NOTE ON ERCROS FINANCIAL RESULTS
FIRST HALF OF 2023

(26/07/2023)

Ercros obtains EUR 45 million ebitda and EUR 16 million profit

- **In the first semester of 2023, Ercros obtained a contribution of EUR 145 million, an ebitda of EUR 45 million and a profit of EUR 16 million.**

- **These results comply with the forecast issued by Ercros on June 14 and have been achieved despite a European demand for chemical products that continues to show signs of weakness, with very volatile markets, subject to increasing competition and in full downward adjustment of prices and volumes.**

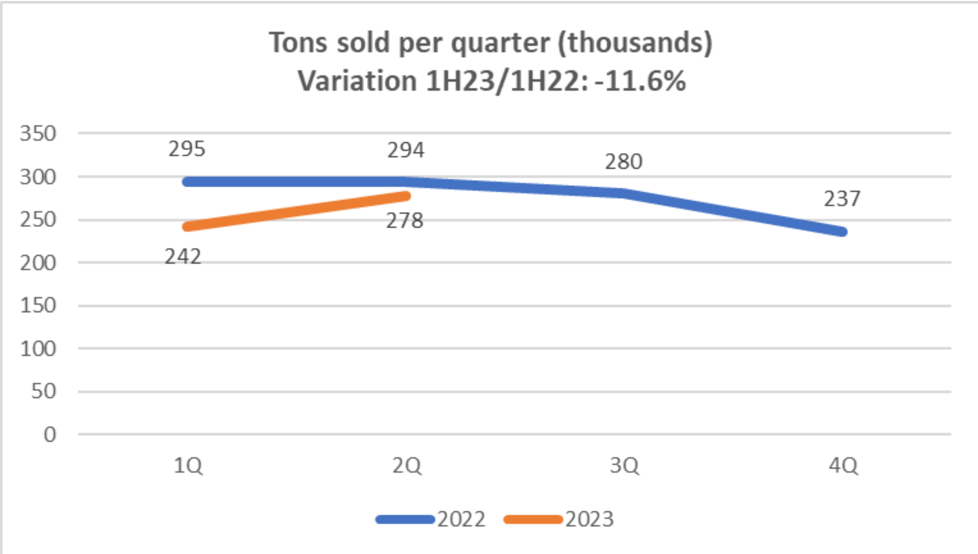
- **Ercros maintains a solid financial situation, with EUR 130 million of liquidity.**

- **We forecast a second half of 2023 weaker than the first. The consensus of the specialized publications is that the progress of the European chemical industry in 2023 will be weaker than that observed in 2022, a situation that should be corrected in 2024.**

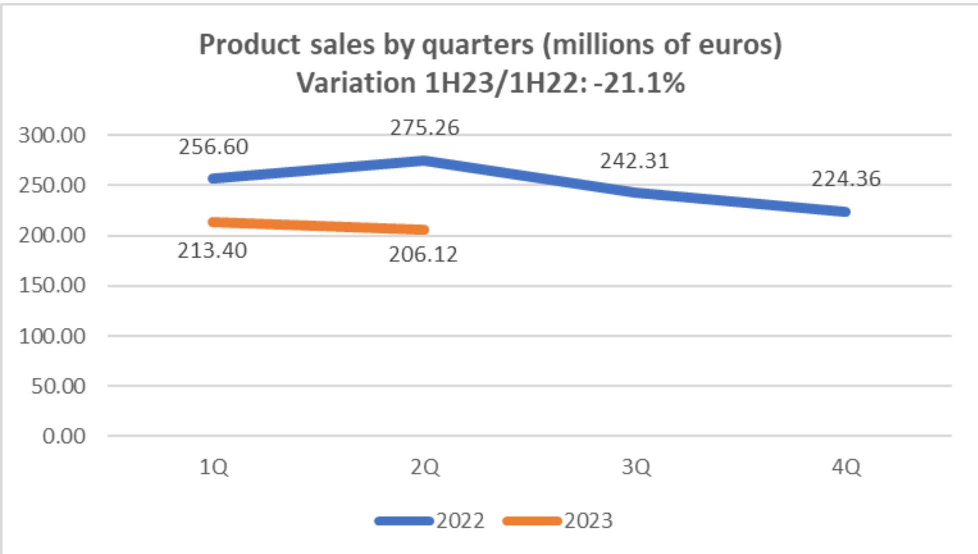
- **In any case, Ercros will continue executing the 3D Plan, will maintain its presence in all the markets in which it operates and will take advantage of the opportunities that may present to defend its margins.**

