

ERCROS FY 2022 RESULTS NOTE

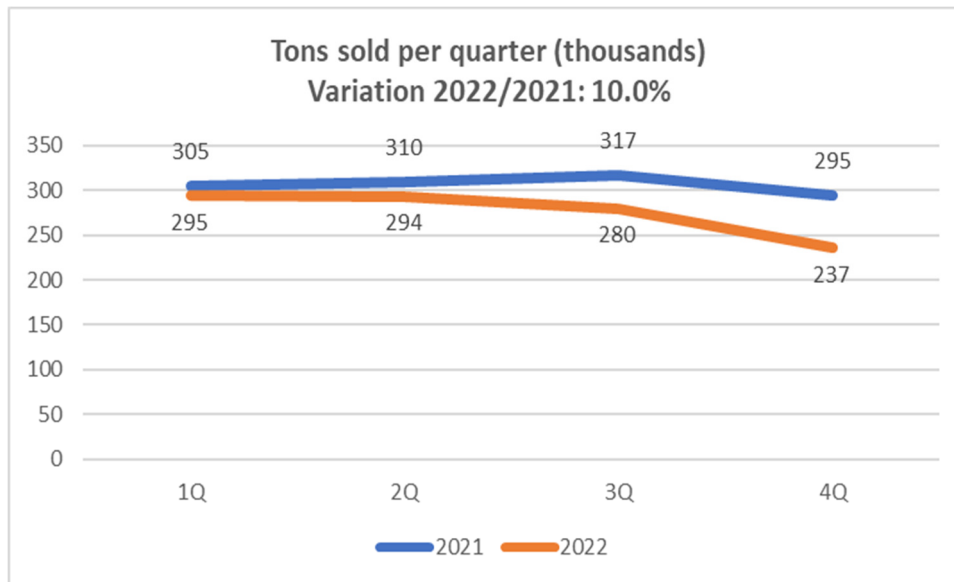
(22/02/2023)

Ercros delivers an excellent set of FY 2022 results, with adjusted ebitda of EUR 143 million, profit of EUR 63 million and shareholder remuneration of EUR 32 million

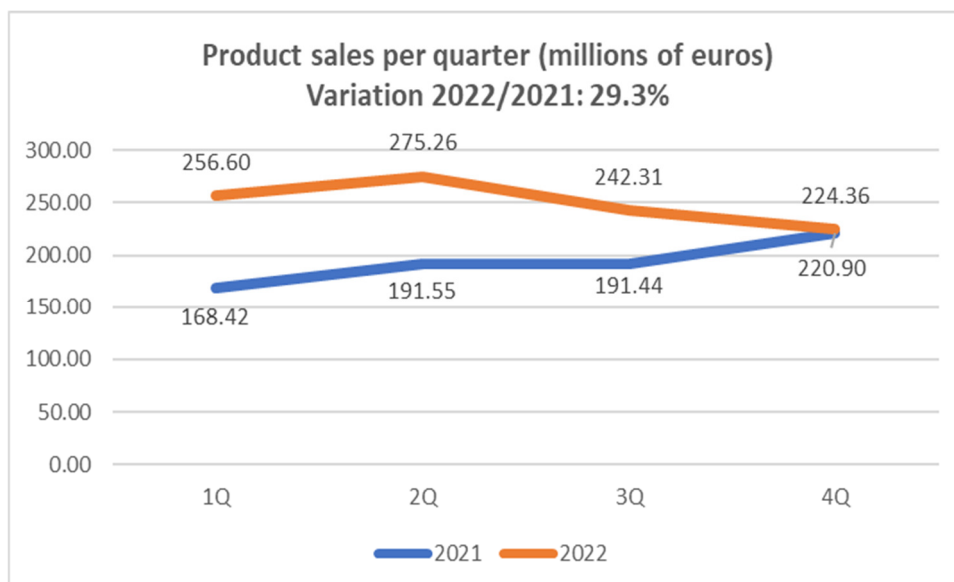
- Profit soared 45.5% in 2022 from 2021 to EUR 63 million.
- Shareholder remuneration out of 2022 profit will be Ercros' highest ever, totalling EUR 32 million, of which EUR 13 million will be paid out as a cash dividend (EUR 0.15 per share) and EUR 19 million will go for a share buyback and cancellation.
- Adjusted ebitda amounted to EUR 143 million in 2022, up 52.3% from 2021.
- Despite the sharp jump in energy, raw material and transport costs, growth in the average price for products sold by Ercros easily outstripped the increase in unit variable cost thanks to robust demand during part of the year. The excellent results for 2022 were underpinned by a combination of an active foothold in chemical markets and high utilisation rates at Ercros' production plants.
- Ercros boasts a strong financial position, ending the year with EUR 158 million of liquidity.
- We agree with the consensus outlook in specialist industry publications that the first half of 2023 will be weaker for Europe's chemical industry than last year's strong first half. However, the situation should gradually reverse in the second half. It is still too early to issue any more reliable forecasts.

