

## NOTE OF RESULTS OF ERCROS HALF-YEAR 2021

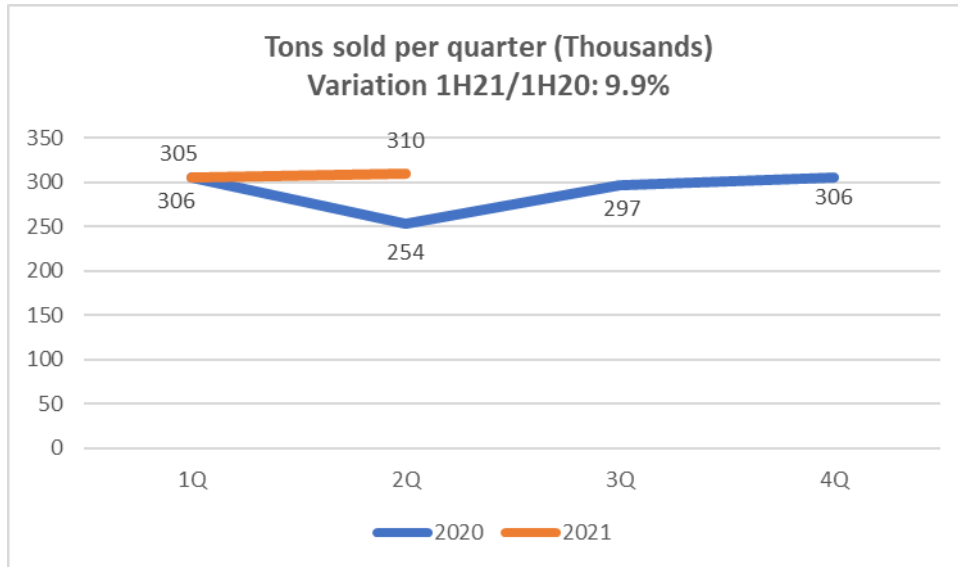
(28/07/2021)

### **Ercros quadruples profits in the first half of 2021**

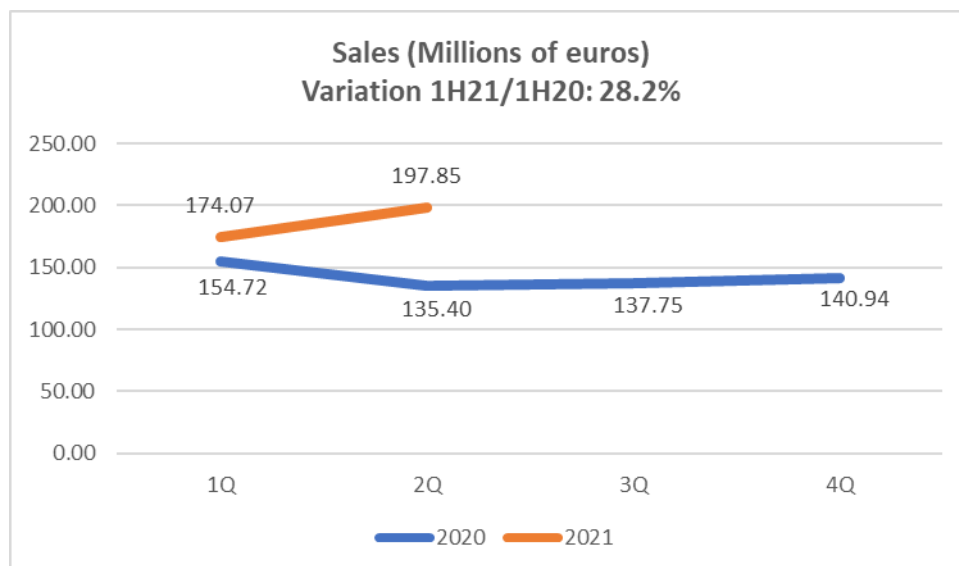
- Ercros' profits for the first half of 2021 (1H21) amounted to EUR 20.27 million, 4.6 times higher than the EUR 4.37 million reached in the same period of the previous year.
- The adjusted ebitda for the first half of 2021 was EUR 44.55 million compared to EUR 25.96 million in 1H20; an increase of 71.6%.
- The increase in adjusted ebitda (EUR 18.59 million) is mainly due to the major impetus provided by the increased contribution, with a net contribution of EUR 29 million, which far outweighs the negative impact of EUR 10.42 million caused by the increase in other operating costs, including the increase in international freight costs (approximately EUR 4 million) and fixed costs (EUR 3.4 million).
- Ercros reduced its debt by EUR 6.56 million, bringing it to EUR 78.27 million at 30 June 2021. Despite an economic environment still dominated by health restrictions, Ercros has maintained a solid financial position with more than EUR 91 million in liquidity.
- As a whole, the 2021 financial year will be clearly better than 2020. We expect the economy to continue on its path to recovery and the markets in which Ercros is present to maintain high levels of activity.

