NOTE ON ANNUAL RESULTS OF ERCROS FOR 2020

(26/02/2020)

Strong recovery of Ercros in the fourth quarter of 2020

- **Ercros recovers in the fourth quarter of 2020 to pre-covid-19 levels in terms of tonnes and turnover, and improves the advanced ebitda forecast at 13/11/2020.**

- **Despite the severe economic crisis associated with covid-19, Ercros' ebitda fell by only 18%.**

- **The drop in prices and sales volumes has been largely offset by the reduction in the price of procurements and supplies.**

- **Even in a clearly adverse economic environment, Ercros maintains a solid financial position: it has EUR 72 million in liquidity; it has significantly increased its free cash flow; and it has reduced its net financial debt.**

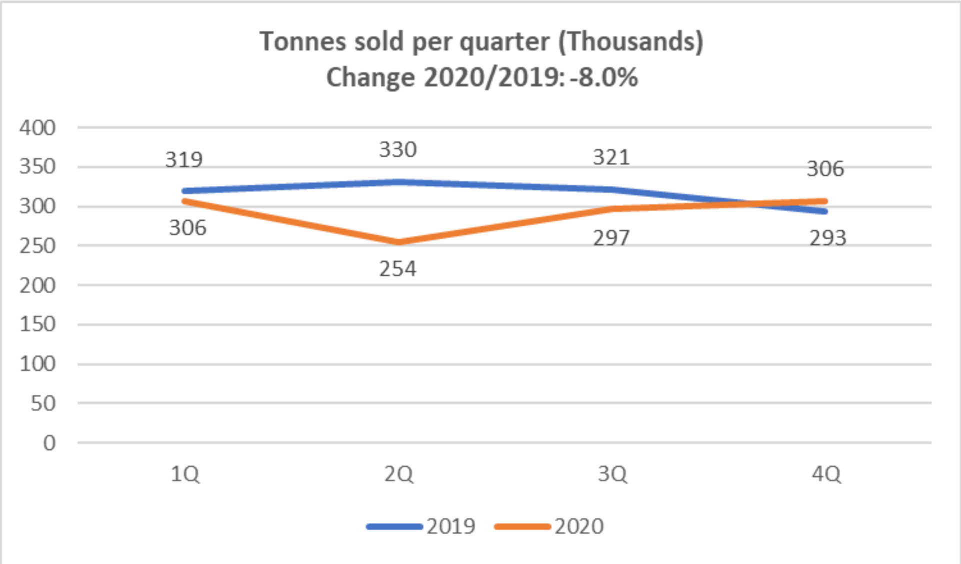
- **Ercros' earnings per share in 2020 were below the minimum required by the shareholder remuneration policy, which is why, despite having met the other two requirements, and based on the criteria set out in the policy, it is not possible to pay shareholders out of 2020 profit.**

  This circumstance, due to the adverse impact of covid-19, is exceptional. It should not call into question the positive effects of the shareholder remuneration policy, nor Ercros' commitment to reward shareholders in the future. During the 2016-2020 period, Ercros paid EUR 60.4 million in shareholder remuneration, of which EUR 21.2 million corresponded to dividends and EUR 39.2 million to treasury share repurchase. Furthermore, the Ercros board of directors, at its meeting held on 19 February, while pointing out that it was impossible to pay shareholders out of 2020 profit, agreed to resume share repurchase (from the first of March, under the fifth repurchase programme still in force) to redeem these shares as part of shareholder remuneration out of 2021 profit.

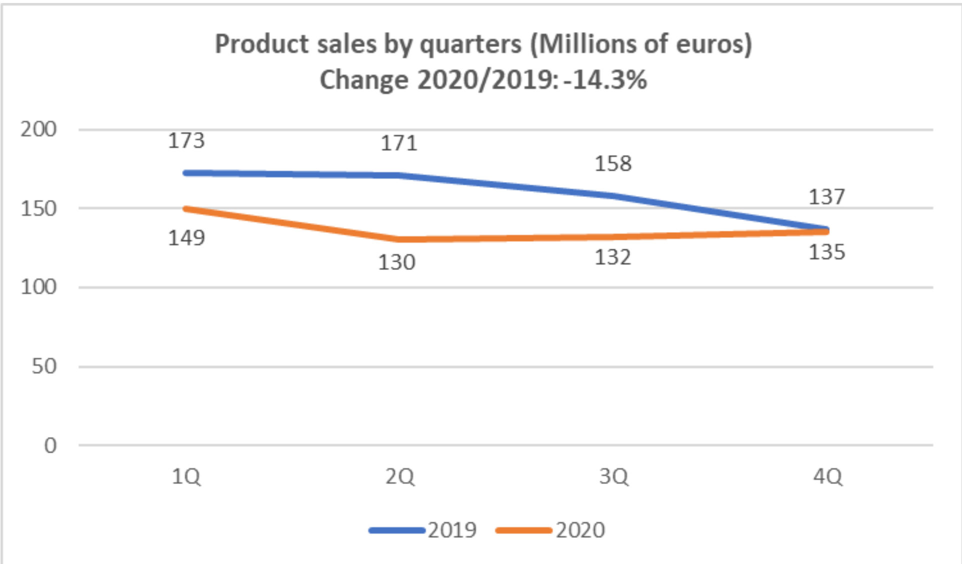
- **The recovery observed in the fourth quarter of 2020 will continue in the first quarter of 2021 and foreseeably also in the rest of the year. This forecast is based on: (i) the gradual increase in demand associated with the economic recovery; (ii) the prolongation of the PVC bonanza, due to the increase in public works and the aid for construction from the use of European funds; and (iii) the expected advance of the recovery of the caustic soda price, motivated by the effects of the intense cold wave on the chemical industry of the North American Gulf coast. All this, naturally, subject to the uncertainty that the persistence of the pandemic still imposes.**