A. KEY EVENTS IN THE FIRST HALF OF 2023

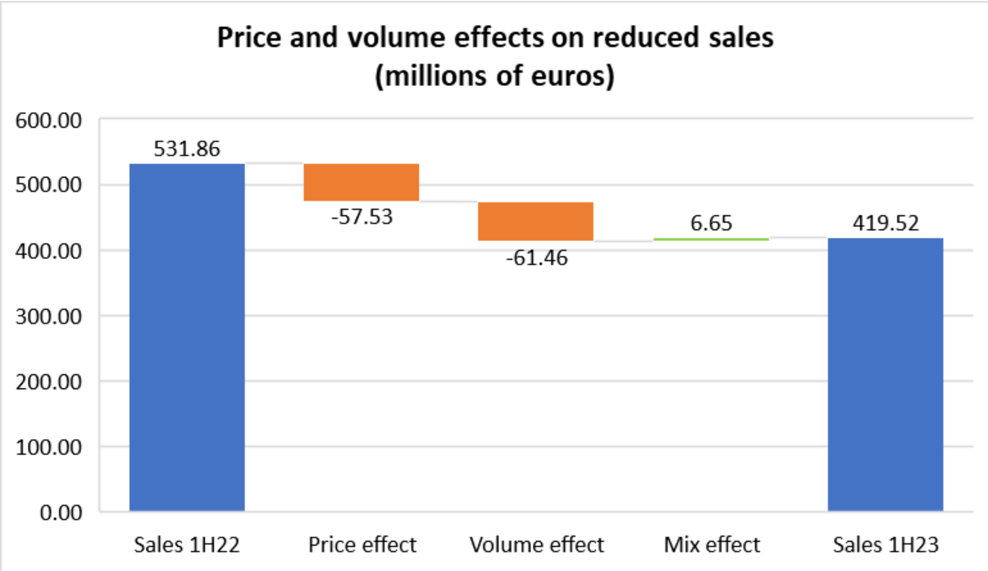
1. Although the tons sold in the second quarter of 2023 increased compared to the previous quarter, the half year cumulative calculation confirms the downward adjustment of volumes that we had already been observing since mid-2022. In the first half of 2023 (1H23) Ercros sold 520 thousand tons of products compared to 588 thousand tons in the same period of 2022 (1H22): a drop of 11.6%.



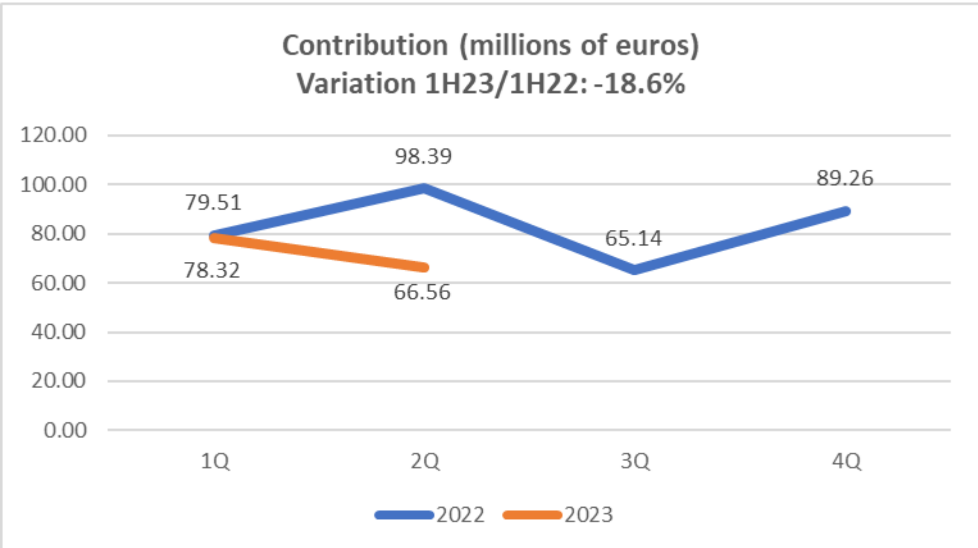
2. The total amount of product sales in 1H23 amounted to EUR 419.52 million compared to EUR 531.86 million reached in 1H22: a decrease of EUR 112.34 million, equivalent to a fall of 21.1%. In percentage terms, sales fell more than tons, which anticipates a significant negative price effect.



3. Indeed, of the EUR 112.34 million in which sales decreased, the fall in the average price per ton sold explains EUR 57.53 million (51.2%) and the lower volume of tons sold explains EUR 61.46 million (54.7%). The weakness of demand observed in 1H23 has reduced sales revenue both through a lower average price of the products and through the tons sold, and the extent of both effects has been similar.

