

NOTE ON ERCROS FINANCIAL RESULTS FIRST HALF OF 2022

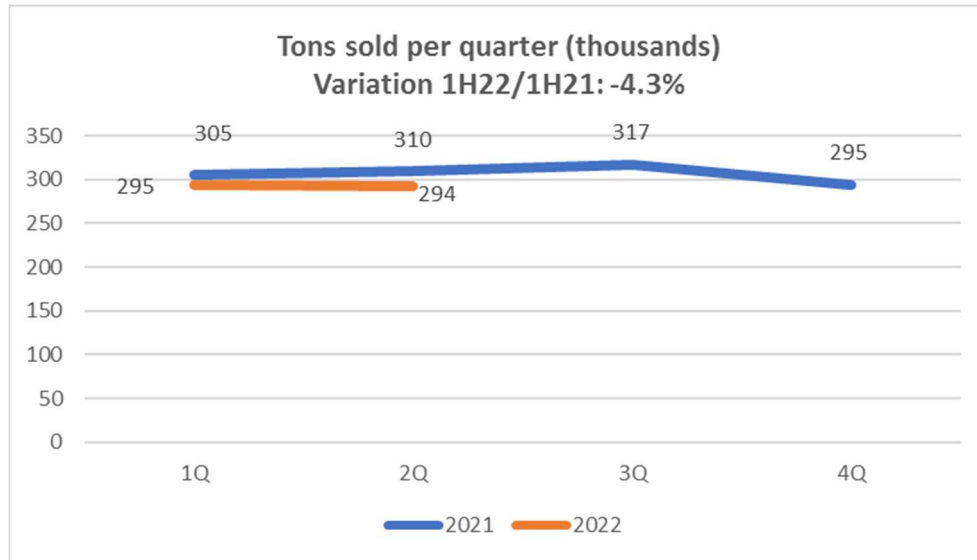
(28/07/2022)

Ercros more than doubles its profit in the first half of 2022

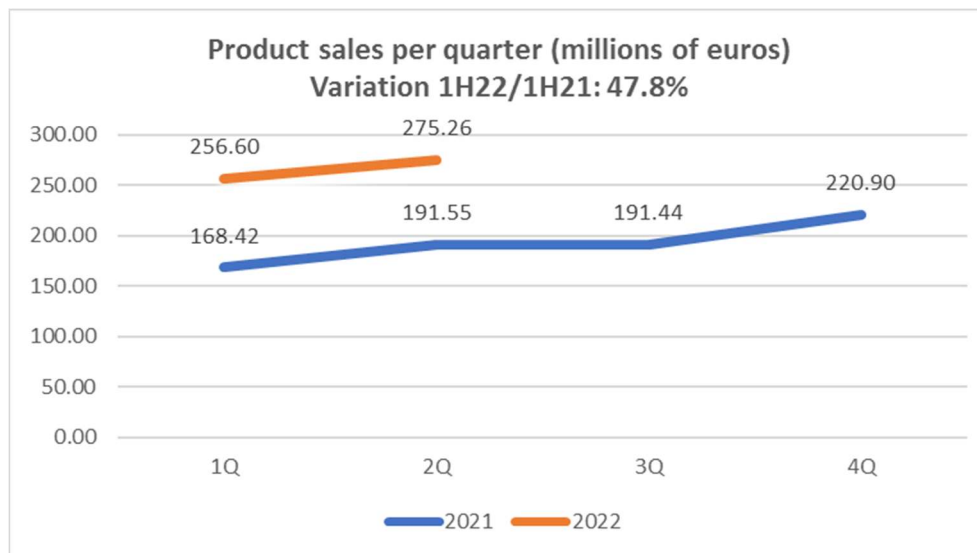
- Profit for the first half of 2022 amounted to EUR 46.29 million, 128.4% higher than that achieved in the first half of 2021, which amounted to EUR 20.26 million.
- Adjusted ebitda for the first half of 2022 was EUR 75.20 million compared to EUR 44.55 million 1H21; an increase of 68.8%.
- Sales in the first half of 2022 amounted to EUR 531.86 million compared to EUR 359.97 million in 1H21; an increase of 47.8%.
- At 30 June 2022, Ercros had liquidity amounting to EUR 135.28 million, of which EUR 36.39 million related to cash and EUR 98.89 million to unused financing facilities.
- We expect 2022 to be better than 2021, although we expect the second half of the year to be weaker than the first due to the high level of uncertainty caused by the Russian invasion of Ukraine and the increasing price of energy.