A. 2022 HIGHLIGHTS

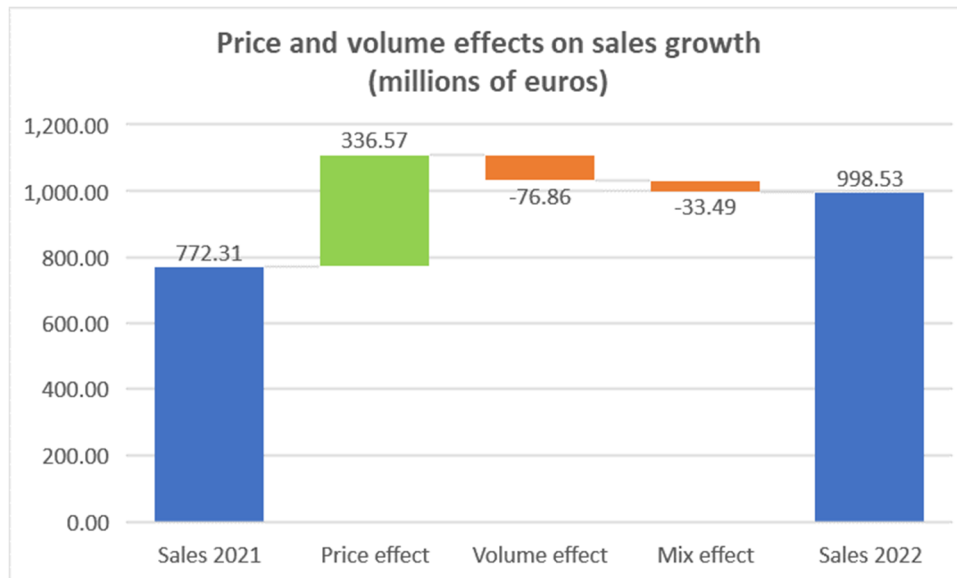
1. Ercros sold 1,105 thousand tonnes of products in 2022, down 10% from 1,227 thousand tonnes in 2021. Volume was down only slightly year-on-year in the first half of 2022 (-4.4%) but fell faster in the second (-15.7%), as the severe supply shock caused by rising energy costs hit plants utilisation capacity harder.



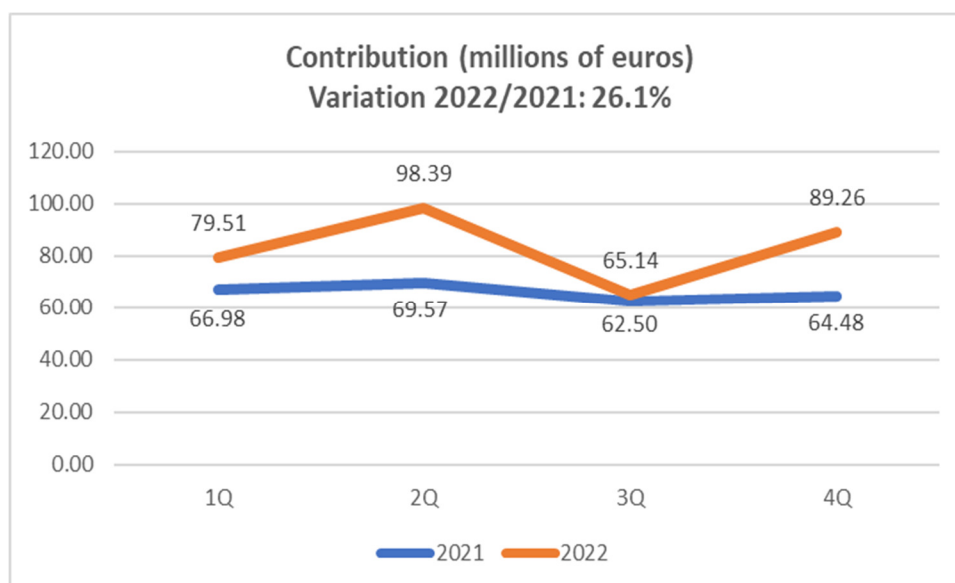
2. Total product sales reached EUR 998.53 million in 2022, an increase of 226.22 million or 29.3% from EUR 772.31 million in 2021. Sales were 47.8% higher year-on-year in the first half and 13.2% higher year-on-year in the second. The second half was also slightly weaker in terms of tonnes sold.



3. The different performances by sales (+29.3%) and tonnes sold (-10%) shows how the average price of products sold rose sharply over the course of 2022. Of the EUR 226.22 million increase in sales, the average rise in price accounted EUR 336.57 million (148.8%), volume for EUR -76.86 million (-34.0%) and the mix effect the remaining EUR -33.49 million (-14.8%).

