ERCROS EARNINGS RELEASE
FIRST QUARTER OF 2021

(11/05/2021)

Ercros increased its profit tenfold in the first quarter of 2021

- **Ercros' profit for the first quarter of 2021 (1Q21) amounted to EUR 8.72 million, 10.6 times higher than the EUR 0.82 million obtained in the same period of the previous year (1Q20).**

- **Adjusted ebitda in 1Q21 was EUR 21.32 million, up 89% on the EUR 11.30 million achieved in 1Q20. Ebitda in 1Q21 was not only higher than that posted in 1Q20, a period already somewhat affected by covid-19, but was also higher than 1Q19, when the pandemic had not yet appeared.**

- **The increase in adjusted ebitda from EUR 11.28 million in 1Q20 to EUR 21.32 million in 1Q21 is mainly due to the improvement in price of the products sold by Ercros, which far exceeds the increase in the average variable cost.**

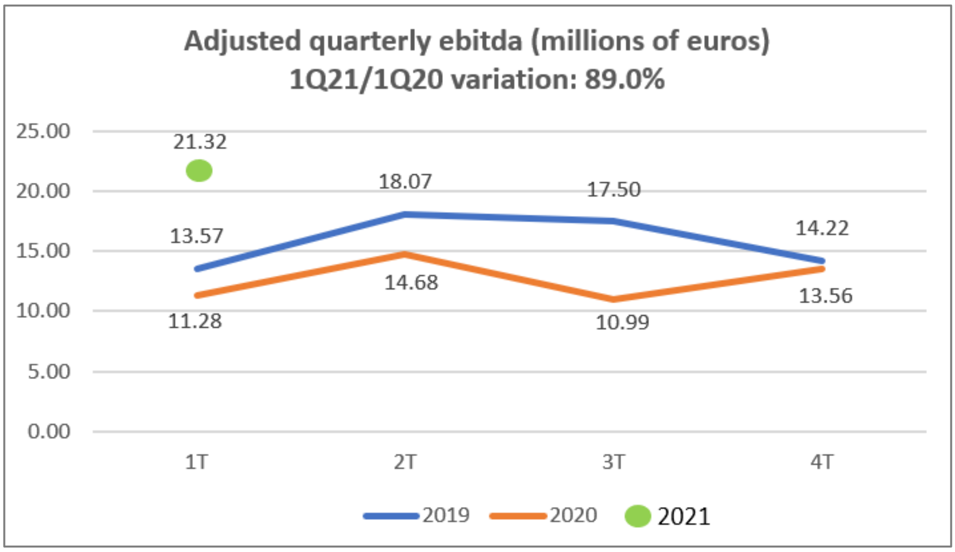
- **Despite an economic environment still dominated by health restrictions, Ercros maintains a solid financial position with liquidity of more than EUR 60 million.**

- **At its meeting held on 30 April, the board of directors approved a new shareholder remuneration policy that will be in force for 2021-2024.**

- **The treasury share buyback has been initiated with a charge to the 2021 payout. At 31 March, 480,523 shares were repurchased for EUR 1.21 million.**

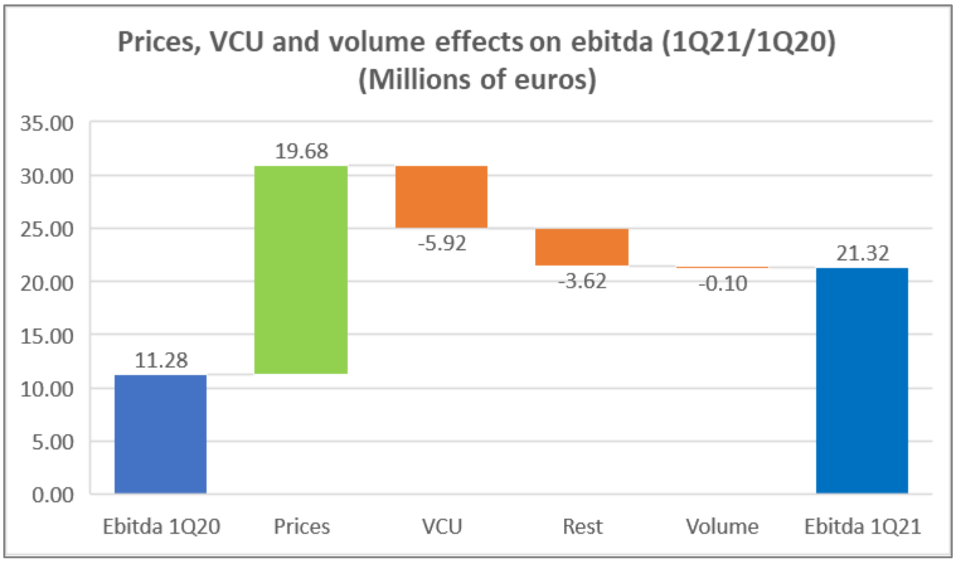
A. HIGHLIGHTS OF THE FIRST THREE MONTHS OF 2021 (1Q21)

