NOTE TO THE ERCROS PROFIT/(LOSS)
FIRST NINE MONTHS OF 2023

(08/11/2023)

Ercros obtains 42 million ebitda and 6 million profit

- **In the first nine months of 2023, Ercros has obtained a contribution of EUR 190 million, an ebitda of EUR 42 million and a profit of EUR 6 million.**

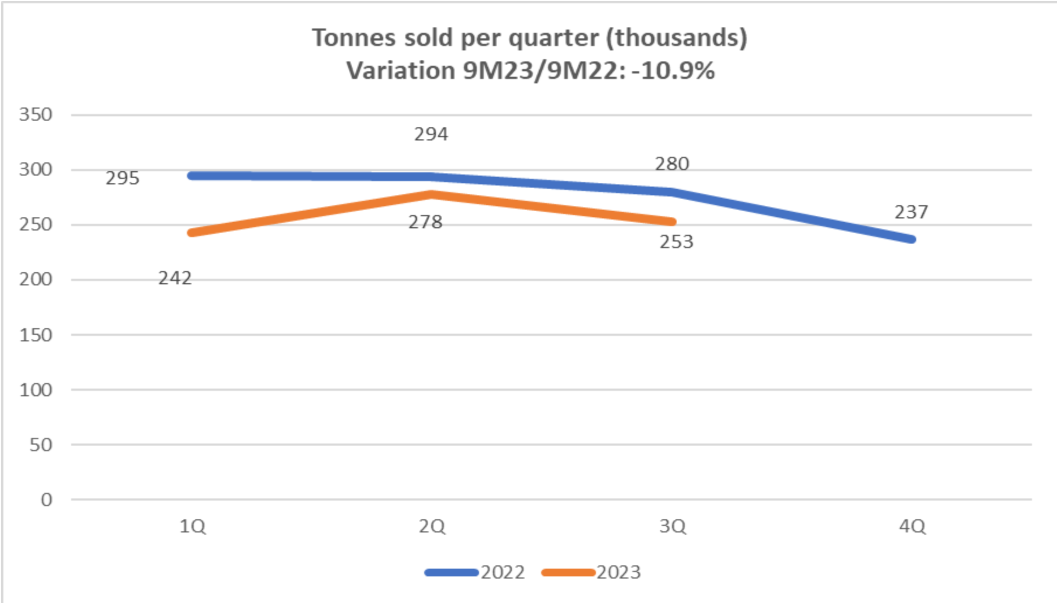
- **These results have been achieved despite a demand for chemical products that continues to show signs of weakness, with very volatile markets, subject to growing competition and in full downward adjustment of prices and volumes. The drastic increase in energy and raw materials costs that the war in Ukraine caused in 2022 continues to distort the functioning of European economies.**

- **Even considering the high level of uncertainty that the industrial sector is experiencing today, we believe it is useful to advance the following forecast for the year 2023: sales of finished products, EUR 710-720 million; contribution, EUR 230-240 million; adjusted ebitda, EUR 45-55 million; and profit, EUR 0-10 million.**

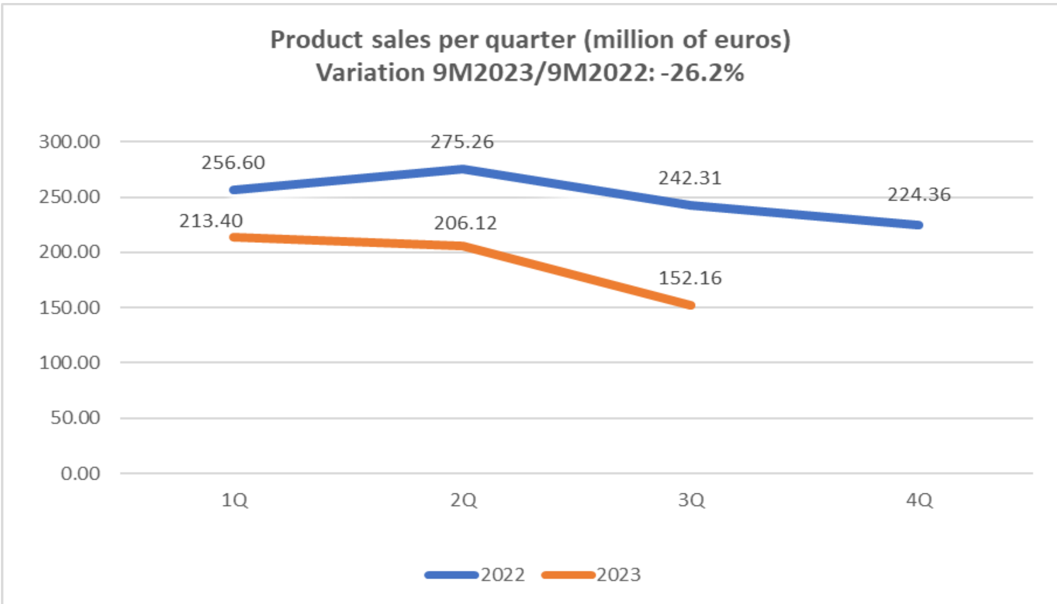
- **In any case, Ercros maintains a solid financial situation, with EUR 132 million of liquidity, the company will continue to execute the 3D Plan in order to advance in the decarbonization of its processes and operations, it will maintain its presence in the markets in which it operates and will take advantage of the opportunities that arise to defend its margins.**