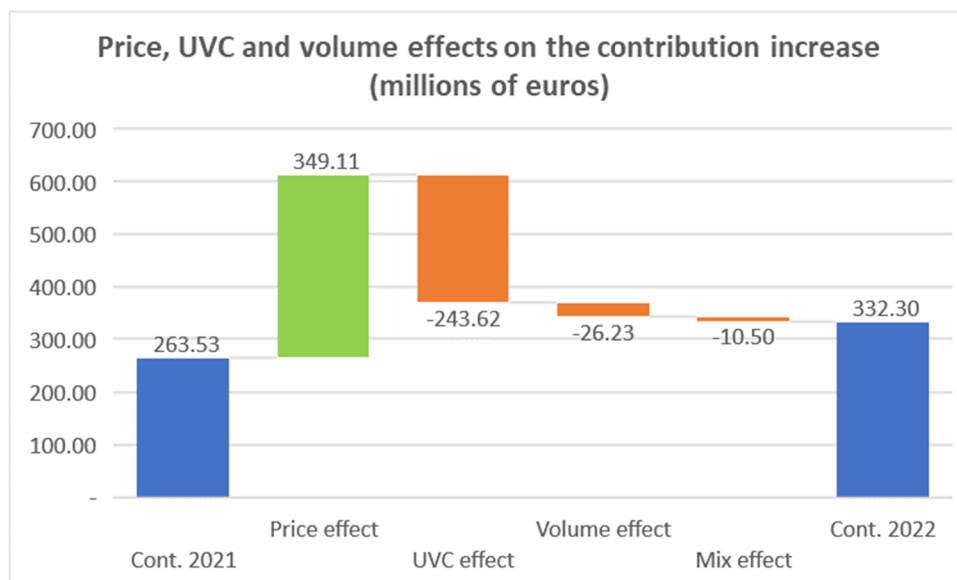


4. The contribution margin for sales of finished goods and services rendered rose by 26.1% to EUR 332.30 million in 2022 from EUR 263.53 million in 2021. Despite the good performance for the full year, the increase in variable costs, above all energy supplies in the third quarter, coupled with lower sales in the second half resulted in a sharper increase in the contribution margin ratio in the first half than the second (30.3% versus 21.6%).

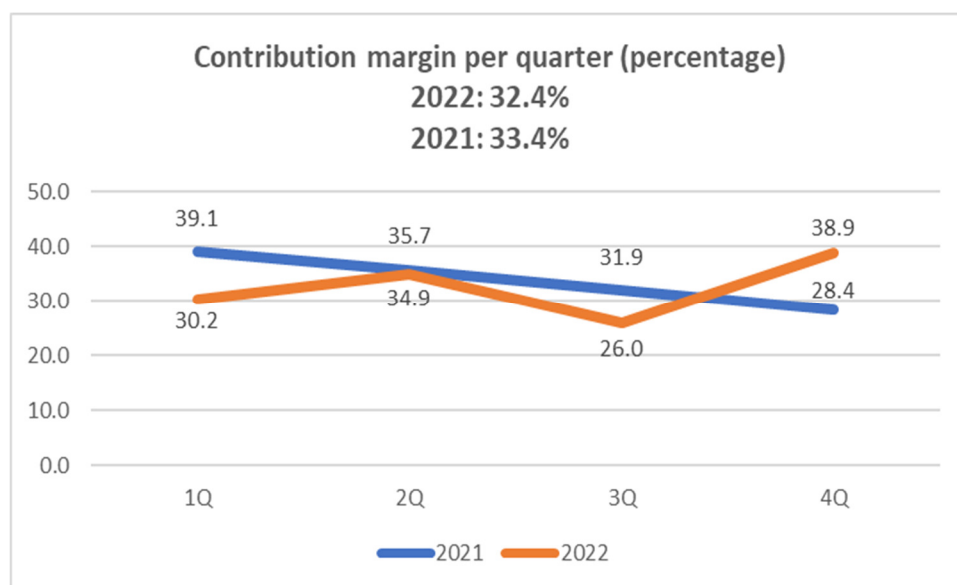


Contribution margin: (sales of products + services rendered – cost of sales – supplies + change in inventories).

- The combination of buoyant demand and supply shortages globally in 2022, more so in the first half, explained why the higher average price of products sold had such a strong impact on the contribution margin (of EUR 349.11 million). This was offset partially by the increase in the unit variable cost (UVC) caused by higher energy and raw material costs, which squeezed the contribution margin by EUR 243.62 million. The two impacts had a net effect of EUR 105.49 million (153.4% of the increase in contribution margin). The volume effect detracted EUR -26.23 million (-38.1%) and the mix effect EUR -10.50 million (-15.3%).