1. The forecast in the 2020 year-end earnings release (26/02/2020) that the recovery in the last quarter of 2020 would continue in the first quarter of 2021 has been fully confirmed: adjusted ebitda in 1Q21 was EUR 21.32 million, up 89.0% on that achieved in 1Q20, which totalled EUR 11.30 million; and profit for 1Q21 was EUR 8.72 million, 10.6 times higher than that achieved in 1Q20 (EUR 0.82 million). Ebitda in 1Q21 was not only higher than that posted in 1Q20, a period already somewhat affected by covid-19, but was also higher than 1Q19, when the pandemic had not yet appeared.



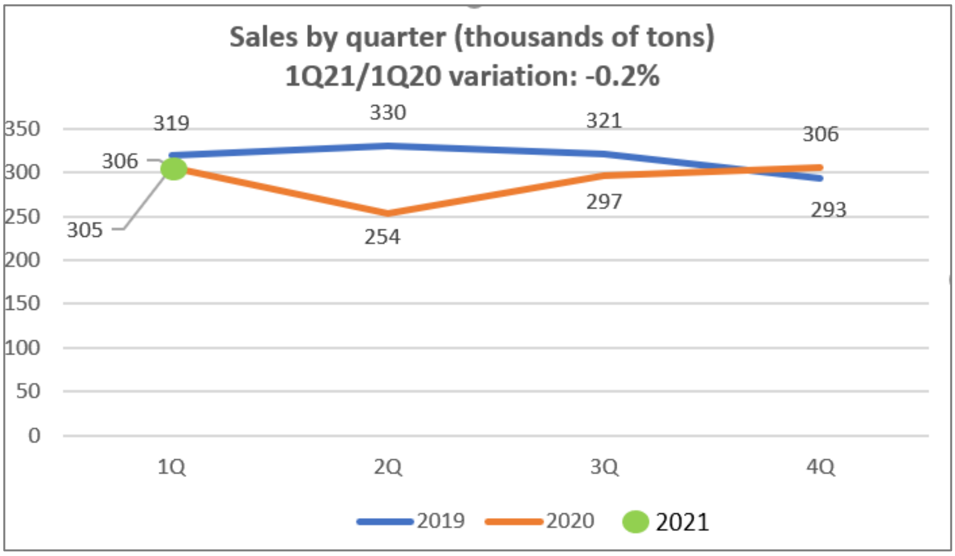
Adjusted ebitda: ebitda excluding atypical items. See the table "Reconciliation of EBITDA" in section E of this earnings release.

2. The increase in adjusted ebitda from EUR 11.28 million in 1Q20 to EUR 21.32 million in 1Q21 is mainly due to the effect of the improvement in the price of the products sold by Ercros, which added EUR 19.68 million, from which EUR 5.92 million must be subtracted due to the increase in the variable cost per unit, EUR 3.62 million due to various effects including changes in fixed costs, and EUR 0.10 million due to the decrease in tons sold.

