

## ERCROS FY 2023 RESULTS NOTE

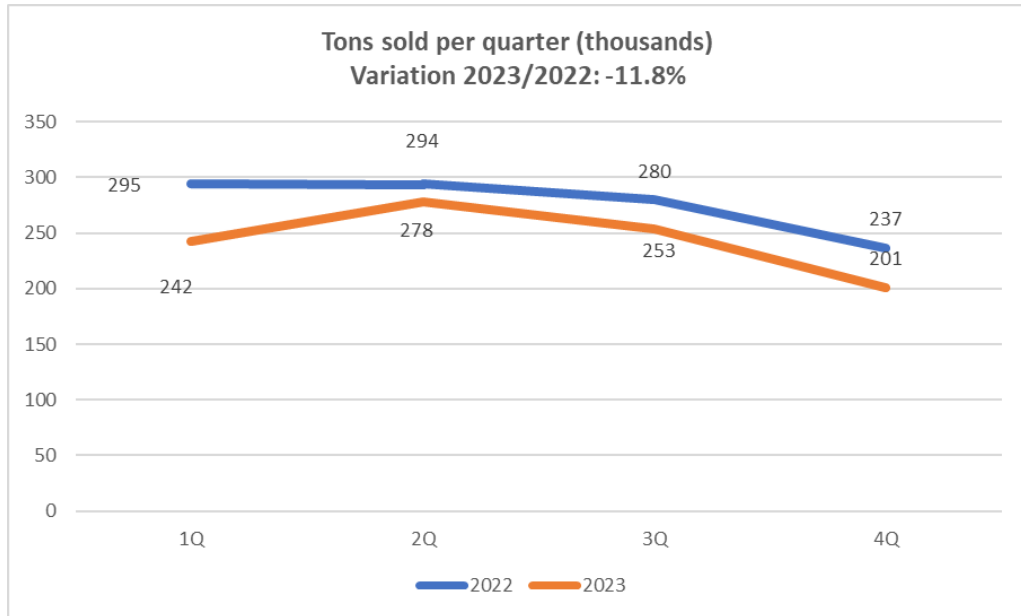
(27/02/2024)

### **The Constitutional Court's ruling on the limitation of offsetting of negative tax basis increases Ercros' profit to EUR 28 million**

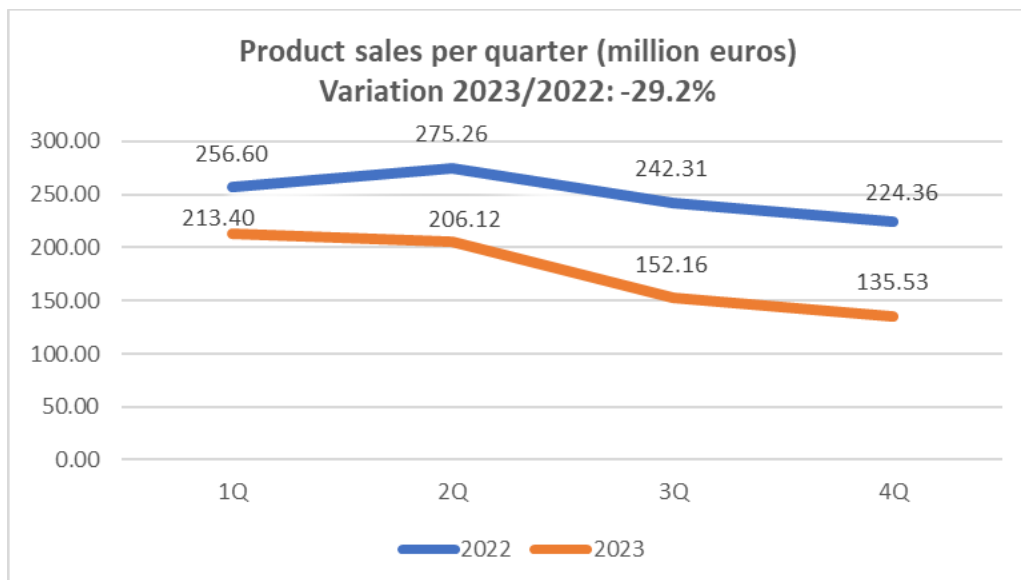
- In the 2023 financial year, Ercros has obtained a contribution of EUR 231 million, an ebitda of EUR 48 million and a profit of EUR 28 million.
- The profit for the year is due, in a very significant part, to the effect of the Constitutional Court's ruling on Royal Decree Law 3/2016, which adds EUR 26.1 million to the initial result of 1.5 million.
- The low initial result is the consequence of an environment of low demand for chemical products in Europe, with highly volatile markets and strong competition. The drastic increase in energy and raw material costs caused by the war in Ukraine in 2022 continues to distort the functioning of the European economies, despite their moderation in 2023.
- In any case, Ercros maintains a solid financial situation, with EUR 149 million of liquidity; will continue to execute the 3D Plan to advance in the digitalisation and decarbonization of its processes and operations; will maintain its presence in the markets in which it operates; and will take advantage of the opportunities that arise to defend its margins.
- Ercros will distribute a dividend charged to 2023 results of EUR 7 cents per share and will repurchase its own shares for amortization up to a total payout equal to 32,5% of 2023 profit.