A. KEY FACTS OF THE FIRST NINE MONTHS OF 2023 (9M23)

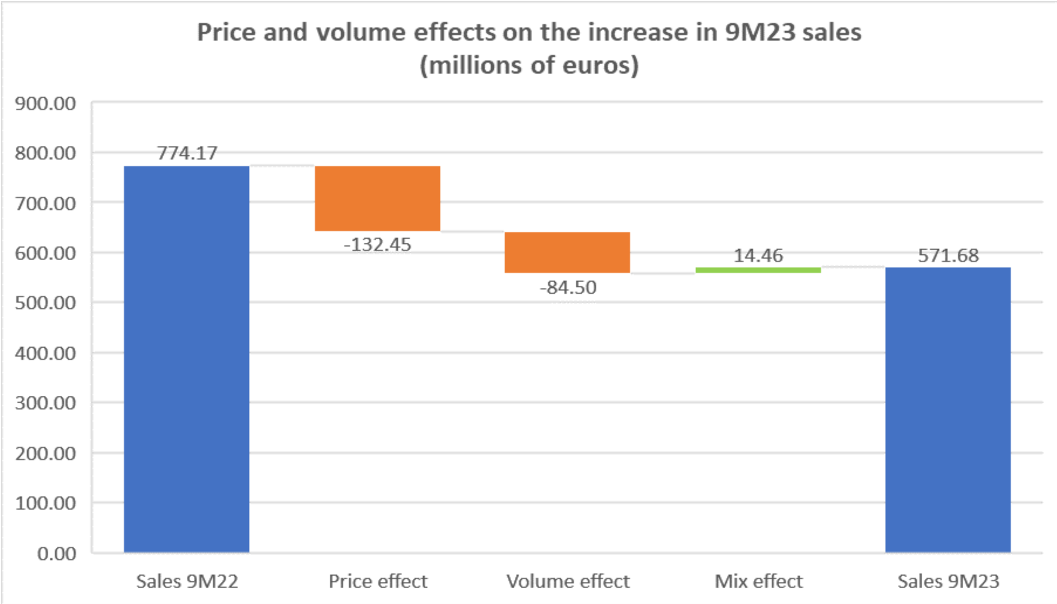
1. The 9M23 data confirms the downward adjustment in volumes of products sold that we have already been observing since mid-2022. In 9M23 Ercros sold 774 thousand tonnes of products compared to 868 thousand tonnes in the same period of 2022: a 10.9% drop.



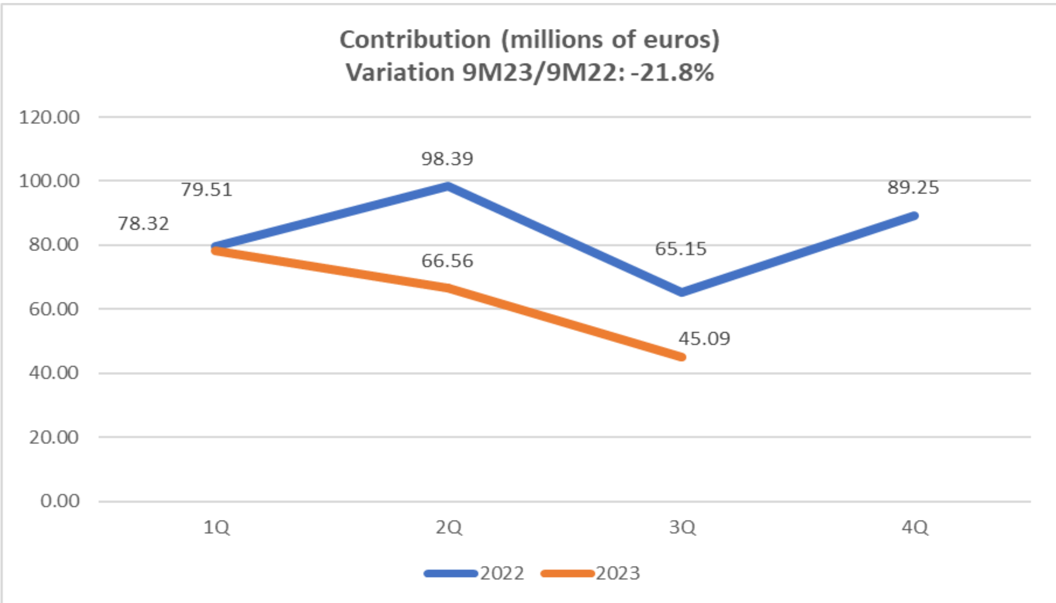
2. The volume of product sales in 9M23 amounted to EUR 571.68 million compared to the EUR 774.17 million reached in 9M22: a decrease of EUR 202.49 million, equivalent to a drop of 26.2%. In percentage terms, the sales amount falls more than the volume sold, which anticipates a significant negative price effect.