A. KEY EVENTS IN THE FIRST HALF OF 2022 (1H22)

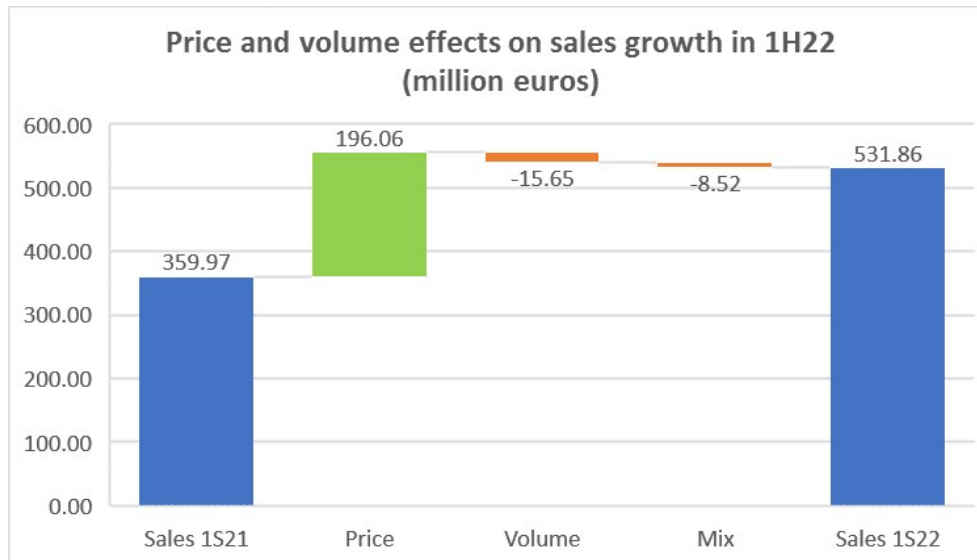
1. In the first half of 2022 (1H22) Ercros sold 588 thousand tons of products manufactured compared to 615 thousand tonnes sold in the first half of 2021 (1H21): a decrease of 4.3%.



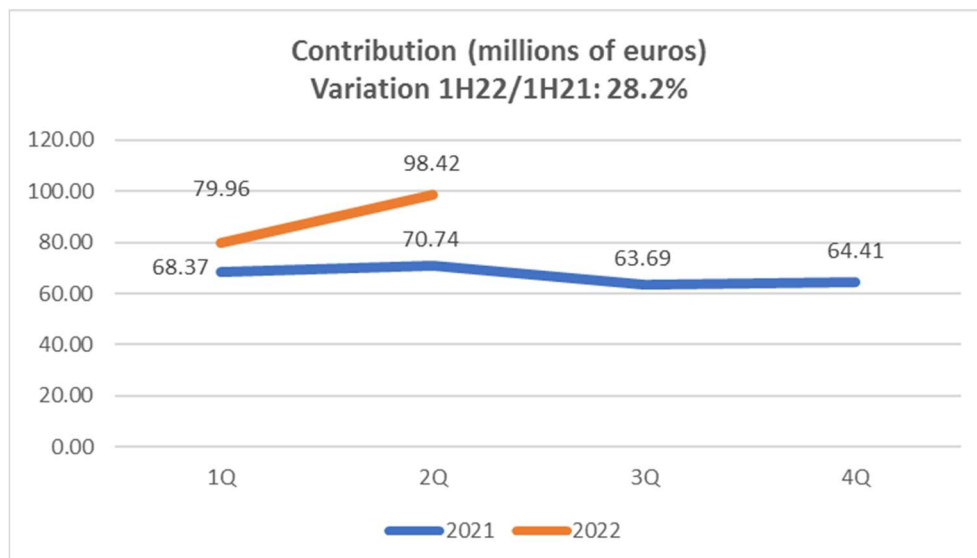
2. Sales in 1H22 amounted to EUR 531.86 million compared to EUR 359.97 million in 1H21; a 47.8% increase.



3. The notable increase in sales in the first half of 2022 compared to the same period in the previous year was due exclusively to the sharp increase in average prices of the products sold, which explained the EUR 196.06 million of the EUR 171.89 million increase in sales between these two periods (114.1%). The volume effect is much lower and the opposite sign, -EUR 15.65 million (-9.1%), and the mix effect amounts to EUR -8.52 million (-5.0%).