**A. 2023 HIGHLIGHTS**

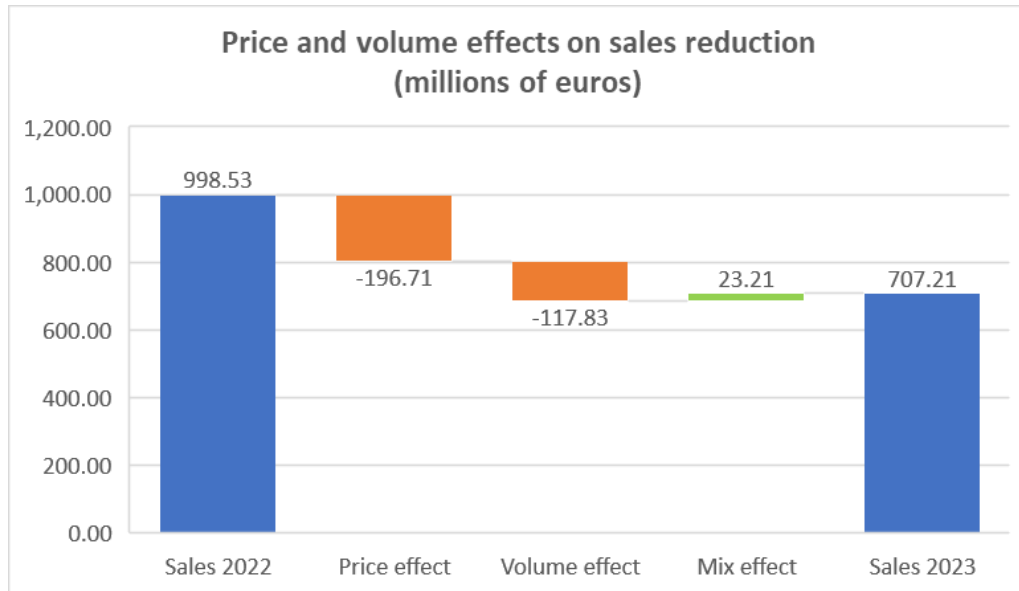
1. The 2023 data confirm the downward adjustment in the volume of products sold that had already been observed since mid-2022. In 2023 Ercros sold 974 thousand tons of products compared to 1,105 thousand tons in 2022: a drop of 11.8%.



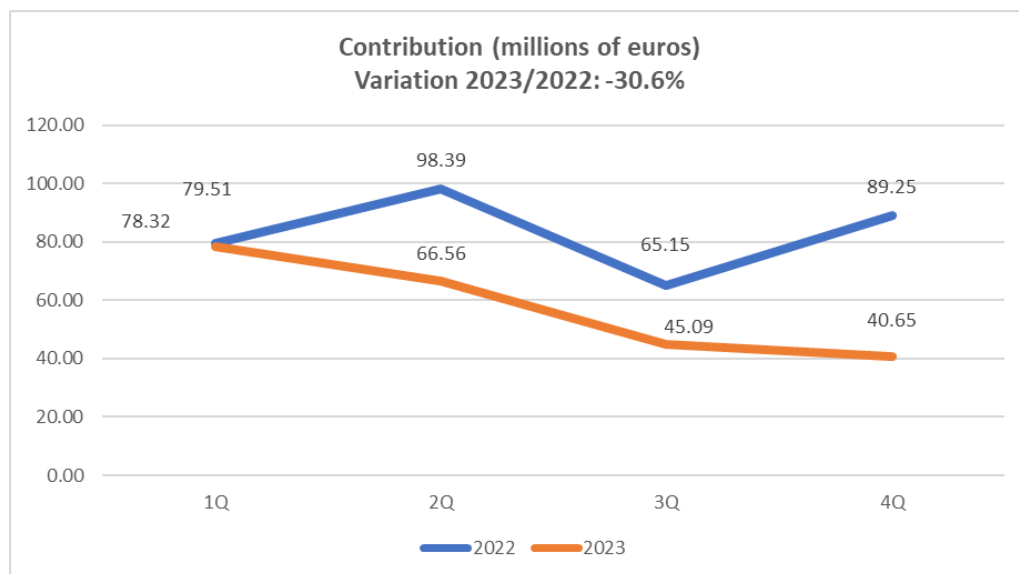
2. In 2023, product sales totalled EUR 707.21 million, marking a decline of EUR 291.32 million, or 29.2%, from the 2022 figure of EUR 998.53 million. The percentage decrease in sales surpasses the decline in volume, suggesting a notable negative impact on prices.



3. Indeed, out of the EUR 291.32 million decline in sales, EUR 196.71 million (67.5%) can be attributed to the decrease in the average price per ton sold, while EUR 117.83 million (40.4%) is explained by the lower volume of tons sold. The diminished demand in 2023 has impacted sales revenue by affecting both average product prices and the volume sold.