### A. KEY EVENTS IN THE FIRST HALF OF 2021 (1H21)

1. In the first half of 2021 (1H21), Ercros sold 615 thousand tonnes of products manufactured, compared to 560 thousand tonnes sold in the first half of 2020 (1H20): an increase of 9.9%. The volume in the second quarter of 2021, 310 thousand tonnes, clearly exceeded the 254 thousand tonnes sold in the weakest quarter of 2020, the second quarter, due to covid-19.

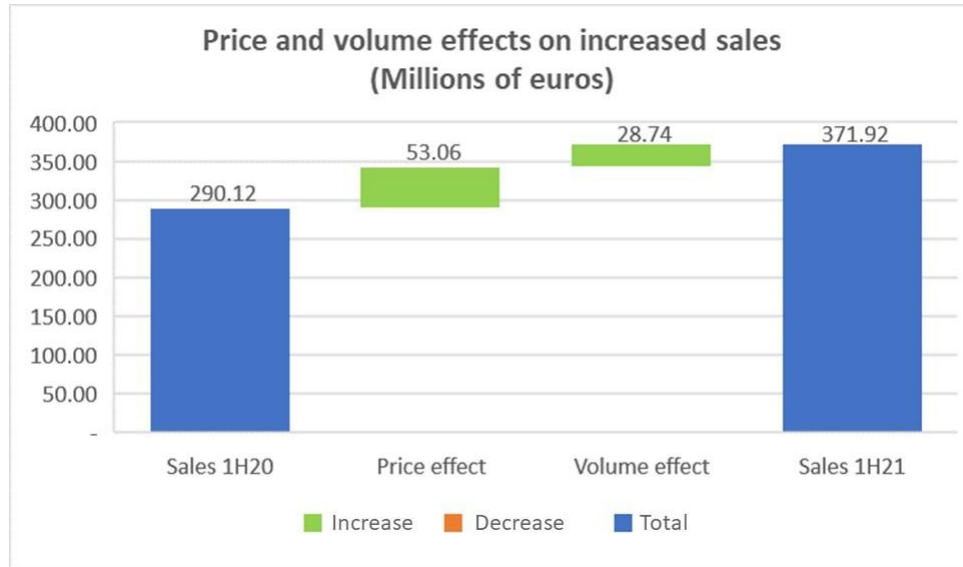


2. Sales (including the provision of services) during this period amounted to EUR 371.92 million compared to EUR 290.12 million in 1H20; an increase of 28.2%. Also in this case, the greatest divergence is seen in the second quarter: in 2Q21, sales amounted to 197.85 million; in the same period of the previous year, the quarter most affected by covid-19, they were only 135.4 million.

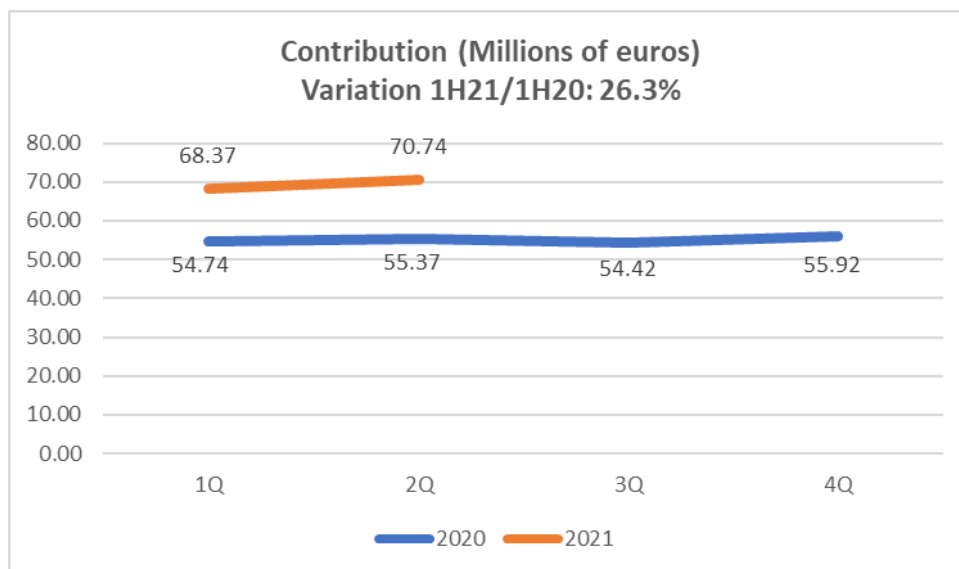


Sales include the provision of services.

3. The significant increase in sales in the first half of 2021 compared to the same period of the previous year was due to the fact that, between these two periods, both the volume sold and the average price obtained experienced strong growth. Of the total increase in sales, EUR 81.80 million, the price effect explains 53.06 million (65%) and the volume effect 28.74 million (35%).