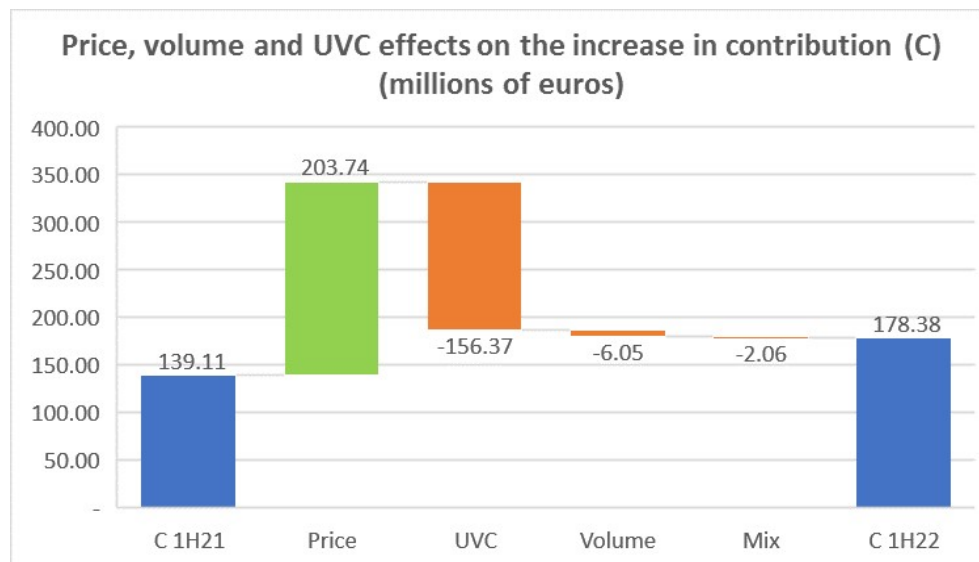


4. Despite the sharp increase in variable costs experienced in the first half of 2022, the thrust of sales lead to a notable increase in contribution during this period. In 1H22 the contribution amounted to EUR 178.38 million compared to EUR 139.11 million in 1H21; an increase of 28.2%.

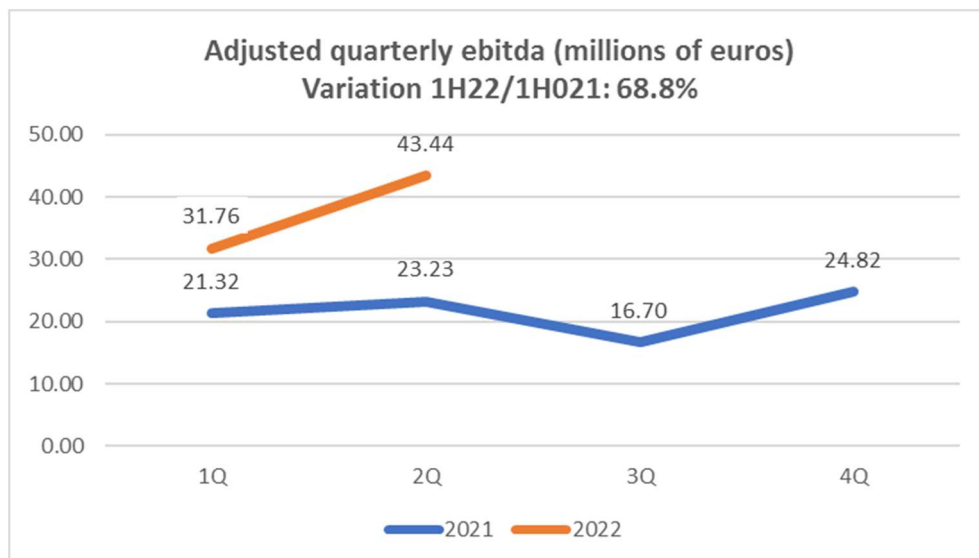


Contribution: (product sales + services provided - procurement - supplies + changes in inventories).

5. The increase in the contribution for the first half of 2022, EUR 39.27 million, is because the price effect, EUR 203.74 million, exceeds the effects of the unitary variable cost (UVC), EUR -156.37 million, volume EUR -6.05 million, and mix, EUR -2.06 million. The high absolute value of the price and UVC effects clearly reflect the enormous increase experienced in this period of the cost of energy and raw materials, on the one hand, and the price of the products sold, on the other.