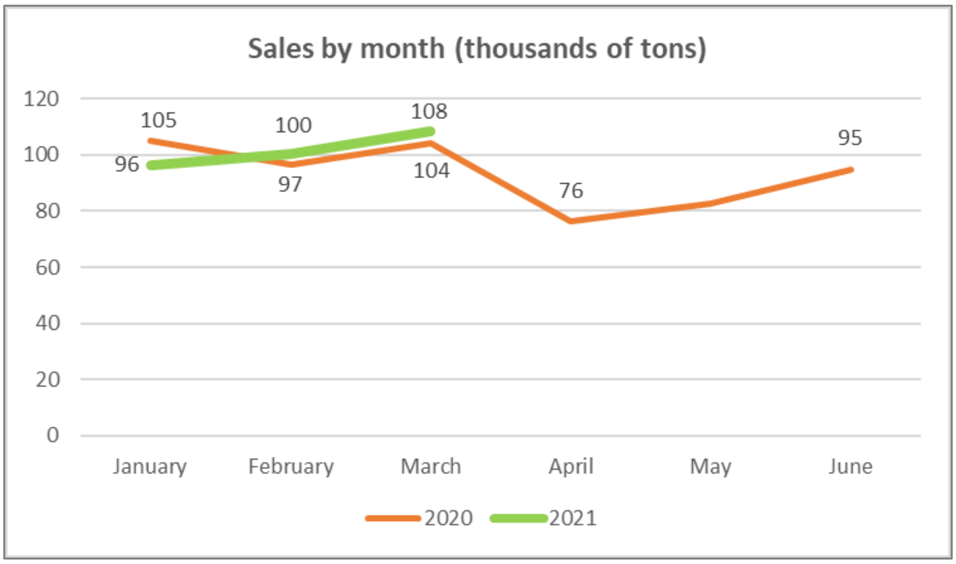


VCU: Effect of changes in variable costs per unit.
Rest: Changes in services rendered, other income, fixed and atypical costs.

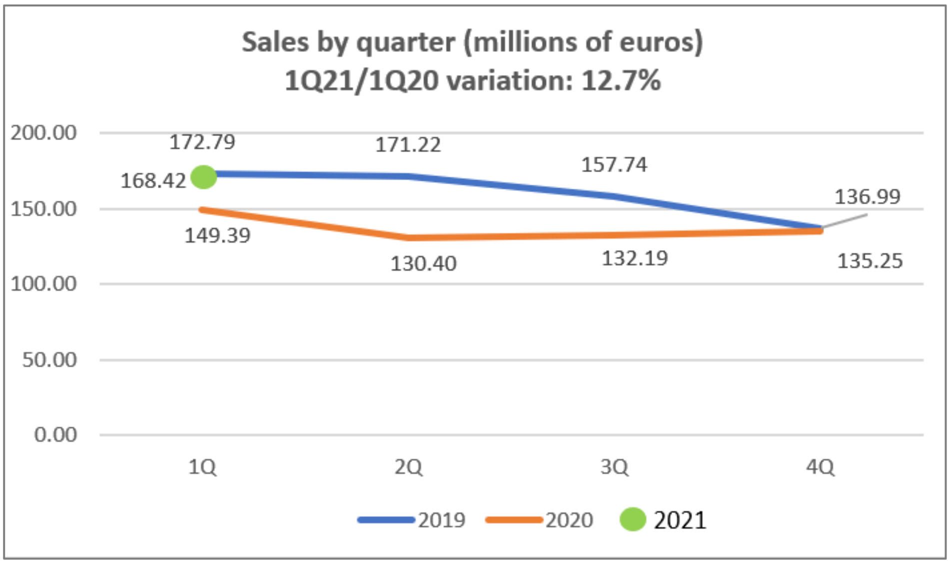
3. The volume of tons sold in 1Q21 consolidates the extent of the post-covid levels reached in 4Q20. In 1Q21 Ercros sold 305 thousand tons of manufactured products, very close to the 306 thousand tons sold in 1Q20 and not far from the 319 thousand tons sold in 1Q19. It is important to note that Ercros sold a significant volume of external caustic soda in 1Q19, which was reduced in both 1Q20 and 1Q21.