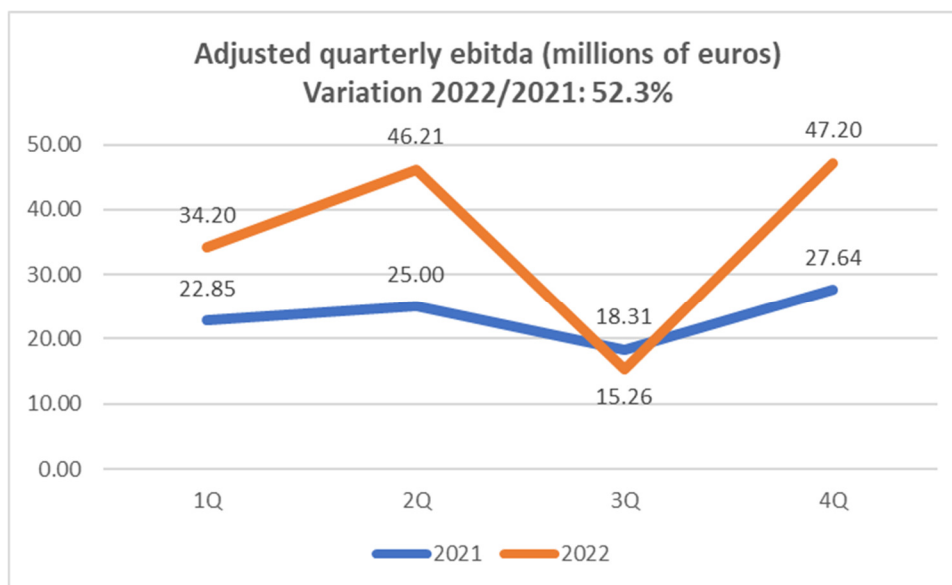


- The contribution margin ratio (contribution margin divided by the sum of sales of products and services rendered) narrowed from 33.4% in 2021 to 32.4% in 2022. A change of -2.9% in 2022 was the result of higher growth in the sum of revenue from sales of products and services rendered (29.9%) than in the contribution margin (26.1%).

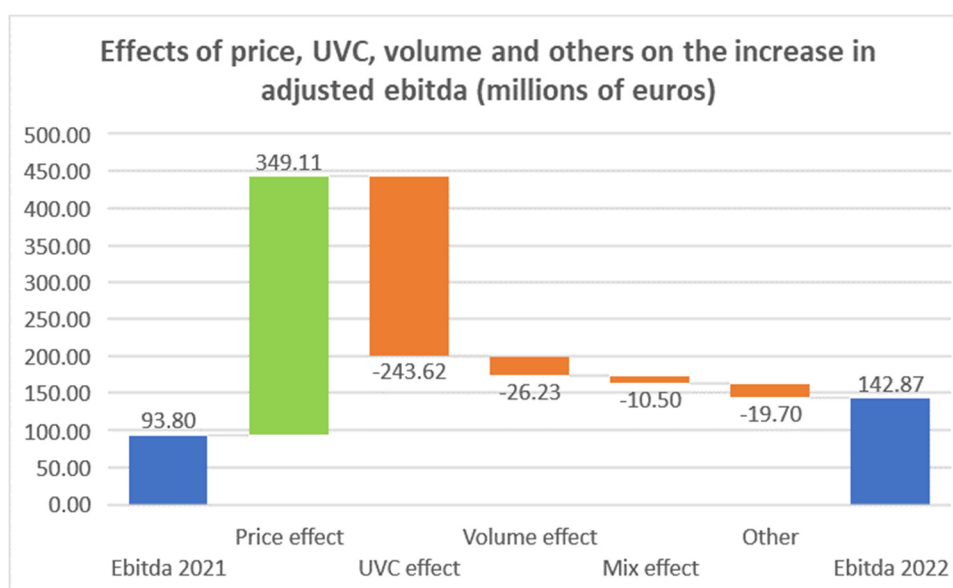


Contribution margin: contribution / (product sales + provision of services).

7. Adjusted ebitda soared by 52.3% in 2022, to EUR 142.87 million from EUR 93.80 million in 2021. The sharp rebound in the fourth quarter from the third was due to the jump in caustic soda prices and considerably lower gas and electricity prices. Moreover, in December (as in 2021) the company recorded the offsetting of indirect carbon emissions (EUR 4.60 million), of electricity charges to electricity-intensive consumers (EUR 1.19 million) and of gas charges to gas-intensive consumers (EUR 0.40 million).