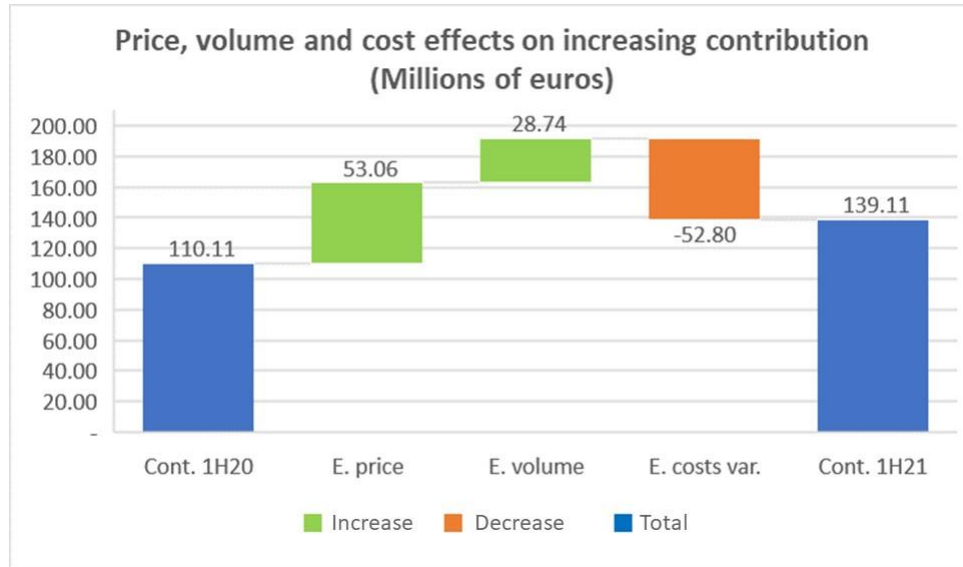


4. Despite the increase in variable costs experienced in the first half of 2021, the boost in sales in the first half of 2021 is reflected in the increased contribution obtained in this period. In the first half of 2021, the contribution amounted to EUR 139.11 million compared to EUR 110.11 million in 1H20; an increase of 26.3%.

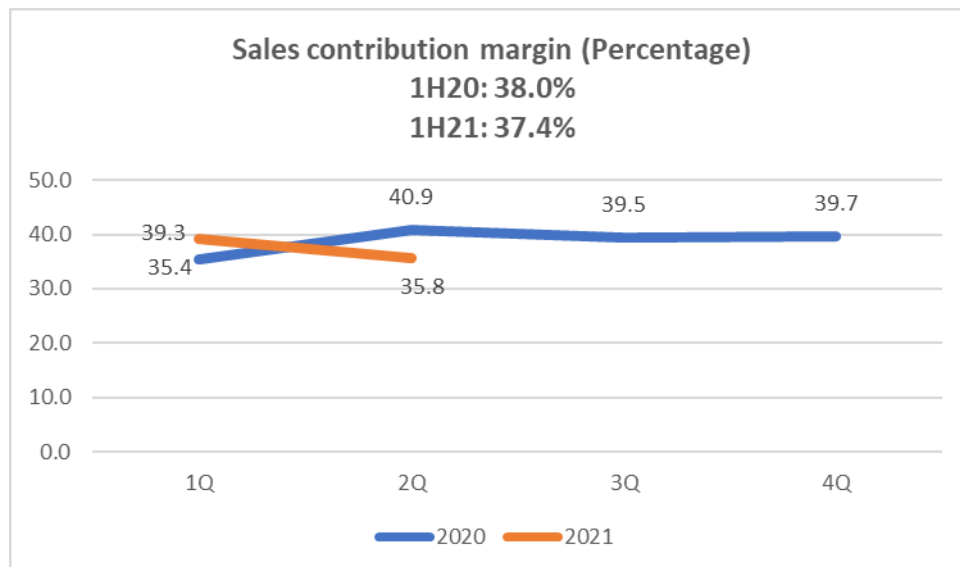


Contribution: (product sales + provision of services - provisions - supplies + changes in inventories).

5. The effect of increasing variable costs, although important, does not counteract the combined effect of prices and volumes. Sales (the sum total of price and volume effects) added EUR 81.80 million to the contribution, while the rise in variable costs meant a reduction of EUR 52.80 million, which was lower in absolute terms than the effect of sales. On a net basis, the contribution registered during 1H21 increased by 29 million compared to 1H20.