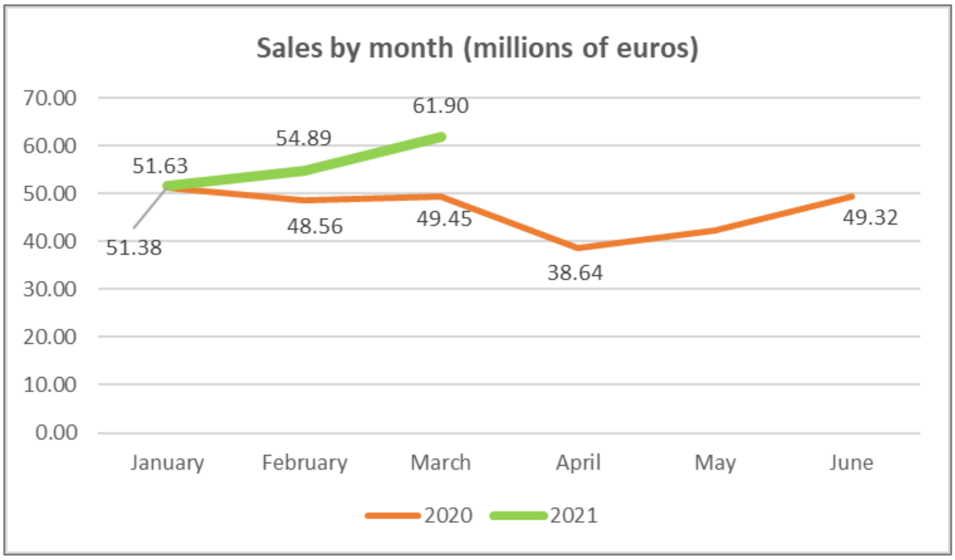


4. The similarity with regard to the volume sold in 1Q20 and 1Q21 should not be extrapolated to the rest of 2021. There is no indication that the sharp drop in demand in the second quarter of 2020 will be repeated in 2021. If anything, there is a certain supply shortage in the main markets in which Ercros operates.

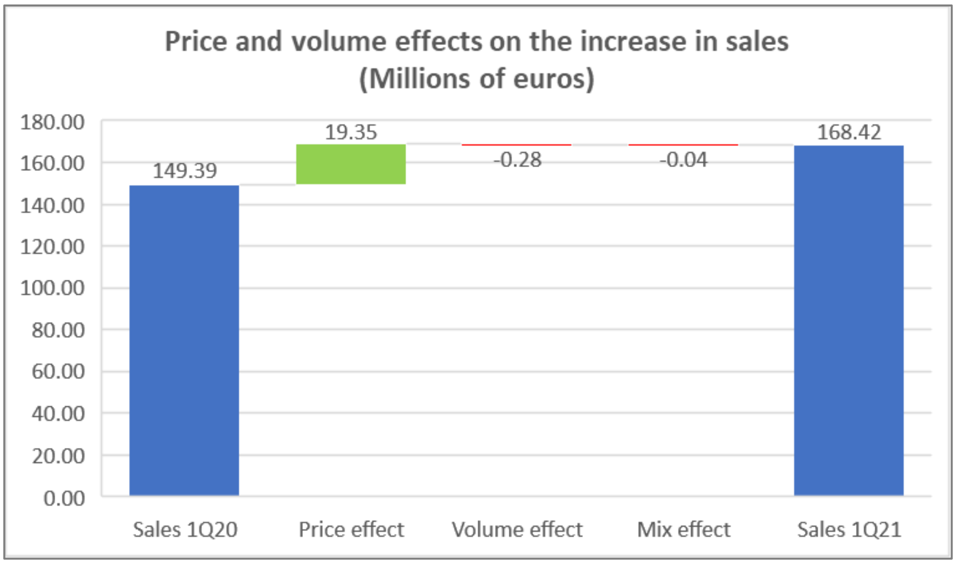


5. In terms of turnover, sales in 1Q21 totalled EUR 168.42 million, up 12.7% from EUR 149.39 million in 1Q20 and close to the EUR 172.79 million in 1Q19. The strength of this recovery can be seen more clearly in the monthly figures, which show sustained growth throughout the three months of the quarter compared to the slight decline in the corresponding figures for 2020.

