

**STRATEGIC  
PLAN**

**3D**

**DIVERSIFICATION  
DIGITALISATION  
DECARBONIZATION**

**Barcelona, 28 January 2021**

**ERCROS:  
A COMPANY FOCUSED ON THE LONG TERM;  
A COMPANY WITH A STRATEGIC VISION.**

- **Long investment execution periods, characteristic of a chemical company.**
- **Significant increase in size (purchase of the Aragonesas and Derivados Forestales companies in 2005 and 2006, respectively).**
- **Changes required by the European regulatory authorities in the manufacture of chlorine-caustic soda (replacement in 2017 of mercury cell technology by membrane cell technology).**

## A SUSTAINABILITY STRATEGY

- The strategy that the 3D PLAN proposes is to transform Ercros into a sustainable company over time.

# THE THREE DIMENSIONS OF ERCROS SUSTAINABILITY



- Sustainable due to the **DIVERSIFICATION** of its production structure, which will allow it to cushion the volatility of the economic cycle.
- Sustainable due to the **DIGITAL** transformation and automation of its processes, which will make it more competitive.
- Sustainable due to the adaptation of its environmental benefits to the **DECARBONIZATION** requirements of the European agenda to stop climate change.

## THREE DIMENSIONS FOR THREE CHALLENGES

- The three dimensions of the 3D PLAN respond to three fundamental challenges:
  - **DIVERSIFICATION**: Decisive to move safely throughout the economic cycle.
  - **DIGITALISATION**: Today the only lasting way to make a significant leap in terms of modernization, increased productivity and competitiveness.
  - **DECARBONIZATION**: An unavoidable obligation for a chemical company responsible for the environment and that wishes to contribute to slow down climate change.

## THE PURPOSES OF THE THREE DIMENSIONS OF THE 3D PLAN

- **DIVERSIFICATION:** To control and, if possible, reduce the cyclical dependence of Ercros, linked to the evolution of the activity of the markets in which it sells its products.
- **DIGITALISATION:** To achieve a greater capacity to manage production, commercial, logistical and administrative processes through automated data management.
- **DECARBONIZATION:** To intensify the important effort that the company is already carrying out to mitigate climate change and adapt it to the new regulatory framework for industrial activity.

## ECONOMIC-FINANCIAL ASPECTS (I)

- **The 3D PLAN will be executed at a pace that allows:**
  - **Comply with the objectives of the EU agenda (European Climate Law and Climate Change and Energy Transition Law).**
  - **Maintain a maximum annual capex by € 30 million (net of aid).**
- **The projects of the 3D PLAN will be executed in the period 2021-2025, although the completion of some of the actions of the digitalisation and decarbonization projects is planned within the period 2026-2029.**

## ECONOMIC-FINANCIAL ASPECTS (and II)

- It is planned to finance the 3D PLAN with internally generated resources.
- Public aid from the European Recovery Fund, and others that may be obtained, will allow the investment process to be accelerated and some of the actions initially planned for the 2026-2029 period to be undertaken earlier.
- The general premise is that the execution of the plan does not put financial solvency and shareholder remuneration at risk.



## THE AGGREGATE FIGURES OF THE 3D PLAN (I)

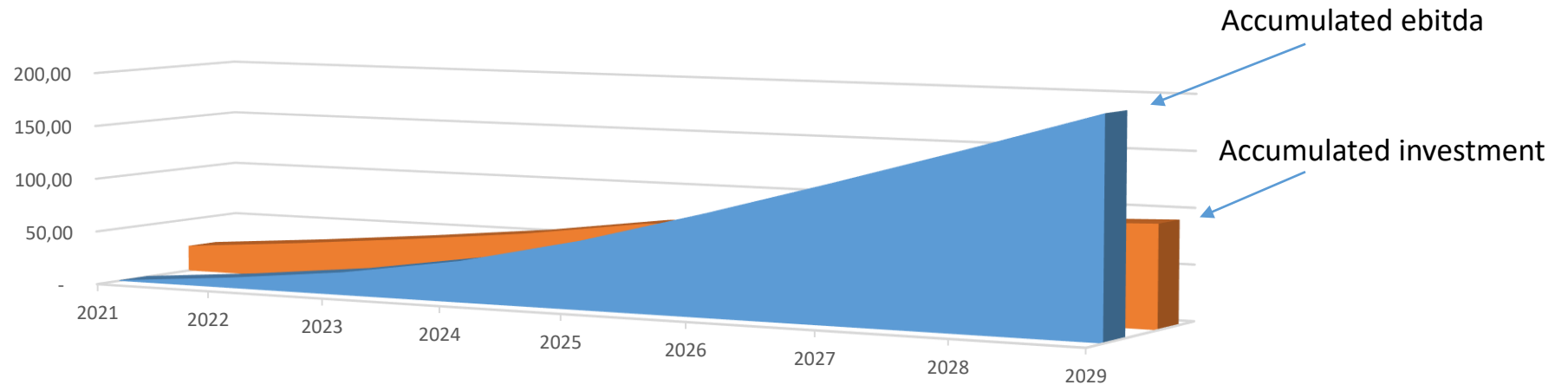
- For the period 2021-2025, the 3D PLAN implies an accumulated investment by € 69 million and it is expected that, already in said period, it will have an additional contribution to ebitda, accumulated by € 62.7 million.
- For the period 2026-2029, an accumulated investment by € 23 million is expected, with an effect on ebitda that is added to that from the projects of the first period and that generates in accumulated terms € 131 million.
- Therefore, the figures corresponding to the extended period of the 3D PLAN, 2021-2029 are: accumulated investment, € 92 M; and additional contribution to ebitda, accumulated: € 194 million (annual average by € 21.6 million).