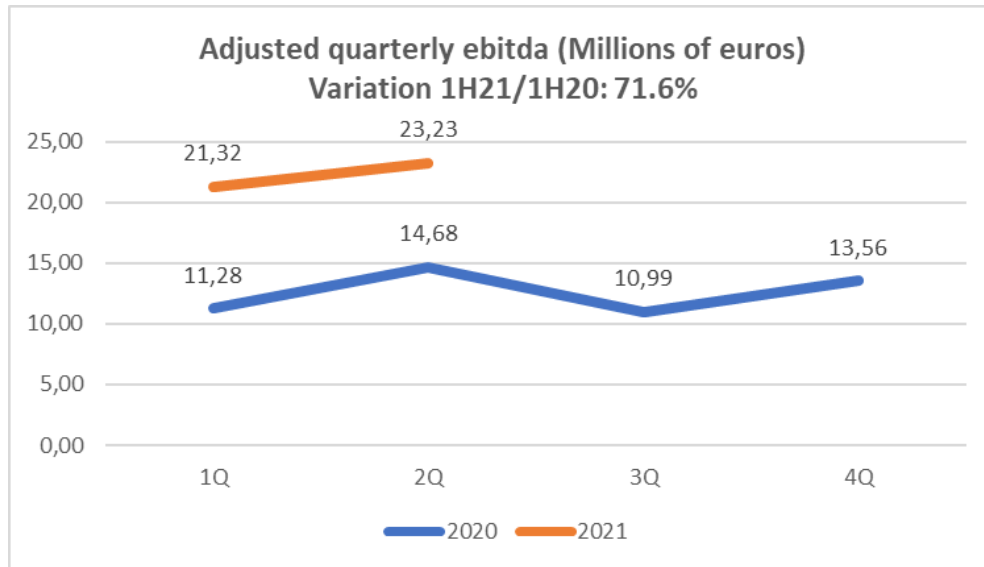


6. Despite the significant increase in the absolute contribution documented in point 4, the contribution margin (contribution over sales) declined from 38% in 1H20, to 37.4% in 1H21. The explanation for this apparent contradiction is that sales increased more than the contribution. Between 1H20 and 1H21, the absolute contribution increased by 26.3%, while sales increased by 28.2%, and so the contribution margin decreased from 38.0% to 37.4%.



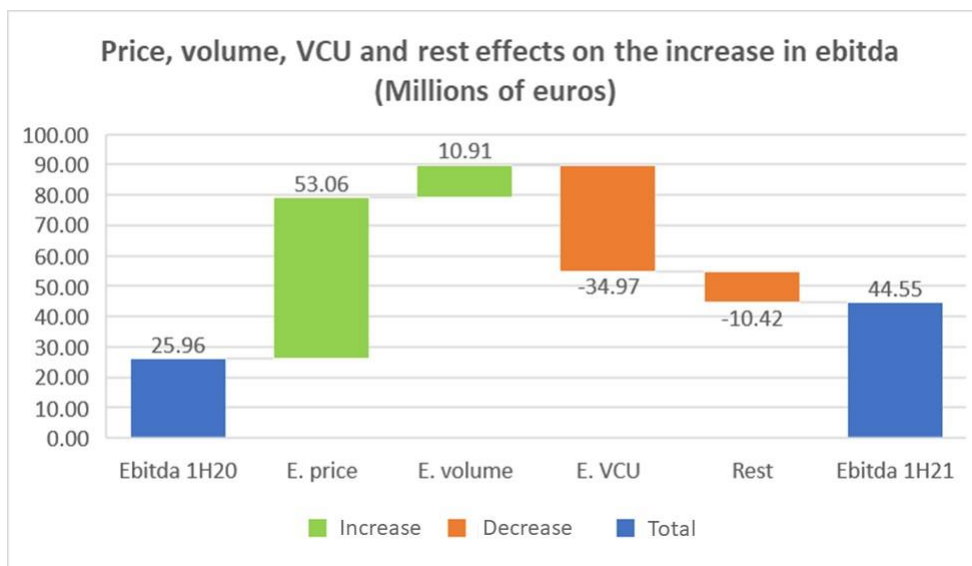
Contribution margin: contribution / (product sales + service provision)

7. The adjusted ebitda for 1H21 was EUR 44.55 million compared to EUR 25.96 million in 1H20; an increase of 71.6%.



Adjusted ebitda: ebitda excluding atypical items. See table 'Reconciliation of the ebitda' in Section D of this note of results.

