

**REPORT OF THE BOARD OF DIRECTORS ON THE JUSTIFICATION OF THE  
PROPOSAL TO VOTE AGAINST THE FIRST AND ONLY POINT OF THE CALL  
SUPPLEMENT**

**(Item 8<sup>th</sup>. of the agenda of the meeting)**

## **1. Approach**

The board of directors of Ercros, S.A. ("Ercros" or "the Company") has issued this report at its meeting on May 20, 2025, in compliance with the provisions of Article 518 of the consolidated text of the Spanish Corporate Enterprises Act ("CEA"), approved by Royal Legislative Decree 1/2010, of July 2, in relation to the first and only point of the request for a supplement to the call to the general meeting of shareholders of the Company, called for June 26, 2025, at 12:00 noon, on first call, and, if the necessary quorum is not met, on June 27, 2025, at the same place and time, formulated by shareholders holding 3.90% of the share capital, notified to the Company on May 16, 2025.

The request for a supplement to the call to the general meeting contains the following proposal for resolution to be submitted to the shareholders for approval (included as item 8<sup>th</sup>. of the agenda of the general meeting):

*"Examination and approval, if applicable, of the distribution of a dividend charged to reserves, at a rate of EUR 0.096 per share, and consequent revocation of any previous resolution of the meeting, leaving it without effect in the part that contradicts this one. Delegation of powers to the board of directors to set the conditions of the distribution in all matters not foreseen by the general shareholders' meeting."*

## **2. Recommendation for vote**

The justification contained in the call supplement is based on the Company's economic-financial report closed on December 31, 2024, from which it appears that the voluntary reserves amount to EUR 298,979 thousand. To this effect, the shareholders requesting the call supplement point out that of *"of these almost three hundred million euros, corresponding to undistributed dividends, a substantial part has been produced in the last three years, so that in 2021 EUR 32,479,640.98 were allocated to voluntary reserves, which in 2022 amounted to EUR 49,242,092.67 and EUR 18,047,758.69, in 2023."*

Having noted the above, the shareholders who request the supplement recall that the CEA, on the one hand, recognises the right of shareholders to participate in the company's profits, and, on the other, establishes that the distribution of dividends can be made not only against the profits of the year, but also against freely available reserves. provided that the applicable legal and statutory requirements have been met.

It is added that *"the poor management over the past year does not allow us to distribute dividends out of current profits"*, being, however, possible in accordance with the aforementioned regulations to distribute a dividend from voluntary reserves, as a *"recognition of the loyalty of the shareholders of Ercros"*. On the other hand, the shareholders requesting the supplement point out that this distribution of dividends should be made *"before the resolution of the public takeover bids currently pending for Ercros. S.A."*.

We understand that the reasoning followed by , the shareholders who request the supplement is not correct, so we set out below:

- (i) The proposal for the distribution of dividends from voluntary reserves sought by the shareholders requesting the supplement is presented in a particularly delicate context for the Company. Indeed, beyond the negative result recorded by the Company in 2024 (EUR 11.61 million), in the first quarter of 2025, Ercros has recorded losses of EUR 12 million, with an adjusted ebitda of close to EUR 0.3 million, which reflects structural weakness in demand, pressure on margins, and high energy costs, which continue to erode Ercros' profitability.

The situation in which the Company finds itself is not exclusive to Ercros, nor does it respond to the result of the management of the last year. On the contrary, as can be seen from all the publications produced on the current situation, this is a situation shared by the entire European chemical sector, affected by a crisis of competitiveness vis-a-vis the USA and Asia, exacerbated by the tariff war initiated by the USA. Against this backdrop, the International Monetary Fund has adjusted its growth forecast for the European economy in 2025 downwards, confirming that the prospects for recovery are uncertain and subject to the evolution of external geopolitical and economic factors.

- (ii) Although Ercros maintains a reasonable liquidity position (EUR 92 million) and has voluntary reserves of EUR 298.9 million, the deterioration of its income statement requires the board of directors to be extremely prudent in the management of the Company's own funds.

Indeed, although the CEA allows dividends to be distributed from freely available reserves, their possible use for these purposes must be carefully assessed, considering the current economic situation, the corporate interest and the strategic plans of the Company.

It is clear that voluntary reserves are not surplus resources available without opportunity cost; they are an essential tool to face the current difficult context and finance future investments.

In this sense, it should be remembered that Ercros is immersed in the execution of the 3D Plan, aimed at digitalisation, decarbonisation and diversification. This plan requires resources sustained over time to ensure the future viability of the Company and its ability to adapt to the structural challenges of the sector. It follows that a dividend payout at this time could compromise this strategy and weaken Ercros' competitive position in the medium term.

For all of the above, we consider that the proposal to distribute dividends from voluntary reserves is not timely or prudent in the current economic and strategic context of Ercros. Far from strengthening Ercros' position, it would compromise its ability to respond to a highly volatile and competitive environment and weaken its capacity for future investment.

Considering the above, the board of directors proposes to vote against the proposal contained in the first single point of the request for a call supplement (item 8<sup>th</sup>. of the agenda of the general meeting), consisting of approving the distribution of the dividend not distributed from the Company's voluntary reserves.

Daniel Ripley Soria  
Secretary of the board of directors of Ercros

Barcelona, May 20, 2025