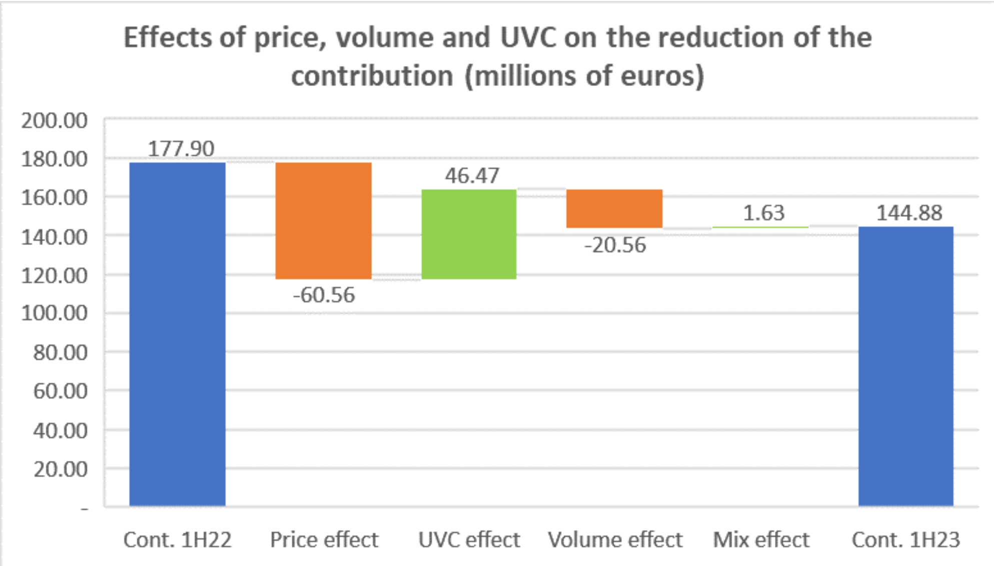


4. The contribution generated by the sales of products and the provision of services rose in 1H23 to EUR 144.88 million, compared to EUR 177.90 million reached in 1H22; a decrease of EUR 33.02 million, equivalent to -18.6%. This reduction occurs because the negative effect of the drop in sales (and provision of services) exceeds the positive effect caused by the drop in variable costs.

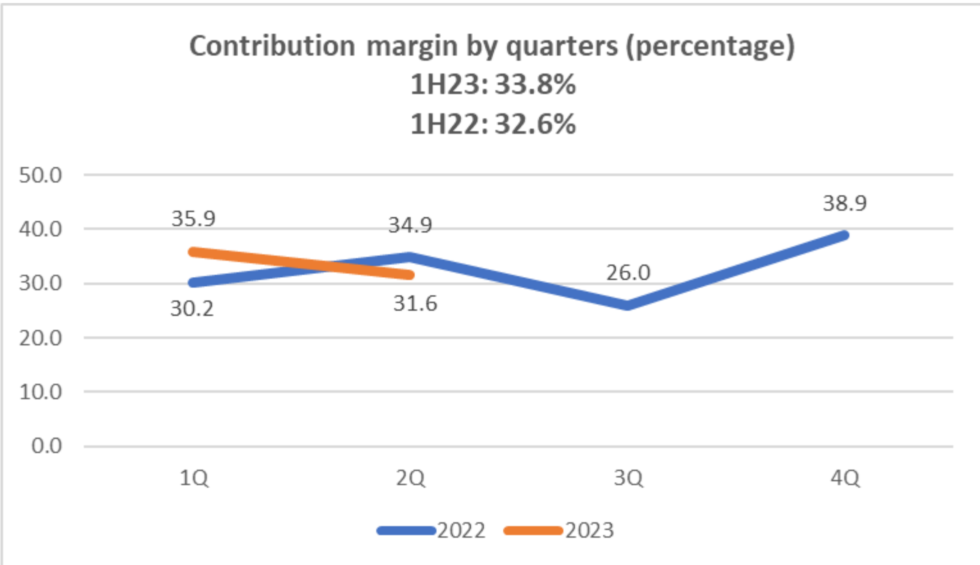


Contribution: (sales of products + provision of services - provisions - supplies + variation in stocks).

5. As regard the contribution, the best way to identify the net effect of prices and costs is by contrasting the effect of the average price of the products sold with the unit variable cost (UVC) incurred in the manufacture of these products. In 1H23, the negative price effect of EUR -60.56 million exceeded, in absolute terms, the positive UVC effect of EUR 46.47 million. The net effect of price and UVC amounts to EUR -14.09 million and explains 42.7% of the EUR -33.02 million in which the contribution varies. The remaining 57.3% is explained by the volume effect of EUR -20.56 million (62.3%) and the mix effect of EUR 1.63 million (-4.93%).