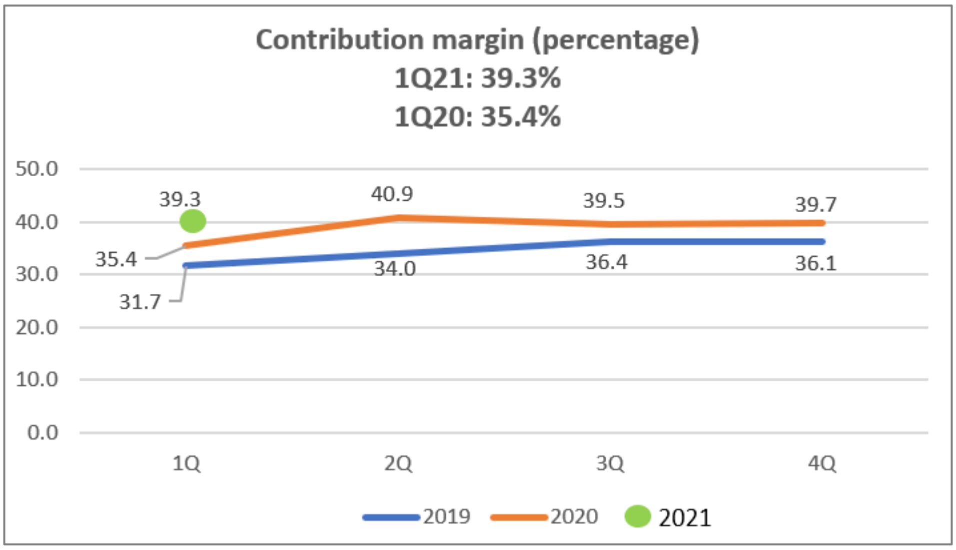




6. The increase in turnover is mainly due to the rise in the sale prices of the products manufactured by Ercros. Sales increased by EUR 19.03 million between 1Q20 and 1Q21. Of this increase, the rise in sale prices accounts for EUR 19.35 million, from which EUR 0.28 million must be subtracted due to the lower number of tons sold and EUR 0.04 million as a result of the mix effect.

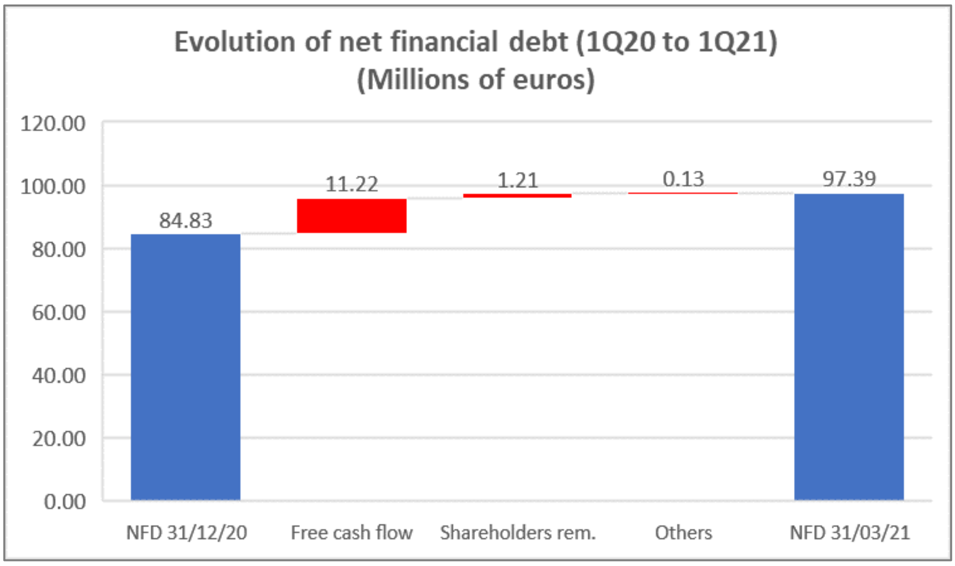


7. The contribution margin in 1Q21 (39.3%) has followed the upward trend of the last two years. It is 3.9 percentage points higher than in 1Q20 and 7.6 percentage points higher than in 1Q19.



