.

Such contract has the following tax incentives and bonuses in social security contributions:

- Tax incentives.

  (i) 3.000€ deduction if the first employee hired is younger than 30.
  (ii) Hiring of employees which are beneficiary of a contributive unemployment subsidy will imply a deduction equal to 50% of the amount pending to be received, with the limit of 12 months. The employee needs to have received the amounts for at least 3 months. The deduction will be fixed on the date of beginning of the labor relationship.



- Bonuses in Social Security:

  (i) Hiring youngsters between 16 and 30, will imply a bonus inthe company's contritubion during 3 years, amounting to 83,33€/month (1.000€/year) the first year; 91,63€/month (1.100€/year) the second year; and 100€/month (1.200€/year) the third one. This bonuses will be increased by 8,33€/month (100€/year) if the employees are females.

  (ii) Employment of employees older than 45, previously registered in an employment office during at least 12 months of the last 18 months prior to being hired, will have a bonus in the company's contribution, during a term of 3 years, of 108,33€/month (1.300€/year). This bonus will be of 125€/month (1.500€/year) in case of females.

- This type of agreements cannot be used by companies that during the last 6 months have finished labor contracts for objective reasons declared inappropriate or have carried out a collective dismissal.

- In order to be able to benefit from the abovementioned incentives and bonuses, the contract must long at least 3 years.

1.3 Part time contracts

The main new feature is the possibility to make extra hours, which in any case may not exceed the limit of the full time working hours.

1.4 Home based work Contract

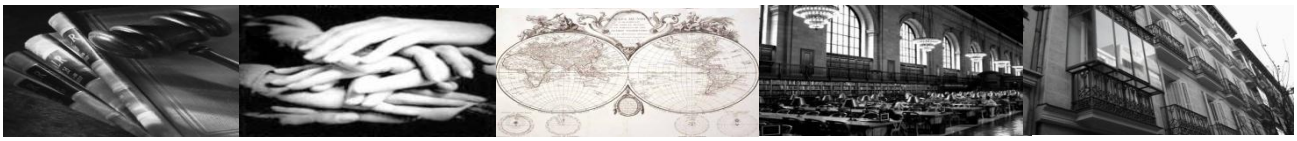
The long distance work contract changes to home based work contract to include work from the employees domicile. It will not be an independent contract anymore, and can be a change from an original contract, as long as it is formalized in written.

1.5 Practice, replacement and substitution contracts

A bonus will be applicable for the shift into indefiniteof practice, replacement and substitution contracts.

- The bonus in the company's contribution to social security is or 41,67€/month (500€/year, during 3 years.

- The bonus will be available for companies with less than 50 employees, self employed profesionals, labor companies and cooperatives.



2. Measures to promote the company's internal flexibility as alternative to employment destruction.

2.1. Functional movility.

Professional categories dissapear, and remains only a distinction between certain professional grous. To this respect, collective bargaining agreements must be adapted in the term of one year.

Entrepeneur and employee can agree the asignment of the employee to a particular professional group, which figure in the labor contract, including all the functions corresponding to each professional group.

Working day is flexibilized. In cases in which nothing is stated in the collective bargaining agreement and there is not an agreement between company and employee, the company may distribute irregularly during the year up to 5% of the working day.

Functional movility will be carried out in accordance with the academic record or professional experience within the professional group. There is no further reference to professional categories.

Functional movility is limited for higher or lower functions than those belonging to each professional group, and will depend on the technical or organization reasons that justify it, and limited in time.

2.2. Geographical movility.

Employees movility requiring a change of residence must be caused by technical, organizative or production reasons. That means reasons related to competitivity, productivity or technical organization. The legal representatives of the employees will have a priority to remain in their location. However, it is allowed that collective bargaining agreement or a specific agreement with the employees includes the priority in favor of other collectives, as those with family, etc.

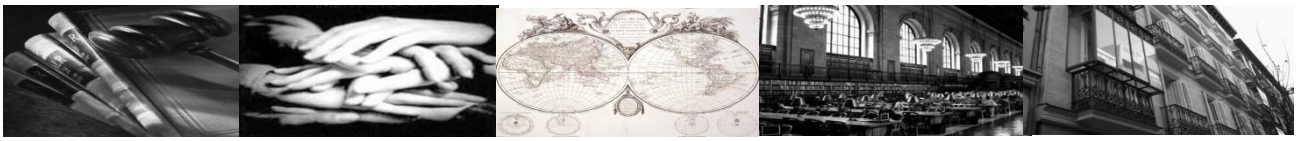
2.3 Substantial modification of the working conditions.

The main feature is the possibility to modify the salary amount.

Substantial modifications of working conditions can affect those included in the labor contract, or in collective agreements or circumstances enjoyed, by unilteral decision of the employer.

In case of individual modification, the notification term is reduced from 30 to 15 days.