3. Indeed, of the EUR 202.49 million in which sales decreased, the fall in the average price per ton sold explains EUR 132.45 million (65.4%) and the lower volume of tonnes sold explains EUR 84.50 million (41.7%). The weakness in demand observed in 9M23 has reduced sales revenue both through lower average product prices and through the volume sold.

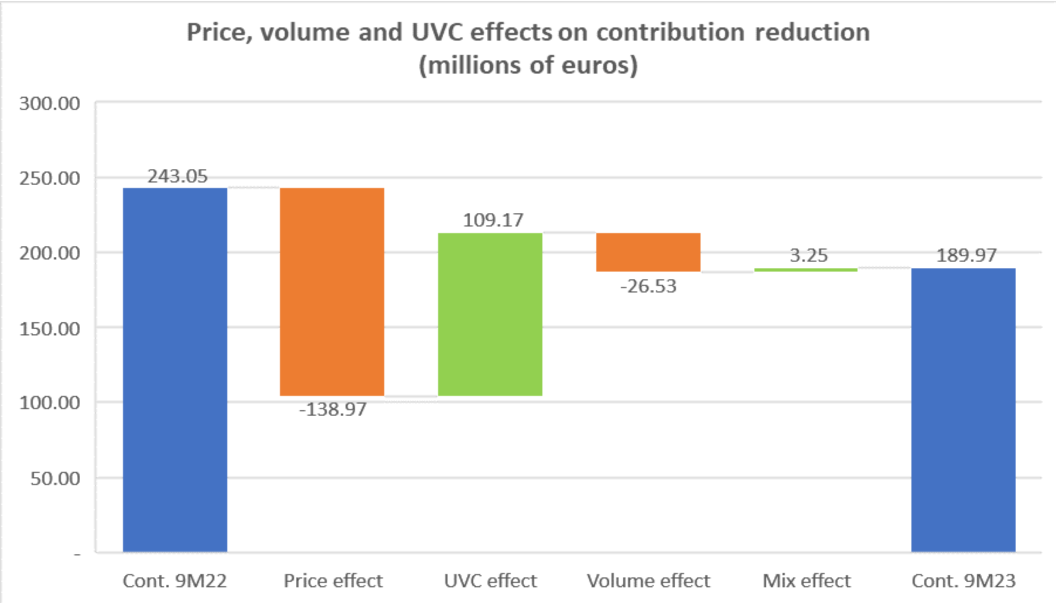


4. The contribution generated by the sales of products and the provision of services amounted to EUR 189.97 million in 9M23, compared to the EUR 243.05 million reached in 9M22; a decrease of EUR 53.08 million, equivalent to -21.8%. This reduction occurs because the negative effect of the drop in sales (and provision of services) exceeds the positive effect caused by the drop in variable costs.