Contribution margin: (product sales + services rendered - procurements - supplies + change in inventories) / (product sales + services rendered).

8. The main reason that Ercros' debt rose in the first three months of the year was the decrease in free cash flow by EUR 11.22 million, due to the increase in working capital as a result of higher turnover. Other reasons for the increase, albeit of lesser importance, include the buyback of treasury shares for redemption, which contributed a further EUR 1.21 million, and a number of minor effects, which amounted to EUR 0.13 million. In total, during the first three months of the year, Ercros increased its net financial debt by EUR 12.56 million, bringing it to EUR 97.39 million at 31 March 2021.



9. At 31 March 2021, Ercros had liquidity amounting to EUR 60.45 million, of which EUR 28.57 million were in cash and EUR 31.88 million were undrawn financing facilities.

10. In addition to the market effects on sales, margins and results examined above, the direct costs of covid-19 in the first three months of 2021 amounted to EUR 173 thousand compared to EUR 35 thousand in 1Q20.

B. COVID-19 PANDEMIC

The covid-19 vaccination campaign is beginning to bear fruit. This progress should significantly contribute to the normalisation of economic activity. Ercros already detected signs of improvement in the last quarter of 2020, which are now confirmed by the positive results for the first quarter of 2021 reported above.

In any case, Ercros is maintaining the prevention measures put in place at the time to minimise the risk of infection among its employees. This strategy has enabled Ercros to keep all its facilities active and to meet the needs of its customers despite the adverse effects caused by this pandemic.

Ercros, through the covid-19 monitoring committee and in close contact with employee representatives, continuously monitors the health of its employees and updates preventive measures in accordance with the standards and recommendations issued by the health authorities.

C. OUTLOOK FOR THE REST OF 2021

The positive results for 1Q21 suggest that this year will clearly be better than 2020. We expect sales and the prices of products sold to remain in line with the trends seen in the last quarter of 2020 and confirmed in the first quarter of 2021.

In view of this expectation, the rising price of electricity is worth noting: the adverse forecasts given by the markets for this variable for the remainder of the year could erode Ercros' profits to some extent, given the electro-intensive nature of the Company's activities. The persistence of the pandemic worldwide despite the vaccination progress in certain developed countries, the increase in the price of raw materials, the potential lack of availability of certain materials, and the increase in maritime freight rates could be circumstances that, when added to the increase in the price of electricity, lead to a higher level of uncertainty in the second half of 2021.

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

On 28 January, the Company presented its **3D Strategic Plan: Diversification, Digitalisation and Decarbonisation**, which aims to transform Ercros into a sustainable company over time. Sustainable through the diversification of its production structure, which will allow it to smooth out the cyclical volatility inherent to the chemical sector. Sustainable through the digital transformation and automation of its processes, which will make it more competitive. And sustainable as a result of bringing its environmental performance into line with official European and Spanish requirements to curb climate change.

The 3D Plan contains 20 projects that, over the 2021-2029 period, will entail a cumulative investment of EUR 92 million and also an additional cumulative ebitda of EUR 194 million.

The Plan's investments are being carried out as scheduled. Accordingly, one of the projects with regard to diversification, which involves increasing the dipentaerythritol manufacturing capacity by 15%, came into operation at the beginning of April, while the other three projects regarding this aspect are underway. Several of the projects with regard to digitalisation and decarbonisation are also already underway. The remaining projects will gradually be implemented in accordance with the financial premises established in the 3D Plan.

E. INTERIM FINANCIAL STATEMENTS

The following tables show the financial statements for 1Q21 on which the 10 highlights described in section A of this earnings release are based: consolidated income statement; reconciliation of adjusted ebitda; and economic analysis of the balance sheet.

Income statement

In relation to the consolidated income statement for 1Q21, in addition to that indicated in section A of this earnings release, the following should be noted:

Services rendered rose by 6.0% due to greater demand from customers for these services, with the most significant increase corresponding to the manufacturing of dicalcium phosphate.

The total amount of procurements plus the reduction in finished goods and work in progress increased by 4.6% due to the increase in the price of raw materials and unit production costs.