A. HIGHLIGHTS OF 2020

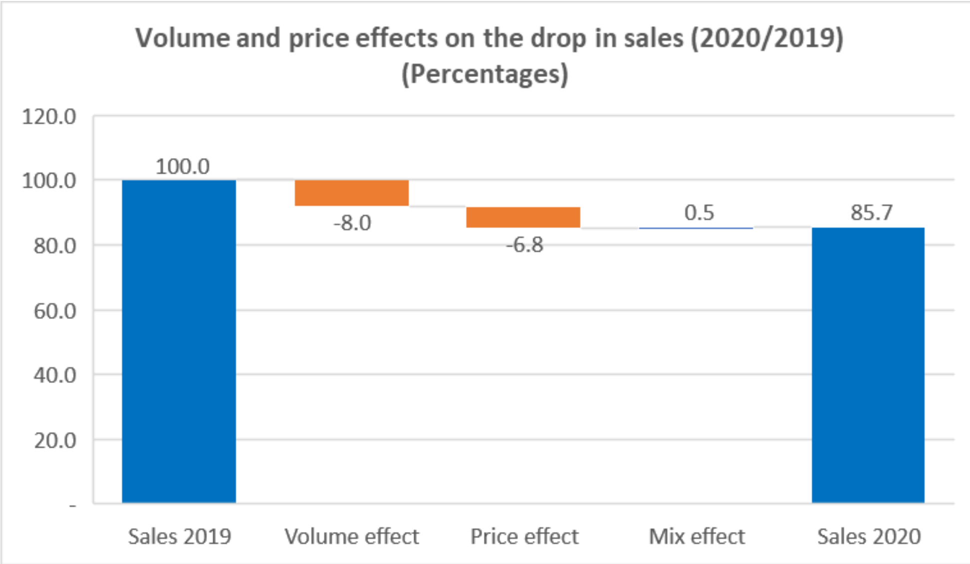
1. In 2020 Ercros sold 1,162 thousand tonnes of products compared to 1,264 thousand tonnes sold in 2019: a change of -8.0%. The gap opened by covid-19 in the second quarter was completely closed in the fourth quarter. The tonnes sold in the fourth quarter of 2020 (306,000) exceeded those sold in the fourth quarter of 2019 (293,000) and, despite seasonal weakness in the last quarter of the year, also those sold in the third quarter of 2020 (297,000).



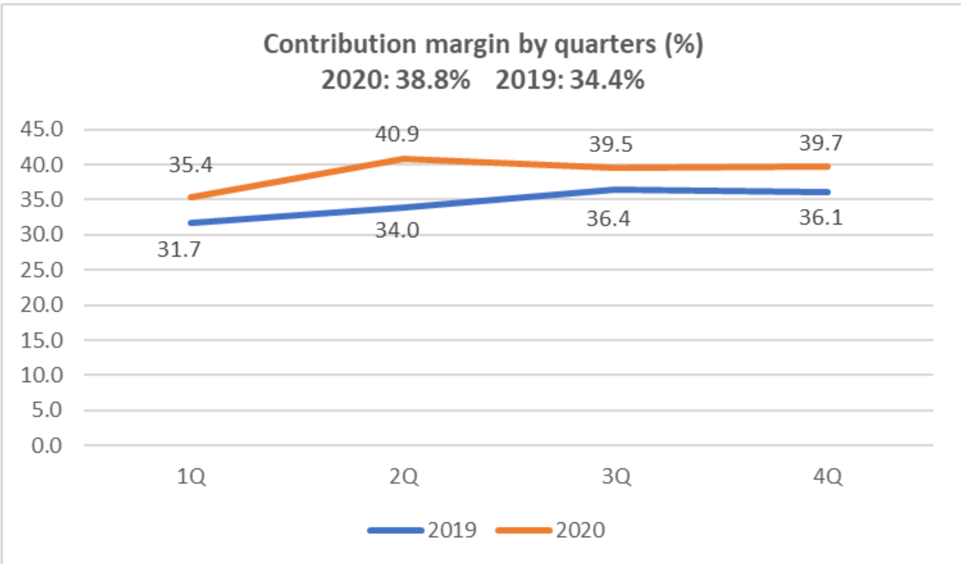
2. In 2020 Ercros sold products for a total amount of EUR 547 million compared to EUR 639 million in 2019: a change of -14.3%. Both the billing gap in the first quarter of 2020 (compared to first quarter 2019), due to the decline in the price of caustic soda and chlorinated derivatives, and the gap opened by the pandemic in the second quarter of 2020, were closed in the fourth quarter.