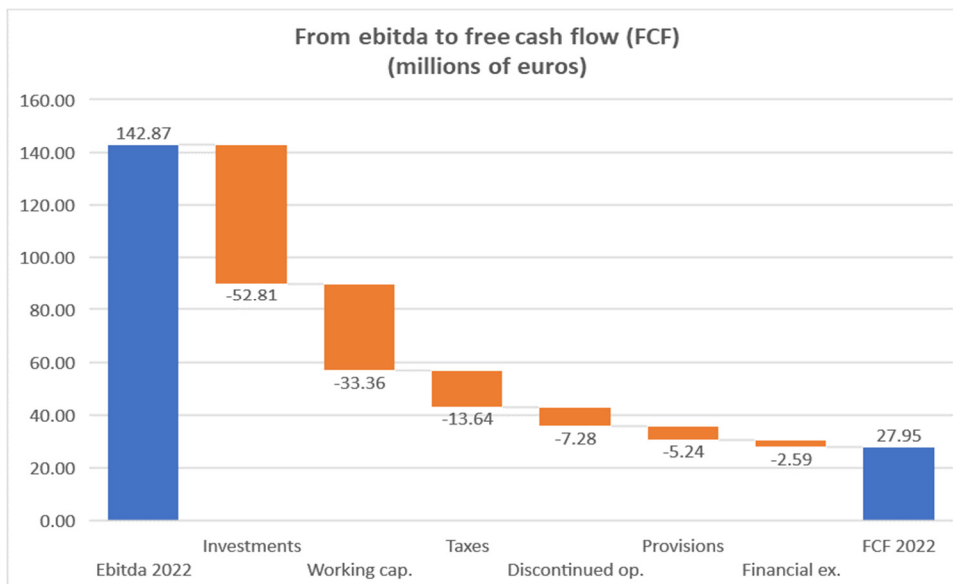


8. Growth in adjusted ebitda throughout 2022 was driven primarily by the growth in the contribution margin. This is illustrated in the following chart by the effects of price, UVC, volume and mix, with a net contribution to ebitda of EUR 68.76 million. This easily exceeded the EUR 19.70 million reduction caused by the increase in other income and other operating expenses, including the rise in international freight charges (EUR 8.53 million) and fixed costs (EUR 3.92 million).

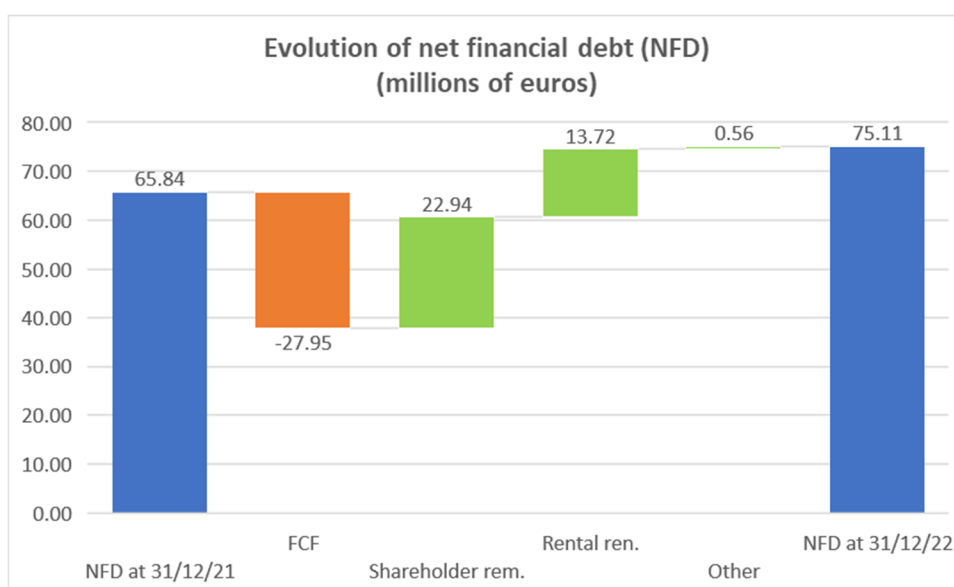


Other: variation in the revenue from services, other income, fixed and atypical costs.

9. In 2022, Ercros generated EUR 27.95 million of free cash flow (FCF), calculated as follows: ebitda of EUR 142.87 million minus EUR 52.81 million of investments, EUR 33.36 million of working capital, EUR 13.64 of taxes, EUR 7.28 of discontinued operations (closure of the Flix dicalcium phosphate plant), EUR 5.24 of provisions and EUR 2.59 of net financial expenses.



10. Ercros began 2022 with EUR 65.84 million of net financial debt (NFD). The balance was reduced mainly by the FCF generated during the year of EUR 27.95 million but increase above all by shareholder remuneration of EUR 22.94 million, the renewal of leases for EUR 13.72 million and other minor factors for a net EUR 0.56 million. Overall, Ercros increased debt by EUR 9.27 million during the year to EUR 75.11 million at 31 December 2022.



11. At 31 December 2022, Ercros had EUR 158.15 million of liquidity. This comprised EUR 58.28 million of cash and EUR 99.87 million of undrawn credit facilities, including the EUR 20 million loan from the European Investment Bank to fund the investments included in the 3D Plan, some of which had already been made by the end of 2022.

B. DIVERSIFICATION, DIGITALISATION AND DECARBONISATION PLAN: 3D PLAN

The 3D Plan outlines 20 projects entailing cumulative investment over the 2021-2029 period of EUR 92 million, which add a further EUR 194 million to our ebitda. Plan investments are proceeding to schedule.

In the diversification dimension, in 2021, the projects involving dipentaerythritol production capacity expansion at the Tortosa factory and moulding compounds capacity expansion at the Cerdanyola factory came on stream. The expansion of the polyols plant in Tortosa entered into operation in the first half of 2022. In the fourth quarter, the projects entailing the expansion of the Sabiñánigo sodium chlorite factory and the construction of a new extraction plant to manufacture two new antibiotics (vancomycin and gentamicin) at the Aranjuez factory were completed. As at the date of this note, the new plant of sodium chlorite was fully operational, while the processes for manufacturing of various erythromycin salts and vancomycin and gentamicin at the extraction plant had commenced.