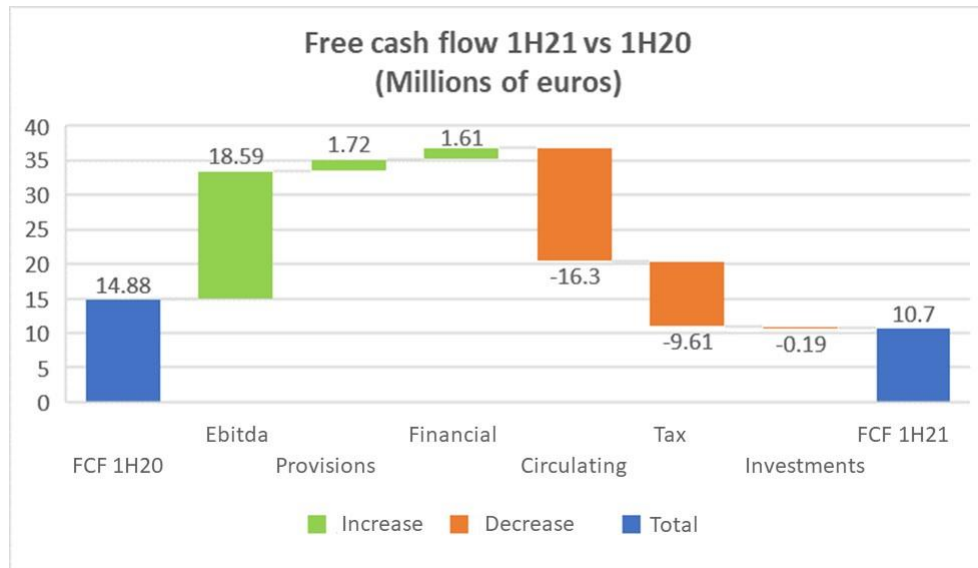
8. The increase in adjusted ebitda is mainly due to the major impetus given by the increased contribution, which is represented in the graph below by the price, volume, and VCU effects, with a net contribution to the ebitda of EUR 29 million that far exceeds the negative impact of EUR 10.42 million caused by the increase in other operating costs, including the increase in international freight (about 4 million) and fixed costs (3.4 million).



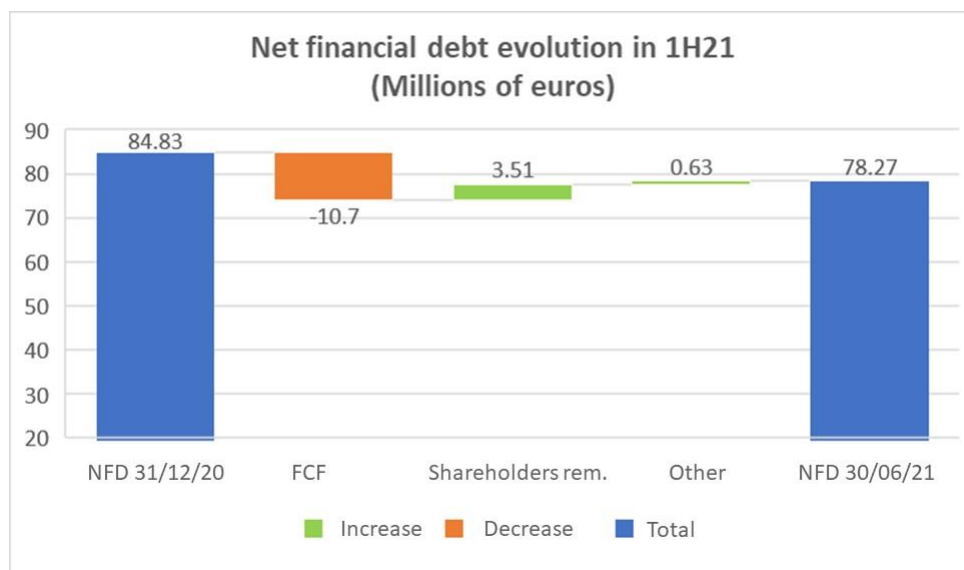
VCU: effect of changes in the variable costs per unit

Other: changes in the provision of services, other income, fixed and atypical costs.

9. In the first half of 2021, Ercros generated free cash flow (FCF) of EUR 10.70 million, EUR 4.18 million less than the EUR 14.88 million generated in the first half of 2020. The causes that explain the lower FCF of 2021 are, starting with those that generate resources: i) the higher ebitda obtained in 1H21 compared to 1H20, which generated an additional 18.59 million; lower provisions, 1.72 million; and lower net financial costs, 1.61 million. And those that subtract resources: i) the greater need for working capital due to the increase in sales, -16.3 million; ii) higher taxes, -9.61 million; and iii) slightly higher investments, -190 thousand euros.



10. Ercros began 2021 with EUR 84.83 million of net financial debt. In the first six months of the year, the main debt-reducing effect was the free cash flow (FCF) generated in that period, amounting to EUR -10.70 million; the causes that led to an increase in debt were shareholder remuneration, amounting to EUR 3.51 million, and other minor factors, amounting to a net value of EUR 0.63 million. In total, during the first six months of the current year, Ercros reduced its debt by EUR 6.56 million, bringing it to EUR 78.27 million at 30 June 2021.



11. Profits for the first half of 2021 amounted to EUR 20.27 million, 4.63 times higher than the profit for the first half of 2020, which amounted to EUR 4.37 million.
12. At 30 June 2021, Ercros had liquidity amounting to EUR 91.36 million, of which EUR 50.07 million related to cash management and EUR 41.29 million to undrawn credit lines.

## B. COVID-19 PANDEMIC

Unfortunately, more than one year after the start of the covid-19 pandemic in Spain, we must still refer to this serious health problem due to the current upturn in infections, their impact on the health system, and their negative impact on economic activity. In particular, fewer foreign visitors and new local restrictions could reduce the sale of some chlorine derivatives throughout the summer season of 2021.