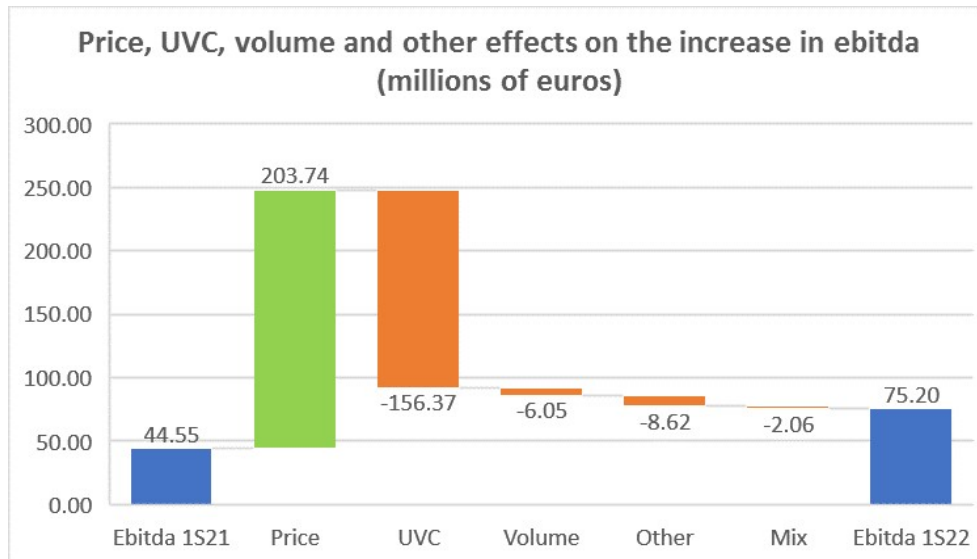


6. Adjusted ebitda for the first half of 2022 was EUR 75.20 million compared to EUR 44.55 million 1H21; an increase of 68.8%.



Adjusted ebitda: ebitda excluding atypical items. See "Reconciliation of ebitda" in section D of this income statement.

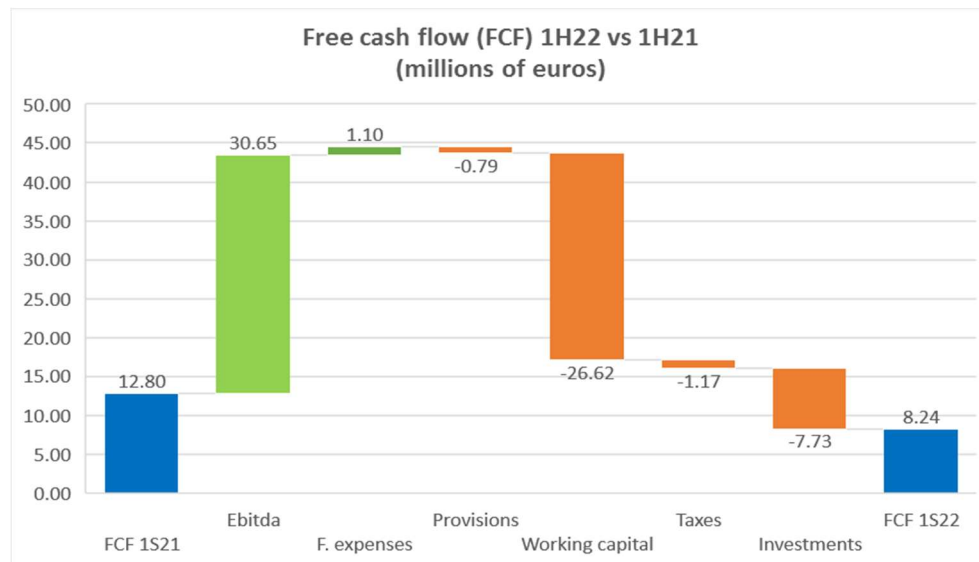
7. The contrast between price and UVC effects is also decisive in explaining the increase in ebitda in the first half of 2022. The increase in adjusted ebitda is due to the high price effect allowed due to the strong thrust of demand for the products sold, which exceeds the effect of the unitary variable cost by EUR 47.37 million. To this figure, the volume effect detracts EUR 6.05 million, the rest of the costs, including the increase in transport (EUR 4.84 million) and fixed costs (EUR 3.78 million), EUR 8.62 million in total, and the mix effect EUR 2.06 million.