In the digitalisation dimension, in addition to projects already completed (e.g., the upgrade of production control and business intelligence systems for the procurement and logistics areas, and tracking of containers shipped by sea), further progress was made on projects involving mobility and logistics, Big Data and IoT, infrastructure upgrades, cybersecurity, optimisation of the workplace environment and automation, sensorisation and updating of production area control systems.

In the decarbonisation dimension, the following projects were completed: (i) energy efficiency improvement in Tortosa (recovery unit of residual heat generated in the polyols plant and replacement of several equipment with more efficient ones); (ii) replacement of lights with LED lighting in the intermediate chemicals division factories; (iii) optimisation of consumption of chemicals and raw materials in Aranjuez; and (iv) improvement in hydrogen usage in Sabiñánigo and Vila-seca I. Meanwhile, progress was made on the following projects: (i) optimisation of energy consumption in Cerdanyola; (ii) replacement of lights with LED lighting at the Tarragona complex; and (iii) salt recrystallisation in Sabiñánigo. Engineering was completed on the following production projects: (i) steam from biomass; and (ii) EDC manufacturing with more efficient technology in Vila-seca II.

C. ANNUAL FINANCIAL STATEMENTS

Income statement

Other disclosures regarding profit in 2022 in addition to the explanation provided in Section A include:

Revenue from services rendered increased by 57.6% on the back of higher demand from customers. Other income was up 22.0%, due primarily to the increase in the value of free carbon

emission allowances. The amounts for both the offsetting of indirect carbon emissions and revenue from the offsetting mechanism of charges to electricity-intensive consumers decreased.

The combined amount of cost of sales and changes in inventories of finished goods and work in progress rose by 24.7%, fuelled by the sharp increase in costs of raw materials, including ethylene, EDC and methanol, and the purchase of third-party products for sales.

Supplies were 49.2% higher, due mainly to the sharp jump in energy prices, especially electricity.

Staff costs rose by 7.2% from 2021 driven by a 1.1% increase in the number of employees, the 2% salary increase agreed and improvements on the collective bargaining agreement signed for 2021-2023.

The 17.2% increase in other operating expenses was the result of higher transport costs, mostly due to the increase in international freight charges and, in line with other income, in carbon emission costs due to the higher average price of carbon emission allowances.

Provisions and other non-recurring expenses were 196.4% higher than in 2021, mostly because of provisions recognised for the closure of the activity in Flix to cover the cost of agreed-upon employee dismissals and the cost of dismantling the facilities that discontinued production. Amounts were also recognised in provisions for soil remediation taking the latest information available regarding environmental remediation commitments and obligations.

Depreciation and amortisation expense rose by 6.5% due to higher depreciation of right-of-use assets and property, plant, and equipment.

Meanwhile, net financial expense was 66.3% higher due to: (i) the increase in impairment losses on receivables; (ii) higher finance costs caused by interest rate hikes; and (iii) increased bank fees and commissions.

The increase in income tax expense was the result of the higher profit obtained.

Other comprehensive income

Other comprehensive income included the amount, net of tax, transferred to profit or loss on the settlement of the cash flow hedges on the purchase of electricity contracted for 2022, changes in the value of the hedge during the year and the adjustment to the estimated tax rate at year-end 2021.

Balance sheet

The balance of non-current assets increased by EUR 34.33 million, mainly due to the larger increase in new investment properties than in the depreciation charge. Working capital was EUR 19.25 million, mostly because of the decrease in payables and increase in inventories despite the lower amount of receivables.

Equity was EUR 29.10 million higher at year-end. The increase was the net result of profit for the year of EUR 62.99 million, other comprehensive income of EUR -10.96 million, the EUR -14.38 million paid out in the share buyback, the EUR -8.21 million paid out in dividends and the EUR -0.34 million paid out as fees for attending the general shareholders' meeting.

Net financial debt increased by EUR 9.27 million. As explained previously, this included FCF of EUR 27.95 million and the amounts paid out in shareholder remuneration of EUR -22.94 million and the renewal of long-term leases of EUR 13.72 million, and other non-monetary changes amounting to EUR -0.56 million.

Shareholder remuneration

In 2022, Ercros, S.A. reported a profit of EUR 64.97 million, compared to consolidated profit of EUR 62.99 million. As at 31 December 2022, all the requirements stipulated in the shareholder remuneration policy had been met for the board to submit a proposal to the general shareholders' meeting for the highest amount to be paid out to shareholders in Ercros' history: EUR 32.48 million, or 50% of Ercros, S.A.'s benefit for 2022. This amount will be divided up between: (i) a EUR 0.15 dividend per share, providing shareholders approximately EUR 13.75 million (21.17% of profit); and (ii) the share buyback and cancellation for approximately EUR 18.73 million (28.83% of profit).