Since the very beginning of this health emergency, Ercros has implemented preventive measures to minimise the risk of infection among its employees, with the establishment of strict safety protocols and teleworking protocols for activities that can be carried out remotely, protocols that are still being maintained today. As a result of this strategy, all of Ercros' facilities are operational and able to meet the needs of all its customers.

Through the company's covid-19 monitoring committee, and working closely with employees' representatives, Ercros continuously monitors the health of its employees, and updates the preventive measures in accordance with the rules and recommendations issued by the health authorities. As of 23 July, the number of Ercros employees vaccinated with, at least, one dose was 1,000 (75.7% of the workforce) with 838 people fully immunised (63.4%). Nationally, on that same date, 63.7% of the population had been vaccinated with, at least, one dose; and a total of 52.8% had been fully immunised.

## C. PLAN FOR DIVERSIFICATION, DIGITALISATION, AND DECARBONISATION: 3D PLAN

On 28 January, the company presented its **Strategic 3D Plan: Diversification, Digitalisation, and Decarbonisation**, which aims to transform Ercros into a sustainable company over time. Sustainable due to the diversification of its productive structure, which will allow it to mitigate the cyclical volatility characteristic of the chemical sector. Sustainable due to the digital transformation and automation of its processes, which will make it more competitive. And sustainable due to the adaptation of its environmental provisions to official European and Spanish requirements to curb climate change.

The 3D Plan encompasses 20 projects that, over the 2021-2029 period, will entail a cumulative investment of EUR 92 million and an additional ebitda, also cumulative, of EUR 194 million.

Investments in the Plan are being made in accordance with the planned schedule. Therefore, as announced in the note of the results of the first quarter of 2021, published on May 11, one of the projects within the diversification dimension, to expand the manufacturing capacity of dipentaerythritol by 15%, was fully operational at the beginning of April, while the other three projects within this dimension are all in progress, all of which should become operational in the second half of 2022. Several of the projects related to digitalisation and decarbonisation are also already being implemented, in accordance with the Plan. The rest will be gradually implemented in accordance with the financial premises established in the 3D Plan.

## D. INTERIM FINANCIAL STATEMENTS

The following tables present the financial statements for the first half of 2021 on which the key events described in Section A of this note of results are based: consolidated income statement; reconciliation of adjusted ebitda; and economic analysis of the balance sheet.

### Profit and loss

In addition to the information provided in Section A of this note of results, we would like to point out the following in relation to the consolidated income statement for the first half of 2021:

The provision of services increased by 15.8% due to higher demand among service users, with the most significant increase being in the dicalcium phosphate factory.

The overall supply amount plus the reduction of finished and in progress products increased by 26.5% due to the significant increase in the price of raw materials, especially EDC and methanol.

Supplies increased by 41.4% mainly due to the sharp increase in the price of electricity (the company's main supply).

Staff costs increased by 2.7% compared to 2020 due to growth in average employee numbers and increases in other costs.

The 18.5% increase in "Other operating expenses" relates to increases in virtually all items of expenditure, except travel expenses, fees and advertising, which decreased. The highest increases were experienced in terms of external transport costs, mainly due to the increase in international freight costs, followed by maintenance costs, largely due to the effects of Storm Filomena. This storm affected several plants in January due to very low temperatures that caused mainly damage to pipes and various warehouses. Insurance premiums also increased due to the requirements of the insurance sector and the increase in insurance tax. Furthermore, legal expenses increased, mainly in relation to the decontamination of El Hondón land and expenses for greenhouse gas emissions due to higher CO<sub>2</sub> prices.

Provisions and other extraordinary expenses remained at a similar level to 2020. The amount of provisions is updated at the close of each accounting period based on commitments to environmental remediation and the new information available on other commitments and obligations.

Amortisations decreased slightly over the same period in the previous year due to the lower depreciation of usage rights for leased assets, while financial results also declined, in this case by 25.5%, due to the lower average cost of debt and the positive exchange differences in the first half of 2021. Finally, expenses related to tax on profits increased due to the higher profits obtained.

### Balance Sheet

Non-current assets decreased by EUR 2.88 million, despite new assets through investments, due mainly to depreciation and the reduction of deferred tax assets.

Working capital increased mainly due to the increase in accounts receivable, resulting from higher turnover.



Equity increased by EUR 16.41 million, the net result of, on the one hand, EUR 20.27 million in profits registered in the first half of 2021 and, conversely, the repurchase of treasury shares amounting to EUR 3.51 million and the premium accrued for general shareholders meeting attendance of EUR 0.4 million.

The net financial debt decreased by EUR 6.56 million, the net result of, on the one hand, the free cash flow generated, amounting to EUR 10.70 million and, conversely, shareholder remuneration of EUR -3.51 million and other non-monetary variations amounting to EUR -0.63 million.