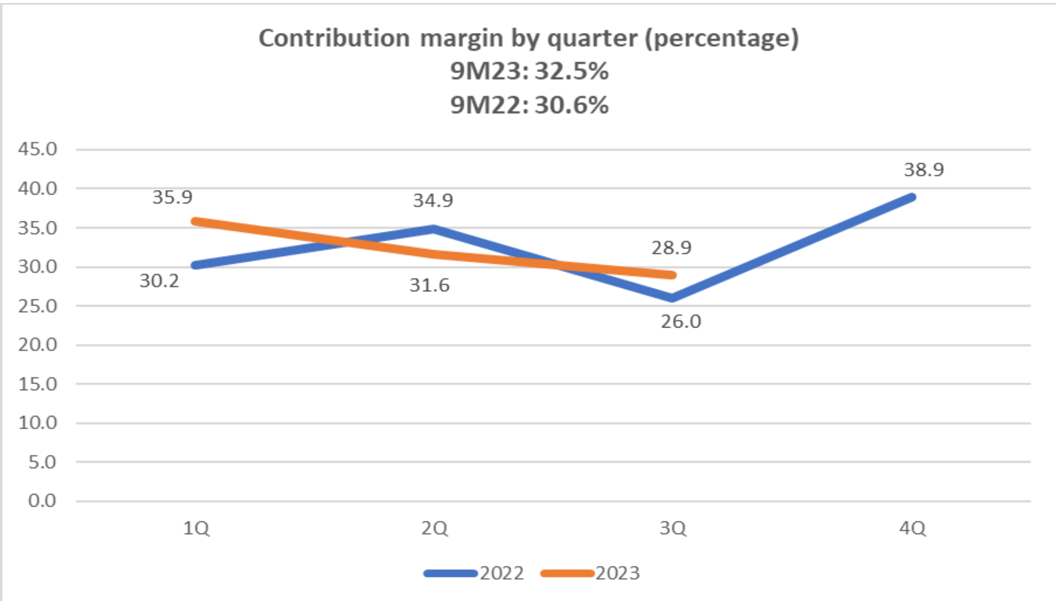


Contribution: (product sales + provision of services – procurements – supplies + stock variation).

5. Regarding 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 9M23, the negative price effect of EUR -138.97 million exceeded, in absolute terms, the positive UVC effect of EUR 109.17 million. The net effect of price and UVC amounts to EUR -29.8 million and explains 56.1% of the EUR -53.08 million in which the contribution varies. The remaining 43.9% is explained by the volume effect of EUR -26.53 million (50.0%) and the mix effect of EUR 3.25 million (-6.1%).

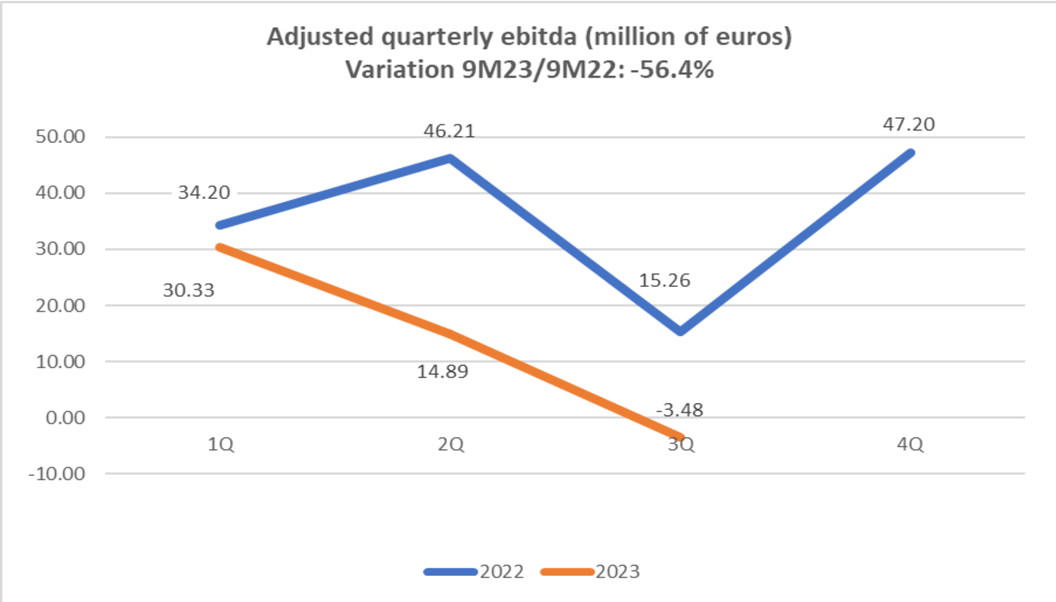


6. The contribution margin (contribution divided by the sum of product sales plus the provision of services) increased from 30.6% achieved in 9M22 to 32.5% in 9M23. A variation of 1.93 percentage points, due to the relative reduction of variable costs, which in 9M22 represented 69.4% of sales (plus the provision of services) and in 9M23 represented 67.5%, mainly due to the reduction of energy costs.