PROFIT FOR THE YEAR

EUR thousand	2022	2021	%
Continuing operations			
Revenue	1,059,685	841,055	26.0
Sales of finished goods	998,532	772,317	29.3
Services rendered	26,370	16,728	57.6
Other income	28,394	23,281	22.0
Reversal of provisions and other extraordinary income	399	6,569	-93.9
Changes in inventories of finished goods and work in progress	5,990	22,160	-73.0
Expenses	-937,024	-747,642	25.3
Cost of sales	-470,572	-394,812	19.2
Supplies	-228,015	-152,867	49.2
Staff costs	-89,582	-83,603	7.2
Other operating expenses	-128,243	-109,405	17.2
Allocation of provisions and other extraordinary expenses	-20,612	-6,955	3.0x*
Ebitda	122,661	93,413	31.3
Depreciation and amortisation	-29,966	-28,130	6.5
Impairment of assets	-539	-3,450	-84.4
Ebit	92,156	61,833	49.0
Net financial income/(expense)	-4,198	-2,525	66.3
Profit before tax	87,958	59,308	48.3
Income tax	-17,314	-9,897	74.9
Profit for the year from continuing operations	70,644	49,411	43.0
Net loss from discontinued operations	-7,655	-6,114	25.2
Profit for the year	62,989	43,297	45.5

* Times by which the 2022 figure exceeds the 2021 figure (in absolute terms).

RECONCILIATION OF ADJUSTED EBITDA

EUR thousand	2022	2021	%
Ebitda	122,661	93,413	31.3
Atypical income items	-399	-6,569	-93.9
Atypical spending items	20,612	6,955	196.4
Adjusted ebitda	142,874	93,799	52.3

TOTAL COMPREHENSIVE INCOME

EUR thousand	2022	2021	%
Profit for the year	62,989	43,297	45.5
Other comprehensive income - Items that may be reclassified to profit or loss in subsequent periods	-10,957	10,957	-
Total comprehensive income	52,032	54,254	-4.1

ECONOMIC ANALYSIS OF THE BALANCE SHEET

EUR thousand	31/12/22	31/12/21	Change	%
Non-current assets	393,040	358,713	34,327	9.6
Working capital	77,349	58,104	19,245	33.1
Current assets	241,119	248,876	-7,757	-3.1
Current liabilities	-163,770	-190,772	27,002	-14.2
Resources used	470,389	416,817	53,572	12.9
Equity	360,710	331,613	29,097	8.8
Net financial debt	75,110	65,841	9,269	14.1
Provisions and other debts	34,569	19,363	15,206	78.5
Origin of funds	470,389	416,817	53,572	12.9

DETAIL OF NET FINANCIAL DEBT

EUR thousand	31/12/22	31/12/21	Change	%
Loans	85,007	65,250	19,757	30.3
Finance lease liabilities	12,324	6,226	6,098	97.9
Working capital financing	38,096	48,526	-10,430	-21.5
Gross financial debt	135,427	120,002	15,425	12.9
Cash	-58,283	-51,573	-6,710	13.0
Deposits	-2,034	-2,588	554	-21.4
Net financial debt	75,110	65,841	9,269	14.1

D. BUSINESS PERFORMANCE

2022 was marked by (i) the impact of the war in Ukraine and its effect on Europe's energy markets; and (ii) the easing of covid-19-related restrictions.

Because of these two effects, the third quarter saw the end of the recovery of demand for durable consumer goods that began in the fourth quarter of 2020 and continued in 2021 and the first half of 2022. Interest-rate hikes by central banks in the world's main economies to curb rising inflation, coupled with the easing of covid-19-related restrictions, caused a shift in consumption habits, with demand for durable goods falling and demand for services rising.

Meanwhile, energy costs soared in Europe (record high gas and electricity prices in the third quarter of 2022) as a result of the war in Ukraine, which caused a reduction in Russian gas supplies to Europe and led to uncertainties over whether volumes from alternative sources of supply would be sufficient to meet demand.

Against this backdrop, Ercros geared its business efforts towards adapting production to demand (higher in the first half of the year and lower in the second), while defending margins amid high market volatility and stiffer competition. In 2022, Ercros was able to seize both the drop in energy costs (arising from the sharp reduction in gas consumption for industrial use, the mild winter, higher energy production using renewable sources and the improvement in gas supplies to Europe) and decreased supply from its European counterparts to maximize its sales

volumes and margins, especially in the year's fourth quarter. A case in point was caustic soda, where supply shortages in Europe in the fourth quarter pushed up prices to all-time highs.

Because of all this, not to mention state aid aimed at mitigating the impact of high energy costs on companies operating in electricity- and gas-intensive industries, quarterly ebitda in 2022 was highest in the fourth quarter. However, sales volumes were lower than in previous months (-15.5% compared to the third quarter and -19.7% compared to the fourth quarter of 2021), in line with decreasing demand for chemicals as of the middle of the year.

Volumes marketed by the **chlorine derivatives** division fell by 7.9% compared to 2021, with virtually all Ercros' products affected to a greater or lesser extent. Despite lower volume, the division's sales increased by 39.3% and ebitda by 103.8% in 2022 against a backdrop of extremely tight market conditions (for most of the division's products in the first half and for caustic soda in the fourth quarter) caused by higher manufacturing costs. The ebitda margin for 2022 was 18.5%, 5.8 percentage points higher than in 2021 (12.7%).