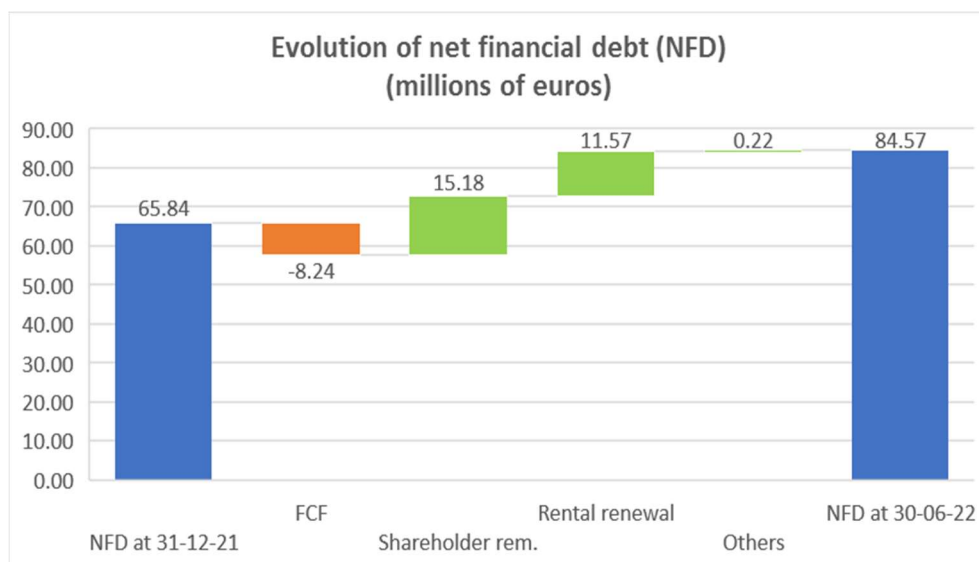
UVC: effect of changes in unitary variable cost.

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

8. In 1H22, Ercros generated a free cash flow (FCF) of EUR 8.24 million, EUR 4.56 million lower than the EUR 12.80 million generated in 1H21. The causes explaining the lower FCF than 2021 are, starting with those that generate resources: (i) the higher ebitda obtained in 1H22 compared to 1H21, which generated 30.65 million; and (ii) the lower net financial costs, EUR 1.10 million. And continuing with those that take resources: (i) the greater need for working capital due to the increase in sales, EUR -26.62 million; (ii) the higher investments, EUR -7.73 thousand; (iii) higher taxes, EUR -1.17 million; and (iv) higher provisions, EUR -0.79 million.



9. Ercros started 2021 with EUR 65.84 million in net financial debt (NFD). In the first six months of the year, the FCF generated reduced the debt by EUR -8.24 million. However, shareholder remuneration, amounting to EUR 15.18 million, the renewal of leases, mainly port deposits, in application of IFRS 16, amounting to EUR 11.57 million and other minor factors, amounting to EUR 0.22 million, were all factors that increased debt. In total, during the first six months of the current year, Ercros increased its debt by EUR 18.73 million, bringing it to EUR 84.57 million at 30 June 2022.



10. The profit for the first half of 2022 amounted to EUR 46.29 million, 128.4% higher than the profit for 1H21, which amounted to EUR 20.26 million.
11. At 30 June 2022, Ercros had liquidity amounting to EUR 135.28 million, of which EUR 36.39 million related to cash and EUR 98.89 million to unused financing facilities.

B. COVID-19 PANDEMIC

The favourable evolution of the pandemic and the disappearance of almost all restrictions are allowing economic activity to develop again in conditions very similar to those existing prior to the pandemic. Ercros, throughout the pandemic, has kept all its facilities active and has been able to meet the needs of all its customers.

C. DIVERSIFICATION, DIGITISATION AND DECARBONISATION PLAN: 3D PLAN

The 3D Plan contains 20 projects that over the 2021-2029 period will entail a cumulative investment of EUR 92 million and an additional, also accumulated ebitda of EUR 194 million. Investments in the Plan are being carried out on schedule.

With respect to diversification, in 2021 the following projects to expand manufacturing capacity entered operation: (i) dipentaerythritol at the Tortosa factory; and (ii) moulding compounds at the Cerdanyola factory. In June 2022, the expansion of the polyols plant in Tortosa became operational. At 30 June 2022, the following were in the process of construction: the expansion of the sodium chlorite plant at the Sabiñánigo factory, which is expected to be completed in the last quarter of 2022, and the construction of a new extraction plant at the Aranjuez factory for the manufacture of two new antibiotics (vancomycin and gentamicin), which will also be completed in the last quarter of 2022.

Regarding digitalisation, in addition to the projects already completed, progress continues to be made in the mobility, Big Data and IoT projects, infrastructure improvement, cybersecurity, optimisation of the work environment and automation, sensorisation and updating of production area control systems.