#### **Shareholder remuneration.**

The Ercros general shareholders meeting, held on 11 June, ratified the new shareholder remuneration policy proposed by the board of directors for 2021-2024.

The maximum pay-out will be 50% of the consolidated profit for each of the four years, subject to: i) obtaining a minimum consolidated profit of EUR 10 million; and ii) that at the end of each year the solvency ratio (net financial debt/ordinary ebitda) is less than or equal to 2.0, and the debt ratio (net financial debt/own funds) is less than or equal to 0.5.

Shareholder remuneration will be carried out through the buyback of treasury shares for their redemption and payment of a dividend. The buyback of shares shall be executed provided that the projected dividend pay-out is at least: 18% of 2021 consolidated profit; 20% of 2022 consolidated profit; 22% of 2023 consolidated profit; and 24% of 2024 consolidated profit.

On 1 March of this year, the buyback of shares charged to the 2021 pay-out was resumed. At 30 June 2021, the company had repurchased 1,284,000 shares at an acquisition cost of EUR 3.51 million. Also, at its meeting held on 10 June, the board of directors approved the sixth share buyback programme, which began on 1 July and will conclude on 22 June 2022.

### PROFIT AND LOSS ACCOUNT

Thousands of euros	1H21	1H20	%
<b>Income</b>	<b>379,538</b>	<b>296,935</b>	<b>27.8</b>
Sale of finished products	359,965	279,789	28.7
Services rendered	11,956	10,324	15.8
Other revenues	6,367	6,676	-4.6
Reversal of provisions and other extraordinary income	1,250	146	x8.6*
<b>Expenses</b>	<b>-335,706</b>	<b>-272,774</b>	<b>23.1</b>
Procurements	-181,481	-133,323	36.1
Reduction in inventories of finished goods and work in progress	-2,371	-12,046	-80.3
Supplies	-48,964	-34,634	41.4
Staff costs	-43,395	-42,259	2.7
Other operating expenses	-57,529	-48,564	18.5
Allocation of provisions and other extraordinary expenses	-1,966	-1,948	-
<b>Ebitda</b>	<b>43,832</b>	<b>24,161</b>	<b>81.4</b>
Depreciation and amortisation	-14,132	-14,633	3.6
<b>Ebit</b>	<b>29,700</b>	<b>9,498</b>	<b>x3.1*</b>
Financial Income	-2,832	-3,800	25.5
<b>Earnings before tax</b>	<b>26,868</b>	<b>5,698</b>	<b>x4.7*</b>
Income taxes	-6,603	-1,324	x5.0*
<b>Profit/(Loss) for the period</b>	<b>20,265</b>	<b>4,374</b>	<b>x4.6*</b>

\* Number of times the 2021 figure exceeds the 2020 figure (in absolute terms).

### RECONCILIATION OF ADJUSTED EBITDA

Thousands of euros	1H21	1H20	%
<b>Ebitda</b>	<b>43,832</b>	<b>24,161</b>	<b>81.4</b>
Atypical income items	-1,250	-146	x8.6*
Atypical expenditure items	1,966	1,948	0.9
<b>Adjusted ebitda</b>	<b>44,548</b>	<b>25,963</b>	<b>71.5</b>

\* Number of times the 2021 figure exceeds the 2020 figure (in absolute terms).

### ECONOMIC ANALYSIS OF THE BALANCE SHEET

Thousands of euros	30/06/21	31/12/20	%
<b>Non-current assets</b>	<b>353,679</b>	<b>356,562</b>	<b>-0.8</b>
<b>Working capital</b>	<b>42,689</b>	<b>29,839</b>	<b>43.1</b>
Current assets	188,611	148,609	26.9
Current liabilities	-145,922	-118,770	22.9
<b>Resources used</b>	<b>396,368</b>	<b>386,401</b>	<b>2.6</b>
<b>Net equity</b>	<b>300,625</b>	<b>284,215</b>	<b>5.8</b>
<b>Net financial debt</b>	<b>78,268</b>	<b>84,832</b>	<b>-7.7</b>
<b>Provisions and other payables</b>	<b>17,475</b>	<b>17,354</b>	<b>0.7</b>
<b>Origin of funds</b>	<b>396,368</b>	<b>386,401</b>	<b>2.6</b>

### DETAIL OF NET FINANCIAL DEBT

Thousands of euros	30/06/21	31/12/20	%
Loans	67,963	66,471	2.2
Creditors arising from finance leasing	7,860	9,145	-14.1
Working capital financing	56,687	55,794	1.6
<b>Gross financial debt</b>	<b>132,510</b>	<b>131,410</b>	<b>0.8</b>
Cash and banks	-50,072	-39,931	25.4
Deposits	-4,170	-6,647	-37.3
<b>Net financial debt</b>	<b>78,268</b>	<b>84,832</b>	<b>-7.7</b>

### **E. PROFIT/LOSS BY BUSINESS AREA**

As we have announced on several occasions (in the income statement for the first quarter of 2021, in the income statement for the first half of the year, and in the chairman's speech at the last shareholders' meeting), the recovery of demand we saw in the last quarter of 2020 has remained very solid throughout the first half of 2021.