In 2021, the **intermediate chemicals** divisions responded extremely well to the increase in demand for durable consumer goods triggered by the covid-19 pandemic and the low interest rate environment. In 2022, however, performance was undermined by lower demand for these goods caused by the shift in consumption habits explained previously and higher interest rates. Meanwhile, despite the dollar's appreciation vis-à-vis the euro, European producers were forced to compete with producers located in geographical areas with lower raw material costs and especially lower energy prices (mainly Asia and North America). The overall result (2022 versus 2021) was: (i) a 15.3% reduction in volumes marketed, although price increases led to a 9.2% increase in turnover; and (ii) a 51.4% drop in ebitda. The division's ebitda margin was 5.7% in 2022 compared to 12.8% in 2021.

Sales volume in the **pharmaceuticals** division increased by 13.1%, extending the recovery begun in the second half of 2021. This recovery was accompanied by an increase in selling prices, which fed through to a 28.0% increase in turnover. However, ebitda increased by only EUR 1.2 million due to rigid pricing policies in several countries, which prevent increases in energy and raw material costs from being fully passed on. The ebitda margin was 5.0% compared to 4.1% in 2021. This is still well below the division's normal levels but is expected to pick back up in coming quarters as raw material prices decrease and the policy of regulated prices for pharmaceuticals becomes more flexible.

Ercros broadened its portfolio in the third quarter of 2022 with the launch of three new products onto the market: erythromycin dihydrate, micronized famotidine and sterile fosfomycin with citrus. The fourth quarter saw marketing channels opened up in new markets. Meanwhile, as explained in previous notes, approval is expected in 2023 for the manufacture and marketing of the division's new products, including vancomycin, gentamycin and sterile fusidic acid.

BUSINESS PERFORMANCE

EUR thousand	2022	2021	%
Chlorine derivatives division			
Product sales	673,099	483,046	39.3
Adjusted ebitda	124,816	61,250	103.8
Adjusted ebitda margin (%)	18.5	12.7	46.2
Intermediate chemicals division			
Product sales	260,518	238,567	9.2
Adjusted ebitda	14,819	30,485	-51.4
Adjusted ebitda margin (%)	5.7	12.8	-55.5
Pharmaceuticals division			
Product sales	64,915	50,704	28.0
Adjusted ebitda	3,239	2,064	56.9
Adjusted ebitda margin (%)	5.0	4.1	22.6

E. PERFORMANCE AGAINST FORECASTS

Ercros included the following forecast ranges for FY 2022 in its third quarter results note: turnover from product sales: EUR 950 – 1,000 million; contribution margin: EUR 280 – 310 million; adjusted ebitda: EUR 100 -115 million; and profit for the year: EUR 55 – 70 million.

The table below presents actual figures for 2022 along with these forecast ranges. All forecasts were met, and two actual figures exceeded the upper limit of the forecast range. Both the contribution margin of EUR 332.31 million and adjusted ebitda of EUR 142.87 million were above the upper limit of the related ranges of EUR 310 million and EUR 115 million, respectively. Reported turnover (sales of finished goods) and profit for the year were within the forecast ranges. The actual amount of turnover, of EUR 998.532 million was practically equal to the upper limit of EUR 950 - 1,000 million forecast range. Actual profit for the year of EUR 62.989 million was within the EUR 55 - 70 million range.

FORECASTS AND ACTUAL FIGURES FOR FY 2022

EUR million	Forecast	Actual figures
Turnover*	950 - 1,000	998.53
Contribution margin	280 - 310	332.31
Adjusted ebitda	100 - 115	142.87
Profit for the year	55 - 70	62.99

*Product sales.

F. OUTLOOK FOR 2023

According to the consensus in specialist industry publications, the outlook for the chemical industry is for a weaker first half of 2023 in comparison with the strong first half seen in 2022, before gradually improving in the year's second half.

Risks at the beginning of 2023 are virtually the same as those identified throughout 2022. We are still facing high energy and raw materials costs and they are likely to stay high while the war in Ukraine wages on. Activity in Europe's chemical industry, which fell primarily in the second half of 2022, should gradually return to normal over the course of 2023. Increased supply should bring down selling prices in general which, unless raw material and energy costs ease, could have an adverse impact on margins.

A new risk related to competition has arisen in 2023 after plans were unveiled to assist the industry in countries such as the US (the DOL 369 billion Inflation Reduction Act, or IRA) and Germany (the EUR 200 billion relief Plan for industry and consumers). Unless these aid plans are counterbalanced by support measures by the rest of the EU, they could result in a considerable loss of competitiveness in those countries.

Extremely important for the chemical sector in general and energy-intensive consumers in particular will be the outcome of the planned reform of the wholesale electricity market in the EU and the regulatory development of Spain's aid plan for gas-intensive consumers.

Accordingly, we expect a weaker performance by the chemical industry in the first half of 2023 than in the same period last year, but a relatively better performance in the year's second half. It is still too early to issue any more reliable forecasts.

Barcelona, February 22, 2023