# THE AGGREGATE FIGURES OF THE 3D PLAN (II)

Progression of the 20 investment projects and their results (€ M)			
	2021-2025 (1)	2026-2029 (2)	2021-2029 (3)=(1)+(2)
Total accumulated investment	69	23	92
Accumulated additional ebitda	63	131	194

# THE AGGREGATE FIGURES OF THE 3D PLAN (III)

## ACCUMULATED INVESTMENT AND EBITDA 3D PLAN (€ M)



€ M	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Accumulated ebitda</b>	<b>0.6</b>	<b>9.7</b>	<b>21.2</b>	<b>38.0</b>	<b>62.7</b>	<b>93.0</b>	<b>125.5</b>	<b>159.2</b>	<b>194.1</b>
<b>Accumulated investment</b>	<b>24.1</b>	<b>32.8</b>	<b>42.8</b>	<b>54.0</b>	<b>69.0</b>	<b>76.1</b>	<b>83.1</b>	<b>88.3</b>	<b>92.3</b>

## OPERATIONAL SCOPE OF THE THREE DIMENSIONS (I)

### DIVERSIFICATION

- The diversification projects strengthen the intermediate chemical and pharmacy divisions, and the water purification segment, which, although it belongs to the chlorine derivatives division, is not subject to the chlorine-caustic soda cycle.
- The 3D PLAN includes 4 diversification projects that are: (i) highly profitable; (ii) involve activities well known by Ercros (very acceptable risk level); and (iii) they manufacture products whose markets show a supply deficit.

Total investment (2021-25) (€ M)	Contribution to ebitda (2021-25) (€ M)
27.6	32.4

## OPERATIONAL SCOPE OF THE THREE DIMENSIONS (II)

### DIGITALISATION

- Ercros' digital transformation will adopt solutions that will optimize and automate processes, provide information considered useful today but not accessible or not stored, and, in so doing, modernize the company and make it more competitive.
- Ercros' digital transformation:
  - will improve the competitiveness of the company through: (i) reducing operating costs; (ii) increasing the volume of production and sales; and (iii) reinforcing the customer's reliability.
  - will focus job skills on problem identification and resolution;
  - will improve the security and reliability of information systems; and
  - will enhance the absorption capacity of the company in terms of innovations in the field of digitalisation.

## OPERATIONAL SCOPE OF THE THREE DIMENSIONS (III)

### DIGITALISATION

- The 3D PLAN includes 11 digitalisation projects focused on improving the entire value chain of the company, with special emphasis on the areas of maintenance, logistics, production and information systems.

Total investment (2021-2025) (€ M)	Contribution to ebitda (2021-2025) (€ M)
10.0	12.0

## OPERATIONAL SCOPE OF THE THREE DIMENSIONS (IV)

### DECARBONIZATION

- Ercros is aligned with the decarbonization and fight against climate change objectives adopted by the EU and, consequently, has committed to:
  - Achieve carbon neutrality by 2050.
  - Promote the energy transition of its activity.
  - Progressively adopt the principles of circular economy.
  - Adhere to the climate commitments adopted by companies in its EU sector.
  - Incorporate energy and carbon intensity analysis in decision-making on process improvement, opening of production lines and design of new products.
  - Adopt the principles of Industry 4.0 in order to reduce the climate impact of the activity.

# OPERATIONAL SCOPE OF THE THREE DIMENSIONS (V)

## DECARBONIZATION

- To achieve these objectives, the 3D PLAN proposes investments in the areas of: (i) energy efficiency; (ii) adaptation to climate change; (iii) maximizing the use of hydrogen; (iv) circular economy; and (v) sustainable mobility.
- The decarbonization dimension of 3D PLAN includes 5 large projects in the three divisions of the company and in the logistics area.

Total investment (2021-2025) (€ M)	Contribution to ebitda (2021-2025) (€ M)	CO <sub>2</sub> reduction (2025 vs 2020)
31.4	18.3	-39%



# OPERATIONAL SCOPE OF THE THREE DIMENSIONS (and VI)

## DECARBONIZATION (experience gained)

- Ercros undertakes decarbonization projects based on the experience acquired since 2015 in improving the company's energy efficiency and other actions focused on reducing environmental impact.