3. The revenue obtained from products sold fell by more than the tonnes sold (-14.3% vs. -8.0%) since the prices of these products also fell. The change in the amount obtained from sales, -14.3%, is the result of: (i) the change in tonnes sold, -8.0%; (ii) the change in prices, -6.8%; and (iii) the change in the ton/price mix, 0.5%.



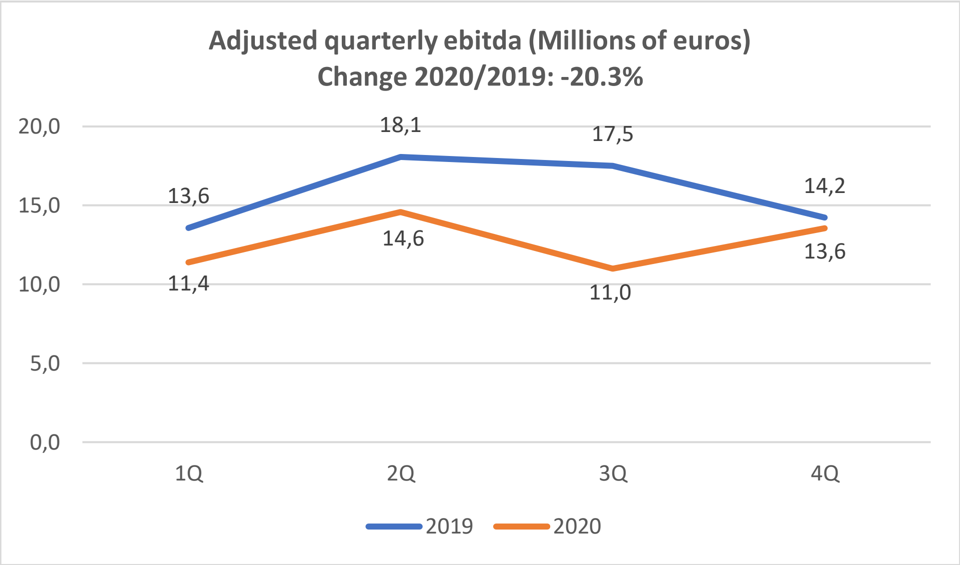
4. The fourth quarter contribution margin continued to remain above the level reached in 2019. On a cumulative basis, the 2020 contribution margin outperformed that of the same period in 2019 by 4.4 points: 38.8% vs. 34.4%. Ercros continues to maintain a high aggregate contribution margin.



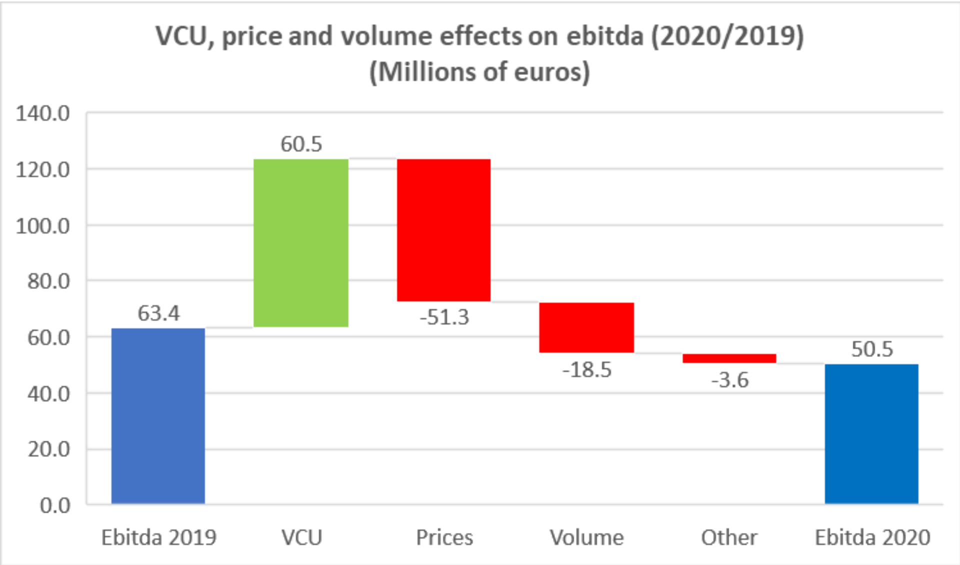
Contribution margin: (product sales + services rendered - procurements - supplies + change in inventories) / (product sales + services rendered).

5. Despite seasonal weakness in the last quarter of the year, adjusted ebitda for the first quarter of 2020 (EUR 13.6 million) exceeded that of the third quarter of 2020 (EUR 11.0 million) and was very close to that obtained in the first quarter of 2019 (EUR 14.2 million).

On a cumulative basis, adjusted ebitda in 2020 (EUR 50.5 million) was 20.3% lower than in 2019 (EUR 63.4 million).