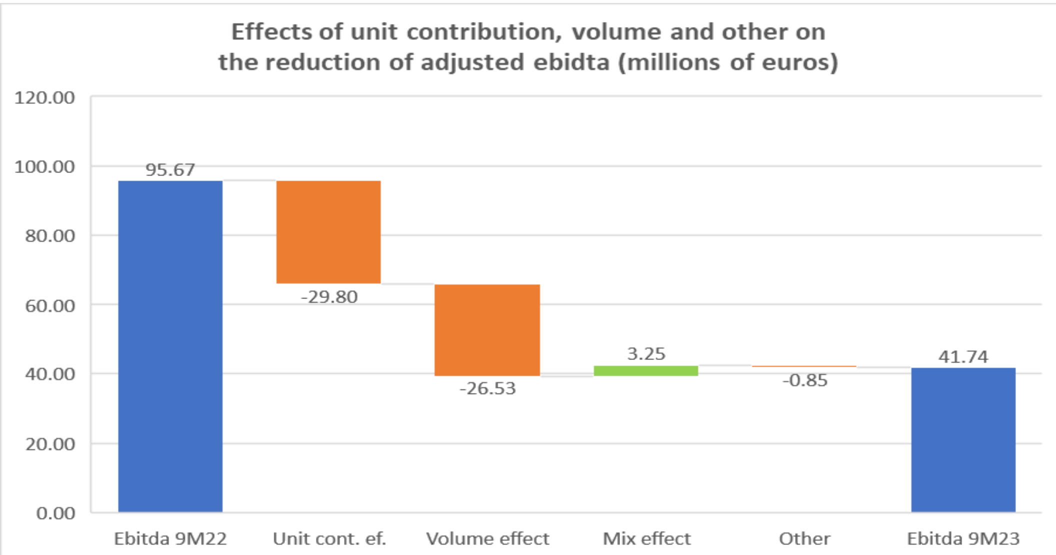
Contribution margin: contribution / (product sales + provision of services).

7. The adjusted ebitda for 9M23 was EUR 41.74 million compared to EUR 95.67 million for 9M22; a reduction of EUR 53.93 million, equivalent to -56.4%. The EUR 53.93 million drop in adjusted ebitda largely reflects the EUR 53.08 million drop in contribution. The additional EUR 0.85 million drop reflects, among others, higher personnel costs and other operating expenses. The poor results of the third quarter, in addition to low demand and high energy costs, are due to the lower activity of the production plants due to the maintenance stops scheduled for this period.



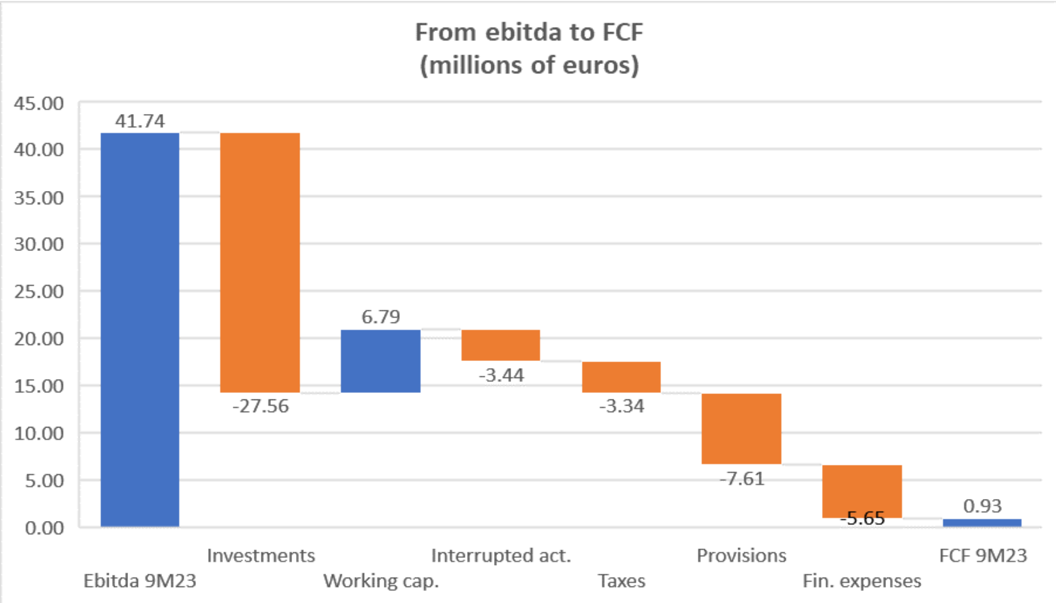
Adjusted ebitda: ebitda excluding atypical items. See the “Ebitda reconciliation” table in Section B of this results note.