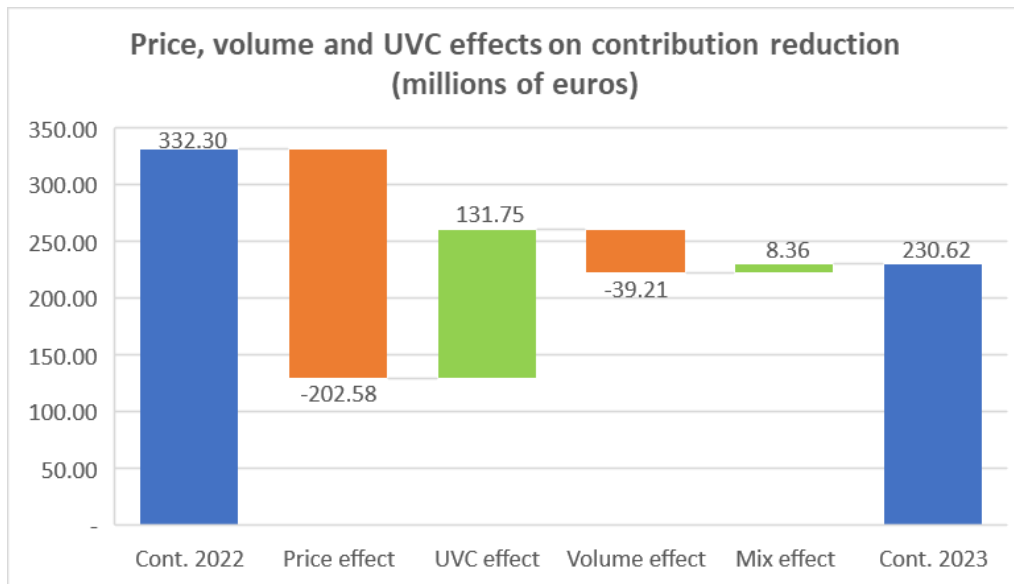


4. The contribution generated by product sales and service provision amounted to EUR 230.62 million in 2023, compared to the EUR 332.30 million reached in 2022; a decrease of EUR 101.68 million, equivalent to -30.6%. This reduction occurs because the negative impact of the decline in sales (and service provision) outweighs the positive effect brought about by the decrease in variable costs.

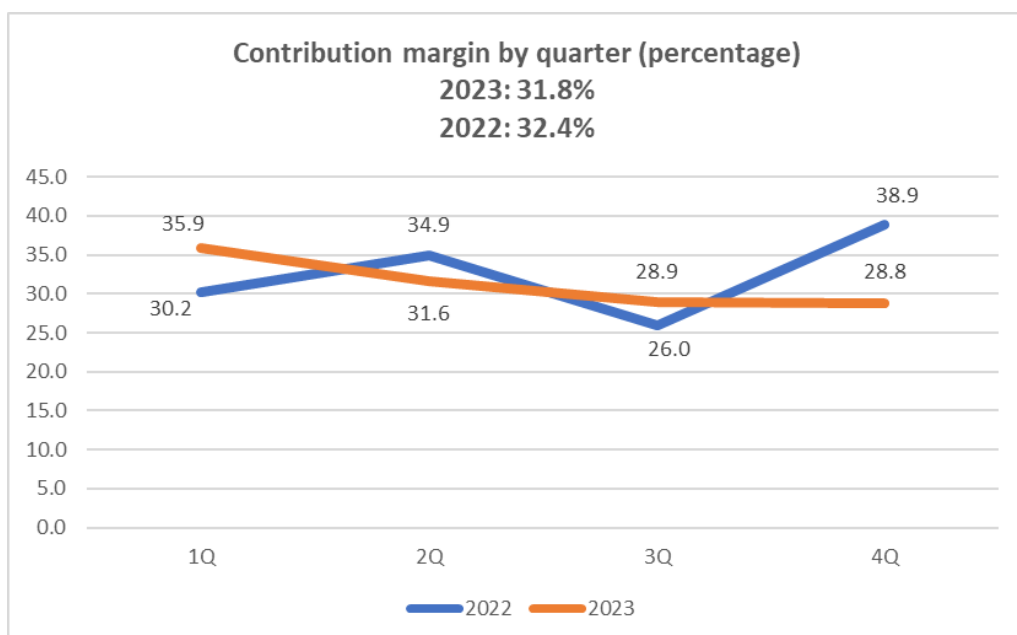


Contribution: (product sales + provision of services – procurements – supplies + stock variation).

- Regarding the contribution, the most effective way to identify the net effect of prices and costs is by contrasting the impact of the average price of products sold with the unit variable cost (UVC) incurred in the manufacturing of these products. In 2023, the negative price effect of EUR -202.58 million exceeded, in absolute terms, the positive UVC effect of EUR 131.75 million. The net effect of price and UVC amounts to EUR -70.83 million, explaining 69.6% of the EUR -101.68 million variation in the contribution. The remaining 30.4% is explained by the volume effect of EUR -39.21 million (38.6%) and the mix effect of EUR 8.36 million (-8.2%).