Previous Ercros' investments in the field of energy efficiency and climate change control

Energy efficiency (2015-2020)	Environmental impact control (2015-2020)	Total (2015-2020)
86.2*	4.9	91.1

\* € 63.4 M in membrane electrolysis and related improvements

# INVESTMENT PROJECTS LIST (I)

## DIVERSIFICATION (4 projects)

### Project 1: Water purification (Sabiñánigo; CD\*)

- New sodium chlorite plant, mainly dedicated to export markets.

### Project 2: ErcrosTech (Almussafes; IC)

- Expansion of ErcrosTech resin production capacity.

### Project 3: Dipenta (Tortosa; IC)

- Expansion of dipenta production capacity.

### Project 4: Extraction plant (Aranjuez; P)

- New extraction plant for vancomycin, gentamicin, erythromycin and erythromycin salts.

\* DC: Chlorine derivatives division; IC: Intermediate chemicals division; and P: Pharmaceuticals division.

# INVESTMENT PROJECTS LIST (II)

## DIGITALISATION (11 projects)

### Project 5: Big Data (production)

- Optimization of production processes; minimization of returns and reduction in consumption of raw materials and energy.

### Project 6: Process automation (production)

- Automatic control of manufacturing processes; product packaging and palletizing robots.

### Project 7: IoT (Internet of Things) (production and maintenance)

- Reduction of maintenance costs and electrical consumption by installing key parameter sensors that avoid significant deviations. Predictive maintenance.

### Project 8: B2B carriers (logistics)

- Digitalisation tools in product loading and transport assignment processes.

## INVESTMENT PROJECTS LIST (III)

### Project 9: B2B customers (logistics)

- Digitize the loading, dispatch and monitoring of products. Platform to manage orders, invoices and payment statuses.

### Project 10: Software MRP (logistics)

- Implement MRP (Material Requirements Planning) software for the purchase of raw materials and necessary spare parts.

### Project 11: Mobile devices (logistics and maintenance)

- Adoption of mobile devices that eliminate the use of paper and speed up the resolution of incidents and breakdowns.

### Project 12: Business intelligence (BI) (information systems)

- Complete the implementation of the BI tool; new digital tools in SAP; and "cloud" storage.

## INVESTMENT PROJECTS LIST (IV)

### Project 13: Optimization of the work environment (information systems)

- Adoption of an integrated platform that channels the company's procedures with its employees; and development of an integrated document manager.

### Project 14: Communication with Public Administrations (information systems)

- Development of digital protocols for communications with Public Administrations and Governmental Institutions.

### Project 15: Infrastructures and cybersecurity (information systems)

- Modernization of information systems infrastructures to support new needs for bandwidth, services, storage, processing capacity; reinforcement of cybersecurity tools.

# INVESTMENT PROJECTS LIST (V)

## DECARBONIZATION (5 projects)

### Project 16: Energy efficiency (Tortosa, Almussafes, Vila-seca I and Vila-seca II)

- Improvement of energy efficiency by: (i) adaptation of production processes; and (ii) reuse of residual energy and raw materials.

### Project 17: Adaptation to climate change (Flix, Vila-seca I and Vila-seca II)

- Reduction of net greenhouse gas emissions through: (i) a photovoltaic plant in Flix with 3.8 MW of power intended for self-consumption (in particular for the consumption of a possible green hydrogen production plant); and (ii) a steam generation plant through biomass combustion in Vila-seca I and Vila-seca II.

## INVESTMENT PROJECTS LIST (VI)

### Project 18: Use of hydrogen (Sabiñánigo, Vila-seca I and Vila-seca II)

- Project focused on maximizing the use of hydrogen produced in electrolytic processes (and minimizing gas consumption) through: (i) a mixed burner in the Sabiñánigo steam boiler to thermally use hydrogen from the sodium chlorate and chlorine-caustic soda plants; (ii) conditions and equipment necessary to enable the consumption of hydrogen from the Vila-seca II steam boilers; and (iii) improvement of the hydrogen consumption capacity of the steam generation facilities and the caustic soda fusion plant in Vila-seca I.

### Project 19: Circular economy (Aranjuez, Cerdanyola and logistics area)

- Project focused on the reuse and use of resources by: (i) improving the cooling of the synthesis plant (Aranjuez); (ii) reuse of moulding compounds rejection material (Cerdanyola); and (iii) reuse of containers and use of recycled containers and / or made by recycled materials.

## INVESTMENT PROJECTS LIST (and VII)

### Project 20: Sustainable mobility (Vila-seca I, Vila-seca II and logistics area)

- Project aimed at reducing the negative impact on the climate of the transport of people and goods by: (i) reducing the emissions of CO<sub>2</sub> generated in the Ercros' freight transport; and (ii) installation of chargers for electric or plug-in hybrids in the car parks of the Vila-seca I and Vila-seca II factories.





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