Utilities and supplies rose by 10.2%, mainly due to the increase in the price of electricity (the Company's main supply)

Staff costs remained at levels similar to 2020 due to the containment measures taken. At the sector level, a preliminary agreement was recently signed that regulates the main aspects to be covered by the 20th general collective agreement for the chemical industry for 2021-2023. This preliminary agreement provides for salary increases in 2021 of 1% as of July, and 2% in 2022 and 2023, with a clause that guarantees purchasing power in the event that the CPI for 2021-2023 exceeds 5%.

Other operating expenses rose by 12.6%. The largest increases were in transport costs, mainly due to higher international freight costs, followed by maintenance expenses, which were largely due to the extraordinary repairs that had to be carried out in some of the factories as a result of the damage caused by the storm Filomena. Insurance premiums have also risen, due to the demands of the insurance sector and the increase in insurance tax, and legal expenses have increased, mainly in relation to the decontamination of the El Hondón land.

Provisions and other extraordinary expenses increased by 24.3% as a result of periodically updating the commitments assumed in relation to environmental remediation. Depreciation and amortisation remained in line with the previous year, and the financial loss improved due to the exchange gains resulting from the appreciation of the dollar in March 2021. Finally, the income tax expense increased as a result of the higher profit obtained.

Balance sheet

Non-current assets decreased by EUR 1.92 million, despite the additions recognised for investments amounting to EUR 8.15 million, due to depreciation in the amount of EUR 7.07 million, the reduction of deferred tax assets by EUR 1.97 million, and other changes for a net negative amount of EUR 1.03 million.

Working capital rose mainly as a result of the increase in accounts receivable resulting, in turn, from the higher turnover.

Equity increased by EUR 7.52 million. This change is the net effect of, on the one hand, the profit of EUR 8.72 million obtained in 1Q21 and, on the other hand, the buyback of treasury shares for EUR 1.21 million.

Net financial debt rose mainly as a result of the increase in working capital.

INCOME STATEMENT

Thousands of euros	1Q21	1Q20	%
Revenue	**177,272**	**158,333**	**12.0**
Sale of finished products	168,422	149,389	12.7
Services rendered	5,646	5,325	6.0
Other income	3,188	3,483	-8.5
Reversal of provisions and other extraordinary income	16	136	-88.2
Expenses	**-157,424**	**-148,116**	**6.3**
Procurements	-81,998	-71,474	14.7
Reduction in inventories of finished goods and work in progress	-2,250	-9,033	-75.1
Utilities and supplies	-21,450	-19,467	10.2
Staff costs	-21,834	-21,712	0.6
Other operating expenses	-28,408	-25,236	12.6
Allocation of provisions and other extraordinary expenses	-1,484	-1,194	24.3
Ebitda	**19,848**	**10,217**	**94.3**
Depreciation and amortisation	-7,067	-7,033	0.5
Ebit	**12,781**	**3,184**	**x4.0***
Financial loss	-1,144	-1,817	-37.0
Profit before tax	**11,637**	**1,367**	**×8.5***
Income taxes	-2,914	-543	×5.4*
Profit for the period	**8,723**	**824**	**×10.6***

*Times the 2021 figure exceeds the 2020 figure (in absolute terms).

RECONCILIATION OF ADJUSTED EBITDA

Thousands of euros	1Q21	1Q20	%
Ebitda	**19,848**	**10,217**	**94.3**
Atypical income items	-16	-136	-88.2
Atypical expense items	1,484	1,194	24.3
Adjusted Ebitda	**21,316**	**11,275**	**89.1**

ECONOMIC ANALYSIS OF THE BALANCE SHEET

Thousands of euros	31/03/2021	31/12/2020	%
Non-current assets	**354,643**	**356,562**	**-0.5**
Working capital	**52,419**	**29,839**	**75.7**
Current assets	179,398	148,609	20.7
Current liabilities	-126,979	-118,770	6.9
Funds used	**407,062**	**386,401**	**5.3**
Equity	**291,730**	**284,215**	**2.6**
Net financial debt	**97,394**	**84,832**	**14.8**
Provisions and other borrowings	**17,938**	**17,354**	**3.4**
Origin of funds	**407,062**	**386,401**	**5.3**

BREAKDOWN OF NET FINANCIAL DEBT

Thousands of euros	31/03/2021	31/12/2020	%
Loans	66,885	66,471	0.6
Obligations under finance leases	9,069	9,145	-0.8
Working capital financing	56,633	55,794	1.5
Gross financial debt	**132,587**	**131,410**	**0.9**
Cash	-29,495	-39,931	-26.1
Deposits	-5,698	-6,647	-14.3
Net financial debt	**97,394**	**84,832**	**14.8**

Shareholder remuneration

At its meeting held on 30 April, the Ercros board of directors approved a new shareholder remuneration policy for 2021-2024, which will be submitted for ratification at the annual general meeting in June.

The maximum payout will be 50% of consolidated profit of each of the four years, subject to the following: i) obtaining a minimum consolidated profit of EUR 10 million; and ii) at the reporting date of each year, the solvency ratio (net financial debt/ordinary ebitda) must be less than or equal to 2.0, and the debt ratio (net financial debt/equity) must be less than or equal to 0.5.

Shareholder remuneration is carried out through the buyback of treasury shares for their redemption and payment of a dividend. The treasury share buyback will be carried out as long as the projected dividend payout is at least: 18% of 2021 consolidated profit; 20% of 2022 consolidated profit; 22% of 2023 consolidated profit; and 24% of 2024 consolidated profit.

At its meeting held on 19 February, the board of directors decided to resume the buyback of shares for redemption as part of shareholder remuneration with a charge to profit for 2021. At 31 March 2021, 480,523 shares were repurchased for EUR 1.21 million.

F. RESULTS BY BUSINESS

As announced in our earnings release on 26 February, the recovery in demand seen in the last quarter of 2020 continued in 1Q21.

With regard to the **chlorine-related businesses**, the division’s sales increased by 17.1% compared to the same quarter last year. This increase, together with the fact that variable costs rose less than sales, resulted in a 3.7 fold increase in the division’s adjusted ebitda from EUR 3.30 million in 1Q20 to EUR 12.26 million in 1Q21, with an ebitda/sales ratio of 12.1%. It is worth highlighting the excellent performance of PVC, which, due to strong demand, has seen a significant increase in both price and volume sold compared to 1Q20.

This environment of strong demand has also affected the **intermediate chemicals** division. The division’s sales grew by 15.5%, a greater change than that experienced by variable costs, which allowed quarterly adjusted ebitda to increase by 79.8% compared to that obtained in 1Q20 and the division’s ebitda/sales ratio to reach 15.7%.

In the first quarter, the **pharmaceuticals division** was affected by the storm Filomena. The damage caused by the low temperatures temporarily reduced the production capacity of the division’s factory in Aranjuez and made it necessary to undertake extraordinary repairs. Accordingly, the weakness in demand, already evident in the second half of last year, led to an 18.9% drop in sales compared to a very good first quarter of last year and, therefore, to an 83.6% drop in adjusted ebitda.

The damage caused by Filomena has been fully repaired, capacity has been fully restored and demand for the main products has started to gain traction in the last two months, therefore the division’s ebitda is expected to recover in the coming quarters.

RESULTS BY BUSINESS

Thousands of euros	1Q21	1Q20	%
Chlorine derivatives division			
Product sales	101,181	86,389	17.1
Adjusted ebitda	12,261	3,296	×3.7*
Adjusted ebitda/product sales (%)	12.1	3.8	×3.2*
Intermediate chemicals division			
Product sales	54,190	46,909	15.5
Adjusted ebitda	8,524	4,742	79.8
Adjusted ebitda/product sales (%)	15.7	10.1	55.6
Pharmaceuticals division			
Product sales	13,051	16,091	-18.9
Adjusted ebitda	531	3,237	-83.6
Adjusted ebitda/product sales (%)	4.1	20.1	-79.8

*Times the 2021 figure exceeds the 2020 figure (in absolute terms).

Barcelona, 11 May, 2021