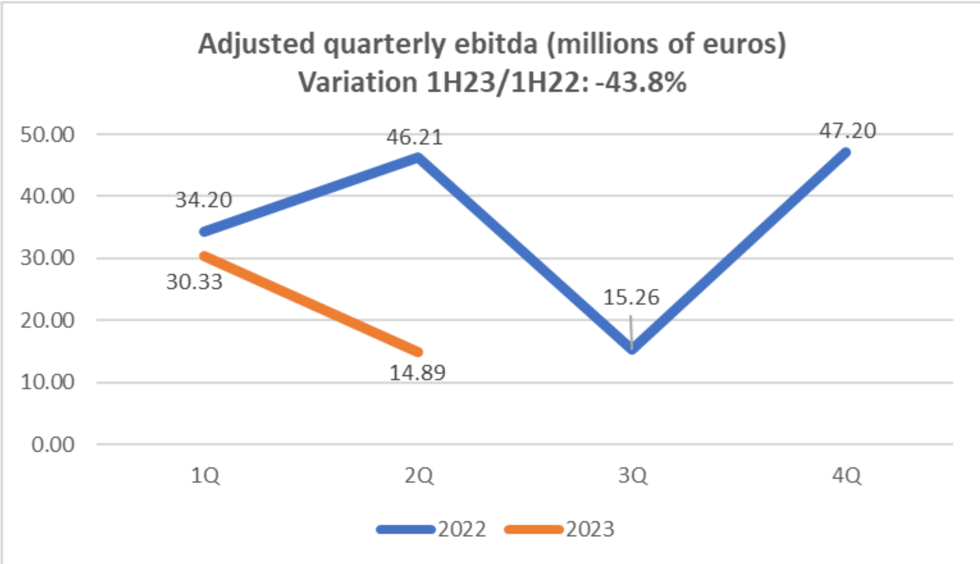


6. The contribution margin (contribution divided by the sum of product sales plus the provision of services) increased from 32.6% reached in 1H22 to 33.8% in 1H23. A variation of 1.2 percentage points, due to the reduction in variable costs, which in 1H22 represented 67.4% of sales (plus the provision of services) and in 1H23 represented 66.2%, mainly due to the reduction in energy costs.



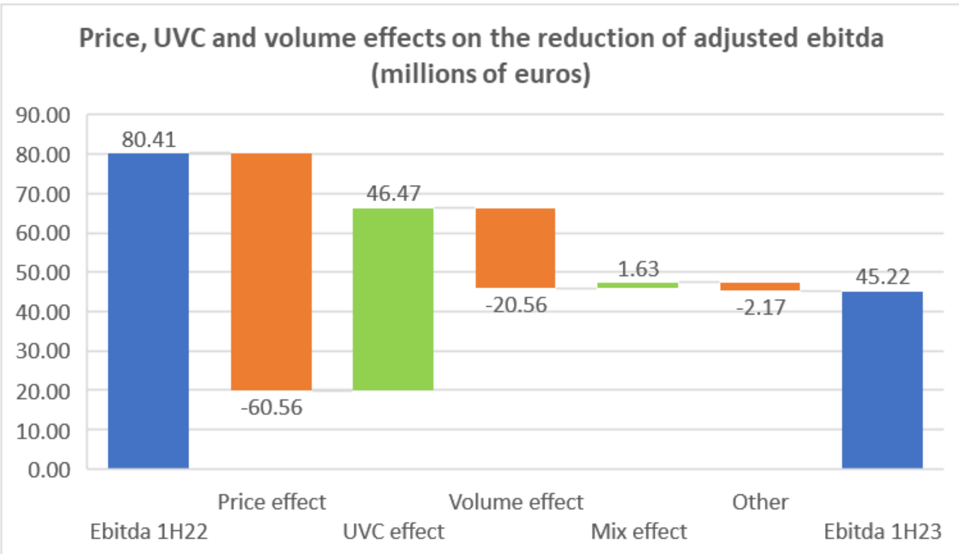
Contribution margin: contribution / (product sales + provision of services).

7. Adjusted ebitda for 1H23 was EUR 45.22 million compared to EUR 80.41 million in 1H22; a reduction of EUR 35.19 million, equivalent to -43.8%. The EUR 35.19 million drop in adjusted ebitda largely reflects the EUR 33.02 million drop in contribution. The EUR 2.17 million additional drop in ebitda reflects, among other things, the higher cost of personnel and other operating expenses.