Regarding decarbonisation, in addition to the projects already completed, improvement of energy efficiency in Tortosa (recovery unit of residual heat generated in the polyols plant and replacement of several equipment with more efficient ones), replacement of lights by *LED* lighting in the intermediate chemicals division factories, and optimising the consumption of chemicals and raw materials in Aranjuez, progress has been made in the salt recrystallisation and hydrogen enhancement projects in Sabiñánigo and Vila-Seca I, as well as in the steam production projects from biomass and EDC manufacturing with more efficient technology in Vila-seca II.

D. INTERIM FINANCIAL STATEMENTS

Profit/(loss) for the period

Regarding profit for the first half of 2022 and compared to the first half of 2021, in addition to section A of this note, the following should be noted:

The provision of services increased by 57.1% due to the increased demand from customers for these services and the increase in price due to the translation of the higher cost of energy.

The other income increased by 108.3% mainly due to the increase in the amount of free CO₂ emission allowances, the price of which has increased significantly compared to 2021.

The joint supply amount plus the reduction in inventories of finished products and during the construction increased by 39.7% due to the significant increase in the price of raw materials, including ethylene, EDC, VCM, methanol and urea.

Supplies increased by 135.6% mainly due to the sharp increase in the price of electricity and gas.

Transport increased by 22.8% mainly due to fuel increases.

Staff costs increased by 6.9% compared to 2021 due to the growth of the average number of employees by 1%, the 2% salary increase agreed in the official wage agreement, and the recording of the amount accrued at 30 June 2022 of the improvements to the official wage agreement agreed by the company and employees in June 2022. The increase in staff costs will be moderated in the second half of 2022 since the first half of the year includes the effect of the improvements accrued in 2021.

The increase in "Other operating expenses" by 21.1% is mainly due to the increase in the price of CO₂ emission allowances, as in the case of "Other revenue".

The provision and other atypical expenses remained at a similar level as in 1H21. At the close of each accounting period, the amount of provisions is updated based on the commitments assumed regarding environmental remediation and the new information available on other commitments and obligations.

Depreciation increased slightly over the same period of the previous year due to the higher depreciation of rights to use leased assets and property, plant and equipment for the investments made.

On the other hand, the financial result improved compared to 2021 due to the positive exchange differences generated by the strong appreciation of the dollar against the euro.

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

Other comprehensive income

"Other comprehensive income" included: (i) the amount, net of taxes, of the transfer to the income statement of cash flow hedges in the purchase of electricity paid in the first half of 2022 and changes in the fair value of cash flow hedges due to the energy yet to be delivered at 30 June 2022; and (ii) the impact of the reduction in the effective income tax rate.

Balance sheet

Non-current assets increased by EUR 23.39 million due to: (i) the additions due to investments; (ii) the registration of new rights of use for leased assets due to the leases renewed in the first half of 2022; and (iii) the increase in balances receivable from public authorities for subsidies and corporation tax.

Working capital increased mainly due to the increase in accounts receivable arising from higher billing.

Equity increased by EUR 24.15 million, net result of: (i) with a positive sign, the profit for the six-month period, amounting to EUR 46.29 million; and (ii) with a negative sign, another comprehensive income item in the amount of EUR 6.59 million, the repurchase of own shares, amounting to EUR 6.97 million, the dividend paid out of 2021 profits, amounting to EUR 8.21 million, and the premium accrued for attendance at the ordinary general meeting, of EUR 0.37 million.

Net financial debt increased by EUR 18.73 million. As mentioned above, this increase is the result of: (i) the free cash flow generated, amounting to EUR 8.24 million; (ii) shareholder remuneration of EUR -15.18 million, (iii) renewal of leases for EUR -11.57 million and (iv) other non-monetary changes, amounting to EUR -0.22 million.

In the first half of 2022, Ercros repaid much of the long-term debt to public institutions and replaced it with long-term financial institutions at lower fixed rates to reduce their financial costs.

Shareholder remuneration

The general shareholders meeting of Ercros held on 10 June ratified the board of directors' proposal to distribute a dividend of EUR 0.085 per share charged to 2021 profit, which resulted in a payment of EUR 8.21 million on 22 June. The board also agreed to the redemption of 4,372,048 shares acquired within the framework of the shareholder remuneration policy charged to 2021 profits. The deed of capital reduction and redemption of the shares was recorded in the commercial register on 11 July 2022. At the current date, the shares in circulation were therefore reduced to 96,599,189 shares.