The employee will have the rigth to extinguish his/her contract with an indemnity when substantial working conditions are modified, unless such modification affects the working system and his/her productivity.



Cases in which substantial conditions included in a collective bargaining agreement are modified, it will be regulated by article 82.3, regarding conditions opt out, which will be commented below.

2.3. Modification of substantial working conditions established in a collective bargaining agreement.

In cases in which exist economic, technical, organization or production reasons, the company and the representatives of the employees will be able to modify the conditions included in the collective bargaining agreements in relation to: working day, hourly distribution of working time, nigth shifts, remuneration system and salary amount, work system and development, functions exceeding functional movility and voluntary improvements on social security coverage.

Economic reasons are considered those related to the actual negative situation or expected; technical causes are those changes suffered by production system, organizative reasons are those derived from changes in the work system, and production reasons are those derived from the demand of products and services.

In case of agreement between company and representatives of the employees, the existence of a reasonable cause is presumed, and new conditions may be agreed, as well as their duration.

2.4. Suspension of the contract or reduction of the working hours for economic, technical, organizative or production reasons derived from force majeure.

As new feature, dissappears the need to obtain an authorization from labor authorities in order to apply the suspension or reduction of the working hours.

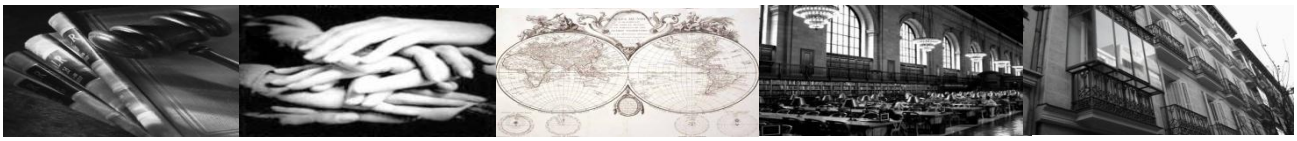
Former procedure is substituted by an specific procedure of inquiries and notification to the corresponding authority, that will only verify the existance of prior inquiries. The need to prove a cause is no further required in these cases.

Employees will be entitled to claim before labor jurisdiction, that will decide wether the meaures is correct or unjustified.

3. Collective negotiation. New features in relation to collective bargaining agreements.

While a collective bargaining agreement is in force, company and employees representatives may agree, with prior inquiries period, to turn inapplicable the working conditions when economic, technical, organizative reasons concur. Modifications can affect:

- Working hours.
- Working schedule and distributino of working time.
- Shift turns regime.
- Working system and performance.



- Salary system and salary amount.
- Tasks, when exceeding the limits for functional movility stated in article 39 of Estatute.
- Voluntary improvements in the social security protection.

In this regard, it will be understood:

- As economic reasons: cases in which the results of the company show a negative situation, as real or expected losses, or continous drop in income and sales. It will be presumed that drop is persistent when takes place during three consecutive quarters.
- As technical reasons: cases in changes in productive means and instruments.
- As organizative reasons: changes in the work system or the organization of production.
- Productive reasons: changes in the demand of prudcts or services that the company offers.

The existence of a cause is presumed when an agreement takes place. New conditions must be clearly stated, and may not last longer than the existing collective agreement.

The company's collective bargaining agreement will preferently apply, without exception, in the matters listed below.

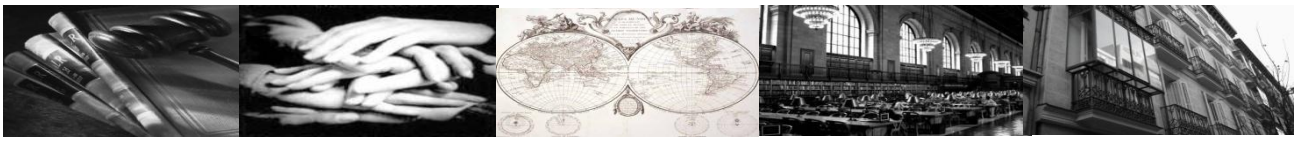
Formerly, the preference of the company's collective bargaining agreement was only applicable when no national or regional collective agreement was applicable.

Matters in which the company's collective bargaining agreement applies prefereably:

- Base salary, salary complements, including those linked to the situation and results of the company.
- Payment or compensation of extra hours, and specific retribution of shift turns.
- Working hours and work distribution.
- Adaptation to the company of the professional classification.
- Measures to promote the balance between work and family life.
- Matters included by collective bargaining agreements as a drop of.
- Priority cannot be regulated by agreement of collective bargaining agreement.

The minimum content of a collective bargaining agreement is simplified:

- Identification of the negotiating parties.
- Personal, functional, territorial and temporary scope.



- Procedures to effectively solve disputes derived from the lack of application of the conditions regulated in article 82.3 of the Estatute.
- Form and conditions to challenge the bargaining agreement, as well as the term to exercise such right prior to its expiration. The supletory term of three months dissapears.
- Appointment of a commission of representatives of the parties to discuss those matters included in law, or assigned.