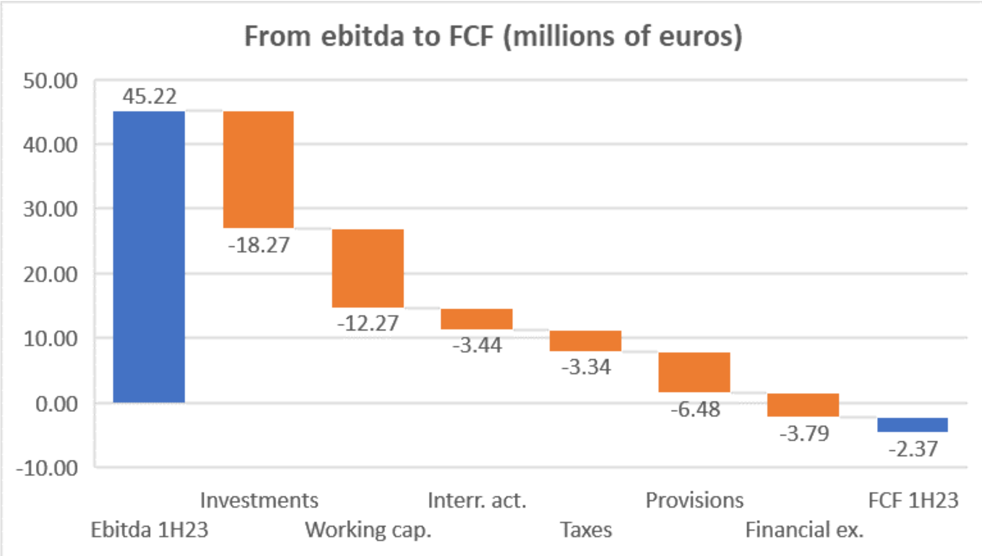
Adjusted ebitda: ebitda excluding atypical items. See the "Ebitda reconciliation" table in Section B of this results note.

8. Compared to 1H22, the variation in adjusted ebitda for 1H23 of EUR -35.19 million is mainly due to the reduction in the contribution, which in the following graph is represented by the price, UVC, volume and mix effects, with a net effect on ebitda of EUR -33.02 million, which explains 93.8% of the fall in ebitda. The average price has fallen more than the UVC and, in addition, the tons sold have decreased. The rest of EUR -2.17 million, which explains 6.2% of the fall in ebitda, includes the net effect of the variation in other expenses and income.

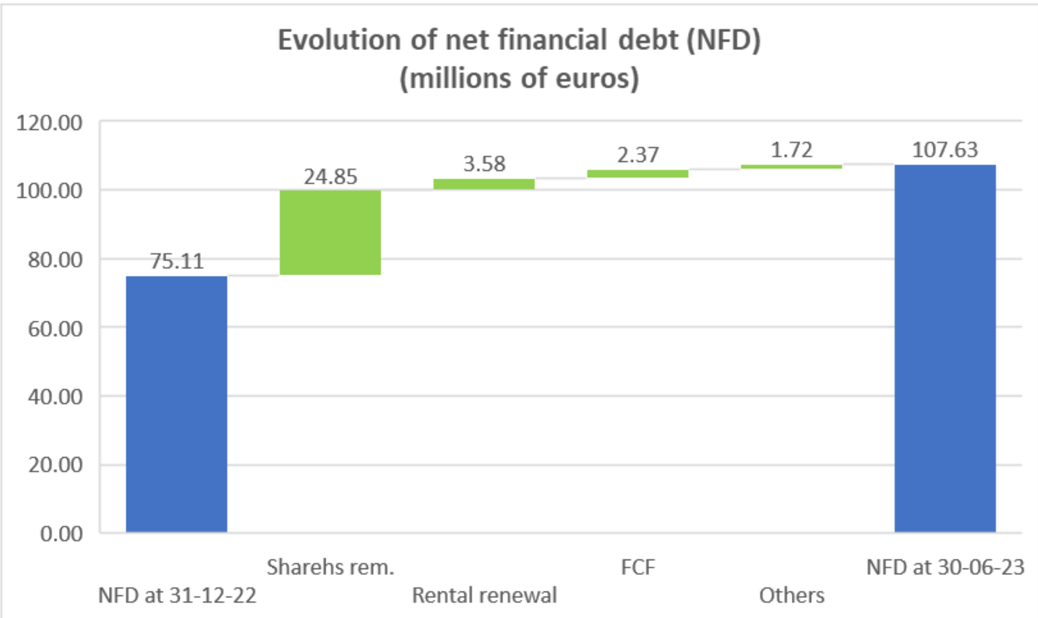


Other: variation in the provision of services, other income, fixed and atypical costs.