8. As compared with 9M22, the variation in adjusted ebitda in 9M23 of EUR -53.93 million is due to: (i) the effect of the unit contribution of EUR -29.80 million, due to the average sales price falling more than the UVC, which explains 55.3% of the drop in ebitda; (ii) the volume effect, due to the lower tonnes sold, of EUR -26.53 million, which explains 49.2% of the drop in ebitda; and (iii) the mix effect of EUR 3.25 million, which explains -6.0% of the drop in ebitda. The rest of EUR -0.85 million, which explains 1.6% of the drop in ebitda, includes the net effect of the variation in other expenses and income.

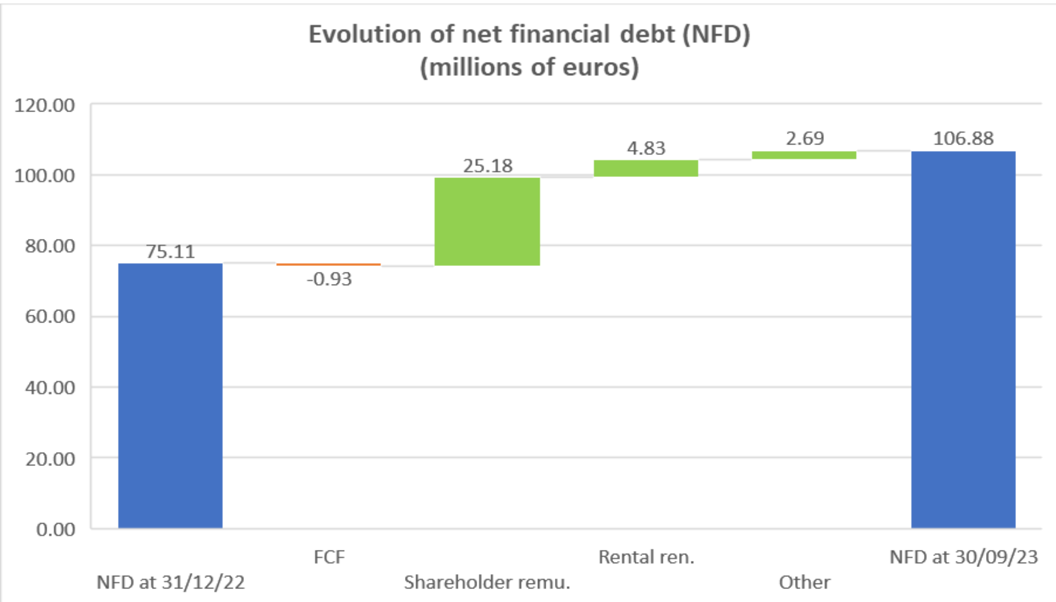


Other: variation in provision of services, other income, fixed and atypical costs.

9. The free cash flow (FCF) generated in 9M23 was positive: EUR 0.93 million. The FCF for 9M23 is the result of, on the one hand, adding EUR 6.79 million in working capital to the EUR 41.74 million of ebitda; and, on the other hand, subtract EUR 27.56 million of investments; EUR 3.44 million of activities interrupted (closure of the Flix dicalcium phosphate plant); EUR 3.34 million of taxes; EUR 7.61 million of provisions; and EUR 5.65 million of net financial results.



10. Ercros started 2023 with EUR 75.11 million of net financial debt (NFD). Throughout 9M23, debt increased: EUR 25.18 million due to shareholder remuneration; EUR 4.83 million for the renewal of leases; and EUR 2.69 million for other minor causes. Also, the FCF reduced the debt by EUR 0.93 million. In total, Ercros increased its NFD by EUR 31.77 million, placing it at EUR 106.88 million as of September 30, 2023.



11. As of September 30, 2023, Ercros had liquidity amounting to EUR 131.88 million, of which EUR 43.09 million was cash and EUR 88.79 million to undrawn financing lines.

B. INTERIM FINANCIAL STATEMENTS

Profit and loss account for 9M23

In relation to the 9M23 benefit, it is worth highlighting, in addition to what is indicated in Section A of this note, the following:

The provision of services heading decreased by 38.3% due to lower customer demand for these services, as well as the reduction in their price derived from lower transferred energy costs. Other income decreased by 11.6%, mainly due to the reduction in the value of free CO_2 emission allowances.

The combined amount of procurements plus the changes in stock of finished and works in progress goods decreased by 21.8%. 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 goods (-26.2%).

Supplies, for their part, were reduced by 42.2% compared to 9M22, mainly due to the drop in the cost of electricity, although a rebound in electricity prices is being seen in the second half of the year.

Transportation expenses decreased by 14.9% due to the reduction in freight prices and lower volumes transported.