The shareholders meeting also authorised the board of directors to purchase treasury shares for redemption for an additional period of five years within the framework of the current shareholder remuneration policy. Based on this delegation, the board of directors approved the seventh share buyback program in force from 23 June 2022 to 23 June 2023, for a maximum amount of EUR 25 million or 8% of share capital (the reference that is reached first).

Based on this authorisation, Ercros acquired a total of 62,000 shares between 23 and 30 June 2022.

Subject to compliance with certain financial ratios, in 2022 the shareholder remuneration policy includes a maximum of 30% of profit for the repurchase of treasury shares, provided that a minimum dividend of 20% is planned, while maintaining the maximum pay-out at 50%.

PROFIT/(LOSS) FOR THE PERIOD

Thousands of euros	1H22	1H21	%
Revenues	564,213	379,538	48.7
Sales of finished products	531,861	359,965	47.8
Services rendered	18,780	11,956	57.1
Other revenues	13,264	6,367	108.3
Reversal of provisions and other extraordinary income	308	1,250	-75.4
Expenses	-490,583	-335,706	46.1
Procurements	-242,434	-181,481	33.6
Changes in inventories of finished goods and work in progress	-14,481	-2,371	x6.1*
Supplies	-115,344	-48,964	x2.4*
Transport	-26,062	-21,220	22.8
Staff costs	-46,404	-43,395	6.9
Other operating expenses	-43,984	-36,309	21.1
Allocation of provisions and other extraordinary expenses	-1,874	-1,966	-4.7
Ebitda	73,630	43,832	68.0
Depreciation and amortisation	-14,971	-14,132	5.9
Ebit	58,659	29,700	97.5
Financial income	-1,814	-2,832	-35.9
Profit before tax	56,845	26,868	x2.1*
Income taxes	-10,552	-6,603	59.8
Profit/(loss) for the year	46,293	20,265	x2.3*

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

RECONCILIATION OF ADJUSTED EBITDA

Thousands of euros	1H22	1H21	%
Ebitda	73,630	43,832	68.0
Atypical income items	-308	-1,250	-75.4
Atypical expense items	1,874	1,966	-4.7
Adjusted ebitda	75,196	44,548	68.8

TOTAL COMPREHENSIVE INCOME

Thousands of euros	1H22	1H21	%
Profit/(loss) for the period	46,293	20,265	x2.3*
Other comprehensive income -			
Items reclassified to profit and loss for the period and changes in fair value and tax rate	-6,590	-	-
Total comprehensive income	39,703	20,265	95.9

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

ECONOMIC ANALYSIS OF THE BALANCE SHEET

Thousands of euros	30-06-22	31-12-21	Variation	%
Non-current assets	382,107	358,713	23,394	6.5
Working capital	76,757	58,104	18,653	32.1
Current assets	276,931	248,876	28,055	11,3
Current liabilities	-200,174	-190,772	-9,402	4,9
Resources used	458,864	416,817	42,047	10.1
Net worth	355,759	331,613	24,146	7.3
Net financial debt	84,570	65,841	18,729	28.4
Provisions and other debts	18,535	19,363	-828	-4.3
Source of funds	458,864	416,817	42,047	10.1

BREAKDOWN OF NET FINANCIAL DEBT

Thousands of euros	30-06-22	31-12-21	Variation	%
Loans	86.786	65.250	21.536	33,0
Finance lease creditors	14.023	6.226	7.797	125,2
Working capital financing	22.405	48.526	-26.121	-53,8
Gross financial debt	123.214	120.002	3.212	2,7
Treasury	-36.389	-51.573	15.184	-29,4
Deposits	-2.255	-2.588	333	-12,9
Net financial debt	84.570	65.841	18.729	28,4

E. PROFIT/LOSS BY BUSINESS

The recovery in demand, which began in the last quarter of 2020 and continued in 2021, has remained strong in the first half of 2022, although accompanied by an even greater increase, mainly at European level, in raw materials, energy and land transport costs caused by the Russian invasion of Ukraine. Likewise, breakdowns in the supply chain have persisted while several operational disruptions have continued to occur that have limited the supply of products such as PVC and caustic soda. In this context, business efforts were aimed at maintaining the expected production rates and at moving the significant cost increases to sales prices, preserving, as far as possible, volumes and margins.