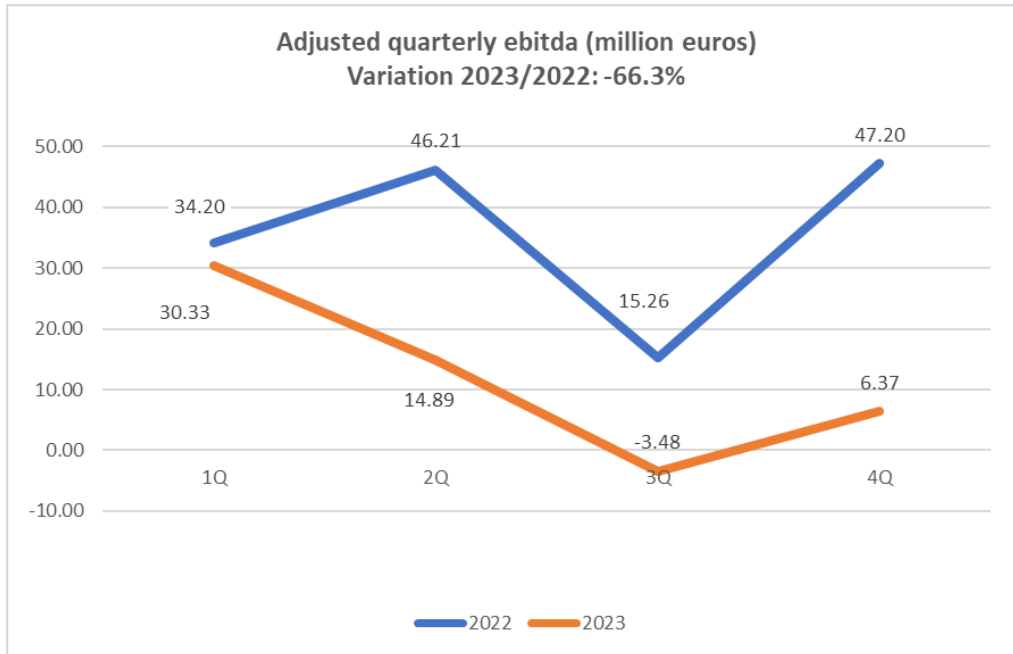


- The contribution margin (contribution divided by the sum of product sales and service provision) decreased from the 32.4% achieved in 2022 to 31.8% in 2023, representing a variation of -0.6 percentage points. This change occurred because, throughout 2023, the variation in the sum of sales and service provision (-29.2%) exceeded, in absolute terms, the variation in variable costs (-28.6%).



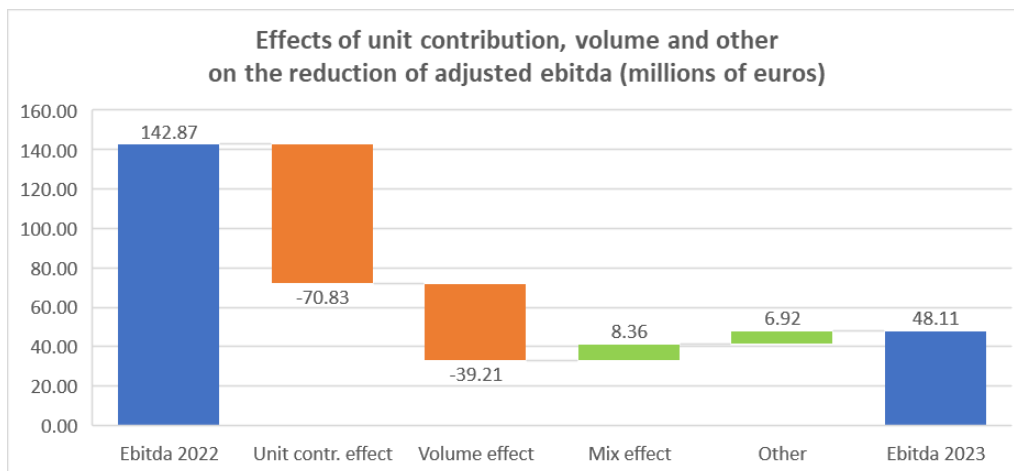
Contribution margin: contribution / (product sales + provision of services).

7. The adjusted ebitda for 2023 was EUR 48.11 million compared to the EUR 142.87 million in 2022, indicating a reduction of EUR 94.76 million, equivalent to -66.3%. The decrease of EUR 94.76 million in adjusted ebitda largely mirrors the decline of EUR 101.68 million in contribution. The remaining EUR 6.92 million of the lesser decrease reflects, among others, the lowest transportation cost of the products sold.