A collective bargaining agreement can be reviewed while in force.

The collective bargaining agreement will be finalized after 2 years, once challenged, if no agreement has been reached, or an arbitration award has not been rendered, unless expressly agreed otherwise.

4 News in relation to dismissal.

4.1 Part time contracts.

Until 31st December 2012, it will not be binding, Article 15.5 of the Estatute, which establishes that employees with contract during 24 months of the last 30 become indefinite, in cases in which they have been hired continuously or not, for the same or different post, for the company or other company within the group, with two or more temporary contracts.

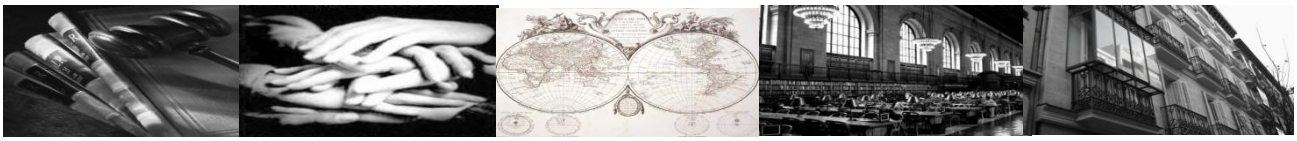
4.2. Collective dismissal.

The definition of collective dismissal remains, but the definition of economic reasons is modified. Now the alleged results don't need to be proved, and can be assumed when the decision seems reasonable.

As previously, it will be understood:

- As economic reasons: cases in which the results of the company show a negative situation, as real or expected losses, or continous drop in income and sales. It will be presumed that drop is persistent when takes place during three consecutive quarters.
- As technical reasons: cases in changes in productive means and instruments.
- As organizative reasons: changes in the work system or the organization of production.
- Productive reasons: changes in the demand of prudcts or services that the company offers.

Collective dismissal will require a prior inquiries period shorter than 30 days, or 15 in case of companies with less than 50 employees. Communication of the beginning of the inquiries period will be made in written, with a writ addressed by the company to the representatives of the employees, with copy to the labor authority.



Labor authority will inform the unemployment agency and will request a report from labor inspection and social security. The report will verify the information provided with the notice of the beginning of the inquiries period. The term to issue the report is 15 days.

Expired the inquiries term, the company will notify the labor authority the result: (i) in case of agreement, will attach a copy of the same; (ii) otherwise, will inform of its decission on the collective dismissal and its conditions. Therefore, the prior authorizations system dissapears.

The existence of force majeure, as a resason to justify the extinction of the labor relationship must be proved to the labor authority. Once verified, the authority will agree the total or partial payment of the indemnity by Salary Waranty Fund (FOGASA).

4.3. Dismissal for objective reasons

Some of the reasons that justify the dismissal are modified:

- Lack of adaptation of the employee to the technical modifications applied to his position, as long as sufficient formation has been received. The terms to adapt to such new technical circumstances are substituted by formation.
- Work absence, even justified, when exceed 20% of the working days during two consecutive months, or 25% during 4 discontinous months within a term of 12 months. Reference to the anbsentism rate in the company dissapear.

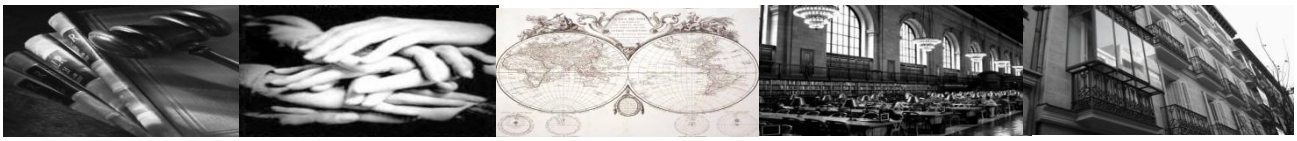
4.4. Unfair dismissal.

The indemnity is reduced to 33 days per year worked with a limit of 24 months

In relation to the back pay salary, it dissapears the reference to the deposit of the indemnity in the Court to avoid its accrual, and the amount is modified, as now will include the salary not received from the date if dismissal and until the notification of the judgment deciaring the dismissal was unfair, or until the date in which a new job is obtained, if it is prior to the judgment.

5. Relevant aspects of the reform execution:

- Bonuses and reductions in social security contributions will be applicable to companies automatically.
- The modification of the indemnity for unfair dismissal will apply to new contracts signed from the date in which the royal decree enters into force.



agreements in force prior to the date in which the Royal Decree entered into foce will receive an indemnity of 45 days for the term during which the services were rendered prior to such date, and 33 days for the term elapsed after such date.

- Downsizing plans which extinct or suspend the contracts, begun prior to the date in which the Royal Decree enters into force will be regulated according to the rules applicable when they begun.

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