The **chlorine derivatives** division achieved during the first half of 2022: (i) maintain, in general and on a sustained basis, a high operating ratio of the plants, although certain stops due to scheduled maintenance caused the volumes sold to be somewhat lower than in the same period of the previous year; and (ii) transfer the sharp increase in raw materials, energy and transport costs to the sales prices of a large part of the products in the division, thanks to high demand. Due to its total impact, the price increase experienced by the two largest products in Ercros was particularly relevant: PVC and caustic soda. As a result of these circumstances, total sales increased by 60.3% over the same period of the previous year, while the ebitda, of EUR 61.79 million, multiplied by 2.3 times that obtained in the same period of 2021. Lastly, the ebitda/sales ratio stood at 17.5%, well above the ratio obtained in the same period of the previous year.

With respect to the **intermediate chemicals** division, the sharp increases in the costs of energy, transport, and raw materials, including methanol, urea, cellulose, melamine, phenol, and acetaldehyde, could not be passed on in full. In addition, during this six-month period the logistical difficulties in exporting products caused by the March transport strike and the saturation of Spanish ports were significant. Therefore, although sales increased by 28.93% compared to the first half of 2021, volume fell by 7.94% and ebitda by 32.18%. The division's ebitda/sales ratio decreased to 7.6%.

Regarding the **pharmaceuticals** division, in the first half of 2022 and regarding the same 2021 period, sales volume increased by 10.36%, continuing the recovery path initiated by the division in the second half of 2021. This recovery was accompanied by an increase in sales prices, leading to the 23.9% increase in billing. However, the impact of the higher cost of energy and raw materials only increased the ebitda by one million euros, due to the regulation of sales prices, bringing the ebitda/sales ratio to 7.2%, still far from the normal level of this business.

As we highlighted in the results for the first quarter of 2022 press release, the approval required for the manufacture and marketing of the new products of the division is expected throughout this year: vancomycin, gentamicin, sterile sodium fusidate, sterile fusidic and phosphocreatine. This circumstance should help this division recover and even surpass pre-pandemic ebitda level.

PROFIT/LOSS BY BUSINESS

Thousands of euros	1H22	1H21	%
Chlorine derivatives division			
Product sales	353,085	220,239	60.3
Adjusted ebitda	61,790	26,736	x2.3*
Adjusted ebitda/product sales (%)	17.5	12.1	44.2
Intermediate chemicals division			
Product sales	146,145	113,398	28.9
Adjusted ebitda	11,061	16,453	-32.8
Adjusted ebitda/product sales (%)	7.6	14.5	-47.8
Pharmaceuticals division			
Product sales	32,631	26,328	23.9
Adjusted ebitda	2,345	1,359	72.6
Adjusted ebitda/product sales (%)	7.2	5.2	39.2

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

F. FORECAST COMPLIANCE OF 8 JUNE 2022

As shown in the table below, the forecast for the first half of 2022 put forward on 8 June was met in every aspect. The adjusted ebitda of EUR 75.20 million and profit of EUR 46.37 million are both above the upper limit of the range envisaged. Ebitda exceeds the maximum limit by just EUR 0.20 million and profit by EUR 1.37 million. Sales and contribution are both above the midpoint of their respective intended range. Sales, some EUR 531.86 million, did so with an excess of EUR 6.86 million and contribution, in the amount of EUR 178.38 million, with an excess of EUR 3.38 million.

1H22: COMPARISON OF FORECAST ANNOUNCED AT 08-06-2022 VS ACTUAL

EUR million	Forecast	Actual
Adjusted ebitda	70-75	75.20
Profit/(loss)	40-45	46.37
Sales	510-540	531.86
Contribution	170-180	178.38

G. FORECAST FOR THE REMAINDER OF THE YEAR

We believe that the dominant trend in 2022 will be positive and improve the already good results we achieved in 2021. However, we cannot say to what extent it will do so, due to the lack of visibility caused by the high level of uncertainty existing at this time.

The greatest risks continue to be seen in the continuation of the invasion of Ukraine by Russia and in the negative effect of this conflict on the availability and price of energy. The recent launch by the European Union of a contingency plan to reduce the gas consumption of the Member States increases, if possible, the level of uncertainty in which the European industry must operate.

At the global level, there are still serious problems in maintaining the supply chain for raw materials, and a gradual slowdown in GDP growth is occurring because of the strong *shock* offer (from the noticeable increase in the price of energy and raw materials) that we are observing.

Likewise, although the sharp devaluation of the euro makes us more competitive vis-à-vis products from outside the euro zone, the pressure of suppliers from other geographical areas with lower energy and raw material costs is likely to increase in the second half of the year.

Given the risks described here, in the second half of the year we could see lower sales and narrower margins.

Barcelona, 28 July 2022