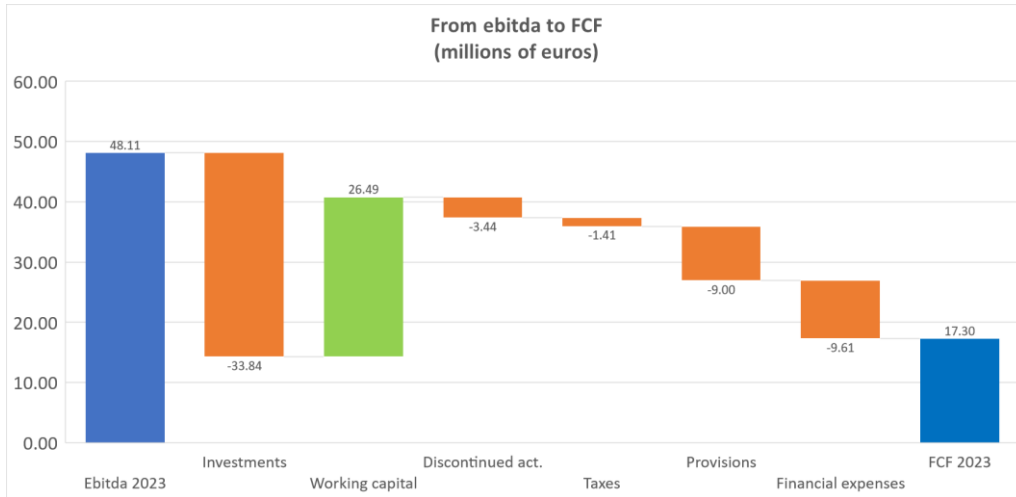
Adjusted ebitda: ebitda excluding atypical items. See the “Ebitda reconciliation” table in Section B of this results note.

8. Compared to 2022, the variation in adjusted ebitda for 2023 of EUR -94.76 million is attributed to: (i) the impact of the unit contribution of EUR -70.83 million, as the average selling price drops more than the UVC, explaining 74.7%; (ii) the volume effect, due to lower tons sold, of EUR -39.21 million, explaining 41.4%; and (iii) the mix effect of EUR 8.36 million, explaining -8.8%. The remaining EUR 6.92 million, explaining -7.3% of the ebitda decline, represents the net effect of the variation in other expenses and income.

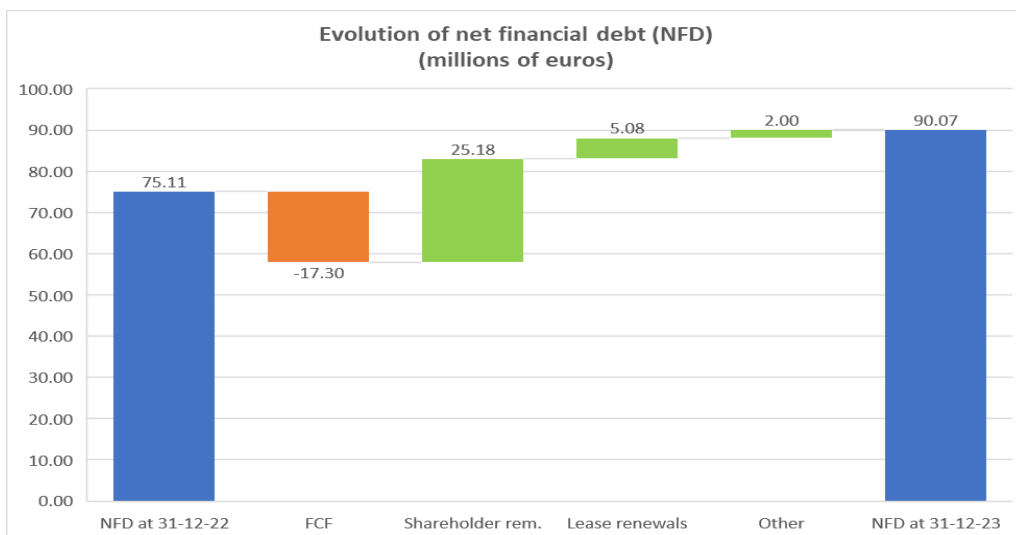


Rest: variation in service provision, other income, fixed and atypical costs.

9. The free cash flow (FCF) generated in 2023 was positive: EUR 17.30 million. The FCF for 2023 is the result of, on the one hand, adding EUR 26.49 million in working capital to the EUR 48.11 million of ebitda; and, on the other hand, subtracting EUR 33.84 million in investments; EUR 3.44 million in discontinued activities (closure of the dicalcium phosphate plant in Flix); EUR 1.41 million in taxes; EUR 9.00 million in provisions; and EUR 9.61 million in net financial results.



10. Ercros started 2023 with EUR 75.11 million in net financial debt (NFD). Throughout the year, the debt increased by EUR 25.18 million due to shareholder remuneration, by EUR 5.08 million for lease renewals, and by EUR 2.00 million for other minor reasons. It decreased by EUR 17.30 million thanks to the positive FCF achieved. In net terms, therefore, the NFD increased by EUR 14.96 million, reaching EUR 90.07 million as of December 31, 2023.



11. As of December 31, 2023, Ercros had liquidity amounting to EUR 148.63 million, of which EUR 39.15 million corresponded to cash and EUR 109.48 million to undrawn credit lines.

## B. ANNUAL FINANCIAL STATEMENTS

### Income statement

Regarding the profit for 2023, in addition to the information provided in Section A of this note, the following points are noteworthy:

The service provision category decreased by 31.4% due to the reduced demand from clients for these services and the price reduction resulting of the lower energy costs passed on. Other income increased by 9.7%, primarily due to higher compensation for indirect CO<sub>2</sub> emissions and increased subsidies for being a gas-intensive company compared to the previous year.

The cost of procurements plus the variation in finished and work-in-progress product inventory decreased by 24.1%. The main cause of this decrease was the reduction in raw material costs, which, though significant, was less than the decline in sales of finished products (-29.2%).