9. The free cash flow (FCF) generated in 1H23 was negative: EUR -2.37 million. The FCF of 1H23 is the result of subtracting from the EUR 45.22 million of the ebitda of 1H23: EUR 18.27 million of investments; EUR 12.27 million of working capital; EUR 3.44 million of interrupted activities (closure of the Flix dicalcium phosphate plant); EUR 3.34 million of taxes; EUR 6.48 million of provisions; and EUR 3.79 million of net financial results.



10. Ercros began the year 2023 with EUR 75.11 million of net financial debt (NFD). Throughout 1H23, the debt increased: EUR 24.85 million due to shareholder remuneration; EUR 3.58 million due to rental renewals; EUR 2.37 million due to the negative FCF generated in the semester; and EUR 1.72 million due to other minor causes. In total, Ercros increased its NFD by EUR 32.52 million, bringing it to EUR 107.63 million at 30 June 2023.



11. On 30 June 2023, Ercros had liquidity amounting to EUR 129.56 million, of which EUR 32.63 million related to cash and EUR 96.93 million to unused financing facilities.

B. INTERIM FINANCIAL STATEMENTS

Profit/(loss) for the first half of 2023

In relation to the profit of 1H23, it is worth noting, in addition to what is indicated in Section A of this note, the following:

The provision of services decreased by 31.7% due to lower customer demand for these services, as well as the reduction in their price resulting from lower transferred energy costs. Other income decreased by 11.4%, mainly due to the reduction in the value of free CO_2 emission rights.

The sum of procurements plus the changes in inventories of finished goods and work in-progress decreased by 17.6%. The main cause of this decrease was the lower price of raw materials, which, although important, was less than the fall experienced by sales of finished products (-21.1%).

Supplies fell by 34.1% compared to 1H22, mainly, due to the drop in the cost of electricity.

The contribution of 1H23, calculated as the addition of the sale of finished products and provision of services minus procurements, the reduction of stocks of finished products and supplies, amounted to EUR 144.88 million, compared to a contribution of EUR 177.91 million in 1H22, a reduction of EUR 33.03 million, equivalent to 18.6%.

Transportation expenses decreased by 7.9% due to the reduction in freight prices and the lower volumes transported.

Personnel expenses increased by 3.5% compared to 1H22 due to: the salary increase of the collective agreement by 2%; the improvements to the agreement settled in June 2022 for the period 2021-2023; and the increase in social security contributions.

Other operating expenses increased by 2.9% compared to 1H22.

The allocation of provisions and other extraordinary expenses increased by 76.7% compared to 1H22, mainly due to the dismantling of facilities and the allocations made for soil remediation based on the latest information available on environmental remediation commitments and obligations.

Amortizations increased by 8.4% compared to 1H22 due to the higher amortization of rights of use of leased assets and property, plant and equipment derived from the investments made.

The negative financial result increased by EUR 2.46 million, 135.5%, mainly due to exchange differences, which were negative by EUR 0.47 million in 1H23, compared to positive exchange differences of EUR 2.02 million in 1H22. The increase in the financial cost due to the increase in interest rates and the higher bank commissions have been offset by the greater participation in the profits of associated companies and the reversal of losses due to impairment of accounts receivable.

The lower income tax expense is due to the lower result obtained.

Other comprehensive income

This heading has not had any movement in 1H23. In 1H22 the amount, net of taxes, of the transfer to the income statement of the liquidation of the cash flow hedges in the purchase of electricity contracted for the year 2022 was recorded, as well as the changes in value experienced by the hedge in the period.

Balance sheet

Throughout 1H23, non-current assets increased by EUR 1.77 million compared to the end of 2022, as investments for an amount greater than amortizations were recorded in the semester. Working capital increased by EUR 18.78 million, mainly due to the decrease in accounts payable by EUR 36.60 million due to both lower supplies and the reduction in the average payment period. Current assets decreased by EUR 17.82 million due to the reduction in inventories.

Equity decreased by EUR 8.65 million, the net result of, on the one hand, the profit for the period amounting to EUR 16.54 million and, on the other, with a negative sign, the repurchase of treasury shares, amounting to EUR 11.13 million; the bonus for attending the general shareholders' meeting~~,~~ held on June 16, amounting to EUR 0.34 million; and the dividend, amounting to EUR 13.72 million, paid on June 28.