With regard to **chlorine-related businesses**, the high and sustained operating ratio of the plants made it possible to significantly increase production and sales. This high rate of usage, together with strong demand and price increases for some of the products sold, especially PVC, led to an increase in division sales of 31.4% in the first half of 2021 compared to the same period of last year. Variable costs, meanwhile, despite the sharp increase in the cost of electricity and raw materials, as a whole increased less than sales, causing the division's adjusted ebitda to increase 2.1 fold from EUR 12.49 million in 1H20 to EUR 26.74 million in 1H21; an ebitda/sales ratio of 12.1%.

High demand levels also characterised the **intermediate chemicals division**. Its sales grew by 43.5%, greater than the change experienced by variable costs, including methanol and maritime transport. As a result, the adjusted half-yearly ebitda for 1H21 was 2.4 times higher than the figure obtained in 1H20 and the division's ebitda/sales ratio reached 14.5%.

In the first half of 2021, the **pharmaceuticals division** was negatively affected by storm Filomena, which, as indicated above, caused significant material damage and production losses in this period, and by the fall in demand for some of the division's products, including fusidic acid. The fall in demand is a result of the effects arising from the covid-19 pandemic, the

appearance of new strains, and various restrictions introduced in relevant destination countries for our products. We are convinced that demand for these products will begin to recover from the fourth quarter of 2021. In the first half of 2021, however, the division's sales dropped by 20.6% compared to the strong first half of 2020, which resulted in a decline of 79.4% in the ebitda, and an abnormally low ebitda/sales 5.2% ratio.

#### **PROFIT/LOSS BY BUSINESS AREA**

<b>Thousands of euros</b>	<b>1H21</b>	<b>1H20</b>	<b>%</b>
<b>Chlorine derivatives division</b>			
Product sales	220,239	167,585	31.4
Adjusted ebitda	26,736	12,493	x2.1*
Adjusted ebitda/product sales (%)	12.1	7.5	x1.6*
<b>Intermediate chemicals division</b>			
Product sales	113,398	79,046	43.5
Adjusted ebitda	16,453	6,859	x2.4*
Adjusted ebitda/product sales (%)	14.5	8.7	67.2
<b>Pharmaceuticals division</b>			
Product sales	26,328	33,158	-20.6
Adjusted ebitda	1,359	6,611	-79.4
Adjusted ebitda/product sales (%)	5.2	19.9	-74.1

\* Number of times by which the 2021 figure exceeds the 2020 figure (in absolute terms).

#### **F. FULFILMENT OF FORECASTS MADE ON 9 JUNE 2021**

As the table below shows, the forecast for the first half of 2021 announced on 9 June was fulfilled in all cases. The adjusted ebitda was EUR 44.6 million, which places the actual figure close to the maximum range envisaged for this concept. Profits were 20.3 million, slightly above the upper limit of the expected range. The increase in tonnes sold was 9.9%, almost at the mid-point of the envisaged range. The increase in sales was 28.2%, also slightly above the upper limit of the range envisaged. And finally, the contribution margin was 37.4%, fourth tenths of a percentage above the midpoint of the predicted range.

#### **1H 2021 COMPARISON OF THE FORECAST AT 9/06/2021 VERSUS ACTUAL**

	<b>Forecast</b>	<b>Actual</b>
Adjusted ebitda (EUR M)	40-45	44.6
Profit (EUR M)	15-20	20.3
Increase in tonnes sold (%)	8%-12%	9.9%
Increase in sales (%)	24%-28%	28.2%
Contribution margin (%)	35%-39%	37.4%

## **G. FORECAST FOR THE REST OF THE YEAR**

We are convinced that 2021 as a whole will be clearly better than 2020. We expect the economy to continue on the path to recovery and that the markets in which Ercros is present will maintain their high levels of activity. Although the second half of the year includes two seasonally low months (August and December), there is currently no clear sign that the current situation will weaken in terms of demand for our products. On the supply side, however, we envisage certain risks that are worth explaining. The first is the maintenance or increase in the already high price of electricity, which could somewhat erode Ercros' results, taking into account the electro-intensive nature of the company. The second is an acceleration in the increase of the price of raw materials already seen in the first half of the year. The third is the worsening of international logistics conditions and, in particular, the increase in freight charges and the growing shortage of containers.

This forecast is based on the economy continuing to grow at a strong rate as we are seeing now. For this reason, the last risk is the possible worsening of the pandemic due to the appearance of new strains (such as the delta variant), which could force movements to be further restricted, thereby curbing economic recovery to some extent.

Barcelona, 28 July 2021