Supplies, on the other hand, decreased by 39.7% compared to 2022, mainly due to the decrease in electricity costs.

Transportation expenses decreased by 17.3% due to lower freight prices and reduced transported volumes.

Personnel expenses increased by 2.3% compared to 2022 due to the 2% fixed salary increase defined in the collective agreement, improvements agreed upon in June 2022 for the 2021-2023 period, and an increase in social security contributions.

The category of other operating expenses increased by 3.6% compared to 2022.

Provisions and other extraordinary expenses decreased by 75.8% compared to 2022, primarily due to the provisions made in 2022 in connection with the cessation of activity at the Flix factory, covering the costs of agreed-upon layoffs and the dismantling of facilities that ceased production.

Amortizations increased by 7.7% compared to 2022 due to higher amortization of leased assets and tangible fixed assets resulting from investments made.

The financial result, at EUR -8.71 million, worsened by EUR 4.51 million due to lower exchange rate differences, which decreased from EUR 1.50 million in 2022 to EUR -0.81 million in 2023, and an increase in the financial cost of debt due to rising interest rates.

The amount of the profit in income tax for 2023 is mainly due to the judgment of January 18, 2024, by the Constitutional Court (TC) in which it unanimously declared the unconstitutionality of Royal Decree-Law 3/2016, in relation to Article 3. First, Sections One and Two, which established, effective January 1, 2016, the following measures:

- Limitation of the offset of negative tax basis.
- Reversal of impairments on participation deducted in years prior to 2013, at a fifth per year from 2016.
- Limitation to 50% of the total tax liability for the double taxation deduction.

The impact of this judgment is generally limited to those settlements that had been contested prior to the judgment.

As a result of this judgment, Ercros has recorded an asset corresponding to the tax income from the application of negative tax bases, amounting to EUR 18.63 million; a financial income corresponding to late interest, amounting to EUR 1.17 million; and another income from the activation of tax deductions reversed by the recalculation of the new settlements, amounting to EUR 5.95 million.

### **Other comprehensive income**

This heading has had no movements in 2023. In 2022, the amount, net of taxes, of the transfer to the income statement of the settlement of the cash flow hedges in the purchase of electrical energy contracted for that year was recorded, as well as the value changes experienced by the coverage in the period.

### **Balance sheet**

Non-current assets increased by EUR 25.75 million due to the recording of assets and tax deductions reversed because of the Constitutional Court (TC) judgment. Working capital decreased by EUR 13.13 million, driven by the reduction of current assets, inventories, and accounts receivable by EUR 71.59 million, against a decrease in current liabilities by EUR 58.46 million.

Equity increased by EUR 2.05 million, the net result of, on the one hand, the profit for the period amounting to EUR 27.23 million, and on the other hand, negatively signed items including the repurchase of own shares totalling EUR 11.13 million, attendance premium for the shareholders' meeting amounting to EUR 0.33 million, and dividends totalling EUR 13.72 million.

Net financial debt increased by EUR 14.96 million. On December 22, 2023, Ercros and a pool of financial entities signed a syndicated financing agreement for the next six years (2024-2029), formalized in two lines of financing totalling EUR 217 million. The agreement is structured through the following financial instruments:

- A syndicated factoring contract that advances receivables from customers and allows financing working capital up to a maximum amount of EUR 102 million. This contract replaces the existing factoring agreement expiring in May 2024.
- A syndicated credit with a maximum amount of EUR 115 million with two tranches: a revolving tranche of EUR 50 million, replacing the existing credit of EUR 30 million expiring in May 2024; and a loan tranche to finance investments up to a maximum of EUR 65 million.

This financing covers all the company's anticipated needs in the coming years and will enable Ercros to undertake the necessary investments to complete the 3D Plan: Diversification, digitalization, and decarbonisation. Provisions and other debts decreased by EUR 4.38 million, mainly due to changes in payments associated with the closure of the Flix plant and payments for the dismantling of facilities and various environmental remediation activities.



**PROFIT/LOSS FOR THE YEAR**

EUR thousand	2023	2022	%
<b>Continuing operations</b>			
<b>Revenue</b>	<b>757,626</b>	<b>1,059,685</b>	<b>-28.5</b>
Sales of finished goods	707,214	998,532	-29.2
Service provision	18,080	26,370	-31.4
Other income	31,143	28,394	9.7
Reversal of provisions and other extraordinary income	1,189	399	198.0
Changes in inventories of finished goods and work in progress	-	5,990	-
<b>Expenses</b>	<b>-713,320</b>	<b>-937,024</b>	<b>-23.9</b>
Procurements	-348,324	-470,572	-26.0
Variation in finished and work-in-progress product inventory	-8,880	-	-
Supplies	-137,469	-228,015	-39.7
Transportation	-42,965	-51,938	-17.3
Personnel expenses	-91,627	-89,582	2.3
Other operating expenses	-79,065	-76,305	3.6
Provisions and other extraordinary expenses	-4,990	-20,612	-75.8
<b>Ebitda</b>	<b>44,306</b>	<b>122,661</b>	<b>-63.9</b>
Amortization	-32,273	-29,966	7.7
Depreciation of the value of the asset	1,006	-539	-
<b>Ebit</b>	<b>13,039</b>	<b>92,156</b>	<b>-85.9</b>
Financial results	-8,005	-4,198	90.7
<b>Profit before tax</b>	<b>5,034</b>	<b>87,958</b>	<b>-94.3</b>
Income tax	23,764	-17,314	-
<b>Profit for the year from continuing operations</b>	<b>28,798</b>	<b>70,644</b>	<b>-59.2</b>
Net loss from discontinued operations	-1,213	-7,655	-84.2
<b>Profit for the year</b>	<b>27,585</b>	<b>62,989</b>	<b>-56.2</b>