Staff costs increased by 4% compared to 9M22 due to: the salary increase in the agreement by 2%; the collective agreement wage improvements agreed in June 2022 for the period 2021-2023; and the increase in social security contributions.

The other operating expenses heading increased 3.6% compared to 9M22.

The allocation of provisions and other extraordinary expenses increased by 22.2% compared to 9M22 due to, mainly, of the dismantling of non-operational facilities and the provisions made for soil remediation based on the latest information available on commitments and environmental remediation obligations.

Amortizations increased by 9% compared to 9M22 due to the higher amortization of allowances to use of leased goods and property, plant and equipment derived from investments made.

The financial result, of EUR -5.78 million, worsened by EUR -4.67 million due to the reduction of positive exchange differences, which went from EUR 3.71 million in 9M22 to EUR 0.34 million in 9M23, and the increase in the financial cost of debt derived from the increase in interest rates.

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

Other comprehensive income

This heading has had no movement in 9M23. In 9M22, the amount was recorded, net of taxes, of the transfer to the income statement of the settlement of cash flow hedges in the purchase of electrical energy contracted for the year 2022, as well as the value changes experienced by coverage in the period.

Balance sheet

Throughout 9M23, non-current assets increased by EUR 3.06 million compared to the end of 2022, as greater amount of investments than amortizations were recorded in the period. Working capital increased by EUR 5.04 million, due to the decrease in current liabilities by EUR 49.54 million compared to the reduction in current assets, inventories and accounts receivable, by EUR 44.50 million.

Net equity decreased by EUR 19.51 million, net result of, on the one hand, the profit for the period amounting to EUR 5.68 million and, on the other, with a negative sign, the repurchase of own shares, amounting to EUR 11.13 million; the bonus for attendance at 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.

Provisions and other debts decreased by EUR 4.16 million mainly due to payments associated with the closure of the Flix plant, as well as the dismantling of facilities and various environmental remediations.

PROFIT AND LOSS ACCOUNT

Thousands of euros	9M23	9M22	%
Activities that continue			
Income	**600,935**	**813,709**	**-26.1**
Sale of finished goods	571,676	774,167	-26.2
Provision of services	13,089	21,217	-38.3
Other income	15,948	18,039	-11.6
Reversal of provisions and other extraordinary income	222	286	-22.4
Expenses	**-562,413**	**-720,576**	**-21.9**
Procurements	-273,049	-361,843	-24.5
Decrease in stocks of finished and in progress goods	-15,932	-7,522	×2.1*
Supplies	-105,809	-182,973	-42.2
Transportation expenses	-34,502	-40,524	-14.9
Staff costs	-69,822	-67,130	4.0
Other operating expenses	-59,855	-57,765	3.6
Provisions and other extraordinary expenses	-3,444	-2,819	22.2
Ebitda	**38,522**	**93,133**	**-58.6**
Amortizations	-24,397	-22,388	9.0
Ebit	**14,125**	**70,745**	**-80.0**
Financial result	-5,784	-1,117	×5.2*
Profit before tax	**8,341**	**69,628**	**-88.0**
Income taxes	-1,448	-13,315	-89.1
Period profit from continuing operations	**6,893**	**56,313**	**-87.8**
Net loss for the period of discontinued operations	-1,213	-5,796	-79.1
Period profit	**5,680**	**50,517**	**-88.8**

*Times in which the 2023 figure exceeds the 2022 figure (in absolute terms).

RECONCILIATION OF ADJUSTED EBITDA

Thousands of euros	9M23	9M22	%
Ebitda	**38,522**	**93,133**	**-58.6**
Atypical income items	-222	-286	-22.4
Atypical expense items	3,444	2,819	22.2
Adjusted ebitda	**41,744**	**95,666**	**-56.4**

TOTAL COMPREHENSIVE PROFIT/(LOSS)

Thousands of euros	9M23	9M22	%
Profit for the period	**5,680**	**50,517**	**-88.8**
Other comprehensive income-			
Items that will be later reclassified to results for the year	-	-8,706	-
Total comprehensive profit/(loss)	**5,680**	**41,811**	**-86.4**

ECONOMIC ANALYSIS OF THE BALANCE SHEET

Thousands of euros	30/09/23	31/12/22	Change	%
Non-current assets	**396,104**	**393,040**	**3,064**	**0.8**
Working capital	**82,389**	**77,349**	**5,040**	**6.5**
Current assets	196,614	241,119	-44,505	-18.5
Current liabilities	-114,225	-163,770	49,545	-30.3
Resources used	**478,493**	**470,389**	**8,104**	**1.7**
Net equity	**341,205**	**360,710**	**-19,505**	**-5.4**
Net financial debt	**106,882**	**75,110**	**31,772**	**42.3**
Provisions and other debts	**30,406**	**34,569**	**-4,163**	**-12.0**
Origin of funds	**478,493**	**470,389**	**8,104**	**1.7**

DETAIL OF NET FINANCIAL DEBT

Thousands of euros	30/09/23	31/12/22	Change	%
Loans	106,446	85,007	21,439	25.2
Financial lease creditors	11,011	12,324	-1,313	-10.7
Financing of working capital	34,546	38,096	-3,550	-9.3
Gross financial debt	**152,003**	**135,427**	**16,576**	**12.2**
Cash	-43,087	-58,283	15,196	-26.1
Deposits	-2,034	-2,034	-	-
Net financial debt	**106,882**	**75,110**	**31,772**	**42.3**

C. BUSINESS PERFORMANCE

At a global level, the weakness in demand in the chemical sector that began in mid-2022 has continued throughout 9M23. In the case of Ercros, this situation, together with scheduled maintenance stops and increased competition, has translated into lower volumes and sales prices, which have not been able to be compensated by the relative cheaper energy and raw materials compared to the 2022 highs.

In this context, the effort of Ercros' businesses has continued to be focused on adapting production rates to demand, while at the same time defending margins as much as possible in a situation of very volatile markets subject to increasing competition.

In 9M23, the volume sold by the **chlorine derivatives** division experienced a reduction of 10.9% compared to 9M22. It is worth remembering that the contract to supply chlorine to an external client ended in 2022, which has contributed to reducing the sales volume in 9M23, given that said chlorine is now used to produce its own EDC (intermediate product in the manufacturing PVC).

Compared to 9M22, the division's sales amount fell by 29.3%, given that the drop in volume was added to a drop in the average sales price of 20.4%, which affected the main products.

As a result of all this, the division's ebitda decreased by 60.7% and placed the ebitda/sales ratio at 8.6%, 6.8 points below the 15.4% obtained in 9M22.

After the good results of 2021 and the first half of 2022, the **intermediate chemicals** division has continued to be affected by lower consumption of durable goods, which became evident from May 2022, and by a tightening of the competence. Compared to 9M22, sales fell by 25.9%, and the average price of the division's products fell by 16.6%. Because of all this, the ebitda/sales ratio stood at 6.3%, compared to the 6.2% reached in 9M22, still far from the average values of this division in recent years.

The **pharmaceuticals** division is the only one that increased its sales compared to 9M22, by 6.2%, thanks to the increase in the volume of products sold, by 2.7%, and in sales prices, by 3.4%. However, the pressure that raw material costs continue to exert has resulted in the division presenting an ebitda of only EUR 0.73 million in 9M23, significantly lower than that obtained in 9M22. The division's margins are expected to recover in the coming quarters helped by the progressive reduction in the price of raw materials and the increase in sales prices.

In 3Q22, the division began the sale of 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 mentioned in previous notes, throughout this year it is expected to obtain 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 results.

BUSINESS PERFORMANCE

Thousands of euros	9M23	9M22	%
Chlorine derivatives division			
Product sales	365,382	516,865	-29.3
Adjusted ebitda	31,339	79,650	-60.7
Adjusted ebitda/product sales (%)	8.6	15.4	-44.3
Intermediate chemicals division			
Product sales	154,762	208,759	-25.9
Adjusted ebitda	9,679	12,843	-24.6
Adjusted ebitda/product sales (%)	6.3	6.2	1.7
Pharmaceuticals division			
Product sales	51,532	48,543	6.2
Adjusted ebitda	726	3,173	-77.1
Adjusted ebitda/product sales (%)	1.4	6.5	-78.4

D. FORECAST FOR THE REMAINDER OF 2023

For the European chemical sector, the consensus of specialized publications delays the start of the recovery in demand, initially planned for the first quarter of 2024, until the second half of 2024.

In this environment of high uncertainty, weak demand and possible new increase in energy prices motivated by the conflict in the Middle East, the company's margins and volumes will continue to be negatively affected in the fourth quarter of 2023. Also, the maintenance stops scheduled for the final part of the year, will accentuate the drop in produced volumes.

Despite the high level of uncertainty that exists, we advance a quantitative forecast for the entire 2023 financial year in terms of possible minimum and maximum outcomes of the most relevant income statement headings:

RESULTS FORECAST FOR 2023

Millions of euros	Forecast
Sale of finished goods	710-720
Contribution	230-240
Adjusted ebitda	45-55
Profit	0-10

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

Barcelona, November 8, 2023