The net financial debt increased by EUR 32.52 million. The factors that raised it were: (i) shareholder remuneration, amounting to EUR 24.85 million for dividend and share repurchase (the attendance bonus will be paid in July); (ii) the renewal of long-term rental contracts, amounting to EUR 3.58 million; (iii) the negative free cash flow, amounting to EUR 2.37 million; and (iv) other non-monetary variations, amounting to EUR 1.72 million.

Provisions and other debts decreased by EUR 3.32 million, mainly due to payments associated with the closure of the Flix plant, as well as the dismantling of facilities and various environmental remediations.

Shareholder remuneration

The general shareholders' meeting held on June 16 agreed, within the framework of the shareholder remuneration policy: (i) the redemption of the 5,162,990 treasury shares acquired; and (ii) the payment of a dividend of EUR 15 cents per share to the 91,436,199 shares entitled to payment. As stated before, the dividend was paid on June 28. Also, the public deed of amortization of the acquired shares was registered on July 24.

Regarding the benefit of Ercros S.A. for the year 2022, of EUR 64.97 million, the repurchase of shares accounted for EUR 18.76 million, 28.9%, and the dividend, EUR 13.72 million, 21.1%. A total payout of 50%.

On the other hand, the board of directors held on June 16 approved the eighth share repurchase program effective from June 25, 2023, to December 31, 2024, for a maximum amount of EUR 25 million. However, the repurchase may not exceed 7.7 million own shares. As of the date of this note of results, the company has not acquired shares under this new repurchase program.

PROFIT/(LOSS) FOR THE PERIOD

EUR thousand	1H23	1H22	%
Continuing operations			
Revenues	**440,511**	**558,654**	**-21.1**
Sale of finished products	419,524	531,861	-21.1
Provision of services	9,085	13,299	-31.7
Other income	11,750	13,258	-11.4
Reversal of provisions and other extraordinary income	152	236	-35.6
Expenses	**-398,320**	**-479.811**	**-17.0**
Procurements	-195,353	-239,339	-18.4
Changes in inventories of finished goods and work-in-progress	-13,679	-14,481	-5.5
Supplies	-74,699	-113,435	-34.1
Transportation	-23,845	-25,896	-7.9
Personnel expenses	-46,292	-44,745	3.5
Other operating expenses	-41,267	-40,113	2.9
Allocation of provisions and other extraordinary expenses	-3,185	-1,802	76.7
Ebitda	**42,191**	**78.843**	**-46.5**
Amortization	-16.107	-14,855	8.4
Ebit	**26,084**	**63.988**	**-59.2**
Financial results	-4,272	-1,814	135.5
Profit before tax	**21,812**	**62,174**	**-64.9**
Income taxes	-4,060	-11,885	-65.8
Profit for the period of continuing activities	**17,752**	**50,289**	**-64.7**
Net loss for the period of discontinued operations	-1,213	-3,996	-69.6
Profit/(loss) for the period	**16,539**	**46,293**	**-64.3**

RECONCILIATION OF ADJUSTED EBITDA

EUR thousand	1H23	1H22	%
Ebitda	**42,191**	**78,843**	**-46.5**
Atypical income items	-152	-236	-35.6
Atypical expense items	3,185	1,802	76.7
Adjusted ebitda	**45,224**	**80,409**	**-43.8**

TOTAL COMPREHENSIVE INCOME

EUR thousand	1H23	1H22	%
Profit/(loss) for the period	**16,539**	**46,293**	**-64.3**
Other comprehensive income- Items that will be subsequently reclassified to results for the year	-	-6,590	-
Total comprehensive income	**16,539**	**39,703**	**-58.3**

ECONOMIC ANALYSIS OF THE BALANCE SHEET

EUR thousand	30/06/23	31/12/22	Variation	%
Non-current assets	**394,809**	**393,040**	**1,769**	**0.5**
Working capital	**96,132**	**77,349**	**18,783**	**24.3**
Current assets	223,299	241,119	-17,820	-7.4
Current liabilities	-127,167	-163,770	36,603	-22.4
Resources used	**490,941**	**470,389**	**20,552**	**4.4**
Net worth	**352,065**	**360,710**	**-8,645**	**-2.4**
Net financial debt	**107,631**	**75,110**	**32,521**	**43.3**
Provisions and other debts	**31,245**	**34,569**	**-3,324**	**-9.6**
Source of funds	**490,941**	**470,389**	**20,552**	**4.4**

BREAKDOWN OF NET FINANCIAL DEBT

EUR thousand	30/06/23	31/12/22	Variation	%
Loans	108,815	85,007	23,808	28.0
Finance lease creditors	11,781	12,324	-543	-4.4
Working capital financing	21,699	38,096	-16,397	-43.0
Gross financial debt	**142,295**	**135,427**	**6,868**	**5.1**
Treasury	-32,630	-58,283	25,653	-44.0
Deposits	-2,034	-2,034	-	-
Net financial debt	**107,631**	**75,110**	**32,521**	**43.3**

C. PROFIT/LOSS BY BUSINESS

The weakness of demand in the chemical sector that began in mid-2022 has continued throughout 1H23. This situation has resulted in lower volumes and sale prices, which could not be offset by cheaper energy and raw materials.