**RECONCILIATION OF ADJUSTED EBITDA**

EUR thousand	2023	2022	%
<b>Ebitda</b>	<b>44,306</b>	<b>122,661</b>	<b>-63.9</b>
Atypical income items	-1,189	-399	198.0
Atypical spending items	4,990	20,612	-75.8
<b>Adjusted ebitda</b>	<b>48,107</b>	<b>142,874</b>	<b>-66.3</b>

### TOTAL COMPREHENSIVE INCOME

EUR thousand	2023	2022	%
<b>Profit for the year</b>	<b>27,585</b>	<b>62,989</b>	<b>-56.2</b>
Other comprehensive income - Items that may be reclassified to profit or loss in subsequent periods	-	-10,957	-
<b>Total comprehensive income</b>	<b>27,585</b>	<b>52,032</b>	<b>-47.0</b>

### ECONOMIC ANALYSIS OF THE BALANCE SHEET

EUR thousand	31-12-23	31-12-22	Change	%
<b>Non-current assets</b>	<b>419,152</b>	<b>393,040</b>	<b>26,112</b>	<b>6.6</b>
<b>Working capital</b>	<b>64,218</b>	<b>77,349</b>	<b>-13,131</b>	<b>-17.0</b>
Current assets	169,527	241,119	-71,592	-29.7
Current liabilities	-105,309	-163,770	58,461	-35.7
<b>Resources used</b>	<b>483,370</b>	<b>470,389</b>	<b>12,981</b>	<b>2.8</b>
<b>Equity</b>	<b>363,115</b>	<b>360,710</b>	<b>2,405</b>	<b>0.7</b>
<b>Net financial debt</b>	<b>90,070</b>	<b>75,110</b>	<b>14,960</b>	<b>19.9</b>
<b>Provisions and other debts</b>	<b>30,185</b>	<b>34,569</b>	<b>-4,384</b>	<b>-12.7</b>
<b>Origin of funds</b>	<b>483,370</b>	<b>470,389</b>	<b>12,981</b>	<b>2.8</b>

### DETAIL OF NET FINANCIAL DEBT

EUR thousand	31-12-23	31-12-22	Change	%
Loans	108,831	85,007	23,822	28.0
Finance lease liabilities	9,260	12,324	-3,062	-24.9
Working capital financing	13,158	38,096	-24,938	-65.5
<b>Gross financial debt</b>	<b>131,249</b>	<b>135,427</b>	<b>-4,178</b>	<b>-3.1</b>
Cash	39,145	58,283	-19,138	-32.8
Deposits	2,034	2,034	-	-
<b>Net financial debt</b>	<b>90,070</b>	<b>75,110</b>	<b>14,960</b>	<b>19.9</b>

## C. BUSINESS PERFORMANCE

On a global scale, the weakness in the demand for the chemical sector that began in mid-2022 has continued throughout 2023. For Ercros, this situation has translated into lower volumes and selling prices, which could not be offset by the relative decrease in energy and raw material costs compared to the peak in 2022.

In this context, Ercros' business efforts have continued to focus on adapting production rates to demand while defending margins as much as possible in a situation of highly volatile markets and strong competition.

In 2023, the volume marketed by the **chlorine derivatives** division experienced a 13.0% reduction compared to 2022. It is worth noting that the chlorine supply contract with an external

customer ended in 2022, contributing to the reduction in sales volume in 2023, as this chlorine is now used for Ercros' own EDC production (an intermediate product in PVC manufacturing). Sales revenue for the division decreased by 34.2% compared to 2022, with the volume decline coupled with a 24.1% drop in the average selling price affecting key products. As a result, the division's ebitda decreased by 72.9%, placing the ebitda/sales ratio at 7.7%, 10.8 points below the 18.5% in 2022.

After the positive results in the first half of 2022, the **intermediate chemicals** division has continued to be affected by lower durable goods consumption and tougher competition, evident from May 2022 onwards, and increased competition. Sales decreased by 24.2% compared to 2022, and the average price of the division's products dropped by 17.3%, partially offset by a decrease in raw material prices and moderation in energy prices. Consequently, the ebitda/sales ratio stood at 6.8%, compared to 5.7% in 2022, still below the division's average values in recent years.

The **pharmaceuticals** division is the only one that increased its sales compared to 2022, by 3.4%, thanks to higher volumes of products sold (2.6%) and higher selling prices (0.7%). However, the ongoing pressure from raw material costs has resulted in a 2023 ebitda of only EUR 0.81 million. It is expected that the division's margins will recover in the coming quarters, thanks to the gradual reduction in raw material prices and the increase in selling prices.