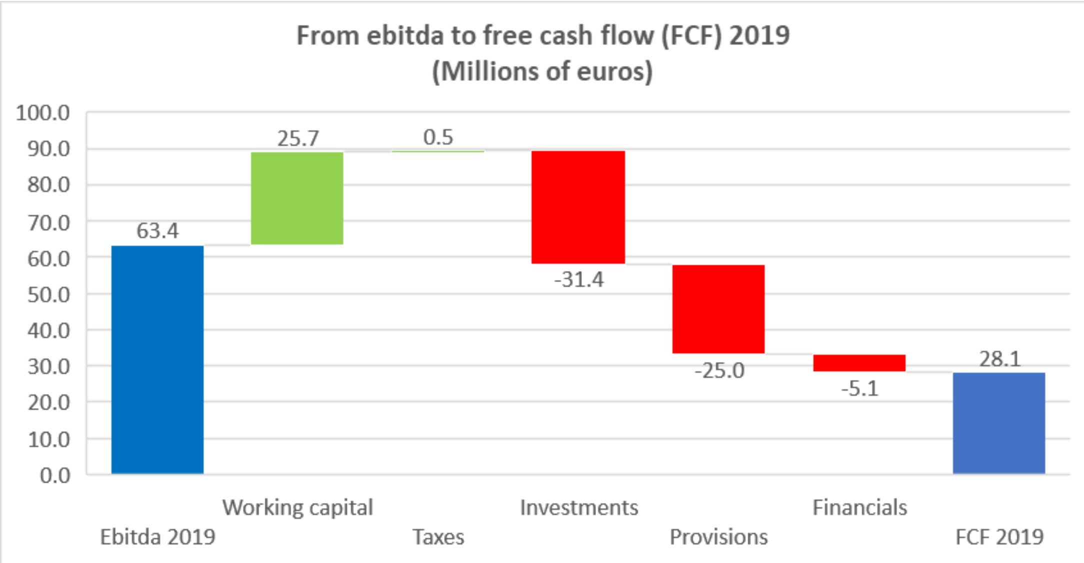


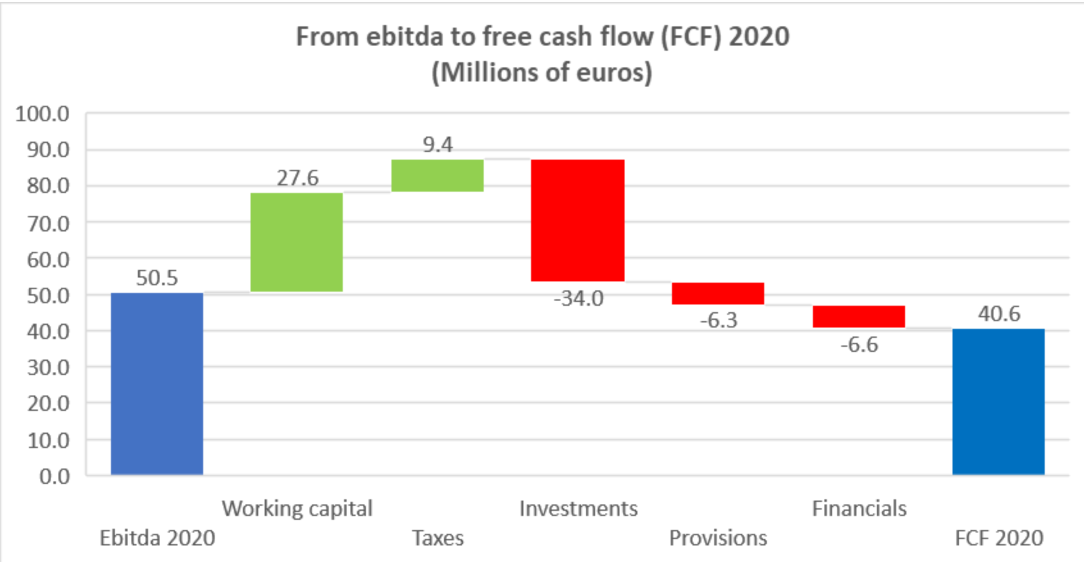
6. The decrease in ebitda from EUR 63.4 million in 2019 to EUR 50.5 million in 2020 was primarily due to the adverse effects of covid-19 and, to a lesser extent, the decline in first quarter sales discussed in Point 2. The graph below measures the joint effect of these two causes. “Volume” measures the net effect on ebitda of the decrease in tonnes of products sold (EUR -18.5 million); “Prices” measures the effect of the drop in the prices of products sold (EUR -51.3 million); and “VCU” is the effect of the drop in variable costs per unit, which is positive (EUR 60.5 million) and mitigates the two previous effects. The other effects, including the change in fixed costs, are of much less significance.



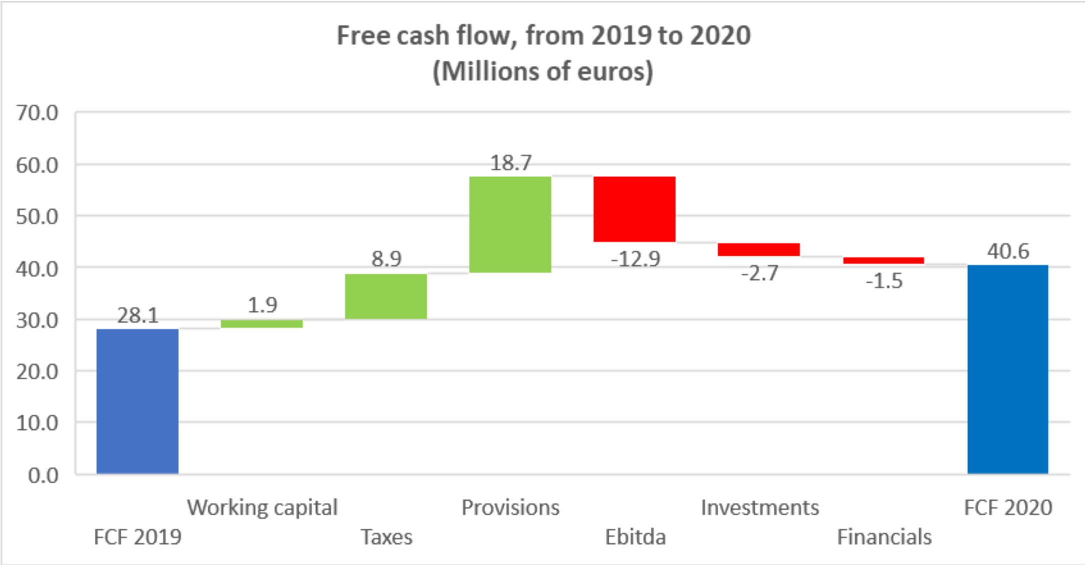
VCU: effect of change in variable costs per unit.
Other: changes in services rendered, other income, fixed and atypical costs.

7. In 2020, Ercros generated significantly higher free cash flow (FCF) than in 2019. In 2019, with an ebitda of EUR 63.4 million, the FCF generated was EUR 28.1 million. In 2020, on the other hand, with an ebitda of EUR 50.5 million, Ercros generated a FCF of EUR 40.6 million.

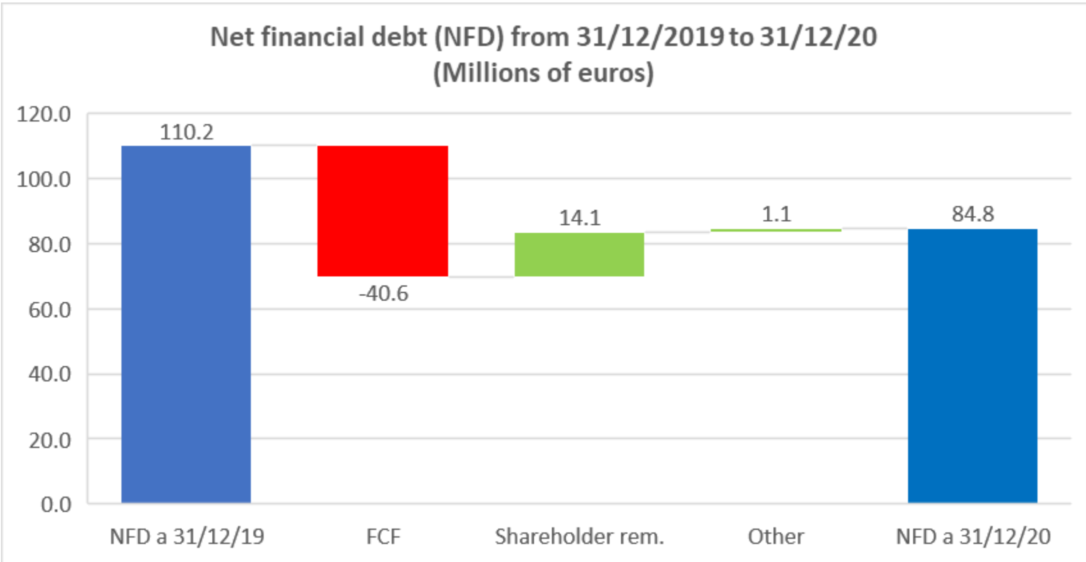




The difference between the FCF in 2019 (EUR 28.1 million) and the FCF in 2020 (EUR 40.6 million) is explained in the last graph of this section, which shows the transition between these two values. The causes behind the higher FCF in 2020 are, starting with those that generate funds: (i) lower working capital in 2020 compared to 2019, which generated EUR 1.9 million in FCF; (ii) lower taxes, EUR 8.9 million; and (iii) lower provisions, EUR 18.7 million. And continuing with those that reduce funds: (i) lower ebitda, EUR -12.9 million; (ii) greater investments, EUR -2.7 million; and (iii) higher net finance costs, EUR -1.5 million.



8. Ercros began 2020 with net financial debt (NDF) of EUR 110.2 million. The free cash flow (FCF) generated had a debt-reducing effect and the shareholder remuneration had the opposite effect. In total, over the course of 2020, Ercros reduced its net debt by EUR 25.4 million, bringing it to EUR 84.8 million at 31 December 2020.



9. At 31 December 2020, Ercros had liquidity amounting to EUR 72.1 million, of which EUR 39.9 million were in cash and EUR 32.2 million were undrawn financing facilities.

10. In addition to the market effects on sales, margins and results discussed above, the direct costs associated with covid-19 in 2020 amounted to EUR 2.1 million, of which EUR 0.7 million were for the purchase of protection and safety equipment, EUR 1.3 million for other operating expenses related to prevention services, and EUR 0.1 million related to impairment losses on financial assets (namely receivables).

B. COVID-19 PANDEMIC

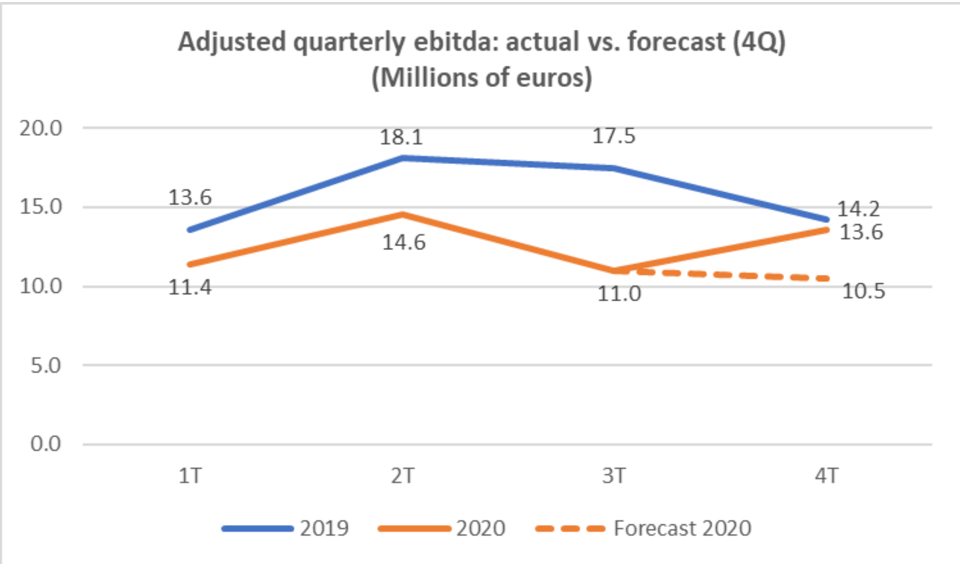
The covid-19 pandemic continues to adversely affect international economic activity and to put the health of citizens at risk in many countries, including Spain. From the very beginning of this health emergency, Ercros implemented preventive measures to minimise the risk of infection of the people working at its facilities, with the establishment of strict safety protocols and allowing employees to work from home for those activities that could be carried out remotely.

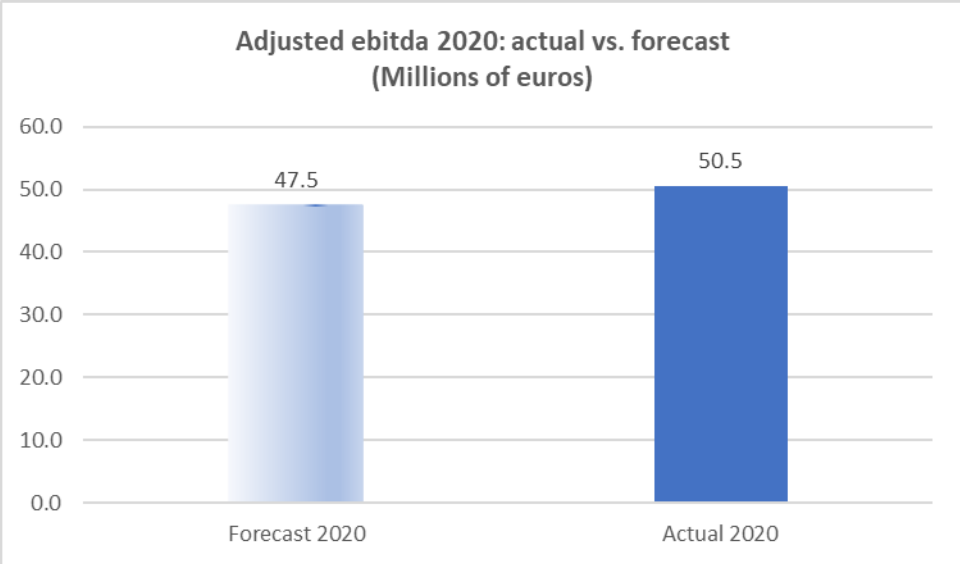
This strategy has enabled Ercros to maintain all its facilities active and to meet the needs of its customers despite the adverse effects caused by this pandemic.

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. COMPARISON OF RESULTS WITH FORECASTS

In the presentation of results for the third quarter of 2020 (13/11/2020), we put forward an adjusted ebitda for the fourth quarter of the year within a range of EUR [9.5 - 11.5] million, which would bring adjusted ebitda for 2020 within a range of EUR [46.5 - 48.5] million. Using the midpoints of both forecasts (EUR 10.5 million for adjusted ebitda for the fourth quarter and EUR 47.5 million for adjusted ebitda for 2020), the following two graphs compare the forecasts with the results actually obtained for the fourth quarter of 2020 and for the full year. In both cases the actual result (adjusted ebitda of EUR 13.6 million in the first quarter of 2020 and adjusted ebitda of EUR 50.5 million for 2020) has clearly exceeded not only the midpoint of the two expected ranges (EUR 10.5 million and EUR 47.5 million), but also the upper limit of the ranges (EUR 11.5 million and EUR 48.5 million).





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

At 28 January 2021, Ercros presented its **3D Strategic Plan: Diversification, Digitalisation and Decarbonisation**.

The strategy set out in the 3D Plan consists of transforming 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 represent a cumulative investment of EUR 92 million and an additional cumulative ebitda of EUR 194 million. The plan will be financed from internally generated funds. Obtaining European and other public aid will speed up the implementation of the plan. The premise is that this implementation will not jeopardise the financial solvency of the company (maximum annual capex, net of aid, is set at EUR 30 million) or shareholder remuneration.

E. FINANCIAL STATEMENTS

The following tables show the 2020 financial statements on which the ten highlights described in Section A of this press release are based: consolidated income statement; reconciliation of adjusted ebitda; economic analysis of the balance sheet; and detail of financial debt.

Income statement

In relation to the consolidated income statement for 2020, in addition to that indicated in Section A of this press release, the following aspects should be noted:

Services rendered fell by 30.5% compared to 2019 mainly due to: (i) not providing the interruptibility service in 2020 due to the low price reached by the blocks auctioned by Red Eléctrica Española (REE) for the first half of the year and the absence of an auction in the second half; and (ii) less services provided to other companies.

Staff costs rose by 1.4% on 2019, which is below the 2.5% of the sector, thanks to the cost containment measures put in place.

Impairment losses of EUR 4.3 million were recognised on real estate properties as their value was reduced compared to 2019 due to the economic impact of the covid-19 pandemic.

Although net finance costs were in line with those of 2019, net exchange losses amounted to EUR 2.3 million due to the sharp depreciation of the US dollar against the euro. The dollar started 2020 at USD 1.117/EUR 1, then appreciated to a peak of USD 1.069 in March 2020 following the outbreak of the pandemic, and finally depreciated in the second half of 2020 to close the year at USD 1.22/EUR 1.

Balance sheet

First, noteworthy of mention is the reduction in working capital by EUR 35.0 million, mainly due to the higher volume of receivables assigned without recourse to syndicated factoring, thanks to the new terms reached in the renewal carried out in the first half of 2020.

Shareholders' equity also fell by EUR 7.9 million in 2020 compared to 2019, due to the fact that the profit generated during the year, EUR 6.3 million, was lower than that allocated to shareholder remuneration, EUR 14.1 million.

Thanks to the increase in free cash flow, it was possible not only to pay shareholder remuneration out of 2019 profit, but also reduce net financial debt by EUR 25.3 million, as indicated in Section A.

Shareholder remuneration

Ercros' earnings per share in 2020 (0.0610) were below the minimum required by the shareholder remuneration policy (0.10), which is why, despite having met the other two requirements —net financial debt to ebitda ratio (1.68) lower than 2.0; and financial debt to equity ratio (0.30) lower than 0.5— and based on the criteria established in the shareholder remuneration policy, it is not possible to pay shareholders out of 2020 profit.

This circumstance, due to the adverse impact of covid-19, is exceptional. It should not call into question the positive effects of the shareholder remuneration policy, nor Ercros' commitment to reward shareholders in the future. During the 2016-2020 period, Ercros paid EUR 60.4 million in shareholder remuneration, of which EUR 21.2 million corresponded to dividends and EUR 39.2 million to treasury shares purchases. Furthermore, the Ercros board of directors, at its meeting held on 19 February, while pointing out that it was impossible to pay shareholders out of 2020 profit, agreed to resume share purchases (from the first of March, under the fifth purchase programme still in force) to redeem these shares as part of shareholder remuneration out of 2021 profit.

CONSOLIDATED INCOME STATEMENTS

Thousands of euros	2020	2019	Change (%)
Revenue	**585,320**	**689,073**	**-15.1**
Sale of finished products	547,236	638,737	-14.3
Services rendered	21,561	31,045	-30.5
Other income	12,746	13,466	-5.3
Increase in inventories of finished goods and work in progress	0	444	-
Reversal of provisions and other extraordinary income	3,777	2,233	69.1
Gains or losses on sales of investment property	0	3,148	-
Expenses	**535,719**	**628,169**	**-14.7**
Procurements	-267,946	-343,573	-22.0
Reduction in inventories of finished goods and work in progress	-8,202	0	-
Utilities and supplies	-72,194	-96,171	-24.9
Staff costs	-84,296	-83,127	1.4
Other operating expenses	-98,398	-97,461	1.0
Allocation of provisions and other extraordinary expenses	-4,683	-7,837	-40.2
Ebitda	**49,601**	**60,904**	**-18.6**
Depreciation and amortisation	-30,329	-26,576	14.1
Impairment losses on non-current assets	-4,335	-5,615	-22.8
Ebit	**14,937**	**28,713**	**-48.0**
Net finance costs	-5,698	-6,014	-5.3
Net exchange differences	-2,254	-74	-
Profit before tax	**6,985**	**22,625**	**-69.1**
Income taxes	-728	8,418	-
Profit for the period	**6,257**	**31,043**	**-79.8**
Earnings per share (euros)	**0.0610**	**0.2924**	**-79.1**

RECONCILIATION OF ADJUSTED EBITDA

Thousands of euros	2020	2019	Change (%)
Ebitda	**49,601**	**60,904**	**-18.6**
Atypical income items	-3,777	-5,381	-29.8
Atypical expense items	4,683	7,837	-40.2
Adjusted ebitda	**50,507**	**63,360**	**-20.3**

ECONOMIC ANALYSIS OF THE BALANCE SHEET

Thousands of euros	31/12/2020	31/12/2019	Change (%)
Non-current assets	**356,562**	**359,713**	**-0.9**
Working capital	**29,839**	**64,870**	**-54.0**
Current assets	148,609	184,470	-19.4
Current liabilities	-118,770	-119,600	-0.7
Funds used	**386,401**	**424,583**	**-9.0**
Equity	**284,215**	**292,083**	**-2.7**
Net financial debt	**84,832**	**110,171**	**-23.0**
Provisions and other borrowings	**17,354**	**22,329**	**-22.3**
Origin of funds	**386,401**	**424,583**	**-9.0**

BREAKDOWN OF FINANCIAL DEBT

Thousands of euros	31/12/2020	31/12/2019	Change (%)
Loans	66,471	77,097	-13.8
Obligations under finance leases	9,145	13,378	-31.6
Working capital financing	55,794	92,060	-39.4
Gross financial debt	**131,410**	**182,535**	**-28.0**
Cash	-39,931	-61,117	-34.7
Deposits	-6,647	-11,247	-40.9
Net financial debt	**84,832**	**110,171**	**-23.0**

F. RESULTS BY BUSINESS

By business, the **chlorine derivatives division** experienced the largest drop in ebitda in 2020 compared to 2019 (-28.3%). This drop is due to the reduction in both the volume of products sold (-8.7%) and the sale price of this division’s products (-7.3%).

The price of caustic soda, in particular, began to drop as early as mid-2018, after resolving the problems relating to product unavailability following the discontinuation of the mercury plants in Europe. This was followed by a brief period of appreciation, coinciding with mobility restrictions and the closure of non-essential activities in the wake of the covid-19 pandemic, which led to a sharp drop in demand for chlorine-using products and in turn to a decrease in the supply of caustic soda. Lastly, the subsequent reopening of non-essential activities led to an increase in demand, which was higher for the main consumers of chlorine than for caustic soda. Therefore, there was an oversupply of caustic soda, which put an end to the period of appreciation for this product and put its price back on the downward trend started in mid-2018.

So far in 2020, hypochlorite has also experienced a significant drop in price because, particularly in the Iberian Peninsula, there has been an increase in supply, due to the expansion of installed capacity, in a situation of weak demand in sectors related to tourism, hospitality and recreational water.

The **intermediate chemicals division** experienced the smallest drop in ebitda in 2020 compared to 2019 (-5.1%). The ebitda/sales ratio therefore increased from 7.8% in 2019 to 8.8% in 2020. The drop in revenue from product sales (-16.3%) was offset by the decrease in variable costs.

Furthermore, due to the diversification of its sales, this division was able to benefit from the gradual recovery of the markets after the first wave of covid-19.

Finally, regarding the **pharmaceuticals division**, despite being the only division whose sales did not fall in 2020, ebitda dropped by 12.6% during this period, affected in the second half of the year by the devaluation of the dollar against the euro and by the temporary drop in sales of one of its main products, fusidic acid, as a result of patients having less access to non-hospital treatments due to the pandemic. Sales of the rest of the division's products increased, although, in some cases, with a reduction in prices and an increase in the cost of raw materials.

BUSINESS RESULTS

Thousands of euros	2020	2019	Change (%)
Chlorine derivatives division			
Product sales	330,961	391,635	-15.5
Adjusted ebitda	27,191	37,944	-28.3
Adjusted ebitda/product sales (%)	8.2	9.7	-15.2
Intermediate chemicals division			
Product sales	158,737	189,587	-16.3
Adjusted ebitda	13,961	14,708	-5.1
Adjusted ebitda/product sales (%)	8.8	7.8	13.4
Pharmaceuticals division			
Product sales	57,538	57,515	0.0
Adjusted ebitda	9,355	10,708	-12.6
Adjusted ebitda/product sales (%)	16.3	18.6	-12.7

G. OUTLOOK

The uncertainty caused by covid-19 continues, along with the difficulty in making a reliable forecast regarding the performance of the chemical business in general and of Ercros' results in particular.

Despite this, we believe that the recovery observed in the fourth quarter of 2020 will continue in the first quarter of 2021 and, foreseeably, also in the rest of the year due to: (i) the gradual increase in demand associated with the economic recovery; and (ii) the prolongation of the PVC bonanza due to the increase in public works and aid for construction financed with European funds.

On the other hand, the disruption of the operations of several chlorine-caustic soda facilities on the North American Gulf coast, as a result of the intense cold wave that occurred in that area in mid-February, could strengthen this forecast if one of its consequences is the shortage of caustic soda in the market. If this forecast is fulfilled, the long downward path of the price of caustic soda, which began in mid-2018, could soon see its end, thereby anticipating the start of the recovery of this product, which was not expected until the second half of 2021. Sodium chlorite and TCCA will be left out of these market pressures and will continue to show a good price level throughout 2021.

We are also optimistic about the performance of the intermediate chemicals division and expect the recovery it showed in the last quarter of 2020 to be consolidated. Regarding the pharmaceuticals division, we are confident that the fusidic acid market will recover as the pandemic subsides —as a result of the vaccination process— and healthcare returns to normal in the treatment of non-covid-19 diseases.

Barcelona, 26 February 2020