In this context, the efforts of the Ercros businesses have continued to be oriented towards adapting production rates to demand, while at the same time defending margins as far as possible in a situation of highly volatile markets and subject to increasing competition.

In 1H23, the volumes sold by the **chlorine derivatives division** experienced a 10.1% reduction compared to 1H22. It should be remembered that the chlorine supply contract to an external customer ended in 2022, which has contributed to reducing sales volumes in 1H23 since said chlorine is now used for EDC's own production.

Compared to 1H22, the division's sales fell by 22.3%, given that the drop in volume was added to a drop in average sales price of 13.3%, although with different performances among the main products: while the price of caustic soda increased, that of PVC decreased.

As a result of all this, the division's ebitda decreased by 43.3% and placed the ebitda/sales ratio at 13.9%, 5.1 points below the 19.0% obtained in 1H22.

After an exceptional year in 2021 and the first part of 2022, the **intermediate chemicals division** has been affected by lower consumption of durable goods, which it became apparent as of May

2022, and by tougher competition. Compared to 1H22, sales fell by 25.3%, and the average price of the division's products fell by 11.7%. Because of all this, the ebitda/sales ratio stood at 6.3%, compared to the 7.6% reached in 1H22, far from the average values for this division in recent years.

The **pharmaceuticals division** is the only one that increased its sales compared to 1H22, by 10.7%, thanks both to the increase in the volume of products sold, by 5.6%, and to the sales prices, by 4.8%. However, the pressure that raw material costs continue to exert has resulted in the division presenting an ebitda of only EUR 0.34 million in 1H23, significantly lower than that obtained in 1H22. The division's margins are expected to recover in the coming quarters helped by the reduction in the price of raw materials and the progressive rise in sales prices.

In 3Q22, the division began selling three new products: erythromycin dihydrate, micronized famotidine, and sterile fosfomycin with citrus. In 4Q22, new commercial channels were opened in countries where we were not yet present. On the other hand, as already advanced in previous notes, throughout this year it is expected to have the approval required for the manufacture and marketing of other new products; among them, vancomycin, gentamycin and sterile fusidic acid, which should contribute to the recovery of the results.

PROFIT/LOSS BY BUSINESS

EUR thousand	1H23	1H22	%
Chlorine derivatives division			
Product sales	274,260	353,085	-22.3
Adjusted ebitda	38,021	67,003	-43.3
Adjusted ebitda/product sales (%)	13.9	19.0	-26.9
Intermediate chemicals division			
Product sales	109,157	146,145	-25.3
Adjusted ebitda	6,861	11,061	-38.0
Adjusted ebitda/product sales (%)	6.3	7.6	-17.0
Pharmaceuticals division			
Product sales	36,107	32,631	10.7
Adjusted ebitda	342	2,345	-85.4
Adjusted ebitda/product sales (%)	0.9	7.2	-86.8

D. FORECAST COMPLIANCE OF 14/06/2023

Except for the forecast of sales of finished products, which is very close to reaching the lower limit of its range, in all other items the forecasts for 1H23, which were issued on 14/06/2023, have been met. Almost at the midpoint of its range in the case of contribution, and above the lower limit of its respective range in the case of adjusted ebitda and profit.

COMPARISON OF FORECAST VS ACTUAL

EUR million	Prevision	Actual
Sale of finished products	420-430	419.5
Contribution	140-150	144.9
Adjusted ebitda	45-50	45.2
Benefit	15-20	16.5

E. FORECAST FOR THE REST OF 2023

Since the last forecast (results report for 1Q23, dated May 3), the consensus of specialized publications remains cautious regarding the recovery of the European chemical sector. The current weakness is expected to continue until the end of 2023 and then gradually improve throughout 2024.

In this environment of high uncertainty, weak demand and falling prices and volumes, the company's margins will be negatively affected, so the results for 2H23 will foreseeably be lower than those of 1H23.

In any case, Ercros will continue executing the 3D Plan, will maintain its presence in all the markets in which it operates and will take advantage of the opportunities that arise to defend its margins as much as possible.

Barcelona, July 26, 2023