During 2023, the pharmaceuticals division obtained authorization for the manufacture of new sterile products (micronized fusidic acid and sodium fusidate) and received approval for registrations for the sale of famotidine in China and erythromycin base dihydrate in Australia and the US. Additionally, this division has launched a new presentation of compacted trometamol fosfomycin and completed the validation work on the new plant for the extraction of erythromycin salts: ethylsuccinate, stolate, and stearate.

Throughout 2024, it expects to obtain the required approval for the manufacturing and commercialization of vancomycin and gentamycin, which will contribute to the recovery of results.

## **BUSINESS PERFORMANCE**

<b>EUR thousand</b>	<b>2023</b>	<b>2022</b>	<b>%</b>
<b>Chlorine derivatives division</b>			
Product sales	442,729	673,099	-34.2
Adjusted ebitda	33,873	124,816	-72.9
Adjusted ebitda margin (%)	7.7	18.5	-58.7
<b>Intermediate chemicals division</b>			
Product sales	197,392	260,518	-24.2
Adjusted ebitda	13,423	14,819	-9.4
Adjusted ebitda margin (%)	6.8	5.7	19.5
<b>Pharmaceuticals division</b>			
Product sales	67,093	64,915	3.4
Adjusted ebitda	811	3,239	-75.0
Adjusted ebitda margin (%)	1.2	5.0	-75.8

#### **D. DIVERSIFICATION, DIGITALISATION AND DECARBONISATION PLAN: 3D PLAN**

The 3D Plan includes 20 projects that, over the period 2021-2029, will entail a cumulative investment of EUR 92 million and an additional cumulative ebitda of EUR 194 million. The investments under the Plan are being carried out according to the scheduled timeline.

In the diversification dimension, the capacity expansion for polyols manufacturing at the Tortosa plant, moulding compounds at the Cerdanyola plant, and fosfomicin trometamol at the Aranjuez plant, as well as the production of sterile micronized fusidic acid at Aranjuez, became operational in 2021 and 2022. In 2023, the projects for expanding the sodium chlorite plant and the TCCA plant at the Sabiñánigo plant have become operational, and industrial-scale work has been completed for the fermentation and extraction processes of two new antibiotics (gentamycin and vancomycin) at the extraction plant in Aranjuez, built in 2022.

Regarding the digitalisation dimension, projects have been completed, including Business Intelligence projects for the areas of purchasing, logistics, production, and maintenance; tracking and monitoring of containers shipped by sea and shipments by land; and mobility solutions in an industrial environment (work permits and meter readings). Projects in Big Data and IoT, mobility and logistics, infrastructure improvement, cybersecurity, workplace environment optimization and automation, as well as sensorisation and updating of control systems in the production area, continue to advance.

In the decarbonisation dimension, projects have been completed for: (i) improving energy efficiency in Tortosa and optimizing energy consumption in Cerdanyola; (ii) replacing luminaires with LED lights in the factories of the intermediate chemicals division and the Tarragona industrial complex; (iii) optimizing chemical product and raw material consumption in Aranjuez; and (iv) improving hydrogen utilization in Sabiñánigo, Vila-seca I and Vila-seca II. In 2024, the projects for (i) salt recrystallization in Sabiñánigo; (ii) moulding compounds recycling in Cerdanyola; and (iii) the construction of a photovoltaic park in Flix are expected to be commissioned. Likewise, progress has been made in the definition of energy recovery, electrification, and steam production through biomass projects, all three in the Tarragona industrial complex.

#### **E. PERFORMANCE AGAINST FORECASTS**

In the results note for the third quarter of 2023, Ercros provided the following forecast for the entire fiscal year (in millions of euros): product sales revenue: 710 – 720; contribution: 230 – 240; adjusted ebitda: 45 – 55; and annual profit: 0 – 10.

The table below details, alongside this forecast, the actual data obtained. The forecasts for contribution and adjusted ebitda have been met, but those related to product sales revenue fall slightly below the lower limit of the forecast range, and annual profit is well above the upper limit. Product sales revenue, at EUR 707.21 million, is below the lower limit of the projected range, which was EUR 710 million. In the case of contribution, the actual figure of EUR 230.62 million is slightly above the lower limit, 230 million, of the expected range; concerning adjusted ebitda, the actual figure is EUR 48.11 million, which falls within the forecast range of 45 – 55. The exceptional difference between the actual annual profit obtained, EUR 27.23 million, and the upper limit of its range, EUR 10 million, is because of the TC judgment mentioned in Section B.

**FORECASTS AND ACTUAL FIGURES FOR FY 2023**

<b>EUR million</b>	<b>Forecast</b>	<b>Actual figures</b>
Turnover*	710 – 720	707,21
Contribution margin	230 – 240	230,62
Adjusted ebitda	45 – 55	48,11
Profit for the year	0 – 10	27,23

\*Product sales.

**F. FORECAST FOR 2024**

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 strong international competition, the company's margins and volumes will continue to be negatively affected in the first half of 2024 and will recover gradually throughout the rest of the year.